

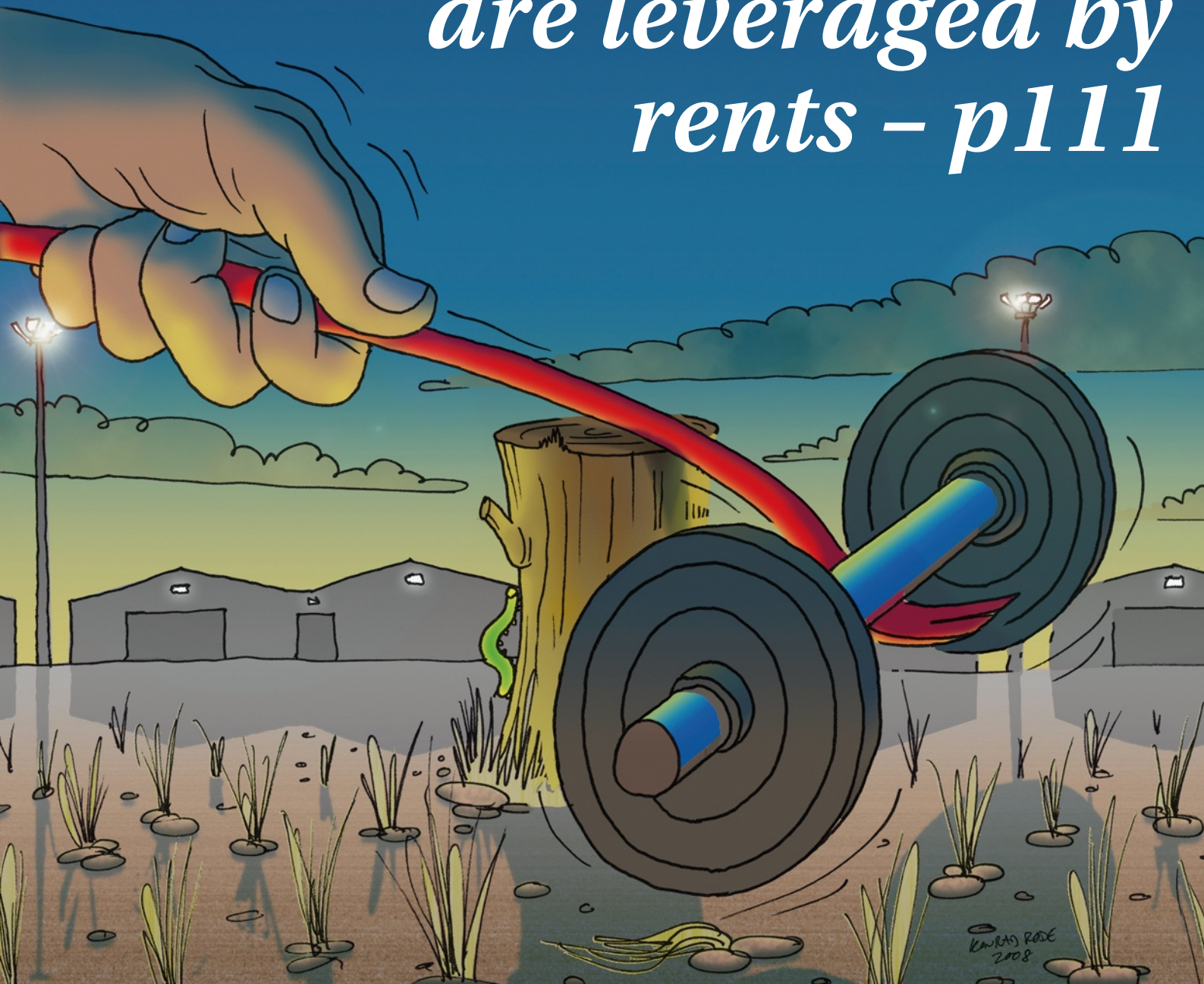


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2008
:4

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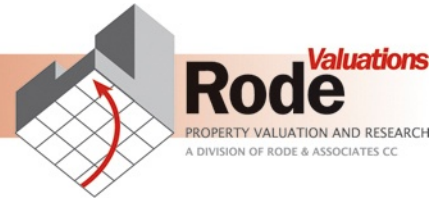
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Rode also advises private clients on the development potential of specific properties and/or land disposal strategies. This is done in collaboration with our expertise as property economists. RodePlan's clients include property owners, developers,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

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CAMA is about the systematic valuation of groups of properties using standardised procedures and statistical testing, involving the use of personal computers. Hence, CAMA techniques emphasise (regression) equations, tables and schedules, collectively called models. This leads to consistency in valuations, transparency of models and data inputs, significant cost savings over time and timeous revaluations. CAMA was used by the City of Cape Town for its most recent general valuations (GV2000 and GV2007).

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- 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



■ 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/town-ship, 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.



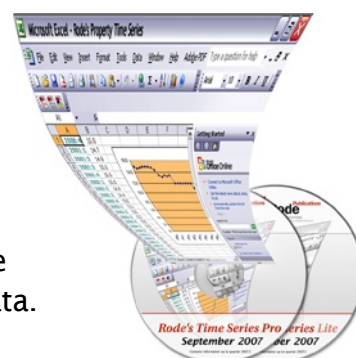
■ Rode's Retail Report on South Africa

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

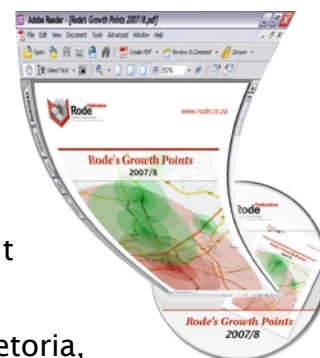
Rode updates and rents out approximately 5 000 property time series, which offer property researchers and analysts a unique opportunity to analyse sub-markets – from office, industrial and residential rentals to capitalization rates and house prices covering more than two decades. A Pro and a Lite database 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.

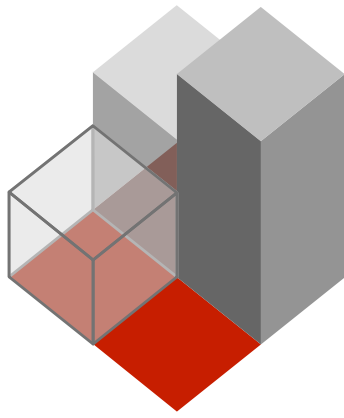


■ Rode's Growth Points

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

- **Identifies** areas of growth and stagnation in order to direct investment strategy
- Interactive maps offer a spatial view and interpretation of Rode's industrial and office data, including current levels and historic growth rates
- Nine South African cities are included: Johannesburg, Pretoria, Cape Town, Durban, Port Elizabeth, East London, Bloemfontein, Nelspruit, Polokwane
- This product complements *Rode's South African Property Trends*, which comprises 6-year forecasts by city and property type. Together with *Rode's South African Property Trends*, this is the ultimate tool in the hands of management for determining investment strategy
- *Rode's South African Property Trends* determines **timing** of investment while *Rode's Growth Points* determines the optimal geographic **location** of such investments
- Updated once a year
- Price on enquiry





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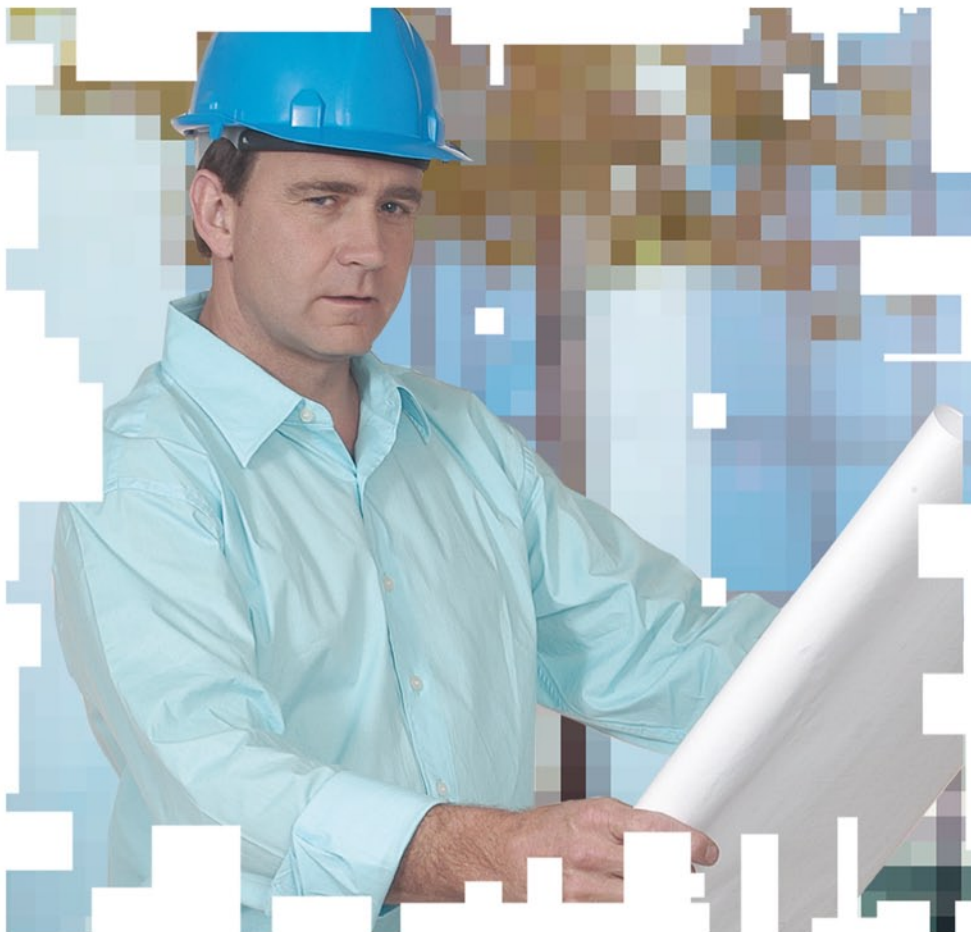
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MX	Maxprop Group (Pty) Ltd	0312517300
NA	Maryna's Eiendomme	0543325670
ND	Nedbank Corporate Property Finance Cape region	0214167050
NE	Newbridge Property Services	0219139131
NP	Natal Property Consultants	0333451515
NR	National Real Estate	0514059933
OC	Omicron Commercial Property Brokers (Pty) Ltd	0219147363
OD	Oudtshoorn Eiendomme	0442725895
OM	Old Mutual Investment Group Property	0313661811
OP	Omniwest	0216836077
PA	Pace Property Group	0112175959
PC	Propco (1985) (Pty) Ltd	0312090161
PD	Property Active Centurion	0126534443
PE	Property Scene Group CC	0413734146
PF	Permanent Trust Property Group	0214418800
PG	Proximo	0176312033
PH	President Estate & General Agents (Pty) Ltd	0118738707
PI	PHG Property Group	0514488831
PK	Philips Property Brokers	0117826007
PL	Pears Property Consultants	0217623474
PN	Properagation Estates	0219146444
PQ	Pro-Net Estates	0132433113
PR	Homenet Propman Estate Agents	0343125841
PX	Pillay Properties	0216857710
PY	Property Finders	0215510099
QU	Quadrant Properties	0115309840
RA	Real Estate & Property Services	0119581405
RB	Rina Grobler Eiendomme	0122521691
RC	Realty Executive	0118671355
RD	Redefine Income Fund	0112830028
RE	Nr One Real Estate Property Group	0419926609
RE	Realty 1 - ELK	0137527135
RE	Realty 1 - Mafikeng	0183814057
RF	Fraser & Hurd (Pty) Ltd/Fraser Properties	0413654445
RF	Rent-A-Flat Randburg	0117891007
RG	Rabie Property Group (Pty) Ltd	0215507000
RM	Remax Bay Properties	0415850771
RM	Remax Team Ladysmith	0366312414
RM	Remaz Winners	0157815843
RN	Rhonaís Estates	0184687108
RO	Reef Property Consultants	0116821827
RP	IPIC Property Management	0219196624
RS	Rawson Properties Milnerton	0215587102
RT	RMB Properties	0214101169
RU	Ronloth Marketing (Pty) Ltd	0118316980
RW	Ron Weisz Estates	0117824621

RX	Rand Commercial Broking	0117898684
RY	Rita Stipek Properties	0152954537
RZ	Oriprops	0137528091
SA	Secunda Eiendomme	0176312645
SC	Stockton Property Consultants	0114259857
SD	Schutz en de Jager Eiendomme	0517530714
SE	Saambly Eiendomme	0163412197
SF	Seeff Commercial Randburg	0114763536
SF	Seeff Commercial Properties Pretoria	0126632900
SF	Seeff Commercial	0214199133
SF	Seeff Durbanville & Brackenfell	0219755290
SF	Seeff Properties	0157817281
SF	Seeff Properties George	0448744802
SF	Seeff Rentals	0824139482
SK	Msele Property Brokers	0415851121
SL	SA Land National Land Brokers	0114750544
SN	Selection Estates	0867555545
ST	Invesco Property Investments	0219489466
SV	S Kamstra Valuations	0137554957
SX	Status Mark	0116680100
SY	Stratford Property Ventures	0117070300
SY	Stratprop	0828054425
TD	Theo Goosen Estate Agents	0152959014
TE	Trust & Estate Co.	026461231224
TF	Homenet TEF Realtors	0357724011
TH	Trevor Hosiosky Investment Properties	0117834567
TO	Total SA (Pty) Ltd	0117782000
TO	Total SA (Pty) Ltd	0214134047
TO	Total SA (Pty) Ltd	0827703545
TR	Trafalgar Property Management	0112145200
TR	Trafalgar Property Management	0123265963
TR	Trafalgar Property Management	0214105500
TR	Trafalgar Property Management	0313017017
TR	Trafalgar Property Management	0437266066
TS	TD Labuscagne Real Estate Valuations	0315024899
TY	Theodore Yach Property Services	0824417784
VE	Vero Property Investments (Pty) Ltd	0824419324
WA	Wall & Smith Property Consultants	0217972552
WJ	Warren Jack Property Group (M squared)	0413656200
WK	Wakefields Property Management (Pty) Ltd	0312047400
WM	Mick Webb Consulting	0437211101
WN	Wendy Machanik Properties	0118808500
WO	Wingprop	0117253035
WO	Woodbridge Estate	0118070601
WP	Wingprop	0117253035
ZA	Currie Group (Pty) Ltd	0114654000
ZB	Sotheby's International Realty East London	0437260111
ZB	Sotheby's International Realty George	0827835784
ZB	Sotheby's International Realty Port Elizabeth	0413630168
ZE	Zenith Properties	0562123207
ZM	Sean Mallach Properties	0219464322
ZZ	Anon	



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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 fourth issue of *Rode's Report on the South African Property Market (RR)* for 2008, which reports on surveys conducted in the third quarter of 2008.



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.

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

If you want to communicate with a specific niche market, you can contact **Lynette** on 082-323 5799 for **RR advertising rates**.

Suzette Meerkotter is in charge of expanding our survey panel; her 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 **Suzette** on 011-888 5159 – 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

19 November 2008

A Corporate Building

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Chapter 1: State of the property market

State of the property market in quarter 3 of 2008

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

- Capitalization rates' tide turning.
- Office market continues to enjoy double-digit rental growth.
- Cooling industrial rental growth.
- Stalling house prices.

- Building-cost inflation collapsing?

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 2008:3) with that collected a year earlier.

Table 1.1		
The property market at a glance at quarter 2008:3*		
% growth on four quarters earlier (on smoothed data)		
	Nominal	Real**
Prime CBD office rentals		
Johannesburg	20,0	7,3
Pretoria	26,3	12,7
Durban	8,3	-3,1
Cape Town	9,6	-1,6
Prime decentralized office rentals		
Sandton CBD	16,8	5,0
Randburg Ferndale	14,8	2,8
Brooklyn/Waterkloof (Pta)	34,4	20,6
Hatfield	14,1	2,2
Berea (Durban)	21,2	8,7
La Lucia Ridge	14,4	2,6
Claremont (CT)	37,2	22,7
Tyger Valley	9,2	-2,1
* Unless otherwise specified		
** Nominal values deflated by BER Building Cost Index; however, house prices are deflated using the Haylett index.		

Table 1.1 (continued)
The property market at a glance at quarter 2008:3*
 % growth on four quarters earlier (on smoothed data)

	Nominal	Real**
Prime industrial rentals (500m² units)		
Central Witwatersrand	12,0	0,3
Pretoria metro	11,1	-0,6
Durban metro	27,1	13,9
Cape Peninsula	10,1	-1,3
Port Elizabeth	21,3	8,6
House prices (all classes) * * *		
Johannesburg metro	-0,5	-15,2
Pretoria metro	-6,9	-20,6
Durban metro	-1,5	-16,0
Cape Town metro	1,2	-13,7
Port Elizabeth	7,0	-8,7
Flat rentals (standard quality, all sizes)		
Johannesburg metro	9,1	-2,8
Pretoria metro	14,6	2,2
Durban metro	13,6	1,2
Cape Town metro	10,1	-1,9
Port Elizabeth	11,4	-0,7
* Unless otherwise specified ** Nominal values deflated by BER Building Cost Index; however, house prices and flat rentals are deflated using the Haylett index and the Consumer Price index respectively. *** Based on Absa's house price indices		

Capitalization rates

The non-residential property market is still going through a period of price discovery, with few transactions taking place. This is so because the potential sellers are generally under no pressure — in contrast to Anglo-American markets. Nevertheless, it looks as if the tide has now finally turned, with capitalization rates on all non-residential property types pointing sharply north in the third quarter of 2008.

What with the prospects of making respectable capital returns, especially on industrial and office property, still looking fairly favourable, the deterioration in market sentiment can most likely be attributed

to a reduction in investment demand. Naturally, a drop in investment demand, on the back of increased uncertainty (read economic/financial/political), and the now higher cost of financial gearing, without a concomitant reduction in investment supply, will lead to a drop in prices, which per definition, would result in rising market capitalization rates.

Hurdle and escalation rates

Our survey results for the third quarter of 2008 show that, depending on the property type and to a lesser extent, the location, investors required a minimum before-tax total return of roughly 14% to 17% to in-

duce them to purchase non-residential directly-held property.

Listed property

After strengthening (decreasing) between June and August 2008, and buoyed by improved expectations regarding domestic inflation, net income yields on property loan stocks (PLSs) once again weakened (increased) in September and October 2008.

This time, the reversal in market sentiment, and its adverse effect on share prices, can most likely be attributed to emerging market risk aversion, on the back of world recession fears and continued financial market turmoil, especially in the larger developed economies. Between the end of August and October, PLS yields weakened (increased) from about 7,6% to about 8,9%, consequently resulting in a contraction in prices of about 11,5%. What's more, when compared to the same month a year earlier, prices in October 2008 were as much as 26% lower, while income yields were up by nearly 3% points.

Office rentals

In the third quarter of 2008, nominal rentals for prime space in most of the country's top decentralized areas once again showed robust growth. On average, nominal rents in Pretoria (+21%), Durban (+16%), Johannesburg (+13%) and Cape Town (+13%) all grew by double-digit rates in excess of the expected building-cost inflation rate of 12%. Naturally, one can infer that this strong rental growth was still supported by low office vacancy rates and high and rising replacement costs.

Industrial market

After accelerating impressively off a low base over the past few years, growth in

industrial rentals seems to have started to cool down more recently. The exception is Durban.

Over the past few years, robust demand for industrial space (on the back of a strong economy) and high replacement costs resulted in accelerating double-digit rental growth in all of the major industrial conurbations. Moreover, in most cases this growth was consistently above that of building-cost inflation. However, in recent quarters growth has started to moderate. In the third quarter of 2008, for example, only Durban (+21%) was able to outperform the expected growth in building-cost inflation (+12%). In the Central Witwatersrand, the Cape Peninsula and Port Elizabeth, rental growth rates of 12%, 10% and 9% respectively were achieved.

Flat rentals

Nationally, over the past three years the growth in flat rentals has been roughly in line with consumer price inflation.

More specifically, flat rentals in the metropolises of Johannesburg, Pretoria and Cape Town all recorded growth rates akin to those of CPI (+9% p.a.) over the past three years, while in Durban (+12% p.a.) and Port Elizabeth (+11% p.a.) the nominal rentals marginally outperformed inflation.

The house market

Until the magnitude of the drivers of house prices changes significantly, no turnaround is in sight for the stagnating house market. However, no crash in nominal prices is on the cards either because for this to happen banks would have to go on a serious foreclosure spree.

In October 2008, house-price growth continued to trend south with prices only 1,2% up on the same month a year earlier.

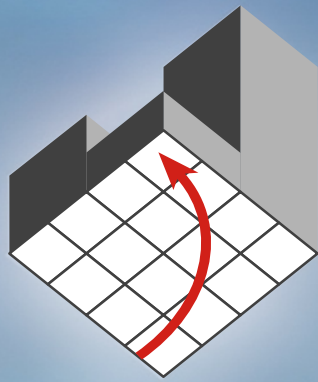
House-price growth has been in deceleration mode since 2004 largely owing to the affordability constraint. This was brought on by house prices growing for a number of years at a rate well in excess of disposable incomes as well as rising interest rates. Despite the Monetary Policy Committee's decision to keep interest rates on hold at their last two meetings, the demand for residential space to own is expected to remain weak owing to the un-affordability of houses, brought on by high borrowing costs (interest rates), sky-high *real* prices, stern borrowing requirements, high household debt levels and weaker general economic conditions at home and abroad.

The building industry

An interesting observation in recent quarters has been the acceleration in building-input-cost inflation, while building-contract-cost inflation has been decelerating. From a building contractor's point of view, this sounds like "stagflation".

The Haylett index, which is a measure of all input costs in the building industry, espe-

cially materials and labour, has since the end of 2007 entered an accelerating growth trend, while in contrast the growth in the BER Building Cost Index (BCI), which measures pre-contract non-residential building-costs (including the profit margins of contractors), has started to decelerate. In the third quarter of 2008, for example, building-input-cost inflation (Haylett) is expected to have grown by about 16%, while building-cost inflation (BER BCI) is expected to have recorded growth of roughly 12%. The BER's *Building & Construction* survey for the third quarter of 2008 shows that tendering competition amongst non-residential contractors has, since the second quarter of 2007, started to increase on the back of a moderation in building activity. Naturally, keener tendering competition does imply that building contractors now have to trim their profit margins, which in turn can lead to lower building-cost inflation. What's more, a quarter-on-quarter annualized growth rate of -9% in the BER BCI, does serve to reveal the current weakness in the building-construction industry, implying a tumbling in building contract costs compared with the previous quarter. This figure, although provisional, is supported by anecdotal evidence. ■



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Rode's valuation approach is underpinned by, *inter alia*, regular and rigorous market surveys, capitalization rate estimates based on regression models and techniques, and the opportunity cash flow (OCF) method. This ensures uniform and realistic market valuations, and largely avoids forecasting. In addition, Rode operates nationally which results in a unique overview of the South African property market.

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Chapter 2: Capitalization rates

The tide has seemingly turned

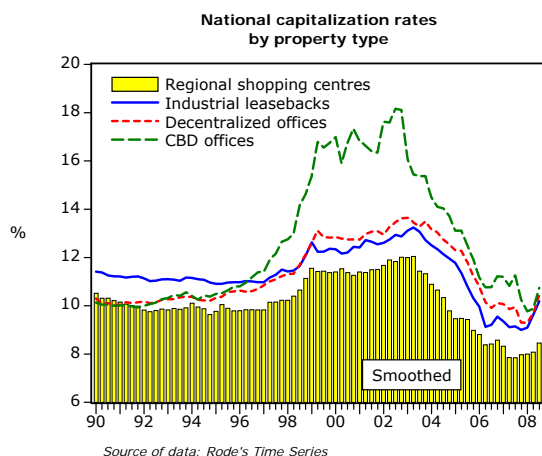
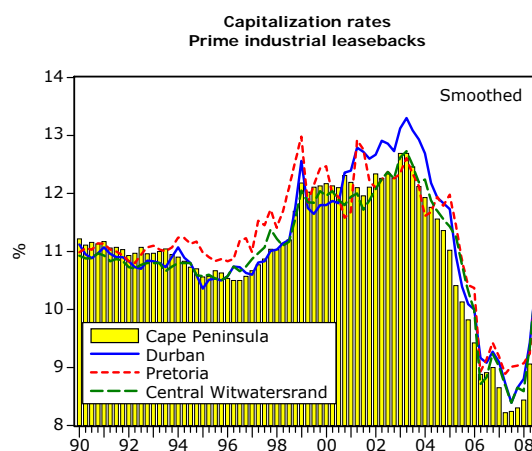
Written by John S. Lottering

The non-residential property market is still going through a period of price discovery, with few transactions taking place. This is so because the potential sellers are generally under no pressure — in contrast to Anglo-American markets. Nevertheless, it looks as if the tide has now finally turned, with capitalization rates on all non-residential property types pointing sharply north in the third quarter 2008.

What with the prospects of making respectable capital returns, especially on industrial and office property, still looking fairly favourable, the deterioration in market sentiment can most likely be attributed to a reduction in investment demand. Naturally, a drop in investment demand, on the back of increased uncertainty (read economic/financial/political), and the now higher cost of financial gearing, without a concomitant reduction in investment supply, will lead to a drop in prices, which per definition, would result in rising market capitalization rates.

Prime industrial leasebacks

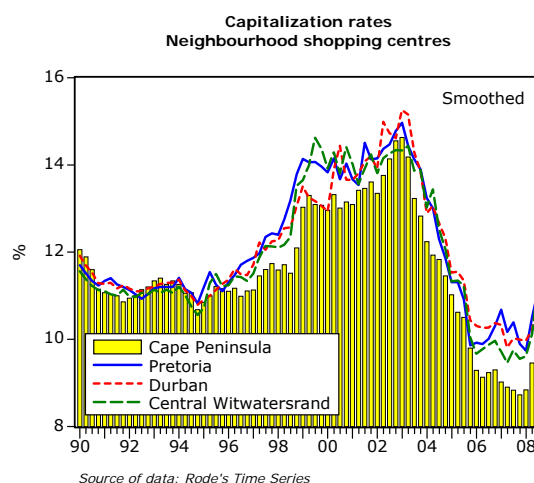
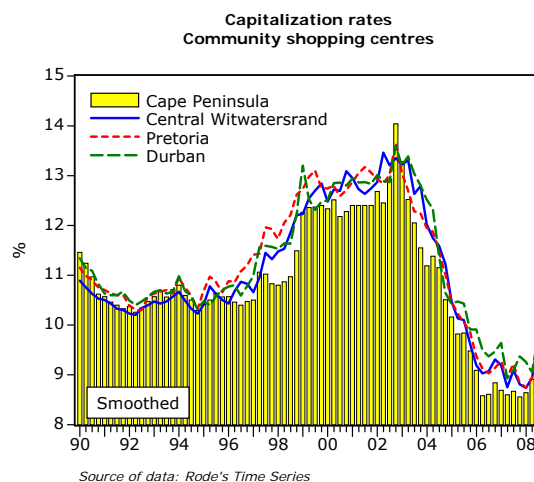
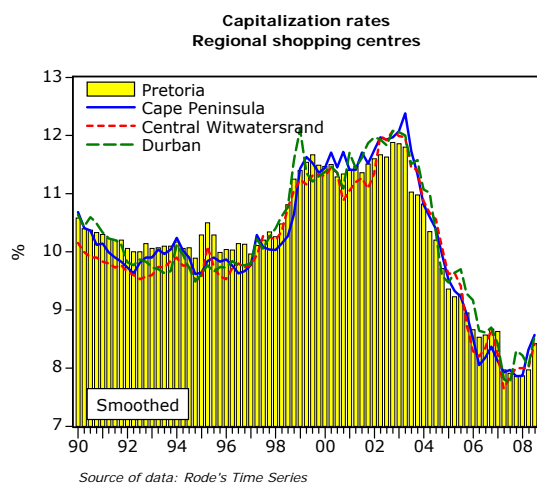
On the face of it, capitalization rates for prime industrial leasebacks are feeling the pinch of weaker investment demand the most, probably because they are more sensitive to changes in interest rates, considering their hybrid nature — part financial instrument, part property. The jump becomes clear when comparing current levels to their previous four-quarter average (refer [Table 2.9](#))



Shopping centres

In the third quarter of 2008, capitalization rates on regional shopping centres in the Cape Peninsula, Durban, the Central Witwatersrand and Pretoria were also marginally up. On average, investors still required a minimum income return of about 8,5% with a standard deviation of roughly 1% point.

However, the weakening (increase) in shopping-centre capitalization rates was more obvious in the smaller centres with cap rates up by as much as 1% point when compared to the mean capitalization of the previous four quarters (refer **Table 2.10**). The market is telling us that the smaller centres are being squeezed harder. This is logical, considering the risk of mom-and-pop shops going bust in these times.



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

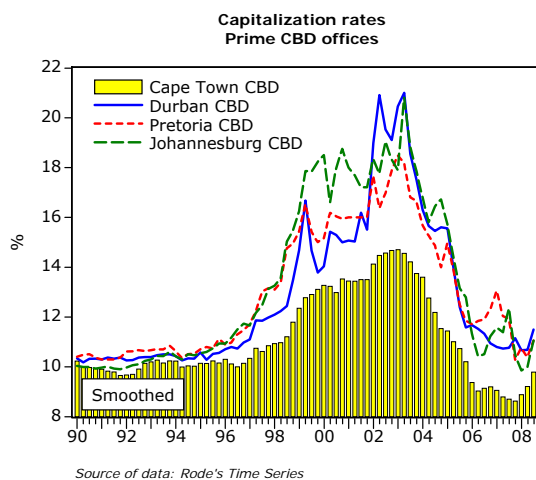
Interpretation tip: It is dangerous to rely on one quarter's figure, as it may be an outlier owing to small sample sizes. Instead, consider the trend or contemplate using the average of at least two quarters for a more accurate assessment. For this reason, the graphs accompanying this article are smoothed.

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 it assumes a cash transaction. All references in Rode's Report to "cap rates" and "capitalization rates" mean "standard capitalization rates".

Nowadays, **capitalization rates for CBDs** (excluding the Cape Town CBD) are of little use. This is because capitalization assumes that the future cash flow will grow, at a constant growth rate, **in perpetuity**. In the decaying CBDs, this assumption does not hold in many instances.

Prime CBD offices

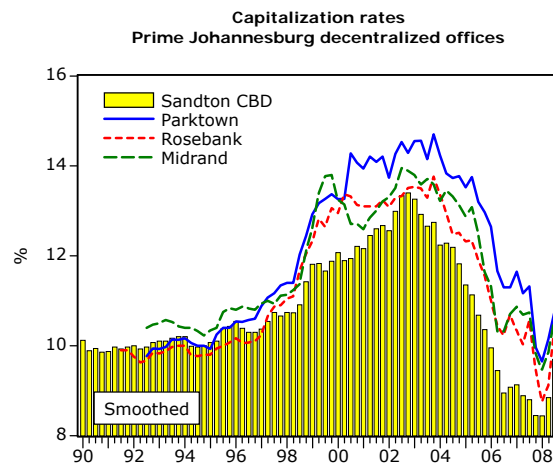
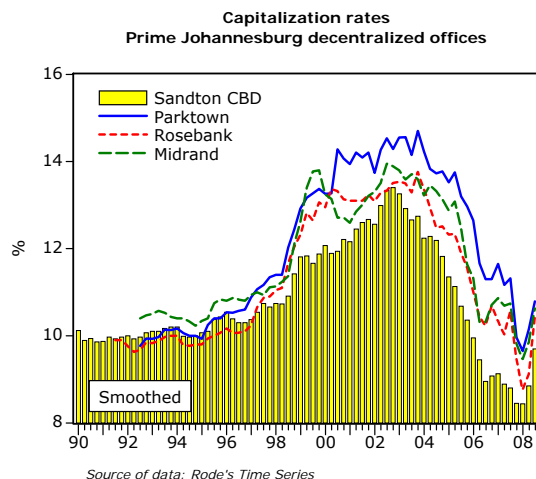
Capitalization rates for prime office property in the CBDs showed the least upward movement when compared to their previous four-quarter averages. Nonetheless, in the reporting quarter, capitalization rates for prime multi-tenanted office property in the CBDs of Johannesburg, Pretoria and Durban ranged between 11% and 11,5%. In contrast, prime properties in the Cape Town CBD were still being traded at prices equivalent to forward-net-income yields (cap rates) of about 9,8%.



Prime decentralized offices

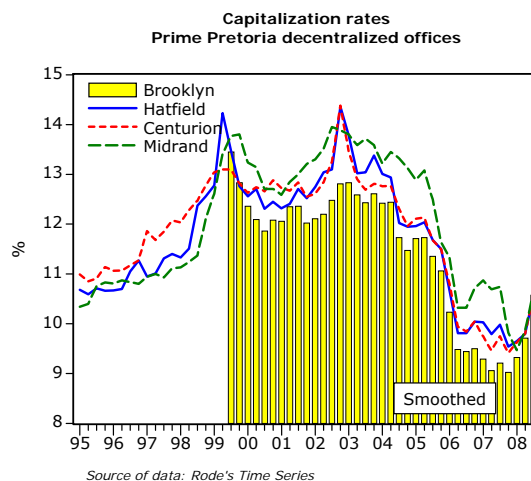
Johannesburg decentralized

Capitalization rates in all of the Johannesburg decentralized office nodes also moved north in the reporting quarter. The lowest Johannesburg capitalization rate was recorded in the Sandton CBD, where investors required a minimum income return of roughly 9,7%. The standard deviation of 1% does of course mean that the cap rate can easily be as low as 8,7% or as high as 10,7%. Prime-quality office properties in the other top decentralized nodes generally traded at around prices equivalent to forward-net-income yields of about 10,6%.



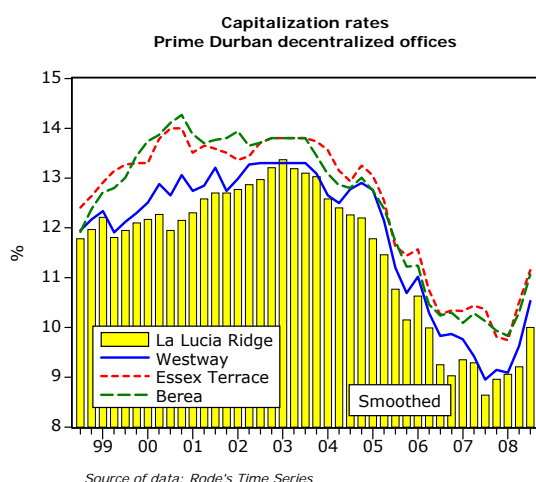
Pretoria decentralized

Similar to the Johannesburg decentralized, the overall capitalization rate trend in Pretoria decentralized was also north. Prime office capitalization rates all averaged around the 10,6% mark up with a standard deviation of about 1% point.

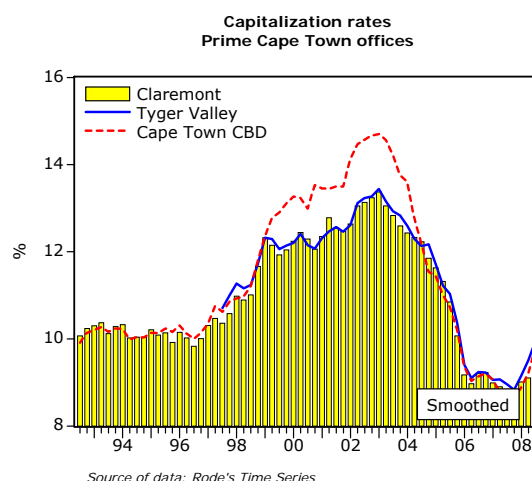


Durban decentralized

The third-quarter capitalization rate survey results also suggest that investors in Durban required marginally higher income returns to hold office property. In La Lucia Ridge, capitalization rates averaged around the 10% mark with a standard deviation of roughly 1% point.



tralized office areas, that is, weaker (higher) minimum income returns during the third quarter of the year. Nonetheless, in major decentralized office nodes like Tyger Valley, Century City, Westlake and Claremont capitalization rates of about 10% for grade A, with a standard deviation of 1%, are being achieved.



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

Cape Town decentralized

In Cape Town, the capitalization trend was similar to that observed in the other decen-

*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. xviii.

Table 2.1
Survey of capitalization rates (%)
Office buildings
Means for quarter 2008:3

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

n = Number of respondents

N/A = Not available

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

Table 2.2
Survey of capitalization rates (%)
Industrial buildings
Means for quarter 2008:3

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	10,8	0,7	3	10,8	0,3	3	11,3	1,0	4	11,5	0,7	2
West Rand	10,9	0,9	3	11,0	0,5	3	11,3	1,3	3	11,5	0,7	2
East Rand	10,8	1,1	2	10,9	0,5	2	11,1	1,6	2	11,3	0,4	2
Far East Rand	11,2	0,8	3	11,6	0,5	3	11,3	1,0	3	12,0	1,4	2
Pretoria	10,9	0,9	3	11,7	1,3	3	11,3	1,2	3	12,3	1,8	2
Vaal Triangle	11,3	1,1	2	11,4	0,5	2	11,0	N/A	1	11,4	1,9	2
Nelspruit	11,0	1,4	2	11,4	0,5	2	10,0	N/A	1	11,0	N/A	1
Polokwane	10,7	1,2	3	10,9	0,9	3	11,0	0,0	2	11,0	1,4	2
Durban	10,8	0,8	3	11,3	0,3	3	11,2	1,3	3	11,5	0,7	2
Pietermaritzburg	10,0	N/A	1	10,8	0,4	2	10,0	0,0	2	11,3	0,4	2
Cape Peninsula	10,1	0,8	8	10,8	0,8	9	10,4	1,0	8	11,4	0,7	8
Port Elizabeth	10,4	0,8	5	11,0	0,6	5	11,2	1,3	5	12,0	0,8	4
East London	10,0	0,0	6	11,0	0,0	6	10,0	N/A	1	12,7	0,8	6
Bloemfontein	9,5	0,7	2	-	-	-	9,5	0,7	2	11,5	0,5	3
Windhoek	N/A	N/A	0	N/A	N/A	0	12,0	N/A	1	13,0	N/A	1

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

Table 2.3
Change in capitalization rates (% points)
Office buildings
Means for quarter 2008:3 less quarter 2008:2

Best location	Grade A: multi	Grade A: leaseback	Grade B: multi	Grade C: multi	Broker & owner contributors
Johannesburg CBD	1,5	1,0	0,0	0,0	CR, RD
Braamfontein	1,1	0,9	0,0	0,0	CR, RD
Parktown	0,8	1,1	-0,3	-	CR, RD
Rosebank	1,6	1,4	0,8	0,0	AD, CR, RD
Sandton CBD	1,0	1,0	0,5	-	CR, RD
Rivonia	1,0	1,4	0,0	-	CR, RD
Bryanston	0,9	1,3	0,3	N/A	CR, RD
Sunninghill	1,0	1,4	0,3	N/A	CR, RD
Randburg Ferndale	0,6	1,0	-0,3	N/A	CR, RD
Midrand	0,9	0,8	0,5	N/A	CL, CR, RD
Germiston CBD	-	-	0,0	0,0	CR
Pretoria CBD	1,5	1,0	0,0	0,0	CR, RD
Hatfield	1,1	1,4	0,3	0,0	CR, RD
Brooklyn	1,1	1,4	0,3	0,0	CR, RD
Centurion	1,1	1,4	0,3	-	CR, RD
Menlyn/Lynnwood	1,3	1,6	0,3	0,0	CR, RD
Vaal Triangle	0,0	0,0	0,0	0,0	CR
Nelspruit	0,5	0,0	0,5	0,3	CR
Polokwane	-1,0	-1,0	-1,0	-0,5	CR, TG
Durban CBD	1,1	1,1	0,8	0,8	CR, MW, RD
Berea	0,8	0,6	0,0	0,0	CR, RD
Essex Terrace	0,5	0,6	-0,3	0,0	CR, RD
Westway	0,8	1,6	0,6	0,0	CR, MW
La Lucia Ridge	0,9	1,3	0,6	0,0	CR, MW, RD
Pietermaritzburg	0,8	0,9	0,3	0,0	CR, NP, RD
Cape Town CBD	0,7	0,6	0,7	0,8	AD, AN, BR, BZ, CR, ND, NP, OC, RD, ZZ
Bellville CBD	-	-	0,6	0,4	AN, CK, CR, ND, OC, ZZ
Bellville Tyger Valley	0,5	0,6	0,4	0,6	AN, BZ, CR, ND, OC, RD, ZZ
Century City	0,2	0,1	0,2	N/A	AN, BR, BZ, CR, ND, OC, RD, ZZ
Westlake	0,4	0,5	-0,4	N/A	AN, BR, CR, ND, ZZ
Claremont	1,0	0,7	0,4	1,1	AN, BR, BZ, CR, ND, RD, ZZ
Port Elizabeth	0,3	1,2	0,9	-0,4	AD, BD, CR, JP, MJ
East London	0,2	0,0	0,2	0,2	BG, CR, DQ, ER, GO, WM
Bloemfontein CBD	-1,0	-1,5	-0,8	-0,2	CC, CR, EK
Windhoek	N/A	N/A	N/A	N/A	TE

NB: The number of broker/owner codes does not necessarily match the sample size as indicated by the n in the table on page 9. This is so because several of our owner contributors wish to remain anonymous, but we do not show multiple ZZ codes in the table.

Table 2.4
Change in capitalization rates (% points)
Industrial buildings
Means for quarter 2008:3 less quarter 2008:2

Best location	Prime leaseback	Prime non-leaseback	Prime industrial park	Secondary quality building	Broker & owner contributors
Central Wits	1,1	1,0	0,5	1,6	AD, CL, CR, RD
West Rand	1,1	1,0	0,3	1,5	CR, RD, ZZ
East Rand	1,3	1,4	0,8	1,9	CR, GM, RD, ZZ
Far East Rand	1,2	1,3	0,8	1,1	CR, GM, RD
Pretoria	1,7	2,2	1,8	2,1	CR, GM, RD
Vaal Triangle	0,8	0,4	0,0	1,4	CR, RD
Nelspruit	1,0	1,4	0,0	0,5	CR, RD
Polokwane	-0,8	-0,6	1,0	-1,5	CR, RD, TG
Durban	1,2	1,2	0,8	1,5	CR, MW, RD
Pietermaritzburg	0,0	0,3	0,0	0,0	CR, NP
Cape Peninsula	0,8	1,2	1,0	1,1	AD, AN, BR, BZ, CR, CK, ND, OC, RD, ZZ
Port Elizabeth	0,9	0,5	0,7	1,2	BD, CR, JP, MJ, RD
East London	0,2	0,2	0,2	0,0	BG, CR, DQ, ER, GO, WM
Bloemfontein	-2,0	-	-0,8	-2,0	CC, CR, ED, EK
Windhoek	N/A	N/A	N/A	N/A	TE

NB: The number of broker/owner codes does not necessarily match the sample size as indicated by the n in the table on page 10. 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 2.5
Survey of capitalization rates (%): shopping centres
Means for quarter 2008:3

Best location	Super regional			Regional			Community		
	Mean	SD	n	Mean	SD	n	Mean	SD	n
Witwatersrand	8,4	1,2	2	8,6	0,9	2	10,0	1,4	2
Pretoria	8,4	1,2	2	8,6	0,9	2	10,0	1,4	2
Vaal Triangle	7,5	N/A	1	8,0	N/A	1	9,0	N/A	1
Nelspruit	7,5	N/A	1	8,8	1,1	2	10,1	1,6	2
Polokwane	8,8	1,8	2	9,5	1,5	3	10,8	1,6	3
Durban	7,5	N/A	1	8,8	1,1	2	10,1	1,6	2
Pietermaritzburg	7,5	N/A	1	8,0	N/A	1	9,8	1,1	2
Cape Town	8,6	1,5	9	8,6	0,7	9	9,7	1,3	10
Port Elizabeth	8,8	1,0	4	9,3	0,9	5	10,5	1,0	5
East London	N/A	N/A	0	N/A	N/A	N/A	9,8	0,4	6
Bloemfontein	N/A	N/A	0	N/A	N/A	N/A	8,3	0,5	4
Platteland	N/A	N/A	0	N/A	N/A	0	9,0	N/A	1
Townships	N/A	N/A	0	9,8	N/A	1	10,3	1,8	2
Windhoek	11,0	N/A	1	N/A	N/A	N/A	12,0	N/A	1

n = Number of respondents

N/A = Not available

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

Table 2.5 (continued)
Survey of capitalization rates (%): shopping centres
Means for quarter 2008:3

Best location	Neighbourhood			Local convenience			Retail warehouse		
	Mean	SD	n	Mean	SD	n	Mean	SD	n
Witwatersrand	11,7	1,0	3	12,3	0,4	2	11,7	0,8	3
Pretoria	11,3	1,1	2	12,3	0,4	2	11,3	0,4	2
Vaal Triangle	10,5	N/A	1	12,0	N/A	1	11,0	N/A	1
Nelspruit	11,3	1,1	2	12,4	0,5	2	11,5	0,7	2
Polokwane	11,8	1,3	3	12,9	1,0	3	12,3	1,5	3
Durban	11,3	1,1	2	12,3	0,4	2	11,5	0,7	2
Pietermaritzburg	10,8	0,4	2	11,5	0,7	2	11,0	0,0	2
Cape Town	10,4	1,4	12	10,8	1,4	10	10,6	1,3	9
Port Elizabeth	10,8	0,9	4	11,1	1,0	4	11,2	1,1	5
East London	10,1	0,2	6	10,3	0,8	6	10,2	0,4	6
Bloemfontein	9,6	0,8	4	10,1	1,4	4	9,3	1,5	3
Platteland	10,5	N/A	1	12,0	N/A	1	11,0	N/A	1
Townships	10,5	N/A	1	12,0	N/A	1	11,0	N/A	1
Windhoek	12,5	N/A	1	12,5	N/A	1	12,5	N/A	1

n = Number of respondents

N/A = Not available

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

Table 2.6
Survey of capitalization rates (%): street-front shops
Means for quarter 2008:3

Best location	Metro CBD			Decentralised		
	Mean	SD	n	Mean	SD	n
Witwatersrand	11,0	N/A	1	12,0	0,0	2
Pretoria	11,0	N/A	1	12,0	0,0	2
Vaal Triangle	11,0	N/A	1	12,0	N/A	1
Nelspruit	11,0	N/A	1	12,0	N/A	1
Polokwane	10,5	0,7	2	11,5	0,7	2
Durban	11,0	N/A	1	12,0	N/A	1
Pietermaritzburg	10,3	1,1	2	11,0	1,4	2
Cape Town	10,6	1,1	9	10,9	1,3	9
Port Elizabeth	12,0	1,2	4	11,6	1,1	4
East London	11,0	N/A	1	12,0	N/A	1
Bloemfontein	9,7	1,2	3	10,3	1,5	3
Windhoek	11,0	N/A	1	12,0	N/A	1

n = Number of respondents

N/A = Not available

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

Table 2.7
Change in capitalization rates (% points): shopping centres
Means for quarter 2008:3 less quarter 2008:2

Best location	Super regional	Regional	Community	Broker & owner contributors
Witwatersrand	0,9	0,6	1,0	AD, CR, RD
Pretoria	0,9	0,6	1,0	CR, RD
Vaal Triangle	0,0	0,0	0,0	CR
Nelspruit	0,0	0,8	1,1	CR, RD
Polokwane	0,0	0,0	0,3	CR, RD, TG
Durban	0,0	0,8	1,1	CR, RD
Pietermaritzburg	0,0	0,0	0,8	CR, NP
Cape Town	0,6	0,1	0,7	AD, AN, BR, BZ, CR, ND, OC, RD, RP, ZZ
Port Elizabeth	1,1	0,8	1,5	AD, BD, CR, JP, MJ, RD
East London	N/A	N/A	0,2	BG, CR, DQ, ER, GO, WM
Bloemfontein	N/A	N/A	-1,4	CC, CR, ED, EK
Platteland	N/A	N/A	0,0	CR
Townships	N/A	N/A	1,3	CR, DE
Windhoek	N/A	N/A	N/A	CR, TE

Table 2.7 (continued)
Change in capitalization rates (% points): shopping centres
Means for quarter 2008:3 less quarter 2008:2

Best location	Neighbourhood	Local convenience	Retail warehouse	Broker & owner contributors
Witwatersrand	1,4	0,3	0,7	AD, CR, RD
Pretoria	0,5	0,3	0,3	CR, RD
Vaal Triangle	0,0	0,0	0,0	CR
Nelspruit	1,3	1,1	1,3	CR, RD
Polokwane	-0,4	0,9	0,3	CR, RD, TG
Durban	1,0	0,3	0,5	CR, RD
Pietermaritzburg	0,5	0,3	0,3	CR, NP
Cape Town	0,7	0,6	0,5	AD, AN, BR, BZ, CR, ND, OC, RD, RP, ZZ
Port Elizabeth	0,6	-0,3	0,4	AD, BD, CR, JP, MJ, RD
East London	0,2	0,2	0,2	BG, CR, DQ, ER, GO, WM
Bloemfontein	-1,2	-0,1	-1,7	CC, CR, ED, EK
Platteland	0,0	0,0	0,0	CR
Townships	0,0	0,0	0,0	CR, DE
Windhoek	N/A	N/A	N/A	CR, TE

Table 2.8
Change in capitalization rates (% points): street-front shops
Means for quarter 2008:3 less quarter 2008:2

Best location	Metro CBD	Decentralised	Broker & owner contributors
Witwatersrand	0,0	0,0	CR, RD
Pretoria	0,0	0,0	CR, RD
Vaal Triangle	0,0	0,0	CR
Nelspruit	0,0	0,8	CR
Polokwane	-1,0	-1,5	CR, TG
Durban	0,0	0,0	CR
Pietermaritzburg	-0,5	0,0	BD, CR, NP
Cape Town	0,8	0,4	AD, AN, BZ, CK, CR, ND, OC, RD, ZZ
Port Elizabeth	3,0	0,9	CR, JP
East London	0,0	0,0	CR
Bloemfontein	-1,0	-1,0	CR, EK, ED
Windhoek	0,0	0,0	CR, TE

Table 2.9
Capitalization rate movement relative to average
of previous 4 quarters

Industrial leasebacks				
	4-quarter ave.	2008:3	difference	
Central Witwatersrand	8,7	10,5	1,7	up
Pretoria	9,1	10,4	1,3	up
Durban	8,8	10,5	1,7	up
Cape Peninsula	8,5	9,9	1,4	up

*Note that these are calculated on smoothed data, hence the 2008:3 figure may differ from the raw data in **Table 2.2**.*

Table 2.10
Capitalization rate movement relative to average
of previous 4 quarters

Regional shopping centres				
	4-quarter ave.	2008:3	difference	
Pretoria	7,9	8,4	0,5	up
Cape Town	8,0	8,6	0,6	up
Central Witwatersrand	8,0	8,4	0,5	up
Durban	8,1	8,6	0,5	up
Community shopping centres				
	4-quarter ave.	2008:3	difference	
Pretoria	8,9	9,7	0,8	up
Cape Town	8,7	9,5	0,8	up
Central Witwatersrand	8,9	9,7	0,8	up
Durban	9,2	9,8	0,6	up
Neighbourhood shopping centres				
	4-quarter ave.	2008:3	difference	
Pretoria	10,1	11,2	1,0	up
Cape Town	9,0	10,2	1,2	up
Central Witwatersrand	9,8	11,3	1,5	up
Durban	10,0	11,0	1,0	up

*Note that these are calculated on smoothed data, hence the 2008:3 figure may differ from the raw data in **Table 2.5**.*

Table 2.11
Capitalization rate movement relative to average
of previous 4 quarters

Prime decentralized offices				
	4-quarter ave.	2008:3	difference	
Sandton CBD	8,6	9,7	1,1	up
Parktown	10,3	10,8	0,5	up
Rosebank	9,5	10,4	1,0	up
Midrand	10,0	10,6	0,7	up
Bryanston	9,4	10,4	1,0	up
Rivonia	9,6	10,7	1,1	up
Sunninghill	9,5	10,5	1,0	up
Randburg	10,3	10,7	0,4	sideways
Brooklyn	9,3	10,6	1,3	up
Hatfield	9,7	10,6	0,8	up
Centurion	9,6	10,6	0,9	up
La Lucia Ridge	9,0	10,0	1,0	up
Westway	9,2	10,5	1,3	up
Essex Terrace	10,1	11,2	1,1	up
Berea	10,0	11,1	1,0	up
Claremont	8,9	9,8	0,9	up
Tyger Valley	9,1	10,0	0,8	up
Prime CBD offices				
	4-quarter ave.	2008:3	difference	
Cape Town CBD	8,9	9,8	0,9	up
Durban CBD	10,8	11,5	0,7	up
Pretoria CBD	10,8	11,1	0,2	sideways
Johannesburg CBD	10,6	11,1	0,4	sideways

Note that these are calculated on smoothed data, hence the 2008:3 figure may differ from the raw data in Table 2.1.

Chapter 3: Buyer profiles

Private investors dominating lower-end market

Updated by John S. Lottering

Different categories of buyers may pay notably different prices for exactly the same property. Thus, because the valuer's job is to simulate and report on market behaviour, the identification of the typical buyer of a property becomes an important part of his/her research. Generally, owner-occupiers, syndicators and private investors pay more for a property than yield-sensitive institutions and listed funds.

Table 3.1 summarises our latest survey results on the most typical buyers of the main non-residential property categories.

Once again, and unsurprisingly, the most dominant buyers of lower-priced shopping centres and offices are private investors. Even in the lower-priced industrial property market, this category of buyer is second only to owner-occupiers.

As for higher-priced non-residential properties, listed funds seem to dominate all property categories. Interestingly, the survey results show that owner-occupiers are also active buyers in the higher-priced industrial property market. This, of course, might be related to the fact that large industrial buildings are seldom bought as an investment, considering that they are often customized.

The reader must remember that **Table 3.1** reports on typical buyers, and not typical owners. Hence, one may find that the most prominent buyers of, say, large shopping centres are presently listed funds, although most of these centres could very well still be in the hands of institutions.

This concludes our section on the most-likely non-residential property buyers. ■

	Purchase price below R10 million			Purchase price above R10 million		
	Mean %	SD	n	Mean %	SD	n
Shopping centres						
Institutions	20,0	15,8	6	30,2	12,3	9
Syndicators	20,0	11,7	9	19,4	9,5	9
Listed funds	27,1	15,8	7	44,1	18,5	11
Private investors	56,3	29,5	12	22,5	26,8	11
Owner-occupiers	19,3	10,2	7	6,7	2,9	3
Offices						
Institutions	7,5	2,9	4	20,0	9,6	7
Syndicators	13,9	7,8	9	18,1	9,6	8
Listed funds	24,0	13,9	5	44,0	23,8	10
Private investors	48,8	23,2	13	29,2	27,7	12
Owner-occupiers	33,3	19,8	12	15,6	14,5	8
Industrials						
Institutions	8,0	2,7	5	16,3	6,9	8
Syndicators	10,7	4,5	7	14,4	8,6	8
Listed funds	15,0	10,0	5	36,4	20,0	11
Private investors	39,7	22,9	15	25,0	13,0	12
Owner-occupiers	47,7	23,1	15	34,5	29,3	10

n = Number of respondents
N/A = Not available – fewer than two respondents
SD = See Glossary of terms and abbreviations in Annexure 1.

Chapter 4: Hurdle and leaseback escalation rates

Escalation rates turning around

Written by John S Lottering

Our survey results for the third quarter of 2008 show that depending on the property type and to a lesser extent, the location, investors required a minimum before-tax total return of roughly 14% to 17% to induce them to purchase non-residential directly-held property (refer **Table 4.1**).

Note that when we say that viability studies are done with a 5-year investment horizon, we do not wish to imply that investors necessarily plan to sell a property at the end of Year 5.

However, in viability calculations it is problematic to try and forecast rental growth and operating-cost inflation over a period longer than 5 years.

Table 4.2 and the corresponding graph show that the financial market's expecta-

tions regarding inflation have improved somewhat over the past few months, presumably in response to the future re-weighting of the CPI and the sharp fall in international crude oil prices. Naturally, lower expectations about inflation means the possibility of some interest-rate reprieve. This in turn means a drop in the opportunity costs of not being invested in alternative less-risky assets, and ultimately, the likelihood that investors would require lower hurdle rates to induce them into holding property. A caution, however, is that the outlook for inflation might still be marred by a weak rand, as a result of emerging-market risk aversion and the gigantic current account deficit. Also, long-bond yields might still see some upward pressure, should government be forced to finance the larger chunk of their R600 billion public-sector investment programme domestically because of diminished access to global credit.

Table 4.1
Surveyed before-tax hurdle rates assuming a time horizon of
5 years (%)
Quarter 2008:3

	Buy %			Develop on speculation (%)		
	Mean	SD	n	Mean	SD	n
Office buildings (dec.)						
Johannesburg	14,8	1,06	2	17,8	2,47	2
Sandton CBD	16,9	5,03	3	19,7	5,75	3
Pretoria	14,3	1,77	2	17,8	2,47	2
Durban	14,3	1,77	2	17,8	2,47	2
Cape Town	16,7	5,35	3	19,7	5,75	3

n = Number of respondents; N/A = Not available; SD = See Glossary of terms and abbreviations in Annexure 1.

Table 4.1 (continued)
Surveyed before-tax hurdle rates assuming a time horizon of
5 years (%)
Quarter 2008:3

	Buy %			Develop on speculation (%)		
	Mean	SD	n	Mean	SD	n
Industrial leasebacks						
Central Witwatersrand	14,5	0,71	2	17,0	2,83	2
Pretoria	13,5	2,12	2	17,0	2,83	2
Durban	13,5	2,12	2	17,0	2,83	2
Cape Town	13,5	2,12	2	16,5	3,54	2
Regional Shopping Centres						
Witwatersrand	14,5	0,71	2	16,8	0,35	2
Pretoria	14,5	0,71	2	17,0	0,00	2
Durban	14,5	0,71	2	17,0	0,00	2
Cape Town	14,0	1,41	2	16,3	1,06	2

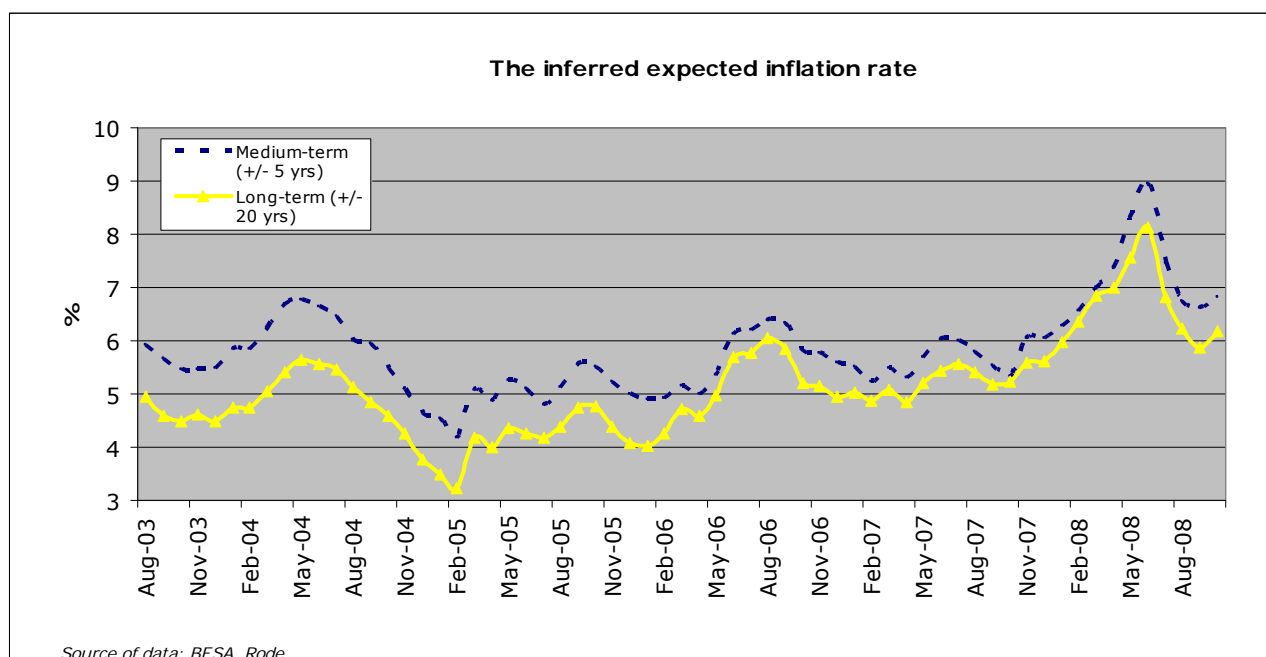
n = Number of respondents; N/A = Not available; SD = See Glossary of terms and abbreviations in Annexure 1.

Table 4.2
How the financial markets forecast inflation (CPI)
as at 03 November 2008

Approximate term to maturity (years)	Yield to maturity (%) ⁽¹⁾		Inferred expected inflation rate (%) (rounded)
	Conventional long bond	Less: inflation-hedged bond	
4	9,93	2,58 ⁽²⁾	7,3
25	9,24	2,60 ⁽³⁾	6,6

(1) Read off yield curve of Bond Exchange SA; (2) R189 maturing March 2013

(3) R202 maturing December 2033



The minimum total return required by potential investors to induce them to invest in property is known as the **hurdle rate** (income yield plus expected capital appreciation). Because it represents the opportunity cost of not being invested in property, it is therefore, the correct discount rate to use for valuations and viability studies. One way of measuring the total rate of return on an investment — ex post or ex ante — is the internal rate of return (IRR) method.

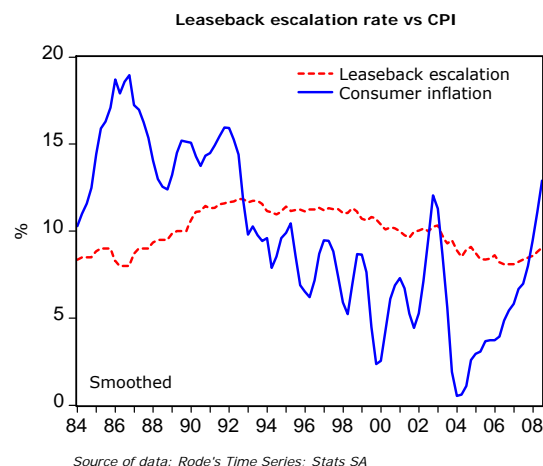
Synonyms for **hurdle rate** are **required total return**, **cut-off rate** or **cost of capital** (not to be confused with the cost of loan funds). The Afrikaans terms are: *kritieke rentabiliteit* or *drempelkoers*.

The hurdle rates in **Table 4.1** are based on a small sample of respondents. Hence we advise caution in interpreting the results. For instance, compare this quarter's results with those of previous quarters.

We will now deal with leaseback escalation rates.

Leaseback escalation rates

The accompanying graph and **Table 4.3** show that the average leaseback escalation rate was 9% during the third quarter of 2008. The reader will note that the escalation rate is an attempt by the market to forecast market rentals until the expiry of a lease. Thus, the market is saying that it expects market rentals on industrial leasebacks to grow at about 9% p.a. over the next 10 years. Furthermore, it is now also evident that escalation rates have, in response to rising inflation over the last few quarters, turned around.



This concludes our section on hurdle and escalation rates. ■

Table 4.3
Prime industrial leaseback escalation rates
Quarter 2008:3

Mean	SD	N	Change 2008:3 less 2008:2	Broker-contributor codes
9,1	0,7	17	0,2	BR, BZ, CR, DP, ED, EK, GB, HS, MW, RO, SK, TG, ZZ

Intuitively one would think that a gross-rental escalation rate (for a given period of lease) is a function of two factors:

- Expected (operating-cost) inflation rate
- Expected net-rental growth rate

If we remember that

Gross rental (100%) = Net rental (say 75%) + operating costs (say 25%),

one could say that:

- Net rental escalation = function of expected rental growth
- Operating costs escalation = function of expected inflation rate

Finally, if we accept the above weights, we are implicitly saying that the main determinant of escalation rates is expected rental growth.

Chapter 5: Capitalization-rate equations

How to estimate capitalization rates – anywhere

Updated by John S. Lottering

In this chapter we use the statistical technique of regression to produce equations that estimate capitalization rates based on a property's gross market rental rate. This provides the property professional with a handy tool to calculate capitalization rates for nodes not reported on in *Rode's Report*.

Our regression equations are based on the principle that the gross market rental that a property commands is an important determinant of its capitalization rate. Since the market rental of a property reflects key value-determinants such as location, grade (quality of finishes and quality of facilities) and tenant mix (in the case of shopping centres) the hypothesis of an inverse relationship between the market-rental rate and the capitalization rate is not such an outrageous proposition.

Readers should, however, not use the equations in isolation, but rather in conjunction with other evidence of the ruling market capitalization rate.

Office-building equation

In our regression analysis of office buildings, we use the market capitalization rates (dependent variable) and market gross rental rates (predictors) of grades A, B and C buildings in the major surveyed areas.

The source of the data is this issue of *Rode's Report*. The regression is based on 32 observations in mainly decentralized nodes. With the decaying of some CBDs, we excluded the following outlier nodes in the construction of our model:

- Johannesburg CBD
- Braamfontein
- Pretoria CBD
- Durban CBD.

We also excluded two secondary cities with small capitalization-rate samples, viz. East London and Germiston.

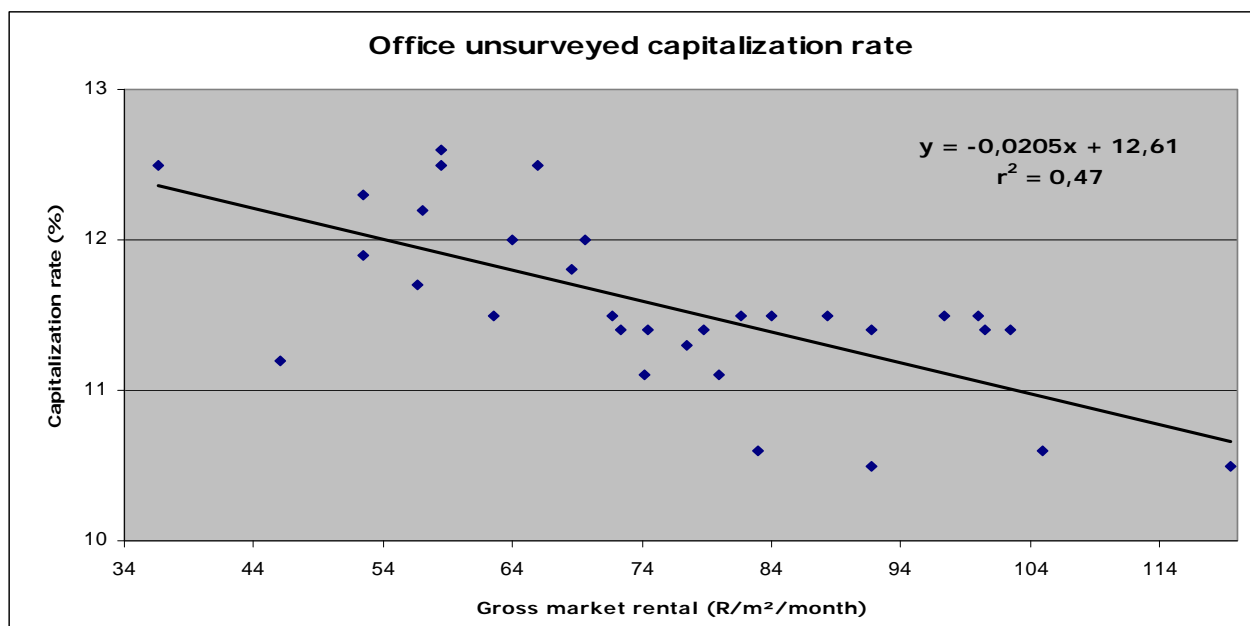
The updated equation is:

$$\text{office capitalization rate \%} = 12,61 - (0,0205 * \text{gross rental})$$

where

gross rental = the gross market rental rate per rentable m² per month for grades A, B or C office buildings in quarter 2008:3.

The correlation coefficient $r = -0,69$. The standard error (SE) is 0,42 and $n = 32$.



Readers should note that it is not advisable to use this function for gross market rental rates that fall much outside the range of R36/m²/month to R120/m²/month.

Example:

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

$$\text{office capitalization rate \%} = 12,61 - (0,0205 \times 60) = 11,4\%$$

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 use a two-quarter average capitalization rate (unsurveyed) if necessary.

Industrial-property equation

This equation expresses the relationship between the capitalization rates and gross market rental rates of prime stand-alone non-leasebacks, secondary stand-alone in-

dustrial buildings, as well as industrial parks. The gross market rental rates are those applicable to 1.000m² units. The source of the data is this issue of *Rode's Report*.

The **industrial-regression equation**, which is based on 21 observations, includes all primary and secondary industrial cities, except Bloemfontein and East London. But this does not mean that one cannot apply this equation to these cities.

The updated equation is:

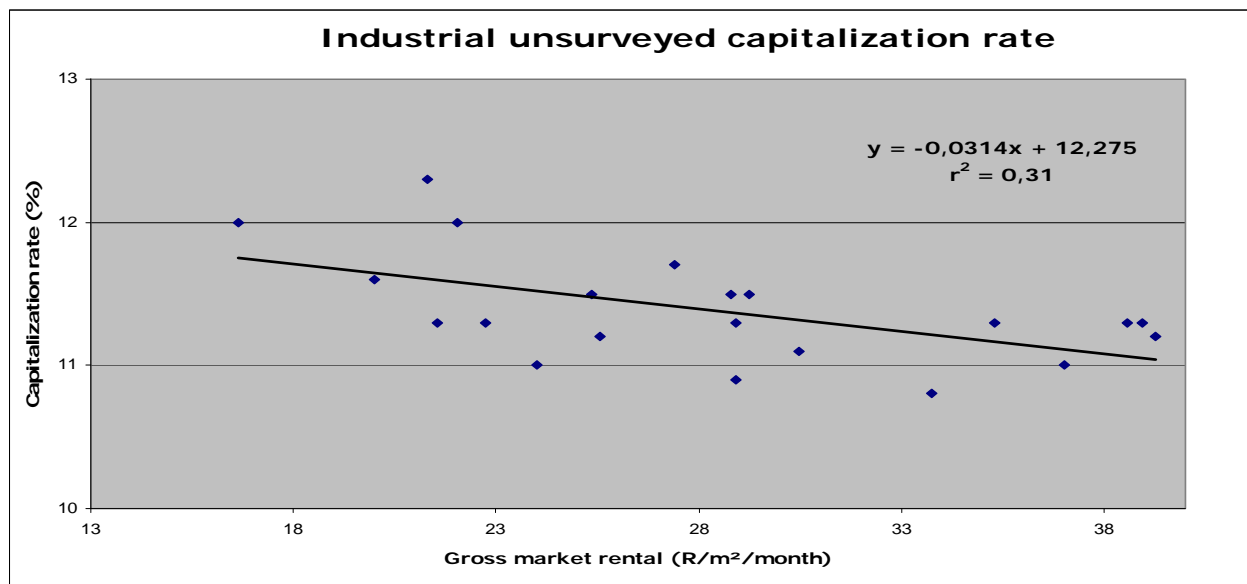
$$\text{industrial capitalization rate \%} = 12,275 - (0,0314 \times \text{gross rental})$$

where:

gross rental = the gross market rental per rentable m² per month as in quarter 2008:3 for stand-alone prime non-leaseback or prime industrial parks or stand-alone secondary industrial space of 1.000m², located in primary and secondary industrial cities.

The correlation coefficient $r = -0,56$. The standard error (SE) is 0,32 and $n = 21$.

It is not advisable to use this function for gross market rental rates that fall much



outside the range of R16/m²/month to R39/m²/month. Also, remember to use the rental rate applicable to an area of 1.000m².

Example:

If the gross industrial rental for a 1.000m² building, located in a primary or secondary industrial city, is R20 per rentable m² per month, then the capitalization rate is:

$$\text{industrial cap rate \%} = 12,275 - (0,0314 * 20) = 11,6\%$$

Shopping-centre equation

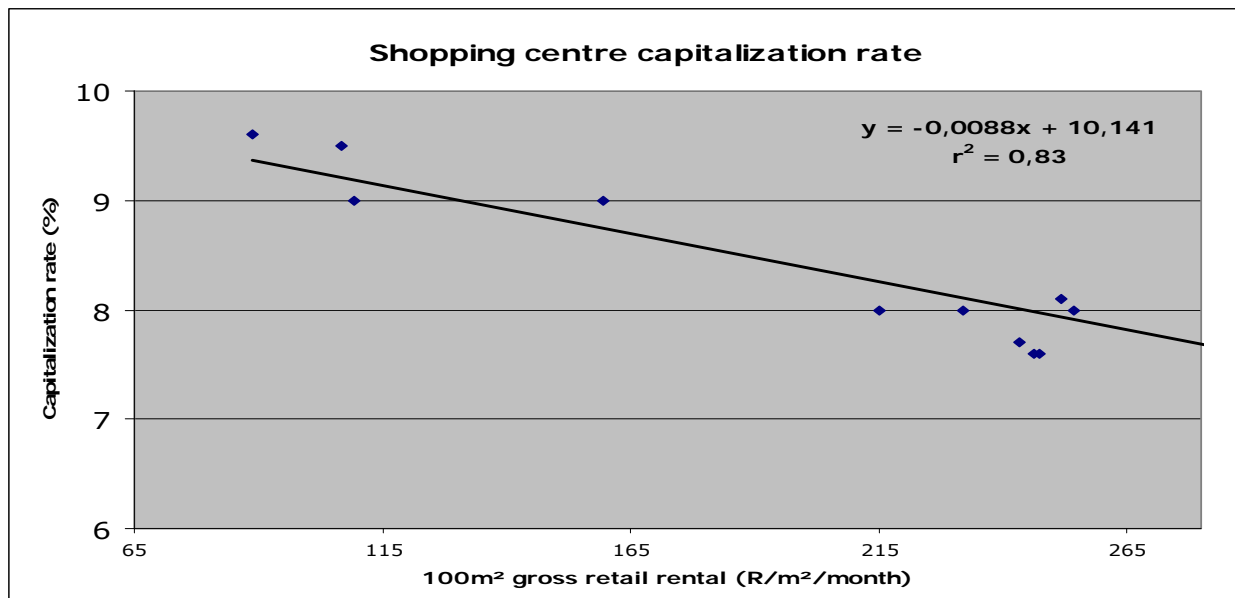
Shopping-centre capitalization rates are inversely related to the size of a centre because the market-rental rates that a centre commands are positively related to the size of the centre.

More specifically, the logic that connects centre size and capitalization rate is as follows: larger centres tend to attract more customer feet, which push up retailer turnovers, which push up the rentals the retailers can afford to pay, which push down the capitalization rate. However, this is a long logic chain, hence the relationship between

centre size and capitalization rate tending to be an imperfect one. For instance, the foot count does differ enormously between, say, regional shopping centres, even of the same size. In addition, foot count is not the same as turnover because the average "basket" might differ significantly between centres. Thus, as in the case of office and industrial properties, market rentals would be a better determinant of capitalization rates.

However, the problem has always been to establish the market rentals of individual centres, and then, more importantly, to link these rentals to the individual centres' capitalization rates.

Why? Because we do not, and cannot, establish the capitalization rates of *individual* shopping centres through regular surveys. Even establishing the market *rentals* of individual centres is a problem, because some landlords as a matter of policy are not prepared to divulge the ruling rental rates of their centres. Why landlords would have such a policy is unclear, because any competitor who seriously wanted to establish the market rental levels in a given centre can easily do so by making enquiries with the tenants — albeit at a cost. Also, a transparent policy of charging sustainable market rentals should improve landlord-



tenant relations and should be good for long-term, sustainable profit maximisation. Hence, should tenants be aware of what the landlord considers to be market rentals, it should do no harm.

Despite these obstacles, we believe we have, at least partially, bridged this problem in the following way. *Rode* is a major valuer of shopping centres in SA, ranging from big to small and spread all over the country. In assigning capitalization rates to these properties, we consider, *inter alia*, the capitalization rates as per the *RR* surveys (i.e. the capitalization rates by type of centre/centre size) and, more importantly, the gross market rental rate the centres command for 100m² of space.

In this way we ensure that our resulting capitalization rates are within the *RR* survey frame, and we ensure a consistent correlation between capitalization rates and market rental rates. This relationship between capitalization rates and market rental rates applicable to 100m² shops now allows one to build a regression equation to estimate capitalization rates of a centre given its market rental rate for space of 100m². One can argue that this approach is not empirical, but at least it is internally consistent.

The equation that depicts the relationship between capitalization rates and market rental rates as in 2008:3 is:

$$\text{Shopping-centre capitalization rate \%} = 10,141 - (0,0088 * \text{gross rental})$$

where:

- Shopping-centre capitalization rate % = the capitalization rate applicable to the third quarter of 2008.
- gross rental = gross market rental rate per m² per month in the second quarter of 2008 for a shop of 100m² with an average location within the centre.

The correlation coefficient $r = -0,91$; standard error = 0,33; $n = 12$ observations.

This equation should not be used for gross market rentals that are much beyond the range of R88 to R356/m²/month for space of 100m². Note too that this equation applies to the *third quarter of 2008*.

Example:

If the gross market rental rate is R200/m²/month for space of 100m² of rentable area, then the capitalization rate is:

$$\text{Shopping-centre capitalization rate \%} = 10,141 - (0,0088 * 200) = 8,4\% \blacksquare$$

Chapter 6: Listed property

Poor performance, but marginally better than Findi30 shares

Written by John S. Lottering

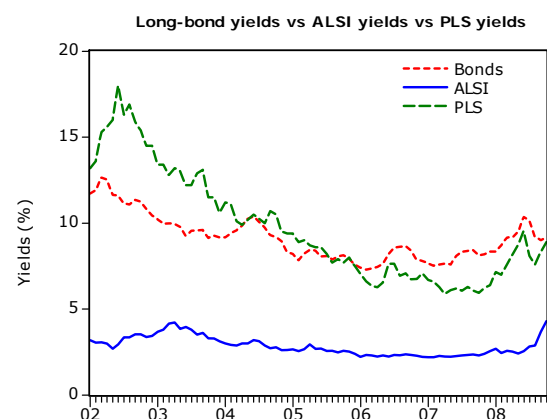
After strengthening (decreasing) between June and August 2008, and buoyed by improved expectations regarding domestic inflation, net income yields on property loan stocks (PLSs) once again weakened (increased) in September and October 2008.

This time, the reversal in market sentiment, and its adverse effect on share prices, can most likely be attributed to emerging market risk aversion, on the back of world recession fears and continued financial market turmoil, especially in the larger developed economies. Between the end of August and October, PLS yields weakened (increased) from about 7,6% to about 8,9%, consequently resulting in a contraction in prices of about 11,5%. What's more, when compared to the same month a year earlier, prices in October 2008 were as much as 26% lower, while income yields were up by nearly 3% points.

Good news, however, was that the income-streams of listed funds grew by a robust rate of 16% over the past year, possibly indicative of the fact that the strong property fundamentals inherent in non-residential property over the last few years

have filtered through to the income streams of listed funds.

Barring a severe economic slowdown, and its consequential effects on the demand for non-residential space and rental growth, the earnings- and distribution-growth prospects for listed funds, especially those heavily weighted in office and industrial property, remain favourable. Of course, as we have seen over the last ten months, share (listed-property) prices do not always reflect fundamentals (the expected movement in income streams), but instead market perceptions (whether formed locally or abroad) play a major role in the shorter term.



Source of data: Rode's Time Series; JSE Bond Exchange of SA

Historic vs forward yields

A capitalization rate is a forward-income yield, which means that it represents the coming year's *expected* net income (assuming the property is fully let at open-market rentals), divided by the current market value of a property.

In contrast, the PUT and PLS yields reported on in the press are historic, or trailing, income yields, which means that they are calculated by taking the previous year's *actual* net income (largely based on escalated rentals) per unit, **divided by the current market value of a unit**.

Hence one cannot blindly compare the two yields.

Income streams are calculated by using the following identity:

$$\text{Price} = \text{income stream} \div \text{income yield}$$

That is, income stream is calculated by multiplying the price by the income yield.

Listed property vs directly-held property: a primer

Listed property refers to the *property loan stock (PLS)* and the *property unit trust (PUT)* sub-sectors collectively. These two vehicles give property investors the means of buying units in a portfolio of properties that are traded on the JSE. This indirect way of investing in property offers two significant benefits over direct investment:

- Diversification (that is, one invests in a portfolio of properties and hence one adheres to the age-old maxim that one should not put all your eggs in one basket);
- Increased liquidity (the units in a listed fund are traded in affordable denominations on a formal stock exchange).

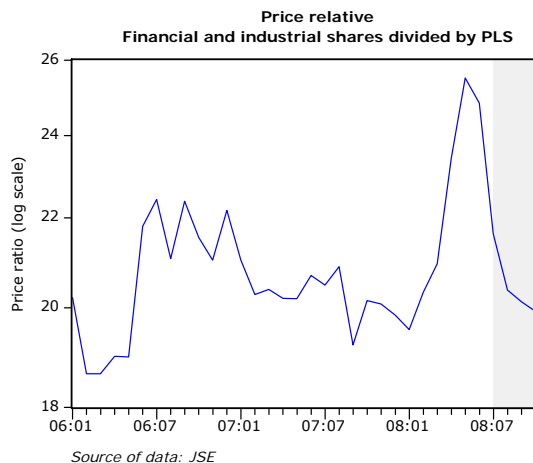
There are a number of other benefits of investing in PUTs (see <http://www.put.co.za>) and PLSs, but these two are the main reasons why listed-property yields are often substantially less than capitalization rates and, hence, why PLSs and PUTs should trade at a premium to net asset value (NAV) — that is, the market capitalization of a listed fund is more than the sum of the individual properties' market values.

When **comparing indices**, one is looking at the levels relative to the base date (which has been set at 100) and not at the actual values (levels) recorded. Thus the above analysis does not mean that the actual income streams attained by F&I 30 shares are higher than those of PUTs, but that the former's income streams have grown faster since 1990 (the base date).

We use PLSs as a proxy for listed property. We could just as well have chosen PUTs, which are subject to similar forces to PLS and, therefore, follow similar trends. For long-term bond data we use bonds that mature in 10 years plus, as supplied by the Bond Exchange of South Africa.

When compared to the performance of financial and industrial shares (as represented by the Findi30), the performance of listed property does look somewhat better.

As with listed-property, financial and industrial shares were not left unaffected by emerging market risk aversion. As the accompanying graph shows, Findi30 prices fell faster than those of PLSs over the last few months (the shaded area). Between the end of August and October, financial and industrial shares shed approximately 13,4% of their value.



A comparison of income yields reveals that the relatively better performance of listed

property was because the rate of deterioration in market sentiment towards listed property was not as severe as it was towards Findi30 shares. It's all about fundamentals, stupid!

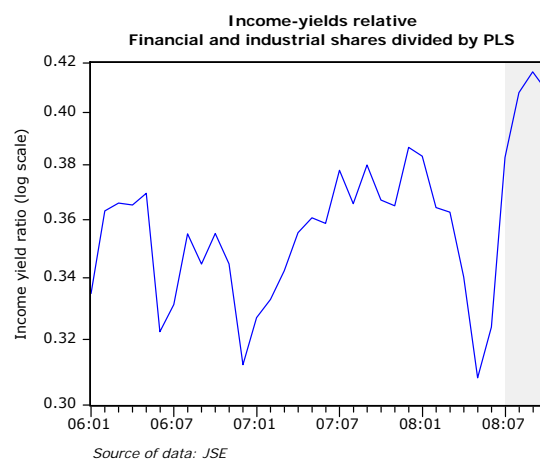


Table 6.1 shows the individual performance of PUTs and property loan stocks (PLSs) for different periods to the end of September 2008 (*ex Catalyst Fund Managers*).

This concludes our chapter on listed property. ■

Drivers of listed-fund prices

In the short to medium term, the prices for PUTs and PLSs are determined by mainly three factors:

1. Expected earnings

Earnings are driven by property *fundamentals* such as:

- Rental growth
- Vacancy rates (or alternatively, expected take-up in relation to new supply)

2. Performance of long-bonds (or long-term interest rates)

It is general knowledge that listed-property yields closely mimic the behaviour of long-bond yields, implying that investors view them in a similar light. Why? Firstly the risks are similar in that a listed property portfolio is, in one sense, nothing but a bundle of contracts, which by their nature lend a strong degree of *predictability* to future earnings — similar to those of bonds. Secondly, it is a fair assumption that the cash flow of listed property will grow — albeit moderately — in contrast to that of bonds. Thus, the risk and growth prospects tend to cancel one another out, and investors, therefore, see them as close *substitutes*.

3. Short-term interest rates

Most PUTs and especially PLSs have some degree of gearing and, hence, a rate hike or decline could influence earnings. The fact is, however, that many fund managers hedge against interest-rate changes, a course of action that ameliorates or even counteracts the effects of interest-rate changes in the short term.

Table 6.1
Total return on property unit trusts & property loan stocks
to September 2008

Lump-sum investments (assuming reinvestment of distributions)

Property indices	1 year		3 year*	
	%		%	
Capped Property Index (PCAP)	-11,79%		46,32%	
PLS Index	-10,93%		73,75%	
PUT Index	-15,13%		30,40%	
Real Estate Index	-11,76%		46,16%	
SA Listed Property Index (SAPY)	-12,31%		59,13%	
Property unit trusts	1 year		3 year	
	%	Rank	%	Rank
Capital Property	-7,71%	2	68,51%	1
Emira	-10,55%	3	59,90%	2
Fountainhead	-10,73%	4	33,33%	4
S A Corporate	-34,53%	5	-4,96%	5
Sycom	7,86%	1	51,70%	3

Table 6.1 (continued)
Total return on property unit trusts & property loan stocks
to September 2008

Lump-sum investments (assuming reinvestment of distributions)

Property loan stock	1 year		3 year	
	%	Rank	%	Rank
Acucap	-11,22%	10	39,14%	15
Ambit	-8,47%	6	50,90%	12
Apexhi – A	-7,75%	4	44,31%	13
Apexhi – B	-5,61%	2	94,86%	5
Apexhi – C	-11,49%	11	236,33%	1
Growthpoint	-7,82%	5	43,27%	14
Hospitality A	3,20%	1	143,90%	2
Hospitality B	-8,90%	8	64,40%	10
Hyprop	-37,63%	17	64,97%	9
Madison	-11,66%	12	105,12%	3
Monyetla	-17,67%	16	32,71%	17
Octodec	-7,33%	3	70,88%	6
Panprop	-17,07%	15	65,00%	8
Premium	-10,48%	9	98,94%	4
Redefine	-13,33%	13	58,10%	11
Resilient	-11,22%	10	39,14%	15
Vukile	-7,75%	4	44,31%	13

* Cumulative growth over period.

Source: Catalyst Fund Managers



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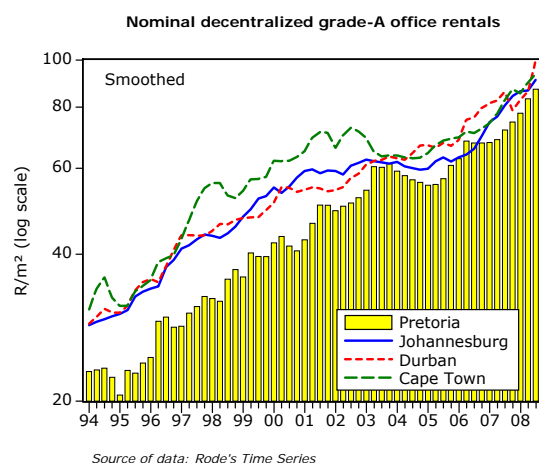
Chapter 7: Office rentals

Double-digit growth continues

Written by John S. Lottering

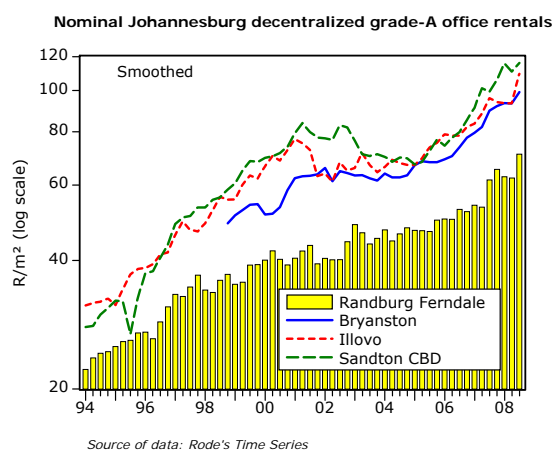
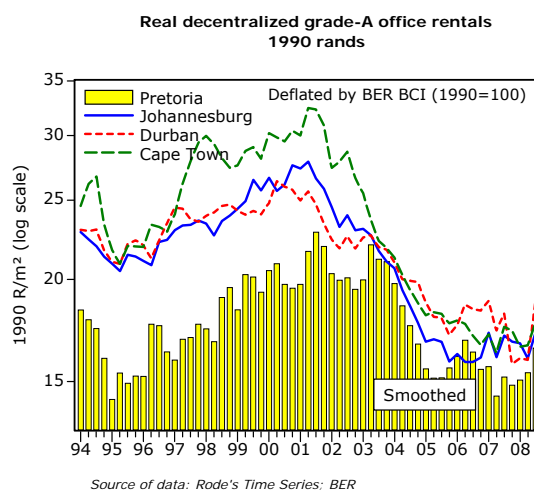
Decentralized offices

In the third quarter of 2008, nominal rentals for prime space in most of the country's top decentralized areas once again showed robust growth. On average, nominal rents in Pretoria (+21%), Durban (+16%), Johannesburg (+13%) and Cape Town (+13%) all grew by double-digit rates in excess of the expected building-cost inflation rate of 12%. Naturally, one can infer that this strong rental growth was still supported by low office vacancy rates and high and rising replacement costs.



Note however, that should economic growth and, consequently office demand, succumb to power outages, lower commodity prices, weaker household consumption expenditure, and generally slower global economic growth prospects, one could see a moderation in the rental growth rates of the past few quarters. However, on the supply side, the moratorium on electricity certificates for new developments may

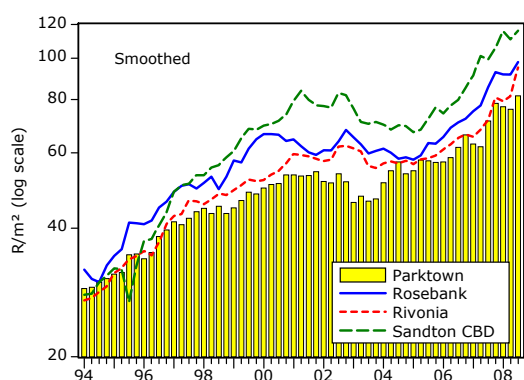
dampen rapidly rising building costs by putting pressure on contractors' profit margins. In the medium term, this latter effect on rents will of course be offset by a more modest supply. So all in all, prospects remain bright.



At the Johannesburg-decentralized nodal level, nominal rentals in the office node of Rivonia (+33%) recorded the strongest

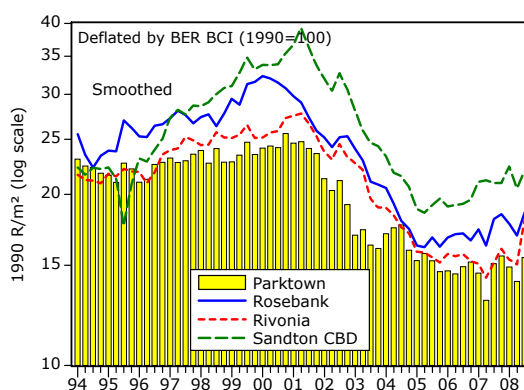
growth rate of the top office nodes over the past year. Office nodes such as the Sandton CBD, Parktown, Rosebank, Randburg-Ferndale and Illovo all achieved growth rates of between 14% and 17%. In Bryanston, however, nominal rentals were only about 11% up on a year earlier.

Nominal Johannesburg decentralized grade-A office rentals



Source of data: Rode's Time Series

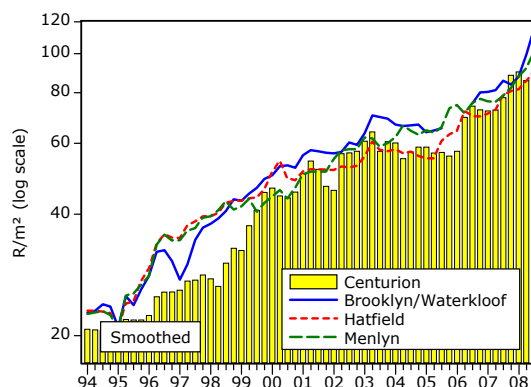
**Real Johannesburg decentralized grade-A office rentals
1990 rands**



Source of data: Rode's Time Series; BER

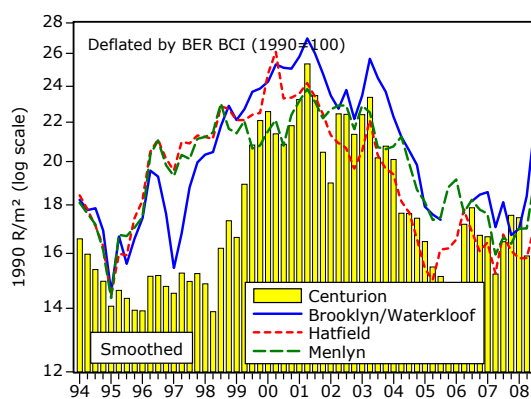
In Pretoria decentralized the story was the same as in Johannesburg decentralized: robust nominal rental growth greater than the expected building-cost inflation rate. In the reporting quarter, Brooklyn/Waterkloof (+34%) recorded the strongest yearly growth rate. Menlyn (+28%), Centurion (+25%) and Hatfield (+14%) followed.

Nominal Pretoria decentralized grade-A office rentals



Source of data: Rode's Time Series

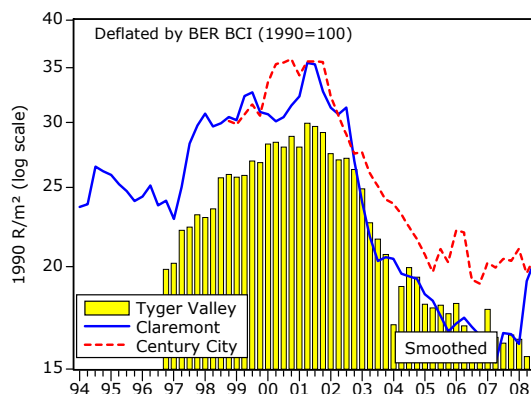
**Real Pretoria decentralized grade-A office rentals
1990 rands**



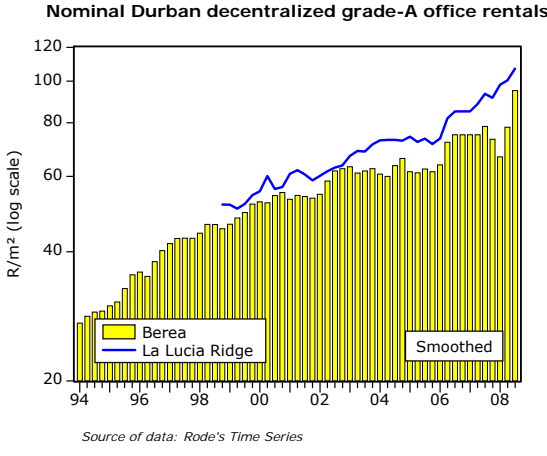
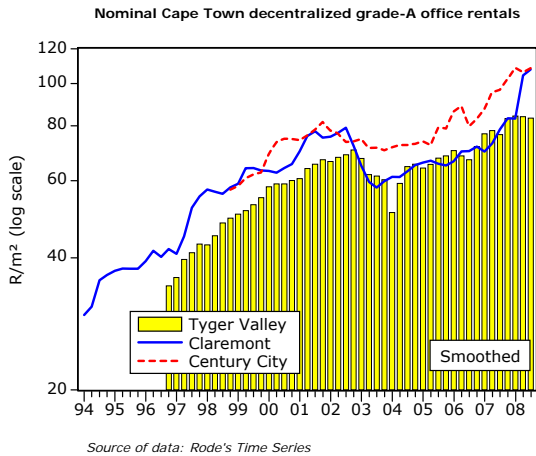
Source of data: Rode's Time Series; BER

In the Cape decentralized office node of Claremont, nominal rentals were up by as much as 37% when compared to the third quarter of 2007. Century City followed with growth of about 12%, while Tyger Valley could only muster growth of roughly 9%.

**Real Cape Town decentralized grade-A office rentals
1990 rands**

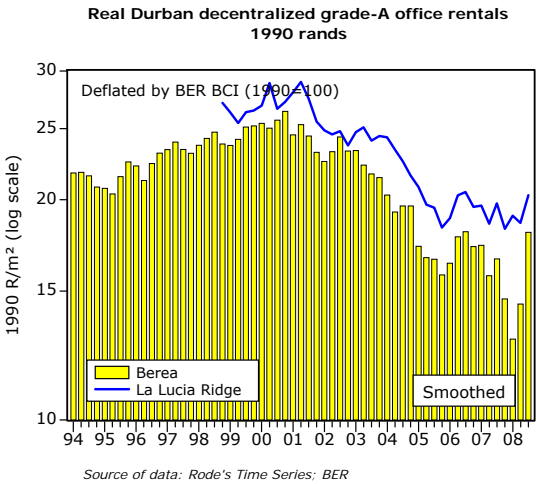


Source of data: Rode's Time Series; BER



In Durban's leading office node of La Lucia Ridge, nominal rentals were on average 14% higher than a year ago, while in Berea they grew by roughly 21%. Thus, in both of these office nodes *real* rentals were higher than what they were a year ago.

Table 7.1 summarizes nominal rental growth and building-cost inflation over the last 10 years, 5 years, and one year. Evident from the table is that nominal rentals were unable to keep pace with building-cost inflation over the last 10 and 5 years, barring the Sandton CBD over the last 5-year period, of course. Over the last year, however, nominal rentals in all of these office nodes were able to outperform building-cost inflation.



The reference to *real* means that nominal prices have been deflated. In this chapter, office rentals are deflated by the BER Building Cost Index (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.

Table 7.1
Nominal grade-A decentralized office rental growth
 % annual compound growth on smoothed data

	Last 10 years*	Last 5 years*	Last year
Sandton CBD	8,3	13,4	16,8
Randburg Ferndale	5,7	9,0	14,8
Brooklyn/Waterkloof	7,7	10,2	34,4
Hatfield	6,8	10,8	14,1
La Lucia Ridge	7,1	8,5	14,4
Century City	4,7	10,1	12,0
BER Building Cost Index	13,3	13,4	11,5
Haylett Index	8,1	9,1	16,5

Source of data: Rode's Time Series; Bureau for Economic Research (BER); Statistics SA

* Compound growth is calculated on the trend (regression) line. Note that this calculation does not take account of ageing of an individual building.

Recap: nominal versus real rentals

The term "nominal" refers to money rentals, whereas the term "real" refers to what the rentals can physically buy.

Rode deflates *nominal* or money rentals with the Bureau for Economic Research's Building Cost Index (BER BCI) to arrive at *real* rentals.

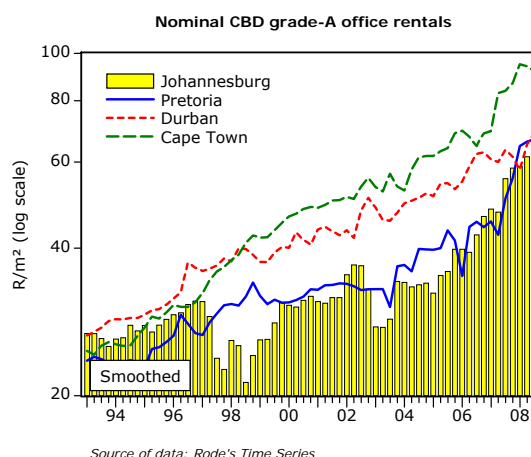
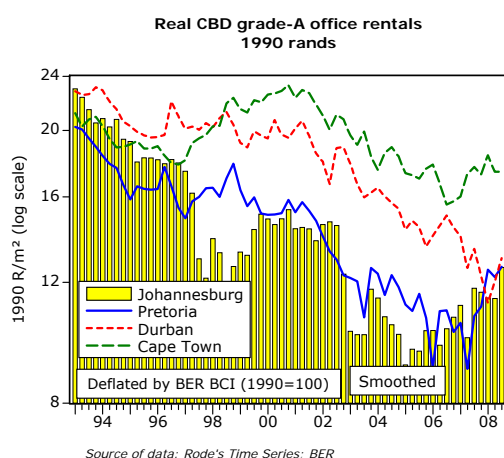
When *real* rentals are falling, it means that one can at present build less with the rental income from a building than one could in the previous period(s). The opposite applies when *real* rentals are rising. Therefore, if we say that *real* rentals in the Cape Town CBD are currently less than they were, say, five years ago, we mean that one can now buy fewer building inputs with one's (money) rentals than one could before (even though one is probably receiving more income in money terms).

"Pioneer" refers to 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.

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. 39. An explanation of the codes can be found on p. xviii.

CBD offices

As for yearly growth rates in the CBDs, Pretoria performed the best with nominal rentals growing by an impressive 26%. In the CBD of Johannesburg, nominal rentals were on average up by 20%, while in the CBDs of Cape Town and Durban growth rates of 10% and 8% were achieved. Nonetheless, when comparing actual rental levels, the Cape Town CBD is in a class of its own with prime-quality office space currently being rented at about R92/m²/month (gross).



Pioneer rentals

In **Table 7.2**, we examine pioneer office rentals, which provide a quick-and-dirty prognosis of the short-term direction of office rentals. These figures suggest that rentals in many nodes still have scope for upward movement.

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

Table 7.2
Pioneer office rentals
Highest gross nominal market rental rate achieved
Rands per rentable m², gross leases (excl VAT)
During quarter 2008:3

	Pioneer	Normal Grade A	Difference %
Johannesburg dec.	116,67	93,01	25
Pretoria dec.	95,00	87,39	9
Durban CBD	N/A	N/A	N/A
Durban dec.	N/A	N/A	N/A
Bloemfontein dec.	91,67	76,67	20
Port Elizabeth dec.	N/A	N/A	N/A
East London	N/A	N/A	N/A
East London dec.	N/A	N/A	N/A
Cape Town CBD	160,00	91,67	75
Cape Town dec.	127,00	93,71	36

Table 7.3
Market rental rates for office buildings
Quarter 2008:3
Rands per rentable m², gross leases (excl VAT)

	Grade A+	Grade A mean	Grade B mean	Grade C mean	Broker contributor codes
Johannesburg CBD		68,33	53,67	35,00	AV, BR, PD
Braamfontein		67,88	52,63	35,33	AV, BM, BR, PD
Sandton CBD	144,67	119,50	97,33	83,50	AV, BM, KM, PD
Dunkeld West	123,00	109,67	93,25	90,00	AV, BR, KM, PD
Wierda Valley	119,00	102,50	93,00	N/A	AV, BR, KM, PD
Randburg Ferndale	91,25	74,40	62,50	51,38	AV, BR, BM, KM, PD, RX
Rivonia	103,33	100,00	81,67	77,50	AV, BR, KM, PD
Rosebank	116,67	100,50	84,50	66,00	AV, BR, BM, KM, PD
Illovo	147,50	116,25	96,67	N/A	AV, BR, BM, KM, PD
Illovo Boulevard	119,50	99,50	N/A	N/A	AV, BR, BM, KM, PD
Chislehurst	114,33	103,00	81,00	N/A	AV, BM, BR, KM, PD
Parktown	98,50	84,00	71,75	60,00	AV, BM, BR, PD
Richmond/Milpark	90,00	75,50	62,90	51,00	AV, BM, BR, KM, PD
Bedfordview	108,00	87,00	73,33	62,00	AV, BR, PD
Bruma	97,00	83,00	70,33	58,00	AV, BR, PD
Meadowbrook	N/A	N/A	N/A	N/A	AV
Woodmead	115,00	108,50	80,67	N/A	AV, BR, PD
Sunninghill	101,50	86,67	75,00	N/A	AV, BR, PD
Bryanston/Epsom Downs	118,50	101,75	86,00	85,00	AV, BM, BR, KM, PD
Fourways	106,00	97,67	81,50	N/A	AV, BM, BR, PD
Houghton	112,50	96,00	81,50	N/A	AV, BR, PD
Melrose Arch	166,50				AV, BM, BR, PD
Hyde Park	112,00	94,00	86,50	N/A	AV, BR, KM, PD
Eastgate/ Kramerville	N/A	75,00	65,50	N/A	AV, PD
Ormonde	88,00	81,00	66,00	N/A	AV, PD
Midrand	91,75	72,40	69,60	58,50	AV, BR, CL, PD, QU
Germiston	N/A	N/A	48,00	42,00	MK
Benoni CBD	N/A	N/A	N/A	N/A	
Benoni dec	N/A	N/A	N/A	N/A	
Boksburg CBD	N/A	N/A	N/A	N/A	
Boksburg North	N/A	N/A	N/A	N/A	
Boksburg (Mall area)	N/A	N/A	N/A	N/A	
Pretoria CBD		63,33	53,33	47,33	CI, CR, EV, BR
Lynnwood Glen	92,50	75,00	66,67	61,67	AI, CR, EV, BR
Lynnwood	95,00	77,50	67,50	65,50	AI, CR, EV, BR
Lynnwood Manor	95,00	86,00	76,50	70,00	BR, CR
Lynnwood Ridge	90,75	82,50	70,00	70,00	AI, CR, EV, BR
Faerie Glen	115,00	91,25	80,00	75,00	AI, CR, EV, BR
Val de Grace	N/A	70,00	62,50	60,50	CR, EV, BR
Menlyn	N/A	104,50	88,33	77,67	AI, CI, CR, EV
Menlo Park (Brooks St.)	N/A	80,00	72,50	75,00	CR, EV, BR
Brooklyn/Waterkloof	125,00	120,00	85,50	72,50	AI, CR, EV, BR
Nieuw Muckleneuk	123,50	114,50	82,33	80,00	AI, CR, EV, BR
Hatfield	105,00	91,67	80,00	70,50	CI, CR, EV, BR
Centurion	N/A	102,50	88,33	67,50	AI, CI, CR, EV, BR
Highveld Technopark	N/A	80,75	77,50	60,00	AI, CR, EV, BR
Sunnyside	107,50	90,00	72,50	58,67	CI, CR, EV, BR
Arcadia	N/A	70,00	60,00	45,00	CI, CR, EV, BR
Murrayfield	N/A	80,00	N/A	57,50	CR

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

Table 7.3 (continued)
Market rental rates for office buildings

Quarter 2008:3

Rands per rentable m², gross leases (excl VAT)

	Grade A+	Grade A mean	Grade B mean	Grade C mean	Broker contributor codes
Klerksdorp	N/A	N/A	N/A	N/A	
Vereeniging		N/A	N/A	N/A	
Vanderbijlpark		N/A	N/A	N/A	
Nelspruit		N/A	N/A	N/A	
Polokwane		78,33	65,00	45,00	ES, RY, TG
Bloemfontein CBD		56,67	46,00	36,67	CC, ED, EK
Westdene	90,00	76,67	60,00	57,50	ED, EK
Durban CBD		68,75	52,50	41,25	MW, OM
Durban Berea	N/A	100,00	78,00	68,00	MW
Essex Terrace	N/A	N/A	78,00	65,00	MW
Westway	115,00	105,00	95,00	N/A	MW
La Lucia Ridge	120,00	110,00	95,00	N/A	MW
Westville	N/A	N/A	78,00	68,00	MW
Pinetown	N/A	55,00	47,50	40,00	LS
Hillcrest-Kloof (Upper Highway)	N/A	N/A	N/A	N/A	
Empangeni	N/A	N/A	N/A	N/A	
Richards Bay	N/A	N/A	N/A	N/A	
P/Maritzburg CBD		60,00	57,50	42,50	CE, NP
Pmb peripheral CBD*		65,00	57,50	42,50	CE, NP
Pmb decentralized		100,00	72,50	45,00	CE, NP
Port Elizabeth		N/A	N/A	25,35	PE
Port Elizabeth dec.	N/A	N/A	N/A	58,45	BD
East London		60,00	45,00	35,00	BG, DQ, EL, ER, GO
East London dec.	90,00	67,50	50,00	35,00	BG, BJ, DQ, EL, ER, GO

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

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

Table 7.3 (continued)
Market rental rates for office buildings
Quarter 2008:3
Rands per rentable m², gross leases (excl VAT)

	Grade A+	Grade A mean	Grade B mean	Grade C mean	Broker contributor codes
Cape Town CBD		91,67	78,75	56,67	CK, DW, GB, OC, OP, ZZ
V&A Portsworld Ridge	133,33	N/A	N/A	N/A	CK, GB, OP
Granger Bay	172,50	130,00	N/A	N/A	CK, GB, OP
Kenilworth (Racecourse)	89,50	87,50	80,00	70,00	BB, CK, DW, GB, OP
Westlake	100,00	95,00	80,00	70,00	BB, GB, OP
Claremont Lower**	N/A	N/A	70,00	52,50	BB, DW, OP, ZZ
Claremont Upper	118,33	105,00	78,33	N/A	BB, DW, GB, OP, ZZ
Pinelands	N/A	N/A	N/A	N/A	DW, GB, OP
Athlone	N/A	N/A	N/A	N/A	DW
Rondebosch/Newlands	100,00	100,00	80,00	N/A	DW, GB, OP, ZZ
Wynberg	105,00	82,67	66,67	57,50	BB, DW, GB, OP, ZZ
Table View/Parklands	N/A	90,00	N/A	N/A	OC, OP
Century City	120,00	110,00	86,67	N/A	GB, OC, OP, PN, ZZ
Goodwood (N1 City)	85,00	85,00	72,50	62,50	GB, OC
Tygerberg Hills	110,00	100,00	N/A	N/A	NE, OC, OP
Bellville CBD		76,00	68,50	52,50	CK, DL, DN, GB, NE, OC, OP
Tyger Valley area	90,20	83,00	77,50	64,00	CK, DN, GB, NE, OC, PN, ZZ
Durbanville	85,00	70,00	55,00	60,00	CK, DN, GB, NE, OC, OP
Kuils River	N/A	75,00	65,00	50,00	OC
George	N/A	N/A	N/A	N/A	
Windhoek	N/A	N/A	N/A	N/A	

** Claremont Lower: east of Main Road

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

Table 7.4
Standard deviation of market rental rates for office buildings
Quarter 2008:3

	Grade A+	Grade A	Grade B	Grade C
Johannesburg CBD		R 10,41	R 14,74	R 15,00
Braamfontein		R 3,61	R 9,36	R 8,96
Sandton CBD	R 10,50	R 8,23	R 4,62	R 2,12
Dunkeld West	R 3,46	R 5,03	R 6,99	N/A
Wierda Valley	R 8,49	R 7,78	R 4,24	N/A
Randburg Ferndale	R 10,31	R 5,86	R 6,12	R 9,88
Rivonia	R 7,64	R 10,00	R 7,64	R 10,61
Rosebank	R 10,41	R 7,14	R 9,00	R 5,66
Illovo	R 3,54	R 13,77	R 12,58	N/A
Illovo Boulevard	R 0,71	R 3,54	N/A	N/A
Chiselhurst	R 14,29	R 15,25	N/A	N/A
Parktown	R 8,05	R 6,38	R 3,95	R 7,07
Richmond/Milpark	N/A	R 6,14	R 9,79	R 19,80
Bedfordview	R 16,97	R 5,20	R 7,64	R 11,31
Bruma	N/A	R 10,58	R 4,51	N/A
Meadowbrook	N/A	N/A	N/A	N/A
Woodmead	R 7,07	R 9,19	R 4,04	N/A
Sunninghill	R 0,71	R 0,58	N/A	N/A
Bryanston/Epsom Downs	R 9,81	R 9,95	R 9,70	N/A
Fourways	R 5,66	R 11,59	R 2,12	N/A
Houghton	R 0,71	R 4,24	R 4,95	N/A
Melrose Arch	R 12,66			
Hydepark	R 4,24	R 1,41	R 2,12	N/A
Eastgate/Kramerville	N/A	R 0,00	R 7,78	N/A
Ormonde	N/A	N/A	R 1,41	N/A
Midrand	R 2,36	R 21,01	R 5,08	R 8,50
Germiston	N/A	N/A	N/A	N/A
Benoni CBD	N/A	N/A	N/A	N/A
Benoni dec	N/A	N/A	N/A	N/A
Boksburg CBD	N/A	N/A	N/A	N/A
Boksburg North	N/A	N/A	N/A	N/A
Boksburg (Mall area)	N/A	N/A	N/A	N/A
Pretoria CBD		R 2,89	R 2,89	R 4,04
Lynnwood Glen	R 3,54	R 7,07	R 2,89	R 2,89
Lynnwood	N/A	R 3,54	R 3,54	R 0,71
Lynnwood Manor	N/A	R 1,41	R 2,12	N/A
Lynnwood Ridge	R 6,01	R 3,54	R 8,66	N/A
Faerie Glen	R 8,66	R 4,79	N/A	N/A
Val de Grace	N/A	R 14,14	R 10,61	R 0,71
Menlyn	N/A	R 9,68	R 5,77	R 2,52
Menlo Park (Brooks St.)	N/A	R 7,07	R 10,61	N/A
Brooklyn/Waterkloof	R 7,07	N/A	R 5,45	R 3,54
Nieuw Muckleneuk	R 9,19	R 6,36	R 6,43	N/A
Hatfield	R 14,14	R 2,89	R 8,66	R 3,54
Centurion	N/A	R 10,61	R 2,89	R 10,61
Highveld Technopark	N/A	R 9,91	R 3,54	N/A
Sunnyside	R 10,61	R 7,07	R 10,61	R 10,07
Arcadia	N/A	R 7,07	R 8,66	R 0,00
Murrayfield	N/A	N/A	N/A	R 3,54

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

Table 7.4 (continued)
Standard deviation of market rental rates for office buildings
Quarter 2008:3

	Grade A+	Grade A	Grade B	Grade C
Klerksdorp	N/A	N/A	N/A	N/A
Vereeniging		N/A	N/A	N/A
Vanderbijlpark		N/A	N/A	N/A
Nelspruit CBD		N/A	N/A	N/A
Polokwane		R 7,64	R 5,00	R 0,00
Bloemfontein CBD		R 7,64	R 11,53	R 16,07
Westdene	R 25,98	R 20,82	R 13,23	R 17,68
Durban CBD		R 1,77	R 3,54	R 1,77
Durban Berea	N/A	N/A	N/A	N/A
Essex Terrace	N/A	N/A	N/A	N/A
Westway	N/A	N/A	N/A	N/A
La Lucia Ridge	N/A	N/A	N/A	N/A
Westville	N/A	N/A	N/A	N/A
Pinetown	N/A	N/A	N/A	N/A
Hillcrest-Kloof (Upper Highway)	N/A	N/A	N/A	N/A
Empangeni	N/A	N/A	N/A	N/A
Richards Bay	N/A	N/A	N/A	N/A
P/Maritzburg CBD		N/A	R 10,61	R 3,54
Pietermaritzburg periphery*		N/A	R 3,54	R 3,54
Pietermaritzburg decentralized		R 14,14	R 3,54	N/A
Port Elizabeth CBD		N/A	N/A	N/A
Port Elizabeth decentralized		N/A	N/A	N/A
East London CBD		R 0,00	R 0,00	R 0,00
East London decentralized	N/A	R 10,61	R 7,07	R 0,00
Cape Town CBD		R 6,06	R 9,46	R 7,64
V&A Portwood Ridge	R 11,55	N/A	N/A	N/A
Granger Bay	R 10,61	N/A	N/A	N/A
Kenilworth (Racecourse)	R 6,14	R 8,66	R 0,00	N/A
Westlake	R 14,14	R 7,07	R 7,07	N/A
Claremont Lower**	N/A	N/A	R 7,07	R 10,61
Claremont Upper	R 12,58	R 8,66	R 10,41	N/A
Pinelands	N/A	N/A	N/A	N/A
Athlone	N/A	N/A	N/A	N/A
Rondebosch/Newlands	N/A	N/A	R 14,14	N/A
Wynberg	R 7,07	R 12,70	R 5,77	R 3,54
Table View/Parklands	N/A	N/A	N/A	N/A
Century City	R 5,00	R 4,08	R 2,89	N/A
Goodwood (N1 City)	N/A	R 14,14	R 3,54	R 10,61
Tygerberg Hills	R 0,00	N/A	N/A	N/A
Bellville CBD		R 1,41	R 2,12	R 3,54
Tyger Valley area	R 7,26	R 12,55	R 9,57	R 5,66
Durbanville	R 7,07	R 10,00	R 18,03	N/A
Kuils River	N/A	N/A	N/A	N/A
George	N/A	N/A	N/A	N/A
Windhoek	N/A	N/A	N/A	N/A

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

** Claremont Lower: east of Main Road

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

Table 7.5
Change in market rental rates for office buildings
Quarter 2008:3 less quarter 2008:2

	Grade A+	Grade A mean	Grade B mean	Grade C mean
Johannesburg CBD		5,83	12,42	9,00
Braamfontein		1,88	4,96	-6,67
Sandton CBD	11,33	12,17	11,00	5,50
Dunkeld West	4,00	15,92	18,25	N/A
Wierda Valley	3,00	8,50	11,67	N/A
Randburg Ferndale	19,25	11,73	15,75	11,88
Rivonia	6,00	16,67	12,17	11,83
Rosebank	9,17	8,50	13,50	2,00
Illovo	32,50	23,25	22,67	N/A
Illovo Boulevard	0,25	-5,75	N/A	N/A
Chislehurst	5,58	11,00	-8,00	N/A
Parktown	9,50	8,00	6,08	0,00
Richmond/Milpark	N/A	13,00	18,90	8,00
Bedfordview	10,75	5,83	5,83	12,00
Bruma	12,00	1,50	3,00	2,00
Meadowbrook	N/A	N/A	N/A	N/A
Woodmead	5,83	10,88	-1,08	N/A
Sunninghill	-0,75	-1,21	-4,00	N/A
Bryanston/Epsom Downs	9,33	8,92	9,67	N/A
Fourways	0,25	2,17	-6,00	N/A
Houghton	0,25	-13,83	5,17	N/A
Melrose Arch	12,50			
Hyde Park	3,25	-1,67	2,50	N/A
Eastgate/Kramerville	N/A	10,00	4,50	N/A
Ormonde	0,00	1,00	3,50	N/A
Midrand	2,75	-4,93	8,43	6,00
Germiston	N/A	N/A	N/A	N/A
Benoni CBD	N/A	N/A	N/A	N/A
Benoni dec	N/A	N/A	N/A	N/A
Boksburg CBD	N/A	N/A	N/A	N/A
Boksburg North	N/A	N/A	N/A	N/A
Boksburg (Mall area)	N/A	N/A	N/A	N/A
Pretoria CBD		2,50	7,67	5,50
Lynnwood Glen	-7,50	0,00	-0,83	0,56
Lynnwood	-1,25	-4,17	-3,33	0,50
Lynnwood Manor	0,00	2,50	2,50	0,00
Lynnwood Ridge	1,25	2,50	-2,67	3,00
Faerie Glen	11,50	0,00	-0,83	5,00
Val de Grace	N/A	-10,00	-7,50	1,75
Menlyn	N/A	11,50	7,33	4,33
Menlo Park (Brooks St.)	N/A	-7,50	-7,50	0,00
Brooklyn/Waterkloof	3,00	16,25	-4,63	-5,00
Nieuw Muckleneuk	3,50	4,83	-7,04	0,00
Hatfield	13,75	4,58	-0,40	1,00
Centurion	N/A	18,13	17,81	5,00
Highveld Technopark	N/A	3,25	5,13	-2,50
Sunnyside	12,50	5,00	2,50	1,00
Arcadia	N/A	3,33	4,09	-1,42
Murrayfield	N/A	0,00	N/A	2,50

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

Table 7.5 (continued)
Change in market rental rates for office buildings
Quarter 2008:3 less quarter 2008:2

	Grade A+	Grade A mean	Grade B mean	Grade C mean
Klerksdorp	N/A	N/A	N/A	N/A
Vereeniging		N/A	N/A	N/A
Vanderbijlpark		N/A	N/A	N/A
Nelspruit		N/A	N/A	N/A
Polokwane		-1,67	-2,50	-10,00
Bloemfontein CBD		-0,83	-1,50	1,67
Westdene	11,67	15,00	3,33	10,00
Durban CBD		0,00	1,67	1,92
Durban Berea	N/A	16,25	5,25	1,50
Essex Terrace	N/A	N/A	5,25	0,00
Westway	5,00	8,75	7,50	N/A
La Lucia Ridge	3,75	10,00	6,25	N/A
Westville	N/A	N/A	5,25	8,00
Pinetown	N/A	-20,00	-20,00	-26,25
Hillcrest-Kloof (Upper Highway)	N/A	N/A	N/A	N/A
Empangeni	N/A	N/A	N/A	N/A
Richards Bay	N/A	N/A	N/A	N/A
Pietermaritzburg CBD		5,00	7,50	2,50
Pmb peripheral CBD**		5,00	7,50	2,50
Pmb decentralized		10,00	7,50	5,00
Port Elizabeth		N/A	N/A	0,35
Port Elizabeth dec.	N/A	N/A	N/A	2,20
East London		0,00	-15,00	0,00
East London dec.	0,00	0,00	-17,50	0,00
Cape Town CBD		-0,83	-0,85	-3,33
V&A Portwood Ridge	5,00	N/A	N/A	N/A
Granger Bay	15,00	5,00	N/A	0,00
Kenilworth (Racecourse)	-0,50	5,00	0,00	5,00
Westlake	-17,50	-5,00	N/A	N/A
Claremont Lower	N/A	N/A	-5,00	-7,50
Claremont Upper	-13,33	-12,33	-17,92	N/A
Pinelands	N/A	N/A	N/A	N/A
Athlone	N/A	N/A	N/A	N/A
Rondebosch/Newlands	N/A	12,50	2,50	N/A
Wynberg	-15,00	17,67	3,33	2,50
Table View/Parklands	N/A	5,00	N/A	N/A
Century City	3,50	5,63	-2,83	N/A
Goodwood (N1 City)	N/A	N/A	N/A	N/A
Tygerberg Hills	-10,00	-10,00	N/A	N/A
Bellville CBD		5,17	9,33	-2,50
Tyger Valley area	-3,00	-1,25	1,25	-4,33
Durbanville	-25,00	-13,50	-21,33	-5,00
Kuils River	N/A	N/A	15,00	N/A
George	N/A	N/A	N/A	N/A
Windhoek	N/A	N/A	N/A	N/A

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

Table 7.6
Typical rent-free period in months
Average periods on offer in quarter 2008:3

	Mean	SD		Mean	SD
Johannesburg CBD	2,0	N/A	Klerksdorp	N/A	N/A
Braamfontein*	2,0	N/A	Vereeniging	N/A	N/A
Sandton CBD	0,5	0,7	Vanderbijlpark	N/A	N/A
Dunkeld West	0,5	0,7	Nelspruit	N/A	N/A
Wierda Valley	0,5	0,7	Polokwane	0,3	0,6
Randburg Ferndale	1,0	1,4	Bloemfontein CBD	0,5	0,7
Rivonia	0,5	0,7	Westdene	0,5	0,7
Rosebank	0,3	0,6	Durban CBD	2,0	N/A
Illovo	0,3	0,6	Durban Berea	0,0	N/A
Illovo Boulevard	0,3	0,6	Essex Terrace	0,0	N/A
Chislehurst	0,3	0,6	Westway	0,0	N/A
Parktown	1,0	N/A	La Lucia Ridge	0,0	N/A
Richmond/Milpark	0,5	0,7	Westville	0,0	N/A
Bedfordview	1,0	N/A	Pinetown	0,0	N/A
Bruma	1,0	N/A	Hillcrest-Kloof (Upper Highway)	N/A	N/A
Meadowbrook	N/A	N/A	Empangeni	N/A	N/A
Woodmead	1,0	N/A	Richards Bay	N/A	N/A
Sunninghill	1,0	N/A	P/maritzburg CBD	0,0	0,0
Bryanston/Epsom Downs	0,3	0,6	Pmb peripheral CBD**	0,0	0,0
Fourways	0,5	0,7	Pmb decentralized	0,0	0,0
Houghton	1,0	N/A	Port Elizabeth	N/A	N/A
Melrose Arch	1,0	1,4	Port Elizabeth dec.	N/A	N/A
Hyde Park	0,5	0,7	East London	N/A	N/A
Eastgate/Kramerville	1,0	N/A	East London dec.	N/A	N/A
Ormonde	2,0	N/A	Cape Town CBD	0,7	0,5
Midrand	1,7	0,6	V&A Portwood Ridge	N/A	N/A
Germiston	N/A	N/A	Granger Bay	1,0	N/A
Benoni CBD	N/A	N/A	Kenilworth (Racecourse)	0,0	N/A
Benoni dec	N/A	N/A	Westlake	0,0	N/A
Boksburg CBD	N/A	N/A	Claremont Lower	0,0	0,0
Boksburg North	N/A	N/A	Claremont Upper	0,0	N/A
Boksburg (Mall area)	N/A	N/A	Pinelands	N/A	N/A
Pretoria CBD	2,0	1,2	Athlone	N/A	N/A
Lynnwood Glen	2,0	1,4	Rondebosch/Newlands	N/A	N/A
Lynnwood	1,3	1,5	Wynberg	0,0	0,0
Lynnwood Manor	2,0	1,4	Table View/Parklands	N/A	N/A
Lynnwood Ridge	1,7	1,2	Century City	1,7	1,2
Faerie Glen	1,7	1,2	Goodwood (N1 City)	2,0	N/A
Val de Grace	2,0	1,2	Tygerberg Hills	N/A	N/A
Menlyn	1,7	1,2	Bellville CBD	1,5	0,7
Menlo Park (Brooks St.)	2,0	1,4	Tyger Valley area	0,8	0,4
Brooklyn/Waterkloof	2,0	1,4	Durbanville	1,0	N/A
Nieuw Muckleneuk	1,7	1,2	Kuils River	2,0	N/A
Hatfield	2,0	1,4	George	N/A	N/A
Centurion	1,5	1,0	Windhoek	N/A	N/A
Highveld Technopark	1,7	1,2			
Sunnyside	1,0	0,0			
Arcadia	1,7	1,2			
Murrayfield	2,0	1,4			

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

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

Table 7.7
Market parking rentals
Monthly parking
Rands per bay per month (excl. VAT)
As in quarter 2008:3

	Covered reserved parking				Under shade net	Open-air parking
	Gr A+	Gr A	Gr B	Gr C		
Johannesburg CBD			512	434	310	N/A
Braamfontein			498	445	350	N/A
Sandton CBD	553	541	455	412	298	225
Dunkeld West	525	425	383	350	300	200
Wierda Valley	507	481	420	400	283	210
Randburg Ferndale	408	373	289	243	234	188
Rivonia	433	400	334	331	261	200
Rosebank	508	465	408	395	315	233
Illovo	500	497	418	376	266	200
Illovo Boulevard	521	501	428	380	328	233
Chislehurst	502	443	406	345	307	233
Parktown	463	420	355	325	297	257
Richmond/Milpark	388	351	330	281	226	183
Bedfordview	469	413	351	325	284	250
Bruma	441	421	368	299	268	225
Meadowbrook	N/A	N/A	N/A	N/A	N/A	N/A
Woodmead	473	442	391	281	326	265
Sunninghill	466	449	364	295	362	275
Bryanston/Epsom Downs	524	480	409	397	297	233
Fourways	510	468	381	295	313	258
Houghton	518	437	316	287	310	225
Melrose Arch	659	466	N/A	N/A	N/A	N/A
Hyde Park	496	449	349	352	267	217
Eastgate/Kramerville	N/A	N/A	393	356	283	250
Ormonde	389	365	353	312	235	260
Midrand	397	371	334	311	271	220
Germiston	N/A	N/A	N/A	N/A	N/A	N/A
Benoni CBD	N/A	N/A	N/A	N/A	N/A	N/A
Benoni dec	N/A	N/A	N/A	N/A	N/A	N/A
Boksburg CBD	N/A	N/A	N/A	N/A	N/A	N/A
Boksburg North	N/A	N/A	N/A	N/A	N/A	N/A
Boksburg (Mall area)	N/A	N/A	N/A	N/A	N/A	N/A
Pretoria CBD		407	425	425	315	225
Lynnwood Glen	433	375	308	250	290	217
Lynnwood	450	400	350	250	283	208
Lynnwood Manor	400	425	363	300	237	190
Lynnwood Ridge	425	375	294	300	205	180
Faerie Glen	477	407	363	300	270	235
Val de Grace	360	285	265	200	248	198
Menlyn	475	483	410	280	362	262
Menlo Park (Brooks St.)	438	375	365	250	250	237
Brooklyn/Waterkloof	467	440	391	280	315	256
Nieuw Muckleneuk	453	450	391	300	350	275
Hatfield	417	400	370	320	307	233
Centurion	400	330	314	275	254	216
Highveld Technopark	425	350	347	250	245	181
Sunnyside	350	350	295	250	250	200
Arcadia	380	363	337	318	238	193
Murrayfield	250	250	200	150	200	175

Table 7.7 (continued)
Market parking rentals
Monthly parking
Rands per bay per month (excl. VAT)
As in quarter 2008:3

	Covered reserved parking				Under shade net	Open-air parking
	Gr A+	Gr A	Gr B	Gr C		
Klerksdorp		N/A	N/A	N/A	N/A	N/A
Vereeniging		N/A	N/A	N/A	N/A	N/A
Vanderbijlpark		N/A	N/A	N/A	N/A	N/A
Nelspruit		N/A	N/A	N/A	N/A	N/A
Polokwane		263	215	175	165	125
Bloemfontein CBD		242	212	150	133	153
Westdene	275	260	210	175	125	113
Durban CBD	N/A	540	493	430	N/A	400
Durban Berea	N/A	450	350	350	N/A	N/A
Essex Terrace	N/A	400	350	350	N/A	225
Westway	450	450	N/A	N/A	N/A	275
La Lucia Ridge	500	480	450	N/A	330	330
Westville	N/A	N/A	425	N/A	N/A	350
Pinetown	N/A	285	N/A	250	230	200
Hillcrest-Kloof (Upper Highway)	N/A	N/A	N/A	N/A	N/A	N/A
Empangeni	N/A	N/A	N/A	N/A	N/A	N/A
Richards Bay		N/A	N/A	N/A	N/A	N/A
P/maritzburg CBD		260	245	225	200	168
Pmb peripheral CBD*		250	260	225	200	168
Pmb decentralized		335	290	235	200	178
Port Elizabeth		N/A	N/A	N/A	N/A	N/A
Port Elizabeth dec.	N/A	300	N/A	N/A	N/A	N/A
East London		N/A	N/A	N/A	N/A	N/A
East London dec.	N/A	N/A	N/A	N/A	N/A	N/A
Cape Town CBD		850	800	550	N/A	450
V&A Portsworld Ridge	1300	975	N/A	N/A	N/A	N/A
Granger Bay	1267	900	N/A	N/A	N/A	N/A
Kenilworth (Racecourse)	617	550	575	500	350	325
Westlake	667	567	600	600	300	325
Claremont Lower	675	600	550	500	250	275
Claremont Upper	745	700	513	600	350	250
Pinelands	650	650	650	300	400	300
Athlone	N/A	N/A	N/A	N/A	N/A	N/A
Rondebosch/Newlands	588	500	400	N/A	N/A	N/A
Wynberg	725	550	467	550	250	275
Table View/Parklands	375	400	300	N/A	250	150
Century City	660	620	475	N/A	425	338
Goodwood (N1 City)	400	350	325	N/A	300	288
Tygerberg Hills	525	470	400	350	N/A	275
Bellville CBD		400	306	325	185	188
Tyger Valley area	563	433	380	350	264	205
Durbanville	483	419	317	N/A	325	183
Kuils River	N/A	400	350	N/A	N/A	150
George	N/A	N/A	N/A	N/A	N/A	N/A
Windhoek	N/A	N/A	N/A	N/A	N/A	N/A

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

Table 7.8
Change in market parking rentals
 Quarter 2008:3 less quarter 2008:2
 Monthly parking

	Covered reserved parking				Under shade net	Open-air parking
	Gr A+	Gr A	Gr B	Gr C		
Johannesburg CBD			52	46	-10	N/A
Braamfontein			-38	-36	70	N/A
Sandton CBD	-5	33	5	2	-31	-1
Dunkeld West	13	-13	40	60	13	-3
Wierda Valley	17	16	85	57	-10	-15
Randburg Ferndale	2	-44	46	25	-6	1
Rivonia	-21	18	-5	15	-29	-22
Rosebank	-3	2	10	85	-14	-18
Illovo	19	0	2	55	-34	-51
Illovo Boulevard	-12	-25	8	-23	-2	-32
Chislehurst	26	42	40	1	-2	-15
Parktown	18	30	-5	9	35	35
Richmond/Milpark	20	56	82	40	39	27
Bedfordview	13	35	27	37	15	38
Bruma	61	51	31	3	20	27
Meadowbrook	N/A	N/A	N/A	N/A	N/A	N/A
Woodmead	7	-2	33	-31	24	26
Sunninghill	15	27	31	38	80	61
Bryanston/Epsom Downs	15	79	60	30	-3	-15
Fourways	22	23	7	-76	3	6
Houghton	16	-2	-16	-58	8	-4
Melrose Arch	63	29	N/A	N/A	N/A	N/A
Hyde Park	7	10	14	-2	-3	1
Eastgate/Kramerville	N/A	N/A	40	43	28	44
Ormonde	28	33	25	6	-27	32
Midrand	-23	18	43	51	36	26
Germiston	N/A	N/A	N/A	N/A	N/A	N/A
Benoni CBD	N/A	N/A	N/A	N/A	N/A	N/A
Benoni dec	N/A	N/A	N/A	N/A	N/A	N/A
Boksburg CBD	N/A	N/A	N/A	N/A	N/A	N/A
Boksburg North	N/A	N/A	N/A	N/A	N/A	N/A
Boksburg (Mall area)	N/A	N/A	N/A	N/A	N/A	N/A
Pretoria CBD		-10	55	58	25	5
Lynnwood Glen	33	0	-17	-15	39	37
Lynnwood	25	13	-15	-50	29	28
Lynnwood Manor	0	0	0	0	-28	0
Lynnwood Ridge	8	42	-56	0	-5	-7
Faerie Glen	19	0	0	0	5	34
Val de Grace	60	0	0	-25	10	18
Menlyn	35	60	27	0	59	44
Menlo Park (Brooks St.)	-26	0	0	0	0	0
Brooklyn/Waterkloof	-23	0	8	-50	20	22
Nieuw Muckleneuk	-21	20	8	-40	33	48
Hatfield	32	22	14	-28	-4	18
Centurion	-38	-22	3	-15	1	27
Highveld Technopark	8	-15	45	0	-29	-10
Sunnyside	0	0	5	0	0	0
Arcadia	5	3	3	5	0	7
Murrayfield	0	0	0	0	0	0

Table 7.8 (continued)
Change in market parking rental
 Quarter 2008:3 less quarter 2008:2
 Monthly parking

	Covered reserved parking				Under shade net	Open-air parking
	Gr A+	Gr A	Gr B	Gr C		
Klerksdorp		N/A	N/A	N/A	N/A	N/A
Vereeniging		N/A	N/A	N/A	N/A	N/A
Vanderbijlpark		N/A	N/A	N/A	N/A	N/A
Nelspruit		N/A	N/A	N/A	N/A	N/A
Polokwane		13	13	-10	0	-5
Bloemfontein CBD		29	32	0	-17	28
Westdene	-25	-3	-5	0	-40	0
Durban CBD	N/A	-37	-3	-7	N/A	38
Durban Berea	N/A	50	50	75	N/A	N/A
Essex Terrace	N/A	3	45	75	N/A	-27
Westway	25	50	N/A	N/A	N/A	25
La Lucia Ridge	0	15	25	N/A	30	30
Westville	N/A	N/A	-13	N/A	N/A	50
Pinetown	N/A	-33	N/A	0	-85	-50
Hillcrest-Kloof (Upper Highway)	N/A	N/A	N/A	N/A	N/A	N/A
Empangeni	N/A	N/A	N/A	N/A	N/A	N/A
Richards Bay		N/A	N/A	N/A	N/A	N/A
P/maritzburg CBD		0	5	25	0	8
Pmb peripheral CBD*		0	40	25	10	18
Pmb decentralized		15	20	35	0	18
Port Elizabeth		N/A	N/A	N/A	N/A	N/A
Port Elizabeth dec.	N/A	-100	N/A	N/A	N/A	N/A
East London		N/A	N/A	N/A	N/A	N/A
East London dec.	N/A	N/A	N/A	N/A	N/A	N/A
Cape Town CBD		20	25	-75	N/A	0
V&A Portswood Ridge	275	144	N/A	N/A	N/A	N/A
Granger Bay	50	0	N/A	N/A	N/A	N/A
Kenilworth (Racecourse)	29	25	75	25	N/A	75
Westlake	150	92	150	250	N/A	25
Claremont Lower	0	0	75	150	N/A	0
Claremont Upper	-13	38	-108	50	N/A	-50
Pinelands	117	117	117	-25	150	25
Athlone	N/A	N/A	N/A	N/A	N/A	N/A
Rondebosch/ Newlands	-113	-91	-133	N/A	N/A	N/A
Wynberg	275	150	175	400	N/A	75
Table View/Parklands	0	35	0	N/A	N/A	50
Century City	-80	-50	-75	N/A	-25	-31
Goodwood (N1 City)	-100	-83	-158	N/A	N/A	138
Tygerberg Hills	-125	-103	-94	0	N/A	50
Bellville CBD		-119	-124	38	-13	0
Tyger Valley area	2	-71	-58	0	0	20
Durbanville	-50	-56	-83	N/A	N/A	-67
Kuils River	N/A	N/A	N/A	N/A	N/A	N/A
George	N/A	N/A	N/A	N/A	N/A	N/A
Windhoek	N/A	N/A	N/A	N/A	N/A	N/A

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

Table 7.9
Office rental escalation rates on new leases (%)
Average escalation rate on net rentals for quarter 2008:3

	Mean	Q08:3 less Q08:2		Mean	Q08:3 less Q08:2
Johannesburg CBD	8,8	0,1	Klerksdorp	N/A	N/A
Braamfontein	9,1	0,3	Vereeniging	N/A	N/A
Sandton CBD	9,6	0,1	Vanderbijlpark	N/A	N/A
Dunkeld West	9,5	0,0	Nelspruit	10,0	0,0
Wierda Valley	9,5	0,0	Polokwane	9,2	0,3
Randburg Ferndale	9,5	-0,4	Bloemfontein CBD	8,7	0,2
Rivonia	9,3	0,1	Westdene	9,7	1,2
Rosebank	9,6	0,1	Durban CBD	9,0	-0,5
Illovo	9,6	0,1	Berea	9,0	-1,0
Illovo Boulevard	9,6	0,1	Essex Terrace	9,0	-1,0
Chislehurst	9,6	0,1	Westway	9,0	-1,0
Parktown	9,6	0,8	La Lucia Ridge	9,0	-1,0
Richmond/Milpark	9,2	0,4	Westville	9,0	-0,5
Bedfordview	9,2	0,0	Pinetown	9,0	-1,0
Bruma	8,8	0,0	Hillcrest-Kloof (Upper Highway)	N/A	N/A
Meadowbrook	N/A	N/A	Empangeni	N/A	N/A
Woodmead	9,5	0,0	Richards Bay	N/A	N/A
Sunninghill	9,5	-0,1	Pietermaritzburg CBD	10,0	1,0
Bryanston/Epsom Downs	9,6	0,1	Peripheral CBD	10,0	1,0
Fourways	9,6	0,1	Decentralized	10,0	0,0
Houghton	9,5	0,0	Port Elizabeth CBD	N/A	N/A
Melrose Arch	9,6	0,1	Port Elizabeth dec,	N/A	N/A
Hyde Park	9,5	0,3	East London CBD	10,0	0,0
Eastgate/Kramerville	9,0	0,5	East London dec,	9,1	0,0
Ormonde	8,5	0,0	Cape Town CBD	8,9	-0,5
Midrand	9,3	0,5	V&A Portwood Ridge	N/A	N/A
Germiston	9,0	N/A	Granger Bay	10,0	0,0
Benoni CBD	N/A	N/A	Kenilworth (Racecourse)	9,5	0,2
Benoni dec	N/A	N/A	Westlake	10,0	0,7
Boksburg CBD	N/A	N/A	Claremont Lower	9,5	-0,5
Boksburg North	N/A	N/A	Claremont Upper	9,5	-0,5
Boksburg (Mall area)	N/A	N/A	Pinelands	9,3	0,3
Pretoria CBD	9,5	0,0	Athlone	8,5	-1,5
Lynnwood Glen	10,0	0,0	Rondebosch/ Newlands	8,5	-0,8
Lynnwood	10,0	0,0	Wynberg	9,6	-0,4
Lynnwood Manor	10,5	0,0	Table View/Parklands	N/A	N/A
Lynnwood Ridge	10,3	0,0	Century City	9,5	-0,5
Faerie Glen	10,3	0,1	Goodwood (N1 City)	10,0	1,0
Val de Grace	10,5	0,3	Tygerberg Hills	9,0	-0,5
Menlyn	10,3	0,1	Bellville CBD	9,3	0,3
Menlo Park (Brooks St.)	10,5	0,2	Tyger Valley area	9,4	0,1
Brooklyn/Waterkloof	10,3	0,1	Durbanville	9,5	0,0
Nieuw Muckleneuk	10,3	0,1	Kuils River	10,0	0,0
Hatfield	10,5	0,3	George	N/A	N/A
Centurion	9,8	-0,2	Windhoek	N/A	N/A
Highveld Technopark	10,3	0,0			
Sunnyside	9,5	-0,2			
Arcadia	9,7	-0,1			
Murrayfield	10,5	0,0			

Chapter 8: Office demand and vacancies

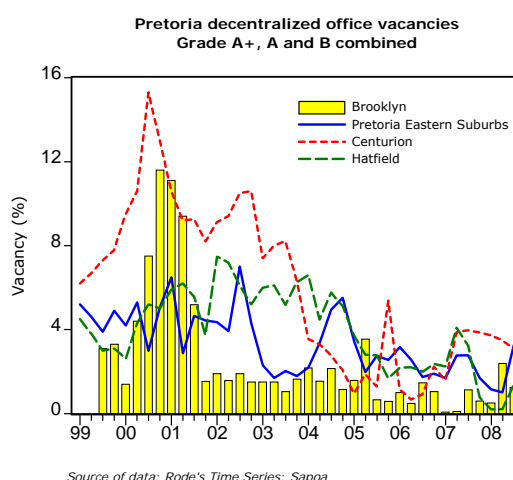
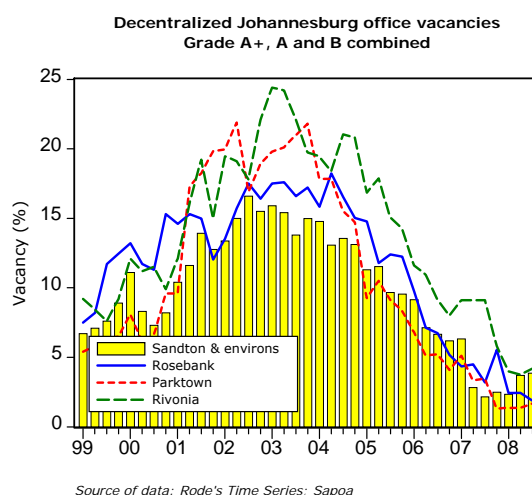
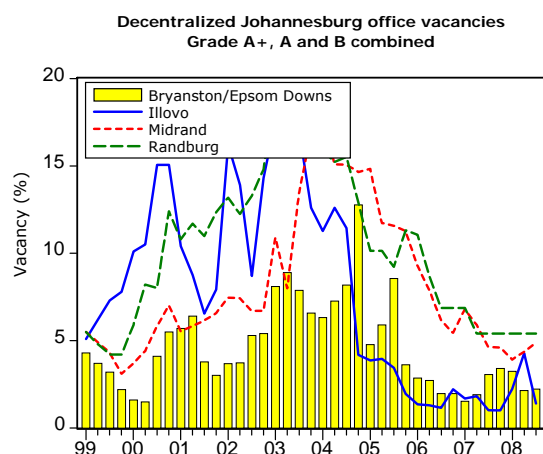
Vacancies still low

Written by John S. Lottering

On average, prime office vacancies in all of the major metropolises were low and below the 5% mark in the third quarter of 2008.

Vacancies in Durban and Pretoria decentralized averaged around 1,2% and 1,9% respectively, while vacancies in Johannesburg and Cape Town decentralized were marginally higher at 3,6% and 4,9%. A closer look at the Cape Town decentralized average reveals that this was largely because vacancies in Century City are currently around 14%. According to those at the coal-face in Century City, the steady uptick in vacancies over the past few quarters (refer to the corresponding graph) was mainly as a result of a spurt in development, brought on by developers having to complete their projects within two years of obtaining the land. Of course, this led to a temporary situation of oversupply. Thus, Century City can be said to be suffering from 'Sandton sickness' at the moment, a situation where an office node momentarily becomes the prey of its own success. Nonetheless, prospects for this prime Cape Town decentralized office node remain favourable, which could see this oversupply being mopped up very soon.

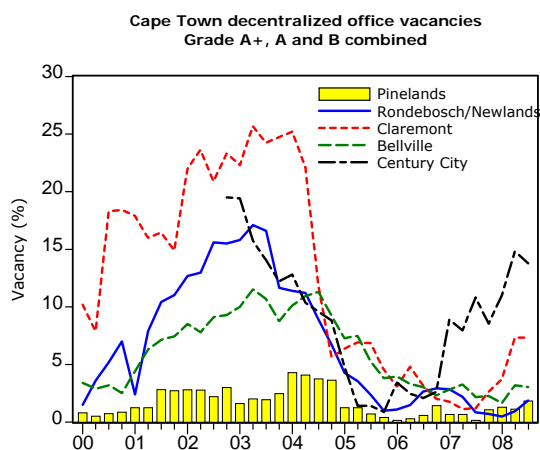
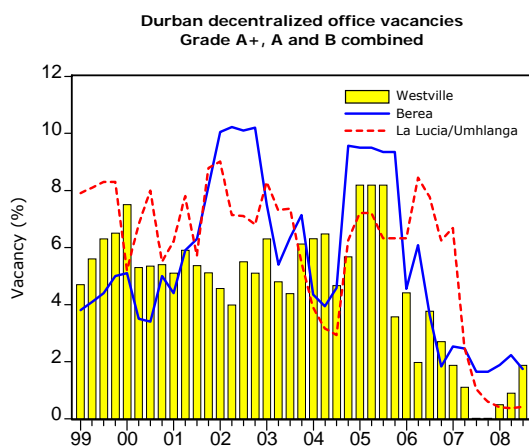
As far as the major nodes in Johannesburg decentralized are concerned — barring Illovo, Randburg and Rosebank — vacancies for prime office space were marginally up from their previous quarter levels. Nonetheless, vacancy rates still ranged from as low as 1,4% in Illovo to as high as only 5% in Randburg.



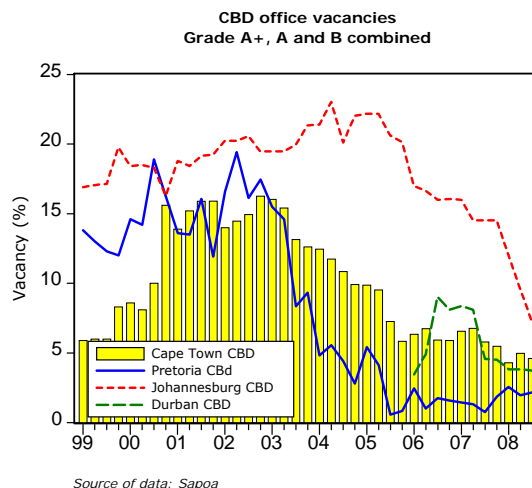
Besides the uptick in the Pretoria Eastern Suburbs in the reporting quarter, available

prime office space remains a rare commodity in this office node, with 97% of the space being occupied. In the other top Pretoria decentralized office nodes of Brooklyn, Centurion and Hatfield, vacancy rates were also still low and ranging between 1% and 3%.

In the third quarter of 2008, vacancy rates in Westville (2%) increased marginally, in Berea (2%) they dropped, while in the premier node of La Lucia Ridge (0,4%) they moved sideways from their previous quarter level.



In Cape Town decentralized, the overall vacancy trend was "slightly up" from their previous quarter levels. Of the total rentable area in Century City, 14% was available for leasing in the third quarter of 2008, followed by Claremont (7%), Bellville (3%), with Pinelands and Rondebosch/Newlands both 2%.



Capitol Commercial Properties surveys the Tyger Valley area (north of the N1). According to their figures (see www.property.co.za), the vacancy rates for grade-A+, grade-A and grade-B properties as in October 2008 were 13%, 7% and 8% respectively.

Looking at vacancy rates in the CBDs, the accompanying graph shows that, barring the Johannesburg CBD, vacancies generally moved sideways. Vacancy rates are the lowest in the Pretoria CBD, at about 2%, followed by Durban (4%), Cape Town (5%) and Johannesburg (7%). These vacancies are low, but the reader should remember that these rates apply to grades A and B, and that no new buildings have been built in most CBDs for about 15 years. Thus we are looking at lower vacancies but at an ever-shrinking inventory of grade A and B. (As a rule of thumb, office buildings slip down a grade for every decade of ageing.)

Important note:

Sapoa's office vacancy surveys' methodology is generally not conducive to tracking movements in demand over time, and the figures reported on in **Table 8.1** were calculated after substantial adjustment of the reported figures by ourselves. Hence our calculations are, in all likelihood, not faultless, but at least they give one an idea as to where activity is taking place and to what extent.

Office demand is equal to office stock less office space vacant. In other words, demand is office space occupied.

Office take-up refers to the change in office demand. Where take-up is positive, it can also be called growth in demand.

Office vacancies refer to the floor area available for leasing at any given time, irrespective of whether there is still a valid lease over the space. In most cases, office vacancies are expressed as a percentage of the stock in rentable m².

Table 8.1
Cumulative take-up of office space (m²)
Grades A & B combined

Source of original data: Sapoa Vacancy Surveys

Node	6 months		12 months	
	Take-up	% of stock	Take-up	% of stock
Johannesburg CBD	57.701	4,3%	54.917	3,9%
Braamfontein	8.410	2,3%	19.105	5,5%
Johannesburg central subtotal	66.111	3,9%	74.022	4,2%
Johannesburg decentralized	103.717	2,0%	218.453	4,3%
Johannesburg metro total	169.828	2,5%	292.475	4,3%
Cape Town CBD	16.906	2,2%	50.375	7,1%
Cape Town decentralized ⁽¹⁾	20.755	1,9%	35.230	3,3%
Cape Peninsula total	37.661	2,1%	85.605	4,8%
Durban CBD	230	0,1%	2.144	0,8%
Durban decentralized	7.909	1,9%	46.263	12,3%
Durban metro total	8.139	1,2%	48.407	7,7%
Pretoria CBD ⁽²⁾	1.463	0,4%	-5.117	-1,4%
Pretoria decentralized	113.644	7,2%	181.776	12,5%
Pretoria metro total	115.107	6,2%	176.659	9,7%
National CBDs	84.710	2,8%	121.424	4,0%
National decentralized	246.025	3,0%	481.722	6,0%

(1) Sapoa's Vacancy Survey for Cape Town decentralized does not include N1 City and Westlake.

(2) Negative take-up means vacancy rates increased (unless stock diminished, of course)

Note that our calculations are done only on grades A+, A and B buildings. Also, RR makes adjustments to office stock (total rentable area) data, as Sapoa slips existing stock into the inventory from time to time, resulting in false take-up figures, unless corrected. Adjustments to the office stock also had to be made to accommodate the regrading of buildings from B to C.

Sapoa's vacancy survey in the Cape Peninsula, which is the source for the accompanying graphs and the tables at the end of this chapter, does not include the nodes of Westlake, N1 City, or Somerset West.

When reading this chapter, it is insightful to have a yardstick against which one can compare take-up statistics. Johannesburg readers may therefore want to use as a reference point the Carlton Centre office tower of just over 75.000m², whereas our Cape Town readers could use the 1 Thibault Square (old BP) building, which is just short of 30.000m².

Table 8.1 summarizes the cumulative take-up in major CBDs and decentralized office nodes for the 6-month and 12-month periods ended September 2008. The reader will note that over the past 12 months the take-up has been more robust in the de-

centralized locations of Pretoria and Durban, relative to Cape Town and Johannesburg decentralized.

This concludes our chapter on office vacancies and take-up. ■

Table 8.2
Sapoa office vacancy factors (%)

Grades A+, A & B

	Septem- ber 2007	December 2007	March 2008	June 2008	Septem- ber 2008
Bedfordview					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	1,15	1,15	1,15	0,99	0,99
Grade B	0,10	0,59	1,85	1,02	3,77
Total	0,68	0,90	1,46	1,00	2,22
Braamfontein					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	1,88	1,88	5,97	5,04	8,05
Grade B	17,27	20,49	12,59	6,63	7,11
Total	8,72	10,52	9,04	5,78	7,61
Bryanston/Epsom Downs					
Grade A+	0,00	0,00	0,00	0,00	0,00
Grade A	3,79	3,54	3,25	2,22	1,92
Grade B	3,74	10,10	10,76	6,37	10,34
Total	3,06	3,41	3,24	2,14	2,22
Bruma					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	0,00	0,00	0,00	0,67	0,67
Grade B	7,90	0,00	0,00	1,61	1,09
Total	3,35	0,00	0,00	1,07	0,85
CBD Johannesburg					
Grade A+	0,00	0,00	0,00	0,00	3,64
Grade A	7,33	7,33	5,48	2,01	2,04
Grade B	23,47	23,47	21,04	20,76	14,88
Total	14,52	14,52	11,68	9,60	7,21
Constantia Kloof Basin					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	1,91	1,36	3,08	2,01	18,36
Grade B	0,00	0,00	0,00	0,00	0,00
Total	1,89	1,34	3,05	1,99	18,18
Fourways					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	5,96	5,81	3,30	4,00	2,94
Grade B	15,63	15,63	15,63	15,63	0,00
Total	6,17	6,03	3,58	4,26	2,87
Houghton/Killarney					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	0,00	2,41	3,56	2,00	1,37
Grade B	5,11	1,71	1,71	1,71	0,00
Total	1,46	2,22	3,07	1,92	1,01

Source of data: Sapoa

Table 8.2 (continued)
Sapoa office vacancy factors (%)

Grades A+, A & B

	Septem- ber 2007	December 2007	March 2008	June 2008	Septem- ber 2008
Hyde Park/Dunkeld					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	3,19	0,00	1,22	0,00	1,50
Grade B	1,94	2,47	4,00	3,31	2,21
Total	2,31	1,75	3,13	2,27	1,99
Illovo					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	0,24	0,65	0,41	4,95	1,38
Grade B	4,88	2,65	10,71	0,99	1,53
Total	1,01	1,00	2,22	4,27	1,40
Melrose/Waverley					
Grade A+	0,00	0,00	0,00	0,73	2,21
Grade A	0,00	0,00	0,00	0,00	0,00
Grade B	0,00	0,00	0,00	0,00	0,00
Total	0,00	0,00	0,00	0,28	0,86
Midrand					
Grade A+	0,29	0,29	0,00	0,00	0,00
Grade A	4,08	3,41	3,96	3,61	4,74
Grade B	8,54	9,40	6,83	8,85	8,85
Total	4,64	4,59	3,91	4,36	4,87
Milpark					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	0,00	0,00	0,00	0,00	0,00
Grade B	1,37	1,06	1,16	1,16	0,43
Total	1,19	0,93	1,02	1,02	0,37
Morningside					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	4,33	2,94	1,24	3,12	3,21
Grade B	N/A	N/A	N/A	N/A	N/A
Total	4,33	2,94	1,24	3,12	3,21
Parktown					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	5,43	1,81	1,96	1,96	1,78
Grade B	2,70	1,13	1,12	1,12	1,61
Total	3,46	1,32	1,36	1,36	1,66
Randburg					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	2,05	2,05	2,05	2,05	2,05
Grade B	6,88	6,88	6,88	6,88	6,88
Total	5,40	5,40	5,40	5,40	5,40

Source of data: Sapoa

Table 8.2 (continued)
Sapoa office vacancy factors (%)

Grades A+, A & B

	Septem- ber 2007	December 2007	March 2008	June 2008	Septem- ber 2008
Rivonia					
Grade A+	0,00	0,00	0,00	0,00	0,00
Grade A	10,15	2,04	0,76	0,76	0,45
Grade B	8,82	6,86	5,14	4,78	5,39
Total	9,11	5,81	3,98	3,73	4,17
Rosebank					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	5,22	5,42	2,08	2,04	1,98
Grade B	2,10	5,61	2,62	2,66	1,83
Total	3,19	5,54	2,43	2,44	1,88
Sandton & Environs					
Grade A+	0,00	0,00	0,00	0,00	0,00
Grade A	2,27	2,67	2,51	3,54	2,92
Grade B	3,23	3,60	3,38	7,05	10,43
Total	2,15	2,49	2,34	3,69	3,86
Sunninghill					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	0,77	0,77	1,24	0,95	3,29
Grade B	N/A	N/A	N/A	N/A	N/A
Total	0,77	0,77	1,24	0,95	3,29
Woodmead					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	1,00	6,45	1,92	1,19	2,41
Grade B	8,43	14,04	12,92	8,43	8,43
Total	1,46	6,89	2,51	1,58	2,72
Bellville					
Grade A+	0,00	0,00	0,00	0,00	0,00
Grade A	2,44	2,60	2,07	4,18	3,91
Grade B	2,57	2,51	1,28	2,02	2,09
Total	2,16	2,26	1,63	3,20	3,04
CBD Cape Town					
Grade A+	3,29	3,29	0,00	0,00	0,00
Grade A	5,41	4,65	3,00	5,15	4,91
Grade B	6,58	6,95	6,79	5,37	4,73
Total	5,79	5,49	4,30	4,97	4,60
Century City					
Grade A+	0,00	0,00	0,00	0,00	0,00
Grade A	11,64	10,02	12,48	17,00	15,80
Grade B	17,88	4,47	8,81	8,64	3,95
Total	10,82	8,53	11,00	14,79	13,78

Source of data: Sapoa

Table 8.2 (continued)
Sapoa office vacancy factors (%)
 Grades A+, A & B

	Septem- ber 2007	December 2007	March 2008	June 2008	Septem- ber 2008
Claremont					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	0,74	1,24	3,10	8,30	8,30
Grade B	2,92	7,95	6,16	3,60	3,53
Total	1,19	2,62	3,73	7,33	7,32
Pinelands					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	0,16	1,17	0,70	0,53	1,29
Grade B	0,00	0,00	7,13	7,13	7,36
Total	0,15	1,07	1,28	1,13	1,83
Rondebosch/Newlands					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	0,88	1,04	0,74	0,53	2,43
Grade B	0,76	0,00	0,00	1,74	0,79
Total	0,84	0,69	0,49	0,94	1,87
Waterfront					
Grade A+	0,00	0,00	0,00	0,00	0,00
Grade A	1,74	0,00	0,54	0,79	1,71
Grade B	4,00	4,00	0,00	5,85	5,85
Total	2,08	0,61	0,45	1,58	2,36
Berea					
Grade A+	N/A	N/A	0,00	0,00	0,00
Grade A	0,95	0,95	1,54	1,54	0,18
Grade B	2,22	2,22	2,40	6,18	6,41
Total	1,64	1,64	1,25	2,23	1,74
CBD Durban					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	3,16	3,10	2,27	2,16	1,87
Grade B	5,74	5,67	5,10	5,17	5,26
Total	4,58	4,52	3,83	3,82	3,74
Umhlanga/La Lucia					
Grade A+	0,00	0,00	0,00	2,12	2,12
Grade A	1,04	0,49	0,49	0,21	0,20
Grade B	1,41	1,41	0,00	1,02	1,41
Total	1,04	0,59	0,40	0,36	0,41
Westville					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	0,00	0,00	0,35	0,35	1,03
Grade B	0,02	0,02	0,61	1,36	2,63
Total	0,01	0,01	0,49	0,89	1,87

Source of data: Sapoa

Table 8.2 (continued)
Sapoa office vacancy factors (%)
 Grades A+, A & B

	Septem- ber 2007	December 2007	March 2008	June 2008	Septem- ber 2008
Arcadia					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	0,10	0,07	0,00	0,07	0,00
Grade B	0,00	0,00	0,00	1,45	2,93
Total	0,07	0,05	0,00	0,52	0,94
Brooklyn					
Grade A+	0,00	0,00	0,00	9,14	5,63
Grade A	1,07	0,12	0,66	0,12	0,14
Grade B	1,45	2,35	0,00	5,35	1,85
Total	1,13	0,60	0,50	2,39	1,24
CBD Pretoria					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	0,73	2,31	2,61	2,52	2,08
Grade B	0,78	1,57	2,53	1,64	2,20
Total	0,76	1,85	2,56	1,96	2,16
Centurion					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	0,59	0,74	0,29	1,64	2,63
Grade B	6,22	6,02	6,10	4,59	3,35
Total	3,96	3,86	3,72	3,48	3,08
Hatfield/Hillcrest					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	4,19	0,50	0,00	0,07	1,52
Grade B	1,58	1,23	0,54	0,46	1,08
Total	3,23	0,77	0,20	0,21	1,36
Highveld Technopark					
Grade A+	0,00	0,00	0,00	2,52	0,00
Grade A	1,73	1,48	0,81	0,00	0,18
Grade B	0,00	0,00	0,00	0,00	0,00
Total	1,45	1,26	0,69	0,24	0,16
Menlyn					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	0,77	1,18	1,10	1,76	1,78
Grade B	12,92	3,98	6,68	5,92	5,92
Total	2,35	1,54	1,82	2,30	2,31

Source of data: Sapoa

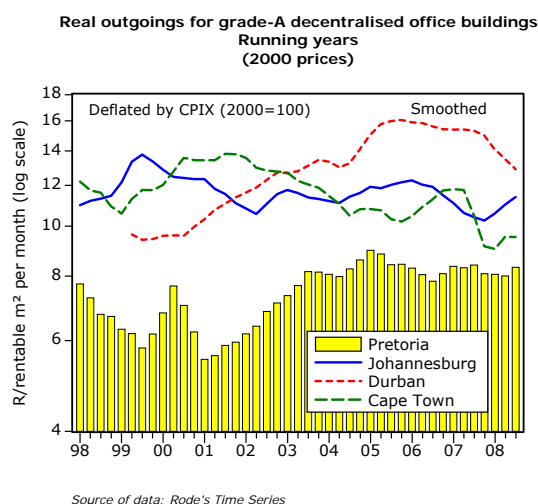
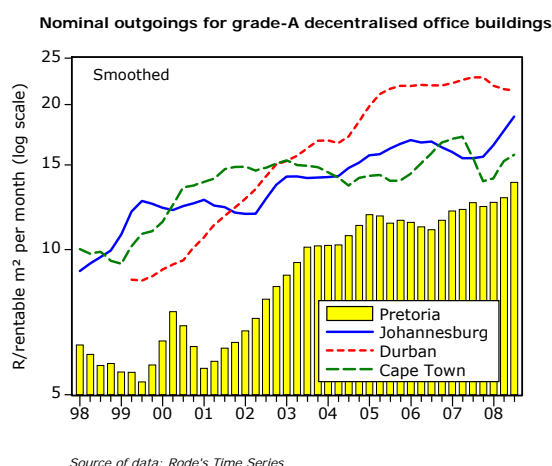
Table 8.2 (continued)
Sapoa office vacancy factors (%)
 Grades A+, A & B

	June 2007	September 2007	December 2007	March 2008	June 2008
Pretoria Eastern Suburbs					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	5,34	3,12	2,06	1,79	2,15
Grade B	0,22	0,22	0,00	0,00	4,76
Total	2,78	1,70	1,15	1,01	3,25
Lynnwood					
Grade A+	0,00	0,00	8,13	11,10	7,07
Grade A	0,10	0,00	0,00	0,56	0,47
Grade B	0,00	0,00	0,16	1,84	3,08
Total	0,04	0,00	0,52	1,79	2,08
Johannesburg central					
Grade A+	0,00	0,00	0,00	0,00	3,64
Grade A	6,47	6,37	5,74	2,70	3,35
Grade B	22,25	22,84	19,08	17,46	13,03
Total	13,36	13,70	11,12	8,79	7,29
Johannesburg decentralized					
Grade A+	0,07	0,07	0,00	0,07	0,21
Grade A	2,40	2,70	2,20	2,37	3,29
Grade B	4,41	4,52	4,02	4,33	4,84
Total	2,94	3,16	2,64	2,85	3,60
Pretoria decentralized					
Grade A+	0,30	0,43	0,59	1,71	1,13
Grade A	2,85	1,30	0,96	0,86	1,41
Grade B	2,54	2,23	2,05	2,39	3,05
Total	2,17	1,46	1,24	1,56	1,90
Durban decentralized					
Grade A+	0,00	0,00	0,00	0,28	0,28
Grade A	0,76	0,43	0,65	0,47	0,45
Grade B	0,86	0,86	0,85	2,24	3,14
Total	0,79	0,58	0,62	0,97	1,22
Cape Town decentralized					
Grade A+	0,00	0,00	0,00	0,00	0,00
Grade A	2,95	3,02	3,41	5,38	5,77
Grade B	2,94	2,46	2,47	3,16	2,77
Total	2,75	2,71	3,01	4,62	4,87
<i>Source of data: Sapoa</i>					

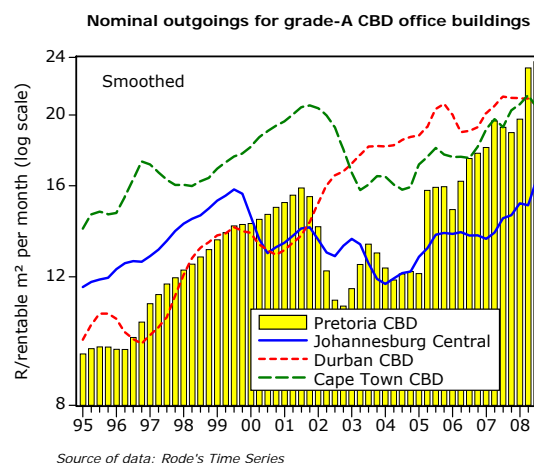
Chapter 9: Operating expenses of office buildings

Strongest operating-cost growth in Pretoria CBD

Written by John S. Lottering



quarter of 2008. Compared to the same quarter a year earlier, landlords in Johannesburg decentralised were paying as much as 22% more for the running of their prime office buildings. In the decentralized office areas of Pretoria (+10%) and Cape Town (+1%) operating cost growth was less vigorous, while in Durban (-6%) outgoings was somewhat lower when compared to a year ago. Of course, when compared to consumer inflation (+13%y-o-y), *real* operating costs in the decentralized office areas of Johannesburg were the only ones higher than they were a year earlier.



CBDs

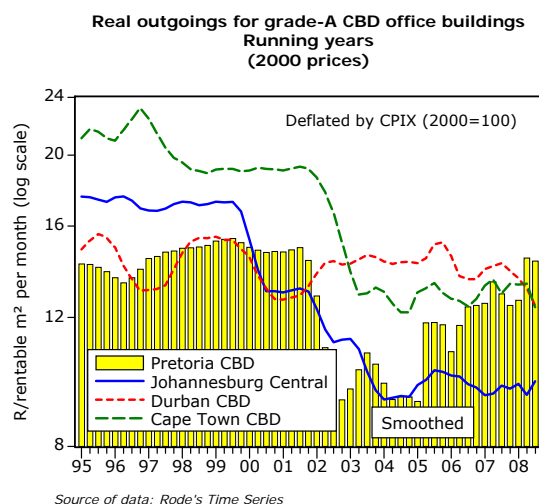
Decentralized office nodes

Operating costs in the decentralized office nodes of Johannesburg showed, once again, the strongest growth in the third

Compared to a year ago, landlords in the CBD of Pretoria are forking out roughly 24% more for operating their prime office properties, 10% points above the consumer inflation rate of 13%. In Johannes-

burg Central (+13%), operating costs grew in line with consumer inflation, while in the CBDs of Cape Town (+7%) and Durban (-3%) growth was below consumer inflation.

Table 9.1 summarizes the mean gross operating expenses for quarter 2008:3, as reported by landlords for named properties in the major CBDs.



This concludes our section on operating costs. The operating-cost tables follow. ■

All the graphs portraying the *real* movement in outgoings use the CPIX (consumer inflation excluding mortgage costs) to deflate the *nominal* data. Using the CPIX as deflator implies that we are looking at *real* operating costs from the landlord's or investor's point of view — as distinct from the developer.

Grateful thanks to our 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. 39. An explanation of the codes can be found on p. xviii

Table 9.1
Mean gross outgoings for named CBD prime office buildings
As reported by owners
Year ended September 2008 in R/rentable m² per month

	Total outgoings		
	Mean	SD	n
Johannesburg & Braamfontein	R 19,74	R 1,59	6
Sandton CBD	R 25,85	R 4,01	5
Pretoria CBD	R 19,69	N/A	1
Durban CBD	R 19,71	R 2,70	6
Cape Town CBD	R 20,96	R 6,61	2

n = Number of buildings in sample

SD = Standard deviation.

See Glossary of terms and abbreviations in Annexure 1 or visit www.rode.co.za.

Drivers of operating costs

The medium- to long-term movement of operating costs, assuming *constant* grading (i.e. no ageing), is driven by mainly two factors:

- **Assessment rates:** In terms of the *Municipal Property Rates Act* of 2004, properties' market values need to be recalculated every four years for rating purposes. As assessment rates generally make up a significant portion of operating costs, a major 'rerating' of a node by the market **relative to** other nodes could result in a significant increase or decline in operating costs upon revaluation.
- **Inflation:** Other expense items such as cleaning, maintenance, insurance, and security, tend to track the inflation rate over the medium to long term (assuming no ageing, of course, and no change in competition among property managers).

The standard deviation in **Table 9.1** tends to be quite large. Here are a few of the more significant reasons for this variance:

- Buildings have different market values per m², and hence their assessment rates per m² will be different.
- Larger buildings tend to enjoy economies of scale, and this reduces the operating costs per m².
- Age or wear-and-tear aside, maintenance expenses should differ owing to the unique architectural characteristics (design and materials) of each building. A skyscraper, for example, will have a lift-maintenance expense while a 3-storey office building without lifts will have none.

Thus, the more homogeneous the buildings in a node are, the smaller the standard deviation should be.

Rode & Associates performs two quarterly outgoings (operating cost) surveys — one for CBDs and another for decentralised nodes. The CBD survey is more rigorous and more accurate as it polls institutional owners for actual outgoings for a sample of named CBD buildings, whereas the decentralised survey asks brokers for their opinion as to the current typical outgoings paid by landlords in a given node during the most recently ended year.

We ask all respondents to include the following in their reported outgoings: cleaning, repairs & maintenance, common-area electricity & water, management, all leasing expenses (commissions, advertising, tenant alterations, installations or relocation expenses and buy-outs), security, property taxes, refuse & sewerage less recoverable amount, audit fees, external & common-area repairs & maintenance and insurance (fire and Sasria). The following are excluded: head office overheads, tenants' own electricity and water, *recovered* tenant alterations or installations, recoverable refuse & refuse, internal maintenance and VAT.

Table 9.2
Typical gross outgoings for prime office buildings
 As reported by brokers
 R/rentable m² per month: quarter 2008:3

	Mean	SD	n
Johannesburg decentralized nodes:			
Sandton	23,60	1,95	5
Dunkeld West	19,50	5,92	4
Wierda Valley	22,25	2,63	4
Randburg Ferndale	16,75	2,36	4
Rivonia	18,00	2,94	4
Rosebank	20,90	3,94	5
Illovo	23,00	2,12	5
Illovo Boulevard	23,60	2,51	5
Chiselhurst	22,60	2,79	5
Parktown	19,67	1,53	3
Richmond/Milpark	16,50	4,04	4
Bedfordview	16,50	1,50	3
Bruma	15,33	2,52	3
Meadowbrook	N/A	N/A	0
Woodmead	19,00	1,73	3
Sunninghill	17,83	2,75	3
Bryanston/Epsom	20,30	3,19	5
Fourways	19,38	2,81	4
Houghton	19,67	3,79	3
Melrose Arch	29,75	4,27	4
Hydepark	19,63	4,11	4
Eastgate/Kramerville	16,00	4,24	2
Ormonde	14,00	2,83	2
Midrand	14,40	1,56	5
Pretoria decentralized nodes:			
Lynnwood Glen	14,25	1,06	2
Lynnwood	14,25	1,06	2
Lynnwood Manor	13,25	0,35	2
Lynnwood Ridge	14,00	1,41	2
Faerie Glen	15,00	0,00	2
Val de Grace	13,50	2,12	2
Menlyn	15,50	0,71	2
Menlo Park (Brooks St.)	14,00	2,83	2
Brooklyn/Waterkloof	16,75	2,47	2
Nieuw Muckleneuk	16,75	2,47	2
Hatfield	14,00	1,41	2
Centurion	15,00	0,00	2
Highveld Technopark	15,00	0,00	2
Sunnyside	14,00	N/A	1
Arcadia	12,50	0,71	2
Murrayfield	14,00	N/A	1

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

Table 9.2 (continued)
Typical gross outgoings for prime office buildings
 As reported by brokers
 R/rentable m² per month: quarter 2008:3

	Mean	SD	n
Germiston	N/A	N/A	0
Benoni CBD	N/A	N/A	0
Benoni dec	N/A	N/A	0
Boksburg CBD	N/A	N/A	0
Boksburg North	N/A	N/A	0
Boksburg (East Rand Mall area)	N/A	N/A	0
Klerksdorp	N/A	N/A	0
Vereeniging	N/A	N/A	0
Vanderbijlpark	N/A	N/A	0
Nelspruit	N/A	N/A	0
Polokwane	11,17	3,55	3
Bloemfontein CBD	N/A	N/A	0
Westdene	N/A	N/A	0
Durban decentralized nodes:			
Durban Berea	25,00	N/A	1
Essex Terrace	24,00	N/A	1
Westway	24,00	N/A	1
La Lucia Ridge	24,00	N/A	1
Westville	24,00	N/A	1
Pinetown	N/A	N/A	0
Hillcrest-Kloof (Upper Highway)	N/A	N/A	0
Empangeni	N/A	N/A	0
Richards Bay	N/A	N/A	0
Pietermaritzburg CBD	10,00	N/A	1
Pietermaritzburg peripheral CBD	10,00	N/A	1
Pietermaritzburg decentralized	10,00	N/A	1
Port Elizabeth CBD	N/A	N/A	0
Port Elizabeth decentralized	N/A	N/A	2
East London CBD	N/A	N/A	0
East London decentralized	9,56	N/A	1

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

Table 9.2 (continued)
Typical gross outgoings for prime office buildings
 As reported by brokers
 R/rentable m² per month: quarter 2008:3

	Mean	SD	n
Cape Town decentralized nodes:			
V&A Portswood Ridge	N/A	N/A	0
Granger Bay	16,00	N/A	1
Kenilworth (Racecourse)	12,50	N/A	1
Westlake	11,50	N/A	1
Claremont Lower	10,00	N/A	1
Claremont Upper	12,00	N/A	1
Pinelands	N/A	N/A	0
Athlone	N/A	N/A	0
Rondebosch/Newlands	N/A	N/A	0
Wynberg	12,00	N/A	1
Table View/Parklands	N/A	N/A	0
Century City	17,00	1,41	2
Goodwood (N1 City)	15,00	N/A	1
Tygerberg Hills	19,00	1,41	2
Bellville CBD	12,50	3,54	2
Tyger Valley area	15,00	2,58	4
Durbanville	14,00	1,73	3
Kuils River	15,00	N/A	1
George	N/A	N/A	0
Windhoek	N/A	N/A	0

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

Table 9.3
Escalation rates on operating costs

Node	2008:3	Node	2008:3
Johannesburg CBD	9,3	Klerksdorp	N/A
Braamfontein	9,5	Vereeniging	N/A
Sandton CBD	9,8	Vanderbijlpark	N/A
Dunkeld West	9,7	Nelspruit	N/A
Wierda Valley	9,7	Polokwane	9,8
Randburg Ferndale	9,8	Bloemfontein CBD	9,0
Rivonia	9,7	Westdene	9,0
Rosebank	9,8	Durban CBD	10,0
Illovo	9,8	Durban Berea	N/A
Illovo Boulevard	9,8	Essex Terrace	N/A
Chiselhurst	9,8	Westway	N/A
Parktown	9,8	La Lucia	N/A
Richmond/Milpark	9,5	Westville	N/A
Bedfordview	9,8	Pinetown	11,0
Bruma	9,3	Hillcrest-Kloof (Upper Highway)	N/A
Meadowbrook	N/A	Empangeni	N/A
Woodmead	9,8	Richards Bay	N/A
Sunninghill	9,8	Pietermaritzburg CBD	10,0
Bryanston/Epsom	9,8	Peripheral CBD	10,0
Fourways	9,8	Decentralised	10,0
Houghton	9,8	Port Elizabeth CBD	N/A
Melrose Arch	9,8	Port Elizabeth dec.	N/A
Hyde Park	9,7	East London CBD	N/A
Eastgate/Kramerville	10,0	East London	8,0
Ormonde	9,0	Cape Town CBD	9,5
Midrand	9,6	V&A Portsworld Ridge	N/A
Germiston	N/A	Granger Bay	N/A
Benoni CBD	N/A	Kenilworth (Racecourse)	10,0
Benoni dec	N/A	Westlake	10,0
Boksburg CBD	N/A	Claremont Lower	10,0
Boksburg North	N/A	Claremont Upper	10,0
Boksburg (East Rand Mall area)	N/A	Pinelands	N/A
Pretoria CBD	12,0	Athlone	N/A
Lynnwood Glen	12,0	Rondebosch/Newlands	N/A
Lynnwood	12,0	Wynberg	10,0
Lynnwood Manor	12,0	Table View/Parklands	N/A
Lynnwood Ridge	12,0	Century City	10,0
Faerie Glen	12,0	Goodwood (N1 City)	N/A
Val de Grace	12,0	Tygerberg Hills	N/A
Menlyn	12,0	Bellville CBD	10,0
Menlo Park (Brooks St.)	12,0	Tyger Valley area	10,0
Brooklyn/Waterkloof	12,0	Durbanville	10,0
Nieuw Muckleneuk	12,0	Kuils River	N/A
Hatfield	12,0	George	N/A
Centurion	12,0	Windhoek	N/A
Highveld Technopark	12,0		
Sunnyside	12,0		
Arcadia	13,9		
Murrayfield	12,0		

Chapter 10: Non-industrial land values

Office, shopping-centre and filling-station stand values

Updated by John S. Lottering

In this chapter we report on the results of our survey of the market values of office, shopping-centre and filling-station land.

As with all our other surveys, we polled a panel of experts for their opinions. However, the reader should note that, as a result of the high heterogeneity of shopping centres and filling stations, there often tends to be a significant variance in the respondents' opinions on what the market values of land for these uses should be. Nonetheless, these figures can be seen as approximations, which serve as a starting point for further investigation.

Moreover, because Rode also surveys office market rentals, we are able to use cross-sectional statistical analysis to determine the relationship between office-stand values and market rentals in the various office nodes in South Africa. This provides the reader with a handy tool that indicates the responsiveness of office-land values to changes in market rentals, and which can be used to estimate the office-stand values for nodes not surveyed by Rode.

Office land values

In our office-bulk-rate questionnaire, we pose the following question to respondents:

In your opinion, what is the market value (R/bulk m²) of a vacant stand with an aver-

age location in the following nodes? Note: Use the bulk that is legally permissible and economically viable.

The results of the third-quarter office-land survey are summarised in **Table 10.1**.

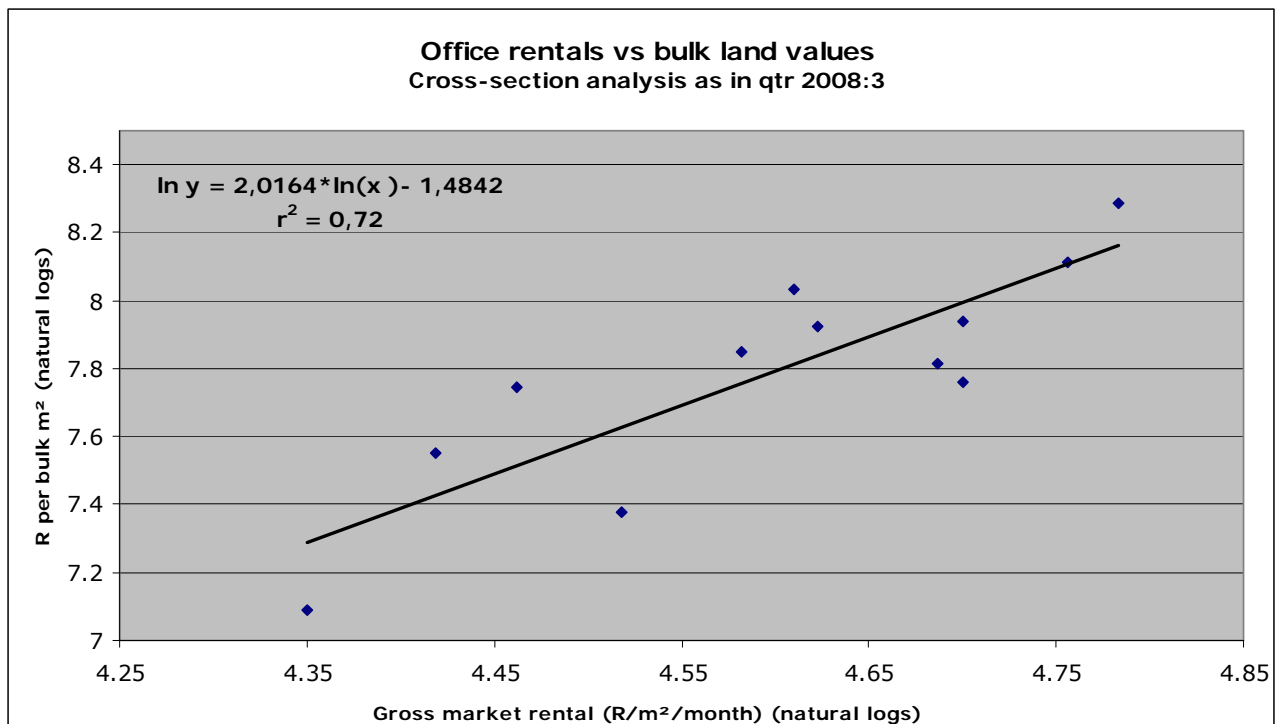
The market rental and, related to this, the capitalization rate, are the key determinants of market value of an income-generating building. Hence, it follows that rental levels will also be a fundamental factor affecting land value. The graph on page 71 demonstrates this relationship as in quarter 2008:3.

As explained in the introduction to this chapter, the reader will note that we regressed the natural logs of the market-rental rates of existing grade-A office buildings in the various office nodes (as reported elsewhere in this issue of *RR*) on their corresponding land values (as reported in this article), also in natural log form. When using natural logs, the beta coefficient of the independent or predictor variable (gross market rental), is a handy tool to gauge the impact of a change in the predictor on the dependent variable (land value). In our example which follows, the beta coefficient is 2, meaning that a 10% increase in market rent can result in an approximate 20% increase in land value. Very good leverage.

Table 10.1
Office stand values in quarter 2008:3

Location	R/bulk m ²			SD			n
	Low	High	*Best estimate	Low	High	*Best estimate	
Johannesburg:							
Sandton CBD	R 3.227	R 4.481	R 3.979	R 252	R 500	R 500	3
Rosebank	R 2.660	R 3.795	R 3.081	R 448	R 556	R 392	4
Illovo	R 2.884	R 4.132	R 3.333	R 361	R 651	R 624	4
Illovo Boulevard	R 2.947	R 4.189	R 3.533	R 404	R 751	R 854	3
Parktown	R 2.191	R 2.898	R 2.449	R 990	R 778	R 707	2
Woodmead	R 2.000	R 2.694	R 2.473	R 636	R 778	R 643	3
Sunninghill	R 2.062	R 2.755	R 2.307	R 566	R 707	R 636	2
Bryanston	R 2.530	R 3.151	R 2.759	R 693	R 862	R 764	3
Fourways	R 2.285	R 2.971	R 2.561	R 551	R 751	R 529	3
Midrand	R 1.766	R 2.459	R 2.136	R 789	R 695	R 717	4
Strubens Valley, greater	R 1.600	R 2.000	R 1.700	N/A	N/A	N/A	1
East Rand Mall area	N/A	N/A	N/A	N/A	N/A	N/A	0
Lakeside Mall area	N/A	N/A	N/A	N/A	N/A	N/A	0
Pretoria:							
Brooklyn/Waterkloof	R 1.200	R 1.900	R 1.550	N/A	N/A	N/A	1
Lynnwood	R 1.000	R 1.650	R 1.200	N/A	N/A	N/A	1
Menlyn	R 1.200	R 1.900	R 1.550	N/A	N/A	N/A	1
Hatfield	R 1.000	R 1.650	R 1.200	N/A	N/A	N/A	1
Centurion	R 1.100	R 1.700	R 1.300	N/A	N/A	N/A	1
Highveld Technopark							
Cape Peninsula:							
Cape Town CBD	R 1.400	R 2.000	R 1.600	N/A	N/A	N/A	1
Westlake	N/A	N/A	N/A	N/A	N/A	N/A	0
Century City	R 2.149	R 2.683	R 2.345	R 71	R 424	R 212	2
Goodwood (N1 City)	N/A	N/A	N/A	N/A	N/A	N/A	0
Tyger Valley area	R 1.600	R 2.200	R 1.900	N/A	N/A	N/A	1
Somerset Mall area	N/A	N/A	N/A	N/A	N/A	N/A	0
Durban:							
La Lucia Ridge	R 2.500	R 3.000	R 2.800	N/A	N/A	N/A	1
Westville	R 2.000	R 2.500	R 2.250	N/A	N/A	N/A	1
Berea	N/A	N/A	N/A	N/A	N/A	N/A	0
Westway	N/A	N/A	N/A	N/A	N/A	N/A	0
Durban Point	N/A	N/A	N/A	N/A	N/A	N/A	0

**Note that we also ask our respondents their opinions of the "best estimate". Hence, the average of their "best estimate" opinions can sometimes be lower than the average of their "low" opinions, depending on who answers what question.*



Bulk explained

The market value of office land 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 Sapoia Method for Measuring Floor Areas in Commercial and Industrial Buildings*, GBA covers:

"The entire building area, but it excludes patios, plant boxes, sun-screening, 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 (FAR) 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 that regulate the FAR definition in a slightly different manner."

The regression line (or line-of-best-fit) has the following equation:

$$\text{Bulk land value} = \exp((2,0164 * \ln(\text{gross market rental})) - 1,4842)$$

where

bulk land value = land value in rands per bulk m²

gross market rental = gross market rental per rentable m² per month achieved on existing grade-A office buildings in a node

The regression equation is based on the information from 12 office nodes and has a correlation coefficient of $r = 0,85$. Often the fit of the regression equation can be mediocre, which can be attributed to the fact that, unlike the rental market, the market for office land (or any non-residential land for that matter) is a rather inefficient one — that is, not only do stands differ in many respects (viz. shape, location, soil conditions, etc.), but buyers and sellers are limited, and information on the sales that do take place is, therefore, incomplete. In addition, developers' projects and, hence, costs and project period, could also differ markedly. In short, the market is inefficient in the classic sense. However, in such a market, our regression equation should give the analyst or valuer a starting-point from which to make a rough estimate of the bulk rate of a stand in any node where market rentals are known – a first estimate if you will.

Consider, for example, the case of a node where grade-A office rentals for existing buildings are currently around R80/m²/month. What is the most likely office land bulk value for this node? First, the reader would have to calculate the natural log of R80, which is roughly equal to 4,38; and then plug this into our regression equation as below.

$$\text{Bulk land value} = \exp((2,0164 * 4,38) - 1,4842) \approx R1.600/\text{bulk m}^2$$

Note that this equation should rather not be used to estimate the land values for nodes with average grade-A office rentals of less than R77/m², or greater than R119/m².

The function **exp** is also an Excel function, and it is represented as e^x on most scientific or business calculators — where e ($\approx 2,718$) is the base of the natural logarithm (**ln**).

Shopping centres

In our shopping-centre questionnaire we pose the following question to respondents:

In your opinion, what is the market value of vacant stands appropriately zoned and with the necessary bulk for a regional, community, and neighbourhood shopping centre? 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 sub-stations, and the like, are in place.

Table 10.2 gives a summary of the shopping-centre land values reported by our panel of experts. Interesting is the fact that the land values of the various categories of shopping centres are roughly similar (which is contrary to what one would expect).

Filling stations

The market value of filling-station land, like that of shopping centres and offices, is critically dependent on the potential net income that the site can generate subsequent to development. Hence in the case of filling stations, the potential pumping capacity is at issue.

The question we pose to respondents is as follows:

In your opinion, what is the market value of an average-sized filling-station site, with a pump potential of 350.000 litres per month? Site is defined as the unimproved land, with services to its borders, that is appropriately zoned.

We are informed that in order to qualify as a filling-station site, a pumping capacity of 350.000 litres per month is what oil com-

panies generally require as a minimum. Of course, the capacity of a site to house a 24-hour shop and, perhaps, a car wash (both of which are also related to pumping capacity), will also be important value determinants.

The results of our first-quarter survey are outlined in **Table 10.3**.

This concludes our section on the land values of offices, shopping centres and filling stations. ■

Table 10.2
National shopping-centre stand values in quarter 2008:3 *

Type of shopping centre	R/bulk m ²			SD			n
	Low	High	Best estimate	Low	High	Best estimate	
Regional	R 680	R 900	R 850	N/A	N/A	N/A	1
Community	R 700	R 1.000	R 900	N/A	N/A	N/A	1
Neighbourhood	R 600	R 900	R 800	N/A	N/A	N/A	1

* These figures assume that external roads, off-ramps, bridges, new electrical sub-stations, and the like, are in place.

Table 10.3
National filling-station land survey in quarter 2008:3

R per site			SD			n
Low	High	Best estimate	Low	High	Best estimate	
R 1.600.000	R 2.300.000	R 2.000.000	N/A	N/A	N/A	1

Critical assumptions:

Please note that the shopping-centre questionnaire asks our respondents to make the following two assumptions:

- i. Firstly that the land is already correctly zoned
- ii. Secondly, that the *external bulk infrastructure* is already in place.

The latter assumption is especially important in the case of a regional shopping centre, where it is often expected from a developer to finance the construction of roads, bridges, electrical sub-stations and the like, the cost of which often amounts to millions of rands.

Thus, in practice, one will find that a regional-shopping-centre developer only paid, say, R500/bulk m², but had to pay for external infrastructure amounting to, say, R1.000/bulk m². Hence, in effect, this developer paid R1.500/bulk m² for the land. It is the latter figure that we report on.

How developers value land

Developers often use the so-called *residual land valuation* technique (implicitly or explicitly) to establish the maximum price they can afford to pay for land. Put simply, the residual technique entails the following:


- a) Firstly, the developer estimates the expected market value of the development upon completion.
- b) Secondly, he or she estimates the expected cost of the development and a profit margin that sufficiently compensates him or her for risk and the capital employed.
- c) Finally, he or she deducts (b) from (a), the result (residual) being the land value.

These steps are, however, not straightforward, as they include a number of assumptions (viz. rental levels, vacancies, and capitalization rates upon completion of the project; building costs; growth in building costs over the project horizon; the appropriate profit margin; leverage effect of rising rentals on residual land values, etc.). Hence land values, generally speaking, have a much broader range than, say, office rentals.

Listed below are names of the companies that participated in our survey:

- | | |
|--|-------------------------------------|
| • Abland (Pty) Ltd | • Quadrant Properties (Pty) Ltd |
| • Aida Pretoria East Commercial | • Real Estate & Property Services |
| • Bales Delaporte | • SA Land National Land Brokers |
| • BP Southern Africa (Pty) Ltd | • Stratford Property Ventures |
| • Bradford McCormack & Associates | • Stratprop |
| • Collins Commercial | • Total SA (Pty) Ltd - Cape Town |
| • Kirchmann-Hurry Investments Ltd | • Total SA (Pty) Ltd - Eastern Cape |
| • Madison Property Fund Managers | • Total SA (Pty) Ltd - Gauteng |
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Chapter 11: Industrial rentals and vacancies

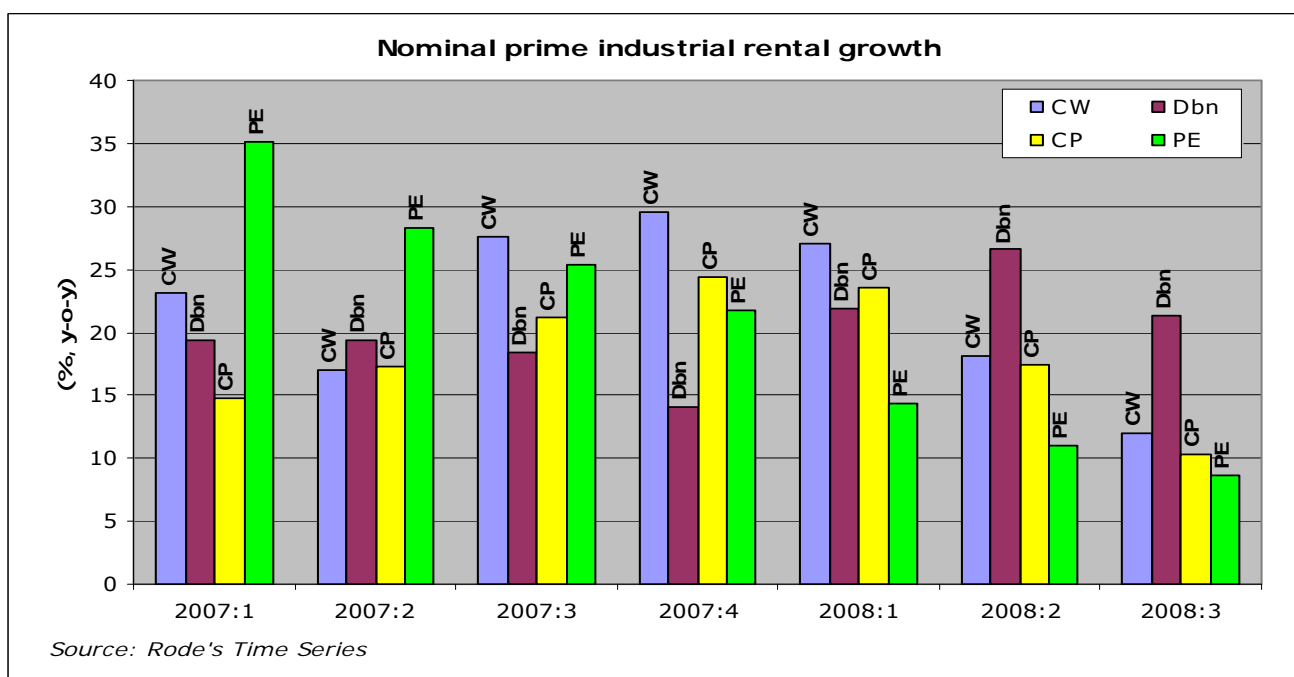
Cooling industrial rental growth

Written by John S. Lottering

After accelerating impressively off a low base over the past few years, growth in industrial rentals seems to have started to cool down more recently. The exception is Durban.

Over the past few years, robust demand for industrial space (on the back of a strong economy) and high replacement costs resulted in accelerating double-digit rental growth in all of the major industrial conurbations. Moreover, in most cases this

growth was consistently above that of building-cost inflation. However, in recent quarters (as depicted in the accompanying graph), growth has started to decelerate. In the third quarter of 2008, for example, only Durban (+21%) was able to outperform the expected growth in building-cost inflation (+12%). In the Central Witwatersrand (CW), the Cape Peninsula (CP) and Port Elizabeth (PE) rental growth rates of 12%, 10% and 9% respectively were achieved.



Note that a moderation in economic activity, which is still a likelihood despite the rebound in the second quarter of 2008, could lead to a drop in the demand for rental space and, consequently, rising vacancy rates and a further cooling in rental growth.

largely due to the fact that rentals have shown consistent strong growth since 2005, making the slope of the trend lines, on which these growth rates are calculated, steeper.

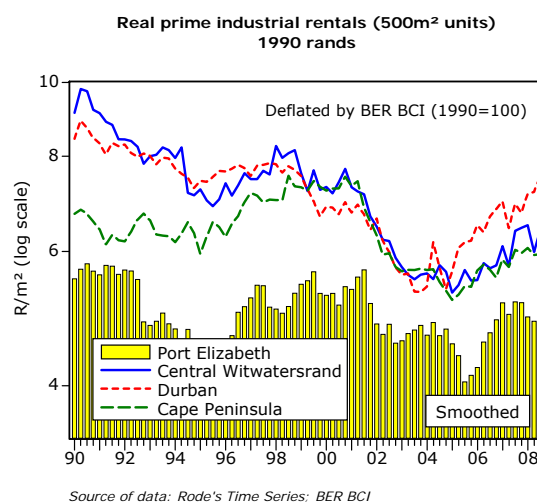
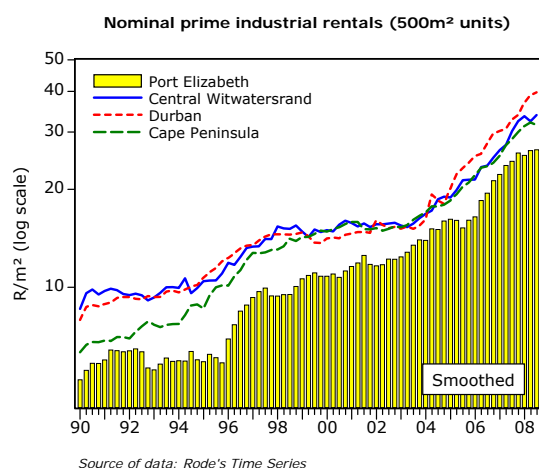


Table 11.1 summarises the nominal rental growth and building-cost inflation over the last 10 years, 5 years, and one year. Interestingly, over the last 10- and 5-year periods the compounded growth rates in industrial rentals in all of the regions exceeded building-cost inflation. This is, of course,

In **Table 11.2** we examine pioneer industrial rentals, which provide a quick-and-dirty prognosis of the short-term direction of industrial rentals. These rentals suggest that there is still a great upside potential for industrial-rental growth.

Table 11.1
Nominal prime industrial rental growth (%) for 500m² units
% annual compound growth on smoothed data

	Last 10 years*	Last 5 years*	Last year
Central Wits	15,5	16,2	12,0
East Rand	18,5	16,0	11,1
Durban	20,0	20,1	21,3
Cape Peninsula	15,4	15,1	10,3
Port Elizabeth	19,0	15,0	8,6
BER Building Cost Index	13,3	13,4	11,5
Haylett Index	8,1	9,1	16,5

Source of data: Rode's Time Series; Stats SA; Bureau for Economic Research

* Compound growth is calculated on the trend (regression) line.

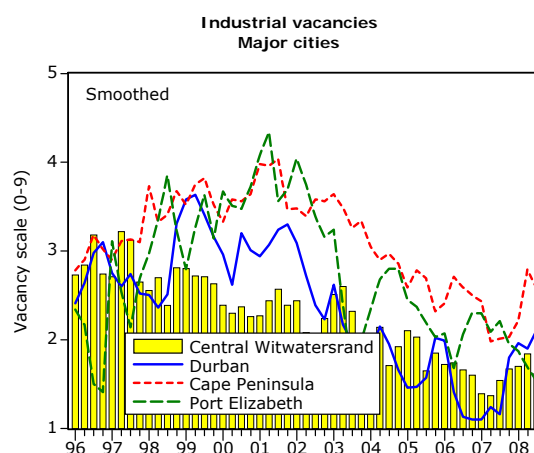
Table 11.2
Pioneer rental rates
for new, state-of-the-art industrial developments
during quarter 2008:3
Highest gross rental rates achieved (2.500m² units)
Rands per rentable square m² (excl VAT)

	Pioneer	Normal Prime	Difference (%)
Central Witwatersrand	62,50	30,83	102,70
West Rand	60,00	27,60	117,40
East Rand	55,00	26,19	110,00
Far East Rand	26,00	18,00	44,44
Pretoria	35,00	26,33	32,91
Polokwane	30,00	12,00	150,00
Durban	60,00	37,38	60,52
Pietermaritzburg	N/A	N/A	N/A
Ladysmith	N/A	N/A	N/A
Cape Peninsula	52,00	27,64	88,13
George	40,00	20,00	100,00
Port Elizabeth	51,00	22,89	122,80
East London	N/A	N/A	N/A
Bloemfontein	35,00	15,79	121,7
Windhoek	25,00	21,25	17,65

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.

Industrial vacancies

Industrial vacancies in all of the major industrial conurbations, barring Durban, pointed downwards in the reporting quarter. Notwithstanding this, the Central Witwatersrand, Port Elizabeth, Durban and the Cape Peninsula, are still ranging between 1,5 and 2,6 on our vacancy scale, which we estimate amounts to about 2,5% and 5,3%, meaning that industrial space is at the moment still hard to come by.



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. ■

We are extremely grateful to our expert panel of industrial brokers, without whose input our surveys would not be possible. The code of each broker who contributed to this quarter's survey appears beside the relevant cell in the rental and land value tables. An explanation of the broker codes appears on p. xviii.

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 XIII.

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. 107. Furthermore, the vacancies are for all the unit sizes (250m², 500m², 1.000m², 2.500m² and 5.000m²) combined, as surveyed by Rode. In reality, vacancies could differ across the different-sized units.

Table 11.3
Change in prime industrial rentals
and vacancies over the past quarter
Quarter 2008:3 over quarter 2008:2

	Rands change	% change	Prime vacancy change*
Central Witwatersrand			-0,4
250m ²	2,38	7,2%	
500m ²	2,93	9,2%	
1.000m ²	3,17	10,4%	
2.500m ²	2,21	7,7%	
5.000m ²	2,67	10,0%	
West Rand			0,6
250m ²	3,42	10,4%	
500m ²	5,10	16,0%	
1.000m ²	5,45	18,5%	
2.500m ²	-0,31	-1,1%	
5.000m ²	2,50	10,3%	
East Rand			0,1
250m ²	-3,67	-10,8%	
500m ²	-3,17	-9,6%	
1.000m ²	-3,17	-9,9%	
2.500m ²	-3,10	-10,6%	
5.000m ²	-5,81	-20,8%	
Far East Rand			0,5
250m ²	-8,00	-26,7%	
500m ²	-7,25	-24,8%	
1.000m ²	-6,50	-24,5%	
2.500m ²	-5,25	-22,6%	
5.000m ²	-3,50	-17,1%	
Pretoria			0,2
250m ²	-2,82	-8,0%	
500m ²	-1,82	-5,3%	
1.000m ²	-4,65	-14,5%	
2.500m ²	-4,02	-13,2%	
5.000m ²	-3,74	-13,5%	
Polokwane			0,0
250m ²	-1,63	-5,9%	
500m ²	-0,68	-2,9%	
1.000m ²	0,75	4,0%	
2.500m ²			
	0,00	0,0%	
5.000m ²	N/A	N/A	

* Points change, see notes on p. 107.

Table 11.3 (continued)
Change in prime industrial rentals
and vacancies over the past quarter
Quarter 2008:3 over quarter 2008:2

	Rands change	% change	Prime vacancy change*
Nelspruit			0,0
250m ²	N/A	N/A	
500m ²	N/A	N/A	
1.000m ²	N/A	N/A	
2.500m ²	N/A	N/A	
5.000m ²	N/A	N/A	
Durban			0,3
250m ²	1,21	3,0%	
500m ²	0,77	2,0%	
1.000m ²	1,22	3,2%	
2.500m ²	0,62	1,7%	
5,000m ²	1,26	3,5%	
Pietermaritzburg			-0,2
250m ²	0,39	1,4%	
500m ²	-1,07	-4,0%	
1,000m ²	1,39	5,9%	
2,500m ²	N/A	N/A%	
5,000m ²	N/A	N/A%	
Ladysmith			0,0
250m ²	0,00	0,0%	
500m ²	1,00	14,3%	
1,000m ²	1,00	16,7%	
2,500m ²	1,00	20,0%	
5,000m ²	1,00	25,0%	
Newcastle			N/A
250m ²	N/A	N/A	
500m ²	N/A	N/A	
1,000m ²	N/A	N/A	
2,500m ²	N/A	N/A	
5,000m ²	N/A	N/A	
Lower Umfolozi			N/A
250m ²	N/A	N/A	
500m ²	N/A	N/A	
1,000m ²	N/A	N/A	
2,500m ²	N/A	N/A	
5,000m ²	N/A	N/A	

* Points change, see notes on p. 107.

Table 11.3 (continued)
Change in prime industrial rentals
and vacancies over the past quarter
Quarter 2008:3 over quarter 2008:2

	Rands change	% change	Prime vacancy change*
Cape Peninsula			-0,6
250m ²	-0,25	-0,8%	
500m ²	-1,23	-3,8%	
1,000m ²	-1,82	-5,8%	
2,500m ²	-2,57	-8,5%	
5,000m ²	-2,78	-9,4%	
George			-1,0
250m ²	8,50	58,6%	
500m ²	8,75	61,4%	
1,000m ²	5,50	37,9%	
2,500m ²	7,00	53,8%	
5,000m ²	4,00	30,8%	
Port Elizabeth			-0,1
250m ²	-0,78	-2,8%	
500m ²	-0,59	-2,2%	
1,000m ²	-0,35	-1,5%	
2,500m ²	0,03	0,1%	
5,000m ²	-2,52	-10,8%	
East London			0,0
250m ²	0,51	2,3%	
500m ²	0,00	0,0%	
1,000m ²	0,20	1,3%	
2,500m ²	-0,02	-0,1%	
5,000m ²	0,00	0,0%	
Bloemfontein			0,1
250m ²	3,27	14,0%	
500m ²	3,22	16,5%	
1,000m ²	3,28	21,5%	
2,500m ²	2,00	14,5%	
5,000m ²	1,21	9,8%	

* Points change, see notes on p. 107.

Table 11.4
Mean prime industrial market rentals as in quarter 2008:3
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Central Witwatersrand									
Cambridge Park	-	-	51,50	-	-	1,0	3,831	-0,094	-0,720
Wynberg proper	26,00	28,00	24,50	21,25	20,75	1,0			
Strijdom Park	40,00	40,00	39,00	36,00	38,00	1,0	3,890	-0,035	-0,442
Kya Sand	40,00	37,50	35,00	33,50	36,00	4,5	3,902	-0,046	-0,620
Clayville/ Olifantsfontein	-	30,00	30,00	-	-	9,0			
Chloorkop	22,00	20,00	20,00	20,00	20,00	2,0	3,184	-0,024	-0,685
Amalgam	35,00	32,00	32,50	31,00	30,00	1,5	3,776	-0,044	-0,657
Crown Mines	39,00	38,00	37,00	37,00	36,50	1,0	3,761	-0,020	-0,417
Industria	25,00	25,00	25,00	20,00	18,00	2,0	3,935	-0,118	-0,913
Booyens/ Booyens Reserve/ Ophirton	27,50	26,50	26,00	23,00	21,50	1,5	3,819	-0,088	-0,652
Village Main/ Village Deep/ New Centre	29,00	28,00	26,00	25,50	22,50	1,0	3,820	-0,080	-0,814
Benrose	27,00	25,00	24,50	23,50	22,00	1,0	3,624	-0,062	-0,979
Steeledale/ Electron/ Tulisa	30,00	27,00	25,00	25,00	22,00	1,0	3,878	-0,090	-0,953
Aeroton	32,00	30,00	28,00	27,00	27,00	1,0	3,764	-0,058	-0,945
Devland/ Nancefield	-	-	-	-	-	-			
Cleveland/ Heriotdale	27,00	24,00	22,00	20,00	18,00	1,0	4,001	-0,130	-0,996
Newlands/ Martindale	-	-	-	-	-	-			
Kew/ Wynberg East	22,50	21,00	20,00	19,50	19,00	1,5	3,368	-0,051	-0,472
Bramley View/ Lombardy West	-	-	-	-	-	-			
Marlboro South (Alexandra)	17,50	15,00	12,00	12,00	12,00	3,0	3,488	-0,126	-0,887
Halfway House: hi-tech strip	43,33	41,67	38,33	41,25	41,25	1,5	3,820	-0,016	-0,129
Halfway House: Richards Drive	41,00	40,00	38,67	36,67	33,33	1,3	4,089	-0,066	-0,651

Table 11.4 (continued)
Mean prime industrial market rentals as in quarter 2008:3
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Commercia	30,00	30,00	28,00	28,00	26,00	3,0	3,669	-0,046	-0,936
Kramerville/ Eastgate X12 & X13	48,33	46,67	44,67	35,00	35,00	1,3	4,530	-0,116	-0,574
Centurion	-	-	-	-	-	-			
Linbro Park	55,00	56,75	52,50	49,38	45,75	1,3	4,441	-0,071	-0,554
Wesco Park/ Eastgate X3,X11,X6,X8/									
Marlboro North (New)	41,50	38,00	37,00	36,50	36,25	2,5	3,904	-0,039	-0,535
City Deep	45,00	45,00	45,00	45,00	45,00	1,0			
North Riding	-	-	40,00	38,00	-	-			
Samrand Centurion	40,00	40,00	40,00	40,00	40,00	1,0			
Barbeque Downs	48,00	48,00	45,00	-	-	1,0			
Selby Ext 12/ 13/ 15/ 19/ 20/ 24/ City West	34,67	34,00	32,67	28,67	26,50	1,0	4,065	-0,090	-0,673
Selby Ext 5/ 10/ 14/ 18	31,50	31,50	30,00	28,00	26,00	1,0	3,824	-0,064	-0,649
Selby Ext 11	30,00	30,00	30,00	28,00	26,00	1,0	3,684	-0,047	-0,641
Selby Ext 3/ 4/ 6	30,00	30,00	30,00	28,00	26,00	1,0	3,684	-0,047	-0,641
Denver (Old)	18,00	17,00	15,00	13,00	12,00	1,0	3,692	-0,142	-0,995
Denver (New)	30,00	28,00	26,00	24,50	22,50	1,0	3,991	-0,093	-0,966
Kyalami Business Park	48,33	46,77	47,50	35,00	35,00	1,3	4,514	-0,110	-0,642
Reuven	-	28,50	28,50	26,50	26,00	1,0			
Selby (Old)/ Selby X2/ Park Central	27,50	27,50	26,50	26,50	26,00	1,0	3,413	-0,018	-0,268
Robertsham	30,00	30,00	28,33	25,00	24,00	1,0	3,899	-0,084	-0,916
Fordsburg/ Mayfair	-	-	-	-	-	-			
Central Witwatersrand	35,48	34,69	33,74	30,83	29,33	1,5			

Table 11.4 (continued)
Mean prime industrial market rentals as in quarter 2008:3
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
West Rand									
Lea Glen	-	-	-	-	-	-			
Honeydew X19, 20, 21 & 22	45,00	44,00	40,00	33,00	31,00	2,5	4,627	-0,140	-0,834
Stormill	33,50	32,00	30,00	27,50	27,50	1,0	3,913	-0,073	-0,748
Chamdor	26,00	26,00	25,00	20,00	20,00	1,0	3,885	-0,106	-0,925
Factoria	-	-	-	-	-	-			
Randfontein: Delporton/ Aureus	-	-	-	-	-	-			
Boltonia	-	-	-	-	-	-			
Roodepoort:	-	-	-	-	-	-			
Industria North	30,00	30,00	30,00	30,00	28,00	1,0	3,514	-0,018	-0,706
Robertville	-	-	-	-	-	-			
Laserpark	50,00	44,00	42,50	-	-	4,0			
West Rand	36,33	37,00	35,00	27,60	26,80	1,9			
East Rand									
Elandsfontein	28,50	28,00	30,67	21,50	24,00	1,7	3,839	-0,084	-0,314
Tunney/Greenhills	-	-	38,00	-	-	-			
Henville	-	-	-	-	-	-			
Meadowbrook/Wilbart	-	-	-	-	-	-			
Sunnyrock	-	-	-	-	-	-			
Rustivia/Activia Park	-	-	-	-	-	-			
Eastleigh	35,00	35,00	35,00	-	-	1,0			
Sebenza Ext 14	30,00	30,00	28,00	-	-	-			
Spartan Ext 16 (Sebenza Link) + Ext 1,3,7	32,67	30,67	28,33	25,00	25,00	1,0	4,013	-0,097	-0,653

Table 11.4 (continued)
Mean prime industrial market rentals as in quarter 2008:3
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²						Vacancy	a	b	r
	250	500	1.000	2.500	5.000					
Nuffield	-	-	-	-	-	-	-			
Fulcrum	-	-	-	-	-	-	-			
Apex	-	-	-	-	-	-	-			
La Boré Brakpan	-	-	-	-	-	-	-			
Morehill Ext 8 Benoni	-	-	-	-	-	-	-			
Far East Rand	22,00	22,00	20,00	18,00	17,00	2,0				
Pretoria										
Mitchell St	31,25	30,00	25,50	28,00	21,00	3,0	4,033	-0,108		-0,723
Pretoria Industrial Township	-	-	-	-	-	-				
Koedoespoort	27,50	29,67	25,00	20,00	18,00	1,5	4,291	-0,160		-0,783
Waltloo/ Despatch	31,67	27,50	25,33	21,50	23,00	2,5	4,084	-0,123		-0,535
Silverton/ Silvertondale	35,50	34,67	29,00	26,50	25,00	1,0	4,313	-0,131		-0,951
Samcor Park	28,00	25,00	-	-	-	1,0				
Sunderland Ridge	30,00	28,00	25,00	20,00	18,00	-	4,426	-0,180		-0,991
Hermanstad	29,00	30,00	22,50	25,00	22,00	3,0	3,858	-0,092		-0,608
Kirkney	-	-	-	-	-	-				
Hennospark X15 & X7	48,00	43,00	45,00	40,00	40,00	2,0	4,116	-0,052		-0,569
Gateway	48,00	48,00	45,00	40,00	40,00	3,0	4,295	-0,073		-0,954
Lyttleton Manor X4/X6	-	-	-	-	-	-				
Pretoria North	25,00	25,00	22,00	22,00	18,00	-	3,819	-0,102		-0,917
Silvertondale X1	35,00	36,75	28,00	25,00	25,00	1,5	4,456	-0,151		-0,894
Brits	-	-	-	-	-	-				
Klerksoord	-	-	-	-	-	-				
Rosslyn	30,00	27,50	18,00	-	15,00	3,0				
Pretoria	32,39	32,68	27,38	26,33	24,00	2,1				

Table 11.4 (continued)
Mean prime industrial market rentals as in quarter 2008:3
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Polokwane									
Lebowakgomo	-	-	-	-	-	-			
Superbia	32,50	28,50	25,00	16,50	-	1,0			
Industria	25,00	20,50	17,50	11,00	-	1,0			
Ladine	30,00	23,50	21,50	12,50	-	1,0			
Futura	21,50	20,00	16,00	10,00	-	1,0			
Laboria	21,50	20,00	16,00	10,00	-	1,0			
Magna Via	-	-	-	-	-	-			
Seshego	-	-	-	-	-	-			
Polokwane	26,10	22,50	19,20	12,00		1,0			
Durban									
Springfield Park	42,50	42,50	41,00	40,00	40,00	2,5	3,881	-0,023	-0,534
Mayville	45,00	36,00	36,00	34,00	38,00	1,0	3,936	-0,048	-0,346
Phoenix	35,00	32,00	32,00	32,00	32,00	1,5	3,586	-0,016	-0,310
North Coast Rd / Briardene	45,00	45,00	42,50	41,00	41,00	2,5	4,016	-0,037	-0,883
Umgeni Rd/ Stamford Hill	40,00	40,00	39,00	39,00	40,00	1,5	3,715	-0,006	-0,141
Umbilo/ Sydney Rd/ Gale St	40,00	37,50	37,50	40,00	38,00	3,0			

Table 11.4 (continued)
Mean prime industrial market rentals as in quarter 2008:3
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Jacobs	42,00	39,00	39,00	39,00	38,00	3,0	3,812	-0,021	-0,321
Mobeni	42,00	38,50	38,50	37,50	37,50	2,5	3,840	-0,027	-0,329
Prospecton	42,00	41,00	40,00	36,50	36,50	3,0	4,049	-0,054	-0,852
Pinetown Central	42,50	42,50	41,00	37,33	36,67	2,0	4,098	-0,059	-0,588
New Germany	40,00	40,00	38,00	31,67	34,00	2,3	4,123	-0,076	-0,733
Isipingo	36,00	36,00	36,00	29,50	29,50	2,5	4,111	-0,088	-0,605
Rosburgh/ South Coast Rd	38,00	38,00	36,00	33,00	32,00	2,5	4,026	-0,066	-0,757
Edwin Swales Drive	40,00	40,00	38,00	40,00	40,00	2,5	3,662	0,003	0,162
Glen Anil	40,00	40,00	38,50	37,50	37,50	2,5	3,814	-0,023	-0,245
Brickfield Rd	37,50	36,50	38,00	36,00	36,00	2,0	3,681	-0,011	-0,257
Verulam	-	-	-	-	-	-	-	-	-
Canelands	30,00	30,00	30,00	28,00	28,00	4,0	3,569	-0,028	-0,890
Tongaat	-	-	-	-	-	-	-	-	-
New Westmead/ Mahogany	41,50	39,33	38,67	40,00	38,00	2,0	3,802	-0,019	-0,169
Westmead	42,50	40,00	39,00	37,67	37,00	2,0	3,956	-0,042	-0,502
Mariann Park/ Southmead	40,00	40,00	36,50	35,00	35,00	2,5	3,988	-0,054	-0,863
Maxmead	39,33	40,00	38,00	35,33	35,00	1,3	3,950	-0,047	-0,641
Ringroad Industrial Park	42,50	42,50	42,00	40,00	40,00	1,5	3,881	-0,023	-0,467
Avoca/ Red Hill/ Northgate	42,00	40,00	43,00	43,50	45,00	1,5	-	-	-
Falcon Park	42,00	40,00	40,50	45,00	45,00	1,5	-	-	-
River Horse Valley Business	55,00	53,50	52,00	51,00	50,00	2,5	4,178	-0,032	-0,884
Mount Edgecombe	42,00	38,50	37,50	37,50	40,00	2,5	3,755	-0,015	-0,183
Umbogintwini/ Southgate	39,00	39,00	40,00	42,50	42,50	2,5	-	-	-

Table 11.4 (continued)
Mean prime industrial market rentals as in quarter 2008:3
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Umgeni Park	48,00	48,00	46,00	46,00	44,00	1,5	4,034	-0,028	-0,937
Hammersdale	-	-	25,00	25,00	25,00	3,0			
Cato Ridge	-	-	-	25,00	25,00	1,0			
Durban	41,38	39,96	38,94	37,38	36,98	2,2			
Pietermaritzburg									
Willowton	25,00	23,00	22,50	-	-	3,0			
Mkomdeni/ Shortts Retr	30,00	26,00	25,00	-	-	3,0			
Camps Drift	28,60	-	28,60	-	-	4,0			
Pietermaritzburg Central	30,00	26,50	25,00	-	-	3,0			
Allandale	-	-	-	-	-	-			
Howick	-	-	-	-	-	-			
Pietermaritzburg	28,72	25,60	24,72			3,1			
Ladysmith									
Ezakeni/ Pieters	-	-	-	-	-	-			
Danskraal	-	8,00	7,00	6,00	5,00	2,0			
Nambiti	-	8,00	7,00	6,00	5,00	2,0			
Colenso	-	-	-	-	-	-			
Ladysmith		8,00	7,00	6,00	5,00	2,0			

Table 11.4 (continued)
Mean prime industrial market rentals as in quarter 2008:3
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Cape Peninsula									
Viking Place	34,25	32,00	32,00	32,00	30,00	1,3	3,711	-0,037	-0,257
Glosderry	-	-	-	-	-	-			
Paarden Eiland/ Metro	38,67	34,33	32,67	29,50	28,33	2,0	4,189	-0,101	-0,904
Montague Gardens	40,60	36,67	35,60	32,40	30,40	2,0	4,186	-0,091	-0,723
Marconi Beam	40,25	38,75	35,25	33,50	31,25	2,0	4,163	-0,085	-0,690
Killarney Gardens	33,07	30,83	28,80	27,00	25,63	2,8	3,954	-0,085	-0,717
Racing Park	33,50	31,38	30,33	28,67	27,00	3,7	3,907	-0,072	-0,764
Atlantis	35,00	35,00	-	-	-	-			
Woodstock/ Salt River/ Observatory	37,00	37,00	35,00	32,00	30,00	1,0	4,053	-0,075	-0,971
Athlone 1 & 2	-	-	-	-	-	-			
Lansdowne Nerissa	36,00	36,00	33,00	30,00	28,00	2,0	4,114	-0,091	-0,978
Ottery Hillstar	35,00	35,00	32,00	30,00	30,00	3,0	3,903	-0,061	-0,951
Ottery Sunset	35,00	35,00	32,00	30,00	30,00	3,0	3,903	-0,061	-0,951
Diep River	40,00	38,00	38,00	35,00	30,00	2,0	4,192	-0,087	-0,925
Monwood/ Philippi	-	-	-	-	-	-			
Retreat/ Steenberg	45,00	45,00	40,00	40,00	38,00	3,0	4,141	-0,059	-0,930
Capricorn Park	37,00	37,00	35,00	35,00	50,00	4,0			
Maitland	32,00	30,88	27,67	25,67	26,00	3,0	3,928	-0,087	-0,370
Ndabeni	33,50	33,00	30,00	29,50	25,75	1,5	3,994	-0,086	-0,485

Table 11.4 (continued)
Mean prime industrial market rentals as in quarter 2008:3
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Airport	37,20	34,20	30,75	28,25	28,67	2,3	4,143	-0,099	-0,751
Epping 1 & 2	34,00	32,00	29,20	26,80	26,50	2,8	3,982	-0,087	-0,491
WP Park	35,67	34,33	31,67	31,33	29,33	1,0	3,917	-0,064	-0,528
Elsies River (excl. Central Park)	25,00	24,33	23,67	22,50	22,50	2,7	3,426	-0,038	-0,637
Parow Beaconvale	30,40	28,00	26,50	25,00	25,00	2,8	3,786	-0,072	-0,582
Tygerberg Business Park	32,60	31,20	29,50	28,75	28,33	2,5	3,759	-0,052	-0,384
Parow Industria	29,60	27,17	24,75	22,00	24,50	3,4	3,895	-0,097	-0,555
Parow East	32,60	30,40	28,00	26,75	26,33	2,0	3,876	-0,075	-0,605
Bellville Oakdale	45,00	42,50	50,00	-	-	1,0			
Bellville Stikland/ Kaymor	34,00	31,75	29,33	27,67	28,00	2,7	3,912	-0,073	-0,645
Bellville Triangle	30,00	26,67	26,33	24,33	22,67	1,7	3,860	-0,087	-0,816
Bellville South/ Sacks Circle	27,50	24,75	24,00	23,50	22,50	2,5	3,617	-0,062	-0,419
Kraaifontein	25,50	23,00	20,50	20,00	19,00	1,5	3,731	-0,095	-0,928
Brackenfell Industria	31,60	29,60	27,67	26,67	24,33	2,3	3,900	-0,082	-0,877
Everite Brackenfell	32,60	29,25	29,00	28,33	26,33	2,8	3,807	-0,063	-0,688
Kuils River	29,50	24,75	22,50	20,50	20,50	2,3	4,020	-0,125	-0,825
Blackheath	26,75	25,25	24,33	23,00	22,00	2,3	3,635	-0,064	-0,856
Saxenburg Industrial Park	32,20	29,60	28,25	27,33	27,00	3,0	3,787	-0,062	-0,691
Okavango Park	34,50	32,00	31,00	30,00	28,00	1,7	3,876	-0,063	-0,869
Cape Peninsula	33,32	31,09	29,42	27,64	26,92	2,4			

Table 11.4 (continued)
Mean prime industrial market rentals as in quarter 2008:3
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
George									
George	23,00	23,00	20,00	20,00	17,00	5,0	3,699	-0,097	-0,933
George	23,00	23,00	20,00	20,00	17,00	5,0			
Port Elizabeth									
Deal Party	23,80	24,00	21,20	22,00	21,80	1,4	3,332	-0,032	-0,256
North End	24,50	23,50	20,25	20,00	20,00	1,5	3,567	-0,071	-0,698
Korsten/ Neave/ Sidwell/ Sydenham	23,70	25,50	21,40	21,20	20,00	1,2	3,531	-0,062	-0,435
South End Walmer	31,40	29,20	24,00	24,00	22,75	1,0	4,055	-0,115	-0,629
Uitenhage: Volkswagen area/Nelson	30,00	25,00	17,50	15,00	15,00	3,0	4,703	-0,247	-0,856
Mandela Bay Logistics Park	14,75	13,50	11,50	15,00	10,00	3,0	3,113	-0,085	-0,351
Uitenhage: Hella/Kruisrivier	25,88	25,63	22,88	22,00	17,00	1,0	4,002	-0,128	-0,749
Struandale	19,25	16,50	15,13	14,88	12,67	3,0	3,539	-0,122	-0,351
Markman Township	26,00	25,33	25,38	22,75	16,33	1,8	4,078	-0,136	-0,616
Perseverance	32,70	32,30	31,50	31,20	27,25	1,0	3,787	-0,052	-0,398
Walmer	30,75	30,25	30,88	30,00	30,00	1,3	3,478	-0,011	-0,076
Greenbushes	39,33	39,33	38,33	35,00	32,50	1,0	4,021	-0,060	-0,452
Port Elizabeth	27,07	26,32	24,00	23,09	21,03	1,5			
East London									
Arcadia	24,00	22,00	20,00	16,83	-	1,0			
Gately/ Woodbrook	20,00	17,00	16,00	16,00	12,00	1,0	3,755	-0,141	-0,916
Wilsonia	-	14,00	13,00	13,00	13,00	2,0			
Braelyn	22,00	18,00	16,00	12,00	-	1,0			
Northend	22,00	22,00	16,00	-	-	1,0			
East London	22,10	18,60	16,20	14,57	12,50	1,2			

Table 11.4 (continued)
Mean prime industrial market rentals as in quarter 2008:3
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²				Vacancy	a	b	r
	250	500	1.000	2.500	5.000			
Bloemfontein								
Hilton	27,33	24,00	20,00	17,50	16,50	4,263	-0,178	-0,786
East End	30,00	26,33	21,83	18,50	15,00	4,643	-0,226	-0,783
Harvey Road	30,00	24,00	20,00	16,00	13,50	4,791	-0,261	-0,788
Old Industrial	25,00	21,00	17,50	15,00	12,00	4,514	-0,236	-0,962
Hamilton: Mill St	19,00	16,00	12,50	11,00	9,50	4,190	-0,231	-0,960
Hamilton: G Lubbe St	18,00	15,00	11,50	10,00	8,50	4,258	-0,253	-0,863
Estoir	35,00	30,00	25,00	22,50	20,00	4,465	-0,181	-0,495
Bloemfontein	26,63	22,69	18,57	15,79	13,57	4,3		
Windhoek								
North	30,00	30,00	25,00	20,00	20,00	4,333	-0,161	-0,957
Lafrenz	25,00	25,00	20,00	20,00	18,00	3,866	-0,115	-0,933
South	40,00	35,00	30,00	25,00	20,00	4,957	-0,227	-0,995
Prosperita	35,00	30,00	25,00	20,00	18,00	4,811	-0,228	-0,997
Windhoek	32,50	30,00	25,00	21,25	19,00	2,5		

Table 11.5
Standard deviation from mean prime industrial market rentals
as in 2008:3

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Central Witwatersrand						
Cambridge Park	-	-	4,95	-	-	BM, RX
Wynberg proper	-	-	4,95	-	-	DO, RA
Strijdom Park	5,66	2,83	0,71	1,77	1,06	AJ, RA
Kya Sand	-	3,54	0,00	2,12	-	AJ, RA
Clayville/ Olifantsfontein	-	-	-	-	-	DO
Chloorkop	-	-	-	-	-	CJ, RO
Amalgam	4,24	0,00	0,71	1,41	2,83	CJ, RO
Crown Mines	4,24	2,83	1,41	1,41	0,71	CJ, RO
Industria	-	-	-	-	-	CJ
Booyens/ Booyens Reserve/ Ophirton	3,54	2,12	1,41	4,24	4,95	CJ, RO
Village Main/ Village Deep/ New Centre	1,41	0,00	1,41	0,71	3,54	CJ, RO
Benrose	-	-	-	-	-	
Steeledale/ Electron/ Tulisa	-	-	-	-	-	
Aeroton	-	-	-	-	-	RO
Devland/ Nancefield	-	-	-	-	-	RO
Cleveland/ Heriotdale	-	-	-	-	-	RO
Newlands/ Martindale	-	-	-	-	-	
Kew/ Wynberg East	3,54	4,24	2,83	2,12	1,41	DO, RA
Bramley View/ Lombardy West	-	-	-	-	-	RA
Marlboro South (Alexandra)	-	-	-	-	-	BM, CL, DO, QU
Halfway House: hi-tech strip	2,89	5,77	2,89	6,29	9,46	CL, DO, QU
Halfway House: Richards Drive	3,61	5,00	4,04	2,89	2,89	

Table 11.5 (continued)
Standard deviation from mean prime industrial market rentals
as in 2008:3

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Commercia	-	-	-	-	-	DO
Kramerville/ Eastgate X12 & X13	10,41	11,72	13,43	0,00	0,00	CL, DO, RA
Centurion	-	-	-	-	-	
Linbro Park	5,00	6,99	6,46	7,18	5,68	BM, CL, DO, RA
Wesco Park/ Eastgate X3,X11,X6,X8/ Marlboro						
North (New)	4,95	4,24	2,83	2,12	1,77	DO, RA
City Deep	-	-	-	-	-	RO
North Riding	-	-	-	-	-	AJ
Samrand Centurion	-	-	-	-	-	QU
Barbeque Downs	-	-	-	-	-	CL
Selby Ext 12/ 13/ 15/ 19/ 20/ 24/ City West	6,11	5,29	4,04	1,15	1,32	CJ, RA, RO
Selby Ext 5/ 10/ 14/ 18						
Selby Ext 11	4,95	4,95	2,83	0,00	1,41	CJ, RO
Selby Ext 3/ 4/ 6	2,83	2,83	2,83	0,00	1,41	CJ, RO
Denver (Old)	2,83	2,83	2,83	0,00	1,41	CJ, RO
Denver (New)	-	-	-	-	-	RO
Kyalami Business Park	5,77	7,64	10,61	-	-	CL, DO, QU
Reuven	-	4,95	4,95	2,12	1,41	CJ, RO
Selby (Old)/ Selby X2/ Park Central	3,54	3,54	2,12	2,12	1,41	CJ, RO
Robertsham	0,00	0,00	1,53	0,00	1,41	AJ, CJ, RO
Fordsburg/ Mayfair	-	-	-	-	-	

Table 11.5 (continued)
Standard deviation from mean prime industrial market rentals
as in 2008:3

	Area size leased in m ²						Contributor codes
	250	500	1,000	2,500	5,000		
West Rand							
Lea Glen	-	-	-	-	-		
Honeydew X19, 20, 21 & 22	-	5,66	7,07	-	-		RA, RX
Stormill	2,12	0,00	2,83	3,54	3,54		CJ, RO
Chamdor	-	-	-	-	-		RA
Factoria	-	-	-	-	-		
Randfontein: Delporton/ Aureus	-	-	-	-	-		
Boltonia	-	-	-	-	-		
Roodepoort:	-	-	-	-	-		
Industria North	-	-	-	-	-		CJ
Robertville	-	-	-	-	-		
Laserpark	-	5,66	3,54	-	-		AJ, RX
East Rand							
Elandsfontein	9,19	9,90	11,02	4,95	8,72		AE, DO
Tunney/Greenhills	-	-	-	-	-		AE
Henville	-	-	-	-	-		
Meadowbrook/Wilbart	-	-	-	-	-		
Sunnyrock	-	-	-	-	-		
Rustivia/Activia Park	-	-	-	-	-		
Eastleigh	-	-	-	-	-		DO
Sebenza Ext 14	-	-	-	-	-		AE
Spartan Ext 16 (Sebenza Link) + Ext 1,3,7	4,04	5,13	2,89	-	-		AE, DO, MH
Isando	7,07	7,07	7,07	-	3,53		AE, DO, MH

Table 11.5 (continued)
Standard deviation from mean prime industrial market rentals
as in 2008:3

	Area size leased in m ²					Contributor codes
	250	500	1,000	2,500	5,000	
Isando 3	-	-	0,00	-	-	AE, DO
Jet Park	3,54	3,54	8,49	9,90	-	AE, MH
Alrode & Xs	2,12	2,83	2,12	3,54	2,83	GM, RO
Alrode South	0,00	0,58	0,00	0,00	1,41	GM, RO, ZZ
Alberton	-	-	-	-	-	
Aeroporto/ Spartan Ext 2	5,13	5,77	3,61	5,77	-	AE, DO, MH
Rustivia	1,41	0,00	1,41	-	-	DO, MH
Delville	5,13	4,51	5,35	0,71	0,71	DO, GM, RO, ZZ
Roodekop	-	-	-	-	-	RO
Wadeville: Industrial zoning	2,52	1,41	3,21	2,52	2,50	DO, GM, RO, ZZ
Route 24/ Meadowdale	4,24	2,52	2,52	2,52	-	AE, DO, MH
Germiston S/ Industries E	1,29	1,58	1,00	0,90	1,32	DO, GM, MH, RO, ZZ
Driehoek/ Industries W	9,24	9,87	5,92	0,00	1,41	DO, GM, RO
Knights	1,26	1,50	1,00	1,80	2,47	DO, GM, MH, RO
Spartan Proper	6,03	5,03	5,13	-	-	AE, DO, MH
Founders View	3,54	3,54	1,41	-	-	DO, MH
Longmeadow	9,90	7,64	5,45	6,56	7,07	BM, CL, DO, MH
Far East Rand						
Boksburg North & East	-	-	-	-	-	MH
Benoni South	-	-	-	-	-	
New Era/ Vulcania	-	-	-	-	-	
Nuffield	-	-	-	-	-	
Fulcrum	-	-	-	-	-	

Table 11.5 (continued)
Standard deviation from mean prime industrial market rentals
as in 2008:3

	Area size leased in m²					Contributor codes
	250	500	1,000	2,500	5,000	
Apex	-	-	-	-	-	
La Boré Brakpan	-	-	-	-	-	
Morehill Ext 8 Benoni	-	-	-	-	-	
Pretoria						
Mitchell St	5,30	-	3,54	-	-	BY, CI
Pretoria Industrial Township	-	-	-	-	-	
Koedoespoort	3,54	5,69	-	-	-	AI, BY, CI
Waltloo/ Despatch	5,77	3,54	7,51	4,95	8,19	AI, BY, CI
Silverton/ Silvertondale	0,71	0,58	1,41	2,12	0,00	AI, BY, CI
Samcor Park	-	-	-	-	-	AI
Sunderland Ridge	-	-	-	-	-	CI
Hermanstad	5,66	-	3,54	-	-	BY, CI
Kirkney	-	-	-	-	-	
Hennospark X15 & X7	-	7,07	-	-	-	AI, BY
Gateway	-	-	-	-	-	AI
Lyttleton Manor X4/X6	-	-	-	-	-	
Pretoria North	-	-	-	-	-	CI
Silvertondale X1	-	2,47	-	-	-	AI, BY
Brits	-	-	-	-	-	
Klerksoord	-	-	-	-	-	
Rosslyn	0,00	-	-	-	-	AI, BY

Table 11.5 (continued)
Standard deviation from mean prime industrial market rentals
as in 2008:3

	Area size leased in m ²					Contributor codes
	250	500	1,000	2,500	5,000	
Polokwane						
Lebowakgomo	-	-	-	-	-	
Superbia	3,54	2,12	0,00	2,12	-	ES, TG
Industria	7,07	6,36	3,54	1,41	-	ES, TG
Ladine	7,07	2,12	4,95	3,54	-	ES, TG
Futura	4,95	7,07	5,66	0,00	-	ES, TG
Laboria	4,95	7,07	5,66	0,00	-	ES, TG
Magna Via	-	-	-	-	-	
Seshego	-	-	-	-	-	
Durban						
Springfield Park	3,54	3,54	1,41	0,00	0,00	ML, PC
Mayville	-	5,66	5,66	5,66	-	ML, PC
Phoenix	-	2,83	2,83	0,00	0,00	ML, PC
North Coast Rd / Briardene	0,00	0,00	0,71	1,41	1,41	ML, PC
Umgeni Rd/ Stamford Hill	2,83	2,83	1,41	1,41	-	ML, PC
Umbilo/ Sydney Rd/ Gale St	-	3,54	3,54	0,00	-	ML, PC
Jacobs	-	4,24	4,24	1,41	2,83	ML, PC
Mobeni	-	4,95	4,95	3,54	3,54	ML, PC

Table 11.5 (continued)
Standard deviation from mean prime industrial market rentals
as in 2008:3

	Area size leased in m ²					Contributor codes
	250	500	1,000	2,500	5,000	
Prospecton	-	1,41	0,00	2,12	2,12	ML, PC
Pinetown Central	3,54	3,54	1,41	5,03	5,03	LS, ML, PC
New Germany	2,83	2,83	2,83	1,53	3,46	LS, ML, PC
Isipingo	-	-	-	6,36	6,36	ML, PC
Rosburgh/ South Coast Rd	-	-	-	4,24	2,83	ML, PC
Edwin Swales Drive	-	-	-	0,00	0,00	ML, PC
Glen Anil	7,07	7,07	4,95	3,54	3,54	ML, PC
Brickfield Rd	3,54	2,12	-	-	-	ML, PC
Verulam	-	-	-	-	-	ML
Canelands	-	-	-	-	-	
Tongaat	-	-	-	-	-	
New Westmead/ Mahogany	4,95	5,13	5,51	6,25	5,29	LS, ML, PC
Westmead	3,54	5,00	3,61	2,52	2,65	LS, ML, PC
Mariann Park/ Southmead	-	-	2,12	0,00	-	ML, PC
Maxmead	2,31	2,83	2,83	2,52	4,24	LS, ML, PC
Ringroad Industrial Park	3,54	3,54	-	-	-	ML, PC
Avoca/ Red Hill/ Northgate	-	2,83	1,41	2,12	-	ML, PC
Falcon Park	-	2,83	3,54	-	-	ML, PC
River Horse Valley Business	0,00	2,12	0,00	1,41	-	ML, PC
Mount Edgecombe	-	4,95	3,54	3,54	-	ML, PC
Umbogintwini/ Southgate	1,41	1,41	2,83	3,54	3,54	ML, PC
Umgeni Park	-	-	-	-	-	ML, PC
Hammersdale	-	-	-	-	-	PC
Cato Ridge	-	-	-	-	-	

Table 11.5 (continued)
Standard deviation from mean prime industrial market rentals
as in 2008:3

	Area size leased in m ²						Contributor codes
	250	500	1,000	2,500	5,000		
Pietermaritzburg							
Willowton	-	-	3,54	-	-	CE	
Mkomdeni/ Shortts Retr	0,00	1,41	-	-	-	CE	
Camps Drift	-	-	-	-	-	CE	
Pietermaritzburg Central	-	2,12	-	-	-	CE	
Allandale	-	-	-	-	-		
Howick	-	-	-	-	-		
Ladysmith							
Ezakheni/ Pieters	-	-	-	-	-	DE	
Danskraal	-	-	-	-	-	DE	
Nambiti	-	-	-	-	-		
Colenso	-	-	-	-	-		

Table 11.5 (continued)
Standard deviation from mean prime industrial market rentals
as in 2008:3

	Area size leased in m ²					Contributor codes
	250	500	1,000	2,500	5,000	
Cape Peninsula						
Viking Place	4,35	5,42	7,21	4,24	7,07	AN, AX, CK, DN
Glosderry	-	-	-	-	-	
Paarden Eiland/ Metro	2,31	2,08	2,52	0,87	1,53	AN, AX, DN
Montague Gardens	4,45	4,93	1,52	3,36	3,05	AX, CR, DN, KB
Marconi Beam	5,44	4,79	2,22	3,70	3,50	AN, AX, CR, KB
Killarney Gardens	3,09	2,99	3,63	2,45	0,75	AN, AX, CK, CR, DL, DN, KB
Racing Park	1,32	1,04	1,53	2,89	4,24	AN, AX, KB
Atlantis	-	-	-	-	-	DL
Woodstock/ Salt River/ Observatory	-	-	-	-	-	AN
Athlone 1 & 2	-	-	-	-	-	
Lansdowne Nerissa	-	-	-	-	-	AN
Ottery Hillstar	-	-	-	-	-	AN
Ottery Sunset	-	-	-	-	-	AN
Diep River	-	-	-	-	-	AN
Monwood/ Philippi	-	-	-	-	-	
Retreat/ Steenberg	-	-	-	-	-	AN
Capricorn Park	-	-	-	-	-	AN
Maitland	6,93	6,69	9,29	8,62	5,66	AN, AX, DN
Ndabeni	6,36	7,07	7,07	7,78	6,01	AN, AX
Airport	2,59	2,17	3,77	3,50	3,06	AN, AX, DL, DN, KB
Epping 1 & 2	6,96	6,67	5,54	4,32	3,42	AN, AX, CR, DN, KB
WP Park	4,51	5,13	3,06	3,51	5,13	AN, AX, KB

Table 11.5 (continued)
Standard deviation from mean prime industrial market rentals
as in 2008:3

	Area size leased in m ²					Contributor codes
	250	500	1,000	2,500	5,000	
Elsies River (excl, Central Park)	1,00	2,08	1,53	0,71	0,71	AN, DN, KB
Parow Beaconvale	3,21	3,16	3,00	3,46	0,00	AN, DL, DN, KB, ZM
Tygerberg Business Park	2,51	4,09	4,93	5,62	4,73	AN, DL, DN, KB, ZM
Parow Industria	2,19	3,19	5,12	4,24	0,71	AN, CK, DL, DN, KB, ZM
Parow East	3,29	4,56	3,27	2,50	3,21	AN, DL, DN, KB, ZM
Bellville Oakdale	14,14	17,68	-	-	-	DN, KB
Bellville Stikland/ Kaymor	3,37	3,30	3,06	3,51	0,00	DL, DN, KB, ZM
Bellville Triangle	0,00	1,53	1,53	2,52	2,52	AN, KB, ZM
Bellville South/ Sacks Circle	2,52	3,40	4,24	4,20	4,12	AN, DL, DN, KB, ZM
Kraaifontein	0,71	0,00	0,71	0,00	1,41	AN, KB
Brackenfell Industria	2,07	1,67	0,58	1,53	1,15	AN, DL, DN, KB, ZM
Everite Brackenfell	1,52	2,22	1,73	2,89	2,89	AN, DL, DN, KB, ZM
Kuils River	2,52	3,59	0,71	0,71	0,71	AN, DL, DN, KB
Blackheath	1,26	0,50	1,15	1,00	1,73	AN, DL, KB, ZM
Saxenburg Industrial Park	2,17	1,14	2,06	3,06	1,41	AN, DL, DN, KB, ZM
Okavango Park	1,73	1,73	1,00	1,00	0,00	AN, DL, KB, ZM
George						
George	-	-	-	-	-	ZB
Port Elizabeth						
Deal Party	3,27	4,42	2,17	2,74	2,95	BD, JP, MB, MJ, PE
North End	3,32	2,38	0,50	0,00	0,00	BD, JP, MB, MJ
Korsten/ Neave/ Sidwell/ Sydenham	5,56	4,47	2,19	2,17	0,00	BD, JP, MB, MH, PE

Table 11.5 (continued)
Standard deviation from mean prime industrial market rentals
as in 2008:3

	Area size leased in m ²					Contributor codes
	250	500	1,000	2,500	5,000	
South End Walmer	4,16	2,39	4,90	4,90	4,86	BD, JP, MB, PE
Uitenhage: Volkswagen area/Nelson Mandela Bay						
Logistics Park	10,61	-	-	-	-	MJ, PE
Uitenhage: Hella/Kruisrivier	3,89	2,12	4,95	-	-	MJ, PE
Struandale	1,18	1,25	3,61	2,45	3,46	JP, MB, MJ, PE
Markman Township	5,06	7,68	6,01	5,81	4,62	JP, MB, MJ, PE
Perseverance	1,73	0,58	8,30	4,86	2,31	JP, MB, MJ, PE
Walmer	3,38	3,74	4,87	3,83	5,19	BD, JP, MD, MJ, PE
Greenbushes	3,30	4,11	5,45	7,07	7,07	BD, JP, MJ, PE
Fairview	7,51	7,51	5,77	0,00	3,54	BD, MJ, PE
East London						
Arcadia	2,45	0,00	0,00	0,41	-	BG, BJ, BT, DQ, ER, WM
Gately/ Woodbrook	0,00	0,00	0,00	0,00	0,00	BG, BT, DQ, ER, WM
Wilsonia	-	0,00	0,00	0,00	0,00	BG, BT, DQ, ER, WM
Braelyn	0,00	0,00	0,00	0,00	-	BG, BT, DQ, ER, WM
Northend	0,00	0,00	0,00	-	-	BG, BT, DQ, ER, WM
Bloemfontein						
Hilton	2,52	3,61	7,07	3,54	2,12	CC, ED, EK
East End	5,00	6,03	6,53	4,95	0,00	CC, ED, EK
Harvey Road	7,07	8,49	7,07	5,66	2,12	ED, EK
Old Industrial	0,00	1,41	3,54	0,00	0,00	ED, EK
Hamilton: Mill St	1,41	1,41	0,71	1,41	0,71	ED, EK
Hamilton: G Lubbe St	2,83	2,83	2,12	2,83	2,12	ED, EK
Estoir	14,14	14,14	14,14	10,61	7,07	ED, EK

Table 11.5 (continued)
Standard deviation from mean prime industrial market rentals
as in 2008:3

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Windhoek						
North	-	-	-	-	-	TE
Lafrenz	-	-	-	-	-	TE
South	-	-	-	-	-	TE
Prosperita	-	-	-	-	-	TE

Notes to the industrial rental tables

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

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

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

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

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

The scale should be interpreted as follows:

0 = no vacancy

1 = 'low—' vacancy;

2 = 'low' vacancy

3 = 'low+' vacancy

4 = 'medium—' vacancy;

5 = 'medium' vacancy

6 = 'medium+' vacancy

7 = 'high—' vacancy;

8 = 'high' vacancy

9 = 'high+' vacancy

where: low = <10% vacancy;

medium = 10% - 20% vacancy;

high = >20% vacancy.

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

Table 11.6
Predominant market escalation rates (%)
for industrial leases
Average as in quarter 2008:3

	5-year leases		
	Mean	SD	N
Central Witwatersrand	9,86	0,38	7
West Rand	9,80	0,45	5
East Rand	9,75	0,71	8
Far East Rand	9,00	1,41	2
Pretoria	9,33	1,03	6
Vereeniging	N/A	N/A	0
Polokwane	9,00	N/A	1
Nelspruit	9,00	N/A	1
Klerksdorp	N/A	N/A	0
Durban	9,33	0,58	3
Pietermaritzburg	N/A	N/A	0
Ladysmith	8,00	N/A	1
Newcastle	N/A	N/A	0
Isithebe	N/A	N/A	0
Lower Umfolozi	10,00	N/A	1
Cape Peninsula	9,55	0,50	10
George	N/A	N/A	0
Port Elizabeth	8,67	0,58	0
East London	N/A	N/A	0
Bloemfontein	9,00	1,00	3
Windhoek	N/A	N/A	0

Notes:

1. These are the averages of the predominant — i.e. most often achieved — market escalation rates as reported by our panel of experts.
2. For the industrial leaseback escalation rate, see the table on p. 23.

Table 11.7
Indicative operating expenses
for industrial buildings
As in quarter 2008:3 in rands per m² per month

	Stand-alone			Park		
	R/m ²	SD	N	R/m ²	SD	N
Central Witwatersrand	4,75	0,87	4	6,83	0,76	3
West Rand	3,50	N/A	1	6,00	N/A	1
East Rand	4,70	1,25	5	6,50	0,50	3
Far East Rand	3,00	N/A	1	5,00	N/A	1
Pretoria	5,13	4,63	4	6,50	3,28	3
Vereeniging	N/A	N/A	0	N/A	N/A	0
Polokwane	6,50	2,12	2	N/A	N/A	0
Nelspruit	3,70	N/A	1	4,50	N/A	1
Klerksdorp	N/A	N/A	0	N/A	N/A	0
Durban	7,80	1,13	2	8,00	0,00	2
Pietermaritzburg	N/A	N/A	0	N/A	N/A	0
Ladysmith	N/A	N/A	0	N/A	N/A	0
Newcastle	N/A	N/A	0	N/A	N/A	0
Isithebe	N/A	N/A	0	N/A	N/A	0
Lower Umfolozi	4,50	N/A	1	N/A	N/A	0
Cape Peninsula	4,64	1,81	8	6,75	3,25	8
George	3,50	N/A	1	4,50	N/A	1
Port Elizabeth	5,00	2,83	2	6,75	4,60	1
East London	N/A	N/A	0	N/A	N/A	0
Bloemfontein	12,00	N/A	1	N/A	N/A	0
Windhoek	N/A	N/A	0	6,02	N/A	1

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 12: Industrial stand values

The leveraging effect can go both ways

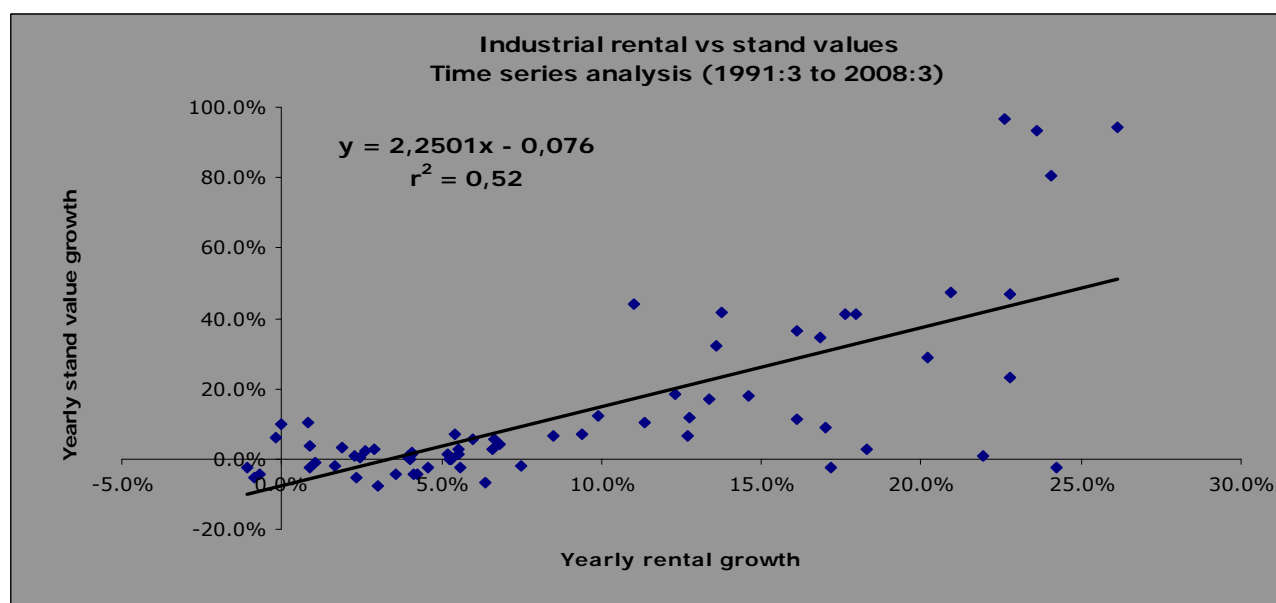
Written by John S. Lottering

In the third quarter of 2008, stand value growth continued to surge largely owing to the leveraging effect that industrial rentals have on stand values.

We quantified this gearing effect by taking the yearly growth in the average industrial stand value of the four major industrial conurbations and regressing this growth against the yearly growth in the average market rental in these areas over time. Over a period of 17 years the coefficient (also called "beta") measuring stand values' sensitivity to rentals is approximately 2,2 (refer to corresponding scatter diagram). This means that a 10% increase in rental growth can result in as much as a 22% increase in stand values.

The opposite is, of course also true, meaning that a 10% contraction in industrial rental can also lead to a 22% drop in stand values. The industrial areas that we used for our analysis are the Central Witwatersrand, Durban, the Cape Peninsula and Port Elizabeth.

Regarding the actual stand value growth rates, Durban (+60%) recorded the strongest growth over the last year, followed by the Central Witwatersrand (+36%), Port Elizabeth (+22%) and the Cape Peninsula (+14%). In addition, building-cost inflation (as measured by the BER Building Cost Index) is expected to have recorded growth of about 12%, implying continued impressive *real* stand-value growth in all of these areas.



But, should the rate of industrial rental growth continue to diminish, in response to, possibly, waning in demand for industrial space, on the back of weaker economic activity, a reduction in these phenomenal stand value growth rates of recent years may also be expected.

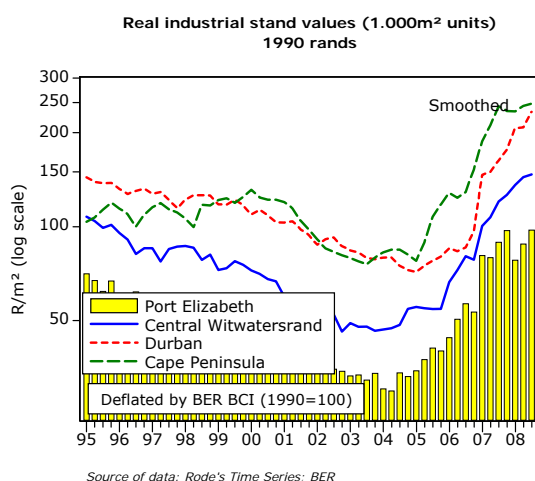
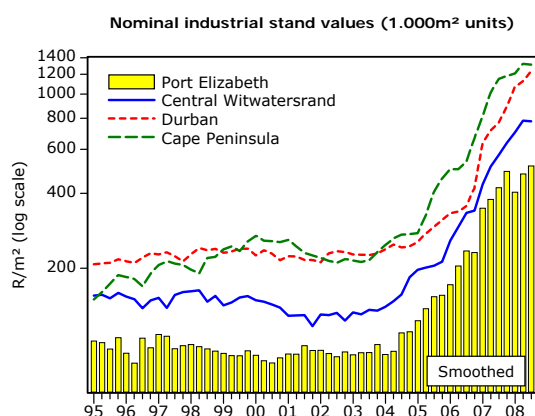


Table 12.1 shows the extent to which stand values have changed over the past decade. The impressive performance of industrial stand values over the past few years has now resulted in steeper trend lines on which the compounded 10- and 5-year rates are calculated. For this reason, the 10- and 5-year growth rates are now also in excess of building-cost inflation.

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 XIII).

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 12.1
Growth in nominal stand values (%) for 1.000m² stands
% annual compound growth on smoothed data

	Last 10 years*	Last 5 years*	Last year
Central Wits	25,4	40,5	36,5
East Rand	26,3	44,9	5,4
Durban	22,5	34,5	60,0
Cape Peninsula	26,9	45,4	14,1
Port Elizabeth	27,9	44,3	22,3
BER Building Cost Index	13,3	13,4	11,5
Haylett Index	8,1	9,1	16,5

Source of data: Rode's Time Series; Stats SA; MFA; Bureau for Economic Research

* Compound growth is calculated on the trend (regression) line.

Table 12.2
Mean market values for serviced and level industrial stands in quarter 2008:3
(R/m² excl VAT)

	Area size in m ²				Vacancy	a	b	r
	1.000	2.000	5.000	10.000				
Central Witwatersrand								
Cambridge Park	-	-	-	-		6,850	-8,351	-0,374
Wynberg proper	525	525	463	450	1,0			
Strijdom Park	900	800	800	750	1,0	7,248	-6,835	-0,909
Kya Sand	675	750	750	650	1,0			
Clayville/ Olifantsfontein	450	500	400	-				
Chloorkop	-	-	-	-				
Amalgam	950	950	900	850	1,0	7,216	-4,976	-0,947
Crown Mines	1.150	1.000	950	900	2,0	7,705	-9,955	-0,957
Industria	-	-	-	-				
Booyens/ Booyens Reserve/ Ophirton	600	600	600	550	1,0	6,638	-3,262	-0,758
Village Main/ Village Deep/ New Centre	600	600	600	550	1,0	6,638	-3,262	-0,758
Benrose	500	500	500	500	1,0			
Steeledale/ Electron/ Tulisa Park	550	525	500	485	1,0	6,681	-5,443	-0,996
Aeroton	850	800	800	800	1,0	6,882	-2,272	-0,758
Devland/ Nancefield	-	-	-	-				
Cleveland/ Heriotdale	600	585	575	500	2,0	6,905	-7,092	-0,877
Newlands/ Martindale	-	-	-	-				
Kew/ Wynberg East	-	-	-	-				
Bramley View/ Lombardy West	-	-	-	-				
Marlboro South (Alexandra)	100	81	75	60	3,0	5,988	-0,203	-0,973
Halfway House: hi-tech strip	940	890	850	775	1,3	7,372	-8,044	-0,235

Table 12.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2008:3
(R/m² excl VAT)

	Area size in m ²				Vacancy	a	b	r
	1.000	2.000	5.000	10.000				
Halfway House: Richards Drive	893	840	675	675	1,5	7,733	-0,137	-0,547
Commercia	800	600	600	600	1,0	7,388	-0,107	-0,758
Kramerville/ Eastgate X12 & X13	810	750	700	650	1,0	7,334	-9,279	-0,997
Centurion	-	-	-	-				
Linbro Park	1.000	950	950	950	0,0	7,024	-0,019	-0,758
Wesco Park/ Eastgate X3,X11,X6,X8/ Marlboro North (New)	700	675	600	575	1,5	7,186	-9,113	-0,782
City Deep	950	950	950	900	1,0	7,006	-2,027	-0,758
North Riding	-	-	-	-				
Samrand Centurion	1.500	1.500	1.500	1.500	1,0			
Barbeque Downs	900	900	900	900	1,0			
Selby Ext 12/ 13/ 15/ 19/ 20/ 24/ City West	825	800	750	720	1,0	7,173	-6,744	-0,284
Selby Ext 5/ 10/ 14/ 18	600	600	600	550	1,0	6,638	-3,262	-0,758
Selby Ext 11	600	600	600	550	1,0	6,638	-3,262	-0,758
Selby Ext 3/ 4/ 6	600	600	600	550	1,0	6,638	-3,262	-0,758
Denver (Old)	400	400	375	350	1,0	6,423	-5,969	-0,947
Denver (New)	685	675	655	650	2,0	6,696	-2,415	-0,986
Kyalami Business Park	1.500	1.500	1.500	1.500	1,0			
Reuven	-	-	-	-				
Selby (Old)/ Selby X2/ Park Central	650	650	600	500	1,0	7,312	-0,113	-0,815
Robertsham	-	-	-	-				
Fordsburg/ Mayfair	-	-	-	-				
Central Witwatersrand	764	736	710	680	1,2			

Table 12.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2008:3
(R/m² excl VAT)

	Area size in m²				Vacancy	a	b	r
	1.000	2.000	5.000	10.000				
West Rand								
Lea Glen	750	700	650	600	1,0	7,274	-9,471	-0,997
Honeydew X19, 20, 21 & 22	800	750	725	700	1,0	7,054	-5,512	-0,980
Stormill	750	700	650	600	1,5	7,274	-9,471	-0,997
Chamdor	250	250	200	200	1,0	6,352	-0,116	-0,918
Factoria	-	-	-	-				
Randfontein: Delporton/ Aureus	-	-	-	-				
Boltonia	-	-	-	-				
Rodepoort: Technikon/Manufacta	-	-	-	-				
Industria North	-	-	-	-				
Robertville	-	-	-	-				
Laserpark	-	-	-	-				
West Rand	638	600	556	525	1,2			
East Rand								
Elandsfontein	-	-	-	-				
Tunney/Greenhills	1.200	-	-	-	1,0			
Henville	-	-	-	-				
Meadowbrook/Wilbart	-	-	-	-				
Sunnyrock	-	-	-	-				
Rustivia/Activia Park	-	-	-	-				
Eastleigh	-	-	750	-	1,0			
Sebenza Ext 14	-	-	-	-				

Table 12.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2008:3
 (R/m² excl VAT)

	Area size in m ²				Vacancy	a	b	r
	1.000	2.000	5.000	10.000				
Spartan Ext 16 (Sebenza Link) + Ext 1, 3, 7	600	600	600	-	4,0			
Isando	-	-	-	-				
Isando 3	-	-	-	-				
Jet Park	800	800	700	650	2,0	7,387	-9,777	-0,960
Alrode & Xs	-	-	-	450	1,0			
Alrode South	600	500	-	-	1,5			
Alberton	-	-	-	-				
Aeroporto/ Spartan Ext 2	-	-	1350	-	1,0			
Rustivia	-	-	-	-				
Delville	420	330	300	260	0,5	7,347	-0,194	-0,813
Roodekop	330	330	375	350	0,5			
Wadeville: Industrial zoning	465	465	502	454	1,3			
Route 24/ Meadowdale	-	925	850	-	1,0			
Germiston S/ Industries E	340	320	300	270	1,0	6,499	-9,605	-0,985
Driehoek/ Industries W	375	625	575	545	1,0			
Knights	323	318	293	265	1,0	6,380	-8,621	-0,426
Spartan Proper	-	-	-	-				
Founders View	-	-	-	-				
Longmeadow	-	-	-	-				
East Rand	512	530	548	402	1,1			

Table 12.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2008:3
(R/m² excl VAT)

	Area size in m²				Vacancy	a	b	r
	1.000	2.000	5.000	10.000				
Far East Rand								
Boksburg North & East	-	-	-	-				
Benoni South	-	-	-	-				
New Era/ Vulcania	-	-	-	-				
Nuffield	-	-	-	-				
Fulcrum	-	-	-	-				
Apex	-	-	-	-				
La Boré Brakpan	-	-	-	-				
Morehill Ext 8 Benoni	-	-	-	-				
Far East Rand								
Pretoria								
Mitchell St	-	-	-	-				
Pretoria Industrial Township	-	-	-	-				
Koedoespoort	-	-	-	-				
Waltloo/ Despatch	400	-	-	-	1,0			
Silverton/ Silvertondale	-	-	-	475	1,0			
Samcor Park	-	-	-	-				
Sunderland Ridge	-	-	-	-				
Hermanstad	-	-	-	-				
Kirkney	-	-	-	-				
Hennospark X15 & X7	-	-	-	-				
Gateway	-	-	-	-				

Table 12.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2008:3
 (R/m² excl VAT)

	Area size in m ²				Vacancy	a	b	r
	1.000	2.000	5.000	10.000				
Lyttleton Manor X4/X6	-	-	-	-				
Pretoria North	-	-	-	-				
Silvertondale X1	450	-	-	-	2,0			
Brits	-	-	-	-				
Klerksoord	350	-	-	-	1,0			
Rosslyn	-	-	-	-	-			
Pretoria	400			475	1,3			
Polokwane								
Lebowakgomo	-	-	-	-				
Superbia	300	275	-	-	1,0			
Industria	235	215	120	-	1,0			
Ladine	300	325	225	-	1,0			
Futura	233	231	120	-	1,0			
Laboria	233	213	145	-	1,0			
Magna Via	475	450	400	-	1,0			
Seshego	-	-	-	-				
Polokwane	278	266	197		1,0			

Table 12.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2008:3
(R/m² excl VAT)

	Area size in m ²				Vacancy	a	b	r
	1.000	2.000	5.000	10.000				
Durban								
Springfield Park	1.400	1.400	1.350	1.200	1,0	7,686	-0,060	-0,535
Mayville	1.600	1.600	1.400	1.400	0,5	7,875	-6,998	-0,918
Phoenix	700	700	900	900	1,5			
North Coast Rd / Briardene	1.325	1.325	1.400	1.400	1,5			
Umgeni Rd/ Stamford Hill	1.600	1.600	1.600	1.600	1,0			
Umbilo/ Sydney Rd/ Gale St	2.000	2.000	2.000	200	1,0			
Jacobs	1.700	1.475	1.700	1.400	1,0	7,654	-3,971	-0,249
Mobeni	1.700	1.700	1.700	1.700	2,0			
Prospecton	1.500	1.500	1.500	1.750	1,5			
Pinetown Central	1.100	1.100	1.100	1.050	1,5	7,144	-0,019	-0,158
New Germany	925	925	925	867	1,3	7,038	-2,823	-0,451
Isipingo	900	800	900	900	1,5			
Rosburgh/ South Coast Rd	1.400	1.400	1.400	1.400	2,0			
Edwin Swales Drive	1.600	1.600	1.600	1.600	1,0			
Glen Anil	1.400	1.400	1.100	1.400	1,0	7,648	-6,333	-0,227
Brickfield Rd	1.800	1.800	1.800	1.800	1,0			
Verulam	-	-	-	-				
Canelands	600	600	600	600	3,0			
Tongaat	-	-	-	-				
New Westmead/ Mahogany Ridge	1.100	1.100	1.100	1.050	1,3	7,144	-0,019	-0,158
Westmead	1.100	1.100	1.100	1.050	1,5	7,144	-0,019	-0,158

Table 12.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2008:3
 (R/m² excl VAT)

	Area size in m ²				Vacancy	a	b	r
	1.000	2.000	5.000	10.000				
Mariann Park/ Southmead	900	900	867	817	2,0	7,143	-4,771	-0,271
Maxmead	1.100	1.100	1.100	1.050	1,5	7,144	-0,019	-0,158
Ringroad Industrial Park	-	-	-	-				
Avoca/ Red Hill/ Northgate	-	1.250	-	-	1,0			
Falcon Park	-	-	-	-	1,0			
River Horse Valley Business Estate	1.850	1.850	1.850	1.800	2,5	7,614	-1,238	-0,506
Mount Edgecombe	-	1.500	1.500	1.400	4,0			
Umbogintwini/ Southgate	1.500	1.500	1.400	1.400	1,5	7,571	-3,678	-0,454
Umgeni Park	-	-	-	-				
Hammersdale	-	400	400	-	5,0			
Cato Ridge	-	-	300	200	3,0			
Durban	1.278	1.241	1.200	1.220	1,6			
Pietermaritzburg								
Willowton	300	300	260	-				
Mkomdeni/ Shortts Retr	400	400	500	500	4,0			
Camps Drift	-	-	-	-				
Pietermaritzburg Central	-	-	-	-				
Allandale	-	-	-	-				
Howick	-	-	-	-				
Pietermaritzburg	350	350	420	500	4,0			

Table 12.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2008:3
(R/m² excl VAT)

	Area size in m ²				Vacancy	a	b	r
	1.000	2.000	5.000	10.000				
Newcastle								
Madadeni	-	-	-	-				
Central	-	-	-	-				
Vlam Crescent	-	-	-	-				
Riverside Ind	-	-	-	-				
Newcastle								
Lower Umfolozi								
Empangeni	-	-	-	-				
Richards Bay	-	-	-	-				
ORichards Bay CBD (Dollar Drive)	-	-	-	-				
Lower Umfolozi								
Cape Peninsula								
Viking Place	-	-	-	-				
Glosderry	-	-	-	-				
Paarden Eiland/ Metro	2.088	1.863	1.550	1.400	1,0	8,933	-0,189	-0,512
Montague Gardens	1.800	1.560	1.260	1.260	1,2	8,637	-0,170	-0,607
Marconi Beam	1.850	1.767	1.450	1.300	0,3	8,679	-0,163	-0,855

Table 12.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2008:3
(R/m² excl VAT)

	Area size in m ²				Vacancy	a	b	r
	1.000	2.000	5.000	10.000				
Killarney Gardens	1.375	1.190	1.183	1.225	1,0	7,530	-5,082	-0,363
Racing Park	1.158	1.050	1.017	1.063	4,2	7,307	-4,099	-0,469
Atlantis	-	-	-	-				
Woodstock/ Salt River/ Observatory	1.400	1.250	1.000	900	1,0	8,612	-0,197	-0,957
Athlone 1 & 2	1.500	1.500	1.000	1.000	1,0	8,823	-0,212	-0,918
Lansdowne Nerissa	1.200	1.200	1.000	950	1,0	7,911	-0,114	-0,952
Ottery Hillstar	-	-	-	-				
Ottery Sunset	-	-	-	-				
Diep River	1.000	1.000	950	900	1,0	7,248	-4,715	-0,948
Monwood/ Philippi	-	-	-	-				
Retreat/ Steenberg	1.500	1.250	1.250	1.000	1,0	8,345	-0,152	-0,926
Capricorn Park	1.500	1.250	1.100	1.000	5,0	8,467	-0,171	-0,987
Maitland	-	-	-	-				
Ndabeni	-	-	-	-				
Airport	1.525	1.300	1.163	1.133	2,0	8,248	-0,138	-0,601
Epping 1 & 2	1.300	1.267	1.150	1.050	1,0	7,925	-0,105	-0,516
WP Park	1.500	1.450	1.425	-	1,0			
Elsies River (excl, Central Park)	850	825	675	650	1,5	7,659	-0,129	-0,918
Parow Beaconvale	1.125	1.038	975	917	1,0	7,583	-8,436	-0,382

Table 12.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2008:3
(R/m² excl VAT)

	Area size in m ²				Vacancy	a	b	r
	1.000	2.000	5.000	10.000				
Tygerberg Business Park	1.425	1.338	1.300	1.300	2,0	7,520	-4,113	-0,235
Parow Industria	1.125	1.013	925	850	1,0	7,771	-0,111	-0,539
Parow East	1.000	950	875	750	0,5	7,620	-0,103	-0,466
Belville Oakdale	1.800	1.400	1.300	-	0,0			
Bellville Stikland/ Kaymor	1.367	1.250	1.150	1.125	2,3	7,791	-8,614	-0,484
Bellville Triangle	988	950	917	850	0,7	7,260	-5,488	-0,266
Bellville South/ Sacks Circle	1.033	950	867	833	1,3	7,564	-9,293	-0,598
Kraaifontein	817	800	783	900	2,0			
Brackenfell Industria	1.038	988	900	800	1,5	7,683	-0,106	-0,560
Everite Brackenfell	1.200	1.150	1.013	967	1,0	7,785	-9,986	-0,793
Kuils River	938	875	850	700	2,5	7,667	-0,117	-0,580
Blackheath	890	800	863	717	3,0	7,137	-5,522	-0,244
Saxenburg Industrial Park	1.200	1.138	1.033	633	2,8	9,875	-0,384	-0,532
Okavango Park	1.400	1.367	1.133	1.100	0,7	8,072	-0,118	-0,739
Cape Peninsula	1.270	1.189	1.077	1.004	1,6			
George								
George	650	650	570	550	6,0	7,065	-8,222	-0,952
George	650	650	570	550	6,0			
Port Elizabeth								
Deal Party	539	576	400	400	1,0	7,447	-0,169	-0,332
North End	600	467	458	458	2,0	6,900	-0,089	-0,335

Table 12.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2008:3
(R/m² excl VAT)

	Area size in m ²				Vacancy	a	b	r
	1.000	2.000	5.000	10.000				
Korsten/ Neave/ Sidwell/ Sydenham	550	467	433	283	2,0	8,975	-0,378	-0,530
South End Walmer	500	433	423	423		6,572	-6,397	-0,189
Uitenhage: Volkswagen area/Nelson Mandela Bay Logistics Park	450	350	350	350		6,680	-9,422	-0,758
Uitenhage: Hella/Kruisrivier	200	200	200	200				
Struandale	484	412	410	410	1,0	6,511	-6,357	-0,149
Markman Township	191	181	187	187	4,0	5,328	-0,011	-0,109
Perseverance	438	400	400	390	1,0	6,406	-0,011	-0,119
Walmer	615	520	517	447	2,5	7,114	-0,011	-0,350
Greenbushes	400	390	350	300	6,0	6,851	-0,121	-0,825
Fairview	1.150	1.100	800	-				
Port Elizabeth	508	447	405	362	2,3			
East London								
Arcadia	-	-	-	-				
Gately/ Woodbrook	500	350	200	60	1,0	12,44	-0,878	-0,957
Wilsonia	-	123	100	95	2,0			
Braelyn	-	-	-	-				
Northend	-	-	-	-				
East London	500	237	150	78	1,5			

Table 12.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2008:3
 (R/m² excl VAT)

	Area size in m ²				Vacancy	a	b	r
	1.000	2.000	5.000	10.000				
Bloemfontein								
Hilton	375	280	250	150	1,0	8,326	-0,348	-0,896
East End	363	320	280	200	2,0	7,535	-0,234	-0,960
Harvey Road	-	-	-	-				
Old Industrial	250	200	180	180	1,0	6,420	-0,138	-0,907
Hamilton: Mill St	200	180	150	80	1,0	7,958	-0,370	-0,914
Hamilton: G Lubbe St	180	160	130	60	2,0	8,376	-0,442	-0,906
Estoir	350	320	280	188	2,0	7,838	-0,276	-0,935
Bloemfontein	307	243	212	149	1,5			
Windhoek								
North	750	700	650	550	3,0	7,515	-0,127	-0,967
Lafrenz	450	450	450	350	6,0	6,805	-9,422	-0,758
South	1.500	1.000	850	-	1,0			
Prosperita	1.100	950	850	-	1,0			
Windhoek	950	775	700	450	2,8			

Table 12.3
Standard deviation from mean market values for serviced and level industrial stands
 in quarter 2008:3
 (R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Central Witwatersrand					
Cambridge Park	-	-	-	-	
Wynberg proper	106,06	106,06	123,74	141,42	DO, RA
Strijdom Park	-	-	-	-	RA
Kya Sand	106,06	0,00	0,00	-	DO, RA
Clayville/ Olifantsfontein	-	-	-	-	
Chloorkop	-	-	-	-	
Amalgam	-	-	-	-	RO
Crown Mines	-	-	-	-	RO
Industria	-	-	-	-	
Booyssens/ Booyssens Reserve/ Ophirton	-	-	-	-	RO
Village Main/ Village Deep/ New Centre	-	-	-	-	RO
Benrose	-	-	-	-	RO
Steeledale/ Electron/ Tulisa Park	-	-	-	-	RO
Aeroton	-	-	-	-	RO
Devland/ Nancefield	-	-	-	-	
Cleveland/ Heriotdale	-	-	-	-	RO
Newlands/ Martindale	-	-	-	-	
Kew/ Wynberg East	-	-	-	-	
Bramley View/ Lombardy West	-	-	-	-	

Table 12.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2008:3
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Marlboro South (Alexandra)	-	-	-	-	RA
Halfway House: hi-tech strip	367,69	296,98	259,80	318,19	CL, DO, QU
Halfway House: Richards Drive	184,75	226,27	176,77	176,77	CL, DO, QU
Commercialia	-	-	-	-	QU
Kramerville/ Eastgate X12 & X13	-	-	-	-	RA
Centurion	-	-	-	-	
Linbro Park	-	-	-	-	RA
Wesco Park/ Eastgate X3,X11,X6,X8/ Marlboro					
North (New)	70,71	35,35	70,71	35,35	DO, RA
City Deep	-	-	-	-	RO
North Riding	-	-	-	-	
Samrand Centurion	-	-	-	-	QU
Barbeque Downs	-	-	-	-	QU
Selby Ext 12/ 13/ 15/ 19/ 20/ 24/ City West	176,77	212,13	212,13	240,41	RA, RO
Selby Ext 5/ 10/ 14/ 18	-	-	-	-	RO
Selby Ext 11	-	-	-	-	RO
Selby Ext 3/ 4/ 6	-	-	-	-	RO
Denver (Old)	-	-	-	-	RO
Denver (New)	-	-	-	-	RO
Kyalami Business Park	-	-	-	-	QU

Table 12.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2008:3
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Reuven	-	-	-	-	CJ, RA
Selby (Old)/ Selby X2/ Park Central	-	70,71	-	-	
Robertsham	-	-	-	-	
Fordsburg/ Mayfair	-	-	-	-	
West Rand					
Lea Glen	-	-	-	-	RO
Honeydew X19, 20, 21 & 22	-	-	-	-	RA
Stormill	-	-	-	-	RO
Chamdor	-	-	-	-	RA
Factoria	-	-	-	-	
Randfontein: Delporton/ Aureus	-	-	-	-	
Boltonia	-	-	-	-	
Roodepoort: Technikon/Manufacta	-	-	-	-	
Industria North	-	-	-	-	
Robertville	-	-	-	-	
Laserpark	-	-	-	-	
East Rand					
Elandsfontein	-	-	-	-	AE
Tunney/Greenhills	-	-	-	-	
Henville	-	-	-	-	

Table 12.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2008:3
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Meadowbrook/Wilbart	-	-	-	-	
Sunnyrock	-	-	-	-	
Rustivia/Activia Park	-	-	-	-	
Eastleigh	-	-	-	-	DO
Sebenza Ext 14	-	-	-	-	
Spartan Ext 16 (Sebenza Link) + Ext 1, 3, 7	-	-	-	-	DO
Isando	-	-	-	-	DO
Isando 3	-	-	-	-	
Jet Park	-	-	-	-	DO
Alrode & Xs	-	-	-	-	RO
Alrode South	-	70,71	-	-	RO, ZZ
Alberton	-	-	-	-	
Aeroporto/ Spartan Ext 2	-	-	-	-	AE
Rustivia	-	-	-	-	
Delville	113,13	-	-	-	RO, ZZ
Roodekop	-	-	106,06	141,42	GM, RO
Wadeville: Industrial zoning	190,91	190,91	151,84	149,07	DO, GM, RO, ZZ
Route 24/ Meadowdale	-	106,06	-	-	AE, DO, MH
Germiston S/ Industries E	-	-	-	-	RO
Driehoek/ Industries W	-	-	-	-	RO

Table 12.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2008:3
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Knights	74,24	67,17	60,10	63,63	GM, RO
Spartan Proper	-	-	-	-	
Founders View	-	-	-	-	
Longmeadow	-	-	-	-	
Far East Rand					
Boksburg North & East	-	-	-	-	
Benoni South	-	-	-	-	
New Era/ Vulcania	-	-	-	-	
Nuffield	-	-	-	-	
Fulcrum	-	-	-	-	
Apex	-	-	-	-	
La Boré Brakpan	-	-	-	-	
Morehill Ext 8 Benoni	-	-	-	-	
Pretoria					
Mitchell St	-	-	-	-	
Pretoria Industrial Township	-	-	-	-	
Koedoespoort	-	-	-	-	
Waltloo/ Despatch	-	-	-	-	AI
Silverton/ Silvertondale	-	-	-	-	BY
Samcor Park	-	-	-	-	

Table 12.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2008:3
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Sunderland Ridge	-	-	-	-	
Hermanstad	-	-	-	-	
Kirkney	-	-	-	-	
Hennopspark X15 & X7	-	-	-	-	
Gateway	-	-	-	-	
Lyttleton Manor X4/X6	-	-	-	-	
Pretoria North	-	-	-	-	AI
Silvertondale X1	-	-	-	-	AI
Brits	-	-	-	-	
Klerksoord	-	-	-	-	
Rosslyn	-	-	-	-	
Polokwane					
Lebowakgomo	-	-	-	-	
Superbia	70,71	35,35	-	-	ES, TG
Industria	120,20	91,92	-	-	ES, TG
Ladine	-	35,35	35,35	-	ES, TG
Futura	67,17	53,03	-	-	ES, TG
Laboria	67,17	53,03	35,35	-	ES, TG
Magna Via	-	-	-	-	ES
Seshego	-	-	-	-	

Table 12.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2008:3
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Nelspruit					
Nelspruit East	-	-	-	-	
Nelspruit West	-	-	-	-	
Rocky's Drift	-	-	-	-	
Riverside Park	-	-	-	-	
Durban					
Springfield Park	-	-	212,13	-	ML, PC
Mayville	-	-	-	-	ML, PC
Phoenix	-	-	141,42	-	ML, PC
North Coast Rd / Briardene	106,06	106,06	-	-	ML, PC
Umgeni Rd/ Stamford Hill	-	-	-	-	ML
Umbilo/ Sydney Rd/ Gale St	-	-	-	-	ML
Jacobs	-	318,19	-	-	ML, PC
Mobeni	-	-	-	-	ML
Prospecton	-	-	-	353,55	ML, PC
Pinetown Central	141,42	141,42	141,42	212,13	LS, ML
New Germany	35,35	35,35	35,35	76,37	LS, ML, PC
Isipingo	-	141,42	-	-	ML, PC
Rosburgh/ South Coast Rd	-	-	-	-	ML
Edwin Swales Drive	-	-	-	-	ML

Table 12.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2008:3
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Glen Anil	-	-	424,26	-	ML, PC
Brickfield Rd	-	-	-	-	ML
Verulam	-	-	-	-	
Canelands	-	-	-	-	ML
Tongaat	-	-	-	-	
New Westmead/ Mahogany Ridge	141,42	141,42	141,42	212,13	LS, ML
Westmead	141,42	141,42	141,42	212,13	LS, ML
Mariann Park/ Southmead	141,42	141,42	152,75	175,59	LS, ML, PC
Maxmead	141,42	141,42	141,42	212,13	LS, ML
Ringroad Industrial Park	-	-	-	-	
Avoca/ Red Hill/ Northgate	-	-	-	-	PC
Falcon Park	-	-	-	-	PC
River Horse Valley Business Estate	-	-	-	70,71	ML, PC
Mount Edgecombe	-	-	-	-	PC
Umbogintwini/ Southgate	-	-	141,42	141,42	ML, PC
Umgeni Park	-	-	-	-	
Hammersdale	-	-	-	-	PC
Cato Ridge	-	-	-	-	PC

Table 12.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2008:3
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Pietermaritzburg					
Willowton	-	-	-	-	CE
Mkomdeni/ Shortts Retr	-	-	212,13	-	
Camps Drift	-	-	-	-	
Pietermaritzburg Central	-	-	-	-	
Allandale	-	-	-	-	
Howick	-	-	-	-	
Newcastle					
Madadeni	-	-	-	-	
Central	-	-	-	-	
Vlam Crescent	-	-	-	-	
Riverside Ind	-	-	-	-	
Lower Umfolozi					
Empangeni	-	-	-	-	
Richards Bay	-	-	-	-	
Richards Bay CBD (Dollar Drive)	-	-	-	-	

Table 12.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2008:3
(R/m² excl VAT)

	Area size in m²				Contributors
	1.000	2.000	5.000	10.000	
Cape Peninsula					
Viking Place	-	-	-	-	
Glosderry	-	-	-	-	
Paarden Eiland/ Metro	497,28	540,64	493,28	556,77	AN, AX, CR, DN, ZZ
Montague Gardens	291,54	288,09	250,99	288,09	AN, AX, CK, DN, KB, ZZ
Marconi Beam	132,28	104,08	180,27	173,20	AN, AX, KB
Killarney Gardens	117,26	159,68	76,37	206,15	AN, AX, CR, DD, DN, KB
Racing Park	66,45	50,00	28,86	125,00	AN, AX, CR, DD, DN, KB
Atlantis	-	-	-	-	
Woodstock/ Salt River/ Observatory	141,42	70,71	-	-	AN, ZZ
Athlone 1 & 2	-	-	-	-	AN
Lansdowne Nerissa	-	-	-	-	AN
Ottery Hillstar	-	-	-	-	
Ottery Sunset	-	-	-	-	
Diep River	-	-	-	-	AN
Monwood/ Philippi	-	-	-	-	
Retreat/ Steenberg	-	-	-	-	AN
Capricorn Park	-	-	-	-	AN

Table 12.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2008:3
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Maitland	-	-	-	-	
Ndabeni	-	-	-	-	
Airport	206,15	182,57	188,74	292,97	AN, DN, KB, ZZ
Epping 1 & 2	-	208,16	180,27	278,38	AN, KB, ZZ
WP Park	-	70,71	106,06	-	AN, KB
Elsies River (excl, Central Park)	70,71	35,35	35,35	-	AN, KB
Parow Beaconvale	221,73	205,64	184,84	175,59	AN, DN, KB, ZM
Tygerberg Business Park	170,78	235,84	244,94	180,27	AN, DN, KB, ZM
Parow Industria	250,00	165,20	119,02	86,60	DN, KB, ZM, ZZ
Parow East	282,84	212,13	176,77	-	KB, ZM
Bellville Oakdale	-	-	-	-	KB
Bellville Stikland/ Kaymor	208,16	229,12	212,13	176,77	DN, KB, ZM
Bellville Triangle	193,11	212,13	144,33	141,42	AN, DN, KB, ZM
Bellville South/ Sacks Circle	175,59	86,60	115,47	104,08	AN, KB, ZM
Kraaifontein	202,07	200,00	202,07	173,20	AN, CK, DN, KB
Brackenfell Industria	170,17	165,20	122,47	100,00	AN, DN, KB, ZM
Everite Brackenfell	81,64	129,09	25,00	57,73	AN, DN, KB, ZM
Kuils River	88,38	176,77	212,13	141,42	AN, KB
Blackheath	230,21	168,32	137,68	76,37	AN, CK, DL, DN, KB, ZM
Saxenburg Industrial Park	81,64	137,68	57,73	472,58	AN, DN, KB, ZM
Okavango Park	173,20	115,47	152,75	100,00	AN, KB, ZM

Table 12.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2008:3
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
George					
George	-	-	-	-	ZB
Port Elizabeth					
Deal Party	226,94	297,07	173,20	173,20	JP, MB, MJ, PE
North End	270,80	57,73	72,16	72,16	JP, MB, MJ, PE
Korsten/ Neave/ Sidwell/ Sydenham	173,20	57,73	115,47	225,46	JP, MB, MJ, PE
South End Walmer	173,20	115,47	132,79	132,79	JP, MB, MJ
Uitenhage: Volkswagen area/Nelson Mandela					
Bay Logistics Park	-	-	-	-	MJ
Uitenhage: Hella/Kruisrivier	-	-	-	-	MJ
Struandale	190,76	152,99	115,88	155,88	JP, MB, MJ, PE
Markman Township	17,50	20,20	23,09	23,09	JP, MB, MJ, PE
Perseverance	160,07	173,20	173,20	190,52	JP, MB, MJ, PE
Walmer	221,13	138,56	144,33	92,37	JP, MB, MJ, PE
Greenbushes	0,00	14,14	70,71	0,00	JP, MJ, PE
Fairview	70,71	-	-	-	MJ, PE
East London					
Arcadia	-	-	-	-	
Gately/ Woodbrook	0,00	0,00	0,00	0,00	BG, BT, DQ, ER, WM
Wilsonia	-	60,37	0,00	0,00	BG, BT, DQ, ER, WM

Table 12.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2008:3
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Braelyn	-	-	-	-	
Northend	-	-	-	-	
Bloemfontein					
Hilton	106,06	-	-	-	CC, EK
East End	17,67	-	-	-	CC, EK
Harvey Road	-	-	-	-	
Old Industrial	-	-	-	-	EK
Hamilton: Mill St	-	-	-	-	EK
Hamilton: G Lubbe St	-	-	-	-	EK
Estoir	-	-	-	17,67	CC, EK
Windhoek					
North	-	-	-	-	TE
Lafrenz	-	-	-	-	TE
South	-	-	-	-	TE
Prosperita	-	-	-	-	TE

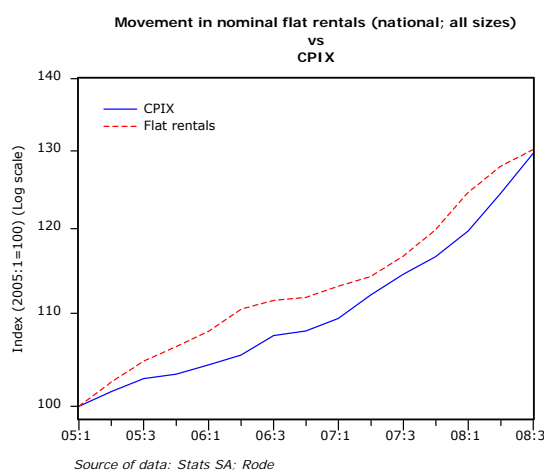
Chapter 13: Flats market

Rental growth on par with consumer inflation

Written by John S. Lottering

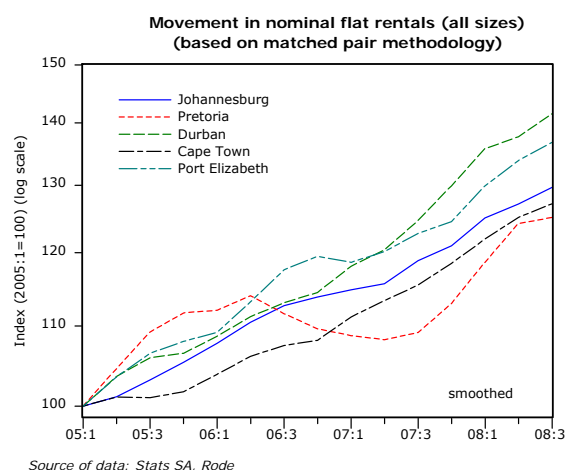
Nationally, over the past three years the growth in flat rentals has been roughly in line with consumer price inflation.

Weighting the rental indices of the five major metropolises by the white middle-class population to create a "national" index and calculating the compound growth rate over the past three years, shows that growth was basically on par with consumer inflation (CPI) of about 9% p.a. Therefore, one can argue that the substitution effect, the shift away from owning residential property to renting, owing to the increased unaffordability of the former option, was not as potent as one would have expected.



At the metropolitan level, it is noteworthy that Durban outperformed everyone by a wide margin. More specifically, flat rentals

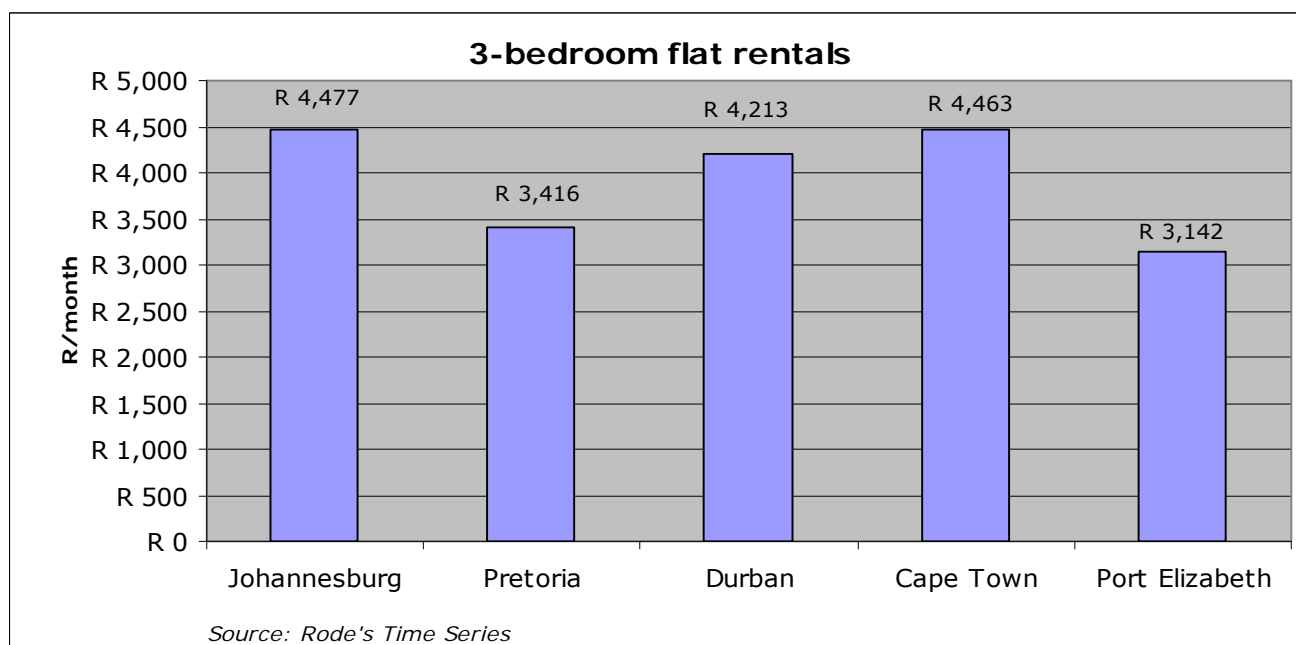
in the metropolises of Johannesburg, Pretoria and Cape Town all recorded growth rates akin to those of CPI over the past three years, while in Durban (+12% p.a.) and Port Elizabeth (+11% p.a.) the nominal rentals marginally outperformed inflation (refer **Table 13.1**).



Over a shorter time period of a year, only rental growth in Pretoria (+15%) and Durban (+14%) managed to beat consumer inflation (+13%). In the other foremost metropolises of Johannesburg, Cape Town and Port Elizabeth rental growth over the past year ranged between 9% and 11%, i.e. well below inflation. The relatively stronger rental growth in the metropolitan area of Pretoria can, of course, be attributed to the fact that it was growing from a lower base (refer to the graph which follows).

In terms of rental levels, monthly rentals for standard-quality 3-bedroom flats are, on average, the highest in the Johannesburg and Cape Town metropolises at

around R4.500 per month, followed by Durban (R4.200), Pretoria (R3.400) and Port Elizabeth (R3.100).



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.

Table 13.1
Nominal flat rental growth (%)
(all sizes combined)

	Last 3 years*	Last year	Last quarter (annualized)
Johannesburg	8,8	9,1	8,2
Pretoria	8,3	14,6	2,9
Durban	12,4	13,6	11,7
Cape Town	8,7	10,1	6,8
Port Elizabeth	10,6	11,4	9,1
National Index**	8,7	11,5	7,2
CPI	8,6	13,4	16,7
CPIX	8,1	13,2	18,0

Source of data: Rode's Time Series; Stats SA

**Compound growth which is calculated on the trend (regression) line.*

***Weighted by White middle-class population as measured in Census 2001.*

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

Table 13.2
Flat vacancies
 Average for all grades of units
 (upmarket & standard)

	% vacant			
	2007:4	2008:1	2008:2	2008:3
Johannesburg	1,11%	1,17%	0,82%	1,25%
Germiston	0,24%	1,81%	5,43%	1,81%
Pretoria	1,27%	1,50%	2,19%	1,64%
Durban	N/A	0,00%	5,84%	10,21%
Bloemfontein	N/A	2,86%	2,86%	2,00%
Port Elizabeth	N/A	3,94%	3,03%	5,43%
East London	N/A	2,04%	N/A	2,13%
Cape Town	N/A	2,16%	2,64%	1,88%

Table 13.3
Gross-income Yields (%): FLATS
 Quarter 2008:3

	Bachelor	1-Bedroom	2-Bedroom	3-Bedroom
Gauteng				
Germiston	8,72%	8,68%	8,76%	9,39%
KwaZulu-Natal				
Durban				
<i>Monclaire/Yellowwood Park</i>	7,85%	8,91%	9,85%	8,57%
Mpumalanga				
Ermelo	N/A	N/A	7,81%	7,0%
North West				
Orkney	14,40%	11,17%	9,80%	9,80%
Mafikeng	10,59%	10,42%	9,21%	8,40%
Rustenburg	N/A	10,88%	7,97%	6,95%
Northern Cape				
Kimberley	11,01%	10,52%	9,30%	6,00%

Table 13.2 contains a summary of flat vacancies during the past few quarters. Barring Durban's (10,2%), flat vacancies in general are still quite low and below 6%.

This is what makes flats so appealing to the risk-averse buy-to-let investor. In this table there is a worrisome uptrend in flat vacancies in Durban and Port Elizabeth.

Assuming the trends are not spurious, what do these cities have in common? Industry of course. Their economies are largely dependent on industry.

Flat income yields

Table 13.3 summarizes the *gross-income* yields on flats. These *gross-income* yields

can be converted to net-income yields by, as a rule of thumb, deducting 2 percentage points to cater for expenses like assessment rates, insurance and maintenance.

This concludes our section on the flats market. The flat-rental tables follow. ■

Table 13.4
Flat rentals: standard units
 Average rents per month as at quarter 2008:3

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Johannesburg average	R2.674		R3.237		R3.796		R4.346		
City (incl. Joubert Park/Braamfontein/Hillbrow/Berea/Parktown)	R1.917	R382	R2.700	R354	R3.200	R424	R3.300	R1.131	ZZ
Yeoville/Bellevue/Highlands	N/A	N/A	N/A	N/A	N/A	N/A	R3.700	N/A	ZZ
Jeppestown/Fordsburg/Malvern/Kensington/Lorentzville	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
North-Eastern Suburbs (incl. Kew/Cyrildene/Fairmount/Waverley/Lyndhurst/Bramley/Savoy)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Maraisburg/Crosby/Brixton	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Meldene (Melville, Westdene, Auckland Park)	R2.750	N/A	R2.850	N/A	R3.350	N/A	R3.750	N/A	ZZ
Rosebank/Killarney/Illovo	R3.500	N/A	R4.000	N/A	R5.500	N/A	R7.000	N/A	WN
Greenside/Victory									
Park/Emmarentia/Linden/Parkview/Parkhurst	R2.375	R530	R3.100	R141	R3.725	R177	R4.425	R106	IC, ZZ
Randburg: Ferndale/Fontainebleau	R2.500	N/A	R3.083	R382	R3.492	R313	R4.083	R382	RF, ZZ
Randburg & Suburbs	N/A	N/A	R3.250	R354	R3.650	R212	R4.250	R354	RF, ZZ
Windsor: East/West	R2.100	N/A	R2.800	R346	R3.467	R551	R3.600	R849	BS, IC, RF, ZZ
Craighall/Craighall Park	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Sandton: North & Far North (incl. Bryanston/Fourways/Lonehill/Douglasdale)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Sandton: South to Central (incl. Sandown/Rivonia/Morningside/Sunninghill/Kyalami)	R4.250	N/A	R4.500	R1.414	R6.250	N/A	R7.750	N/A	IC, WN

Table 13.4 (continued)
Flat rentals: standard units
Average rand per month as at quarter 2008:3

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Bedfordview	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Old South (incl. Rosettenville/ Turffontein/Kenilworth)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
New South (incl. Southdale/Mondeor/ Glenvista/Linmeyer)	N/A	N/A	N/A	N/A	R2.700	N/A	R3.500	N/A	ZZ
Germiston average	R1.454		R1.945		R2.674		R3.084		
Primrose	R1.470	R396	R2.075	R460	R2.515	R969	R3.125	R813	MK, PH
Germiston C & S	R1.300	R300	R1.509	R270	R2.450	R636	R2.450	R1.485	BA, MK, PH
Germiston South - suburbs	R1.508	R350	R2.077	R375	R2.965	R474	R3.375	R742	BA, MK, PH
Elsburg	R1.550	N/A	R2.200	N/A	R2.800	N/A	R3.500	N/A	MK
Pretoria average	R1.885		R2.300		R2.895		R3.454		
Akasia	R1.450	R354	R2.215	R460	R2.600	R566	R3.050	R354	AI, ME, TR
Pretoria North/Dorandia/Florauna	R2.100	R141	R2.300	R100	R3.367	R603	R3.983	R975	AI, ME, TR
Annlin/Wonderboom/Sinoville/Montana	R2.200	R0	R2.800	R283	R3.167	R289	R4.000	R0	AI, ME, TR
Die Moot/Queenswood	R2.000	R283	R2.300	R141	R3.150	R495	R3.900	R849	ME, TR
Eastlynne/Eersterust	R1.550	R71	R1.600	R141	R2.300	R141	R2.650	R212	ME, TR
Silverton/Meyerspark/La Montagne	R2.150	R71	R2.600	R141	R2.750	R354	R3.450	R71	ME, TR
Eastern suburbs (Menlo Park/Ashlea Gardens/all Lynnwoods/Die Wilgers/ Faerie Glen/Garsfontein/Pretoriuspark/ Constantia/Waterkloof Glen/ Erasmuskloof)	R2.000	R0	R2.500	R141	R3.100	R141	R3.600	R566	ME, TR
Groenkloof/Brooklyn/most Waterkloofs/ Monumentpark/Erasmusrand	R2.650	R1.202	R3.150	R1.202	R4.000	R1.414	R4.850	R1.626	ME, TR

Table 13.4 (continued)
Flat rentals: standard units
Average rand per month as at quarter 2008:3

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
South-eastern suburbs (Elarduspark/Wingate Park/Moreletapark/Pierre van Ryneveld/Waterkloof)	R2.800	R990	R3.000	R566	R3.750	R354	R4.750	R1.061	ME, TR
Sunnyside	R1.750	R354	R2.200	R283	R2.850	R495	R3.375	R177	ME, TR
Arcadia	R1.750	R354	R2.200	R286	R2.750	R354	R3.125	R530	ME, TR
Pretoria Central	R2.300	R141	R2.500	R0	R3.350	R212	R3.775	R35	ME, TR
Pretoria West	R1.525	R389	R2.400	R283	R3.000	R283	R3.300	R141	ME, TR
Kwaggastrand/West Park	R1.700	R283	R2.000	R566	R2.600	R566	R3.350	R212	ME, TR
Elandspoort/Danville	R1.500	R141	R1.800	R424	R2.100	R707	R2.600	R566	ME, TR
Atteridgeville/Laudium	R1.400	N/A	R1.900	N/A	R2.200	N/A	R2.500	N/A	TR
Nelspruit average	R2.051		R2.574		R3.216		R3.749		
Nelinda	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Nelspruit CBD	R1.800	N/A	R2.500	R0	R3.050	R354	R3.200	N/A	FN, ZZ
West Acres and extensions	R2.050	R354	R2.500	N/A	R3.000	R283	R3.500	N/A	FN, ZZ
Sonheuwel and extensions	R2.400	R566	R2.600	N/A	R3.620	R170	R4.200	N/A	FN, ZZ
Nelspruit and extensions	R2.000	N/A	R2.700	R141	R3.229	R384	R4.200	N/A	FN, ZZ
Nelsville	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Durban average	R2.022		R2.828		R3.495		R4.287		
Upper highway: Kloof/Hillcrest	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Pinetown area/Queensburgh	R2.000	N/A	R2.500	N/A	R3.000	N/A	R3.500	N/A	WK
Westville area	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Central City (incl. Lower Berea)	R2.142	R224	R2.888	R254	R3.525	R247	R4.950	R1.485	TR, WK
Berea / Morningside / Glenwood	R2.300	R283	R2.988	R18	R3.800	R0	R5.250	R1.061	TR, WK
South and North Beach	R1.850	R218	R2.650	R132	R3.300	R300	R3.500	R0	MX, TR, WK

Table 13.4 (continued)
Flat rentals: standard units
 Average rand per month as at quarter 2008:3

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Durban North/La Lucia/Umhlanga	R2.500	N/A	R3.500	N/A	R5.000	N/A	R6.500	N/A	WK
North (Dolphin) Coast/Ballito	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Montclair/Yellowwood Park	R1.700	N/A	R2.725	R177	R3.200	R0	R3.500	N/A	TR, WK
Bluff area/Durban South	R1.800	N/A	R2.500	N/A	R3.000	N/A	R3.500	N/A	WK
Durban South/Amanzimtoti/Warner Beach area	R2.000	N/A	R3.000	N/A	R3.500	N/A	R4.500	N/A	WK
Cape Town average	R2.384		R2.931		R3.652		R4.709		
Camps Bay/Clifton/Bantry Bay	R4.000	N/A	R5.000	N/A	R6.400	R2.263	R8.250	R2.475	PF, TR
Sea Point	R2.800	R424	R3.400	R141	R4.400	R849	R6.150	R2.616	PF, TR
Green Point/Three Anchor Bay	R3.100	N/A	R3.300	N/A	R3.800	N/A	R4.300	N/A	PF
City Bowl (excluding Higgovale)	R3.133	R351	R4.100	R693	R6.000	R707	R7.500	R707	JL, PF, TR
City Centre	R3.367	R231	R4.267	R874	R6.250	R1.061	R8.500	R2.121	JL, PF, TR
Waterfront	R4.000	N/A	R5.000	N/A	R6.500	N/A	R10.000	N/A	TR
Rondebosch/Rosebank/Claremont	R2.600	N/A	R2.800	N/A	R3.200	N/A	R3.600	N/A	PF
Kenilworth/Wynberg/Plumstead	R2.600	N/A	R2.950	N/A	R3.200	N/A	R3.000	N/A	PF
Muizenberg/ Kalk Bay/ Fish Hoek	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Hout Bay	R2.900	R1.273	R3.900	R1.273	R5.000	R1.141	R7.000	R2.828	TR, ZZ
Milnerton/Sanddrift	R2.267	R153	R2.633	R153	R3.400	R458	R4.000	R624	PF, TR, ZZ
Tableview/Parklands	R2.350	R212	R2.550	R212	R3.450	R71	R3.850	R71	PF, TR
Blouberg/Melkbos	R2.500	R0	R2.725	R35	R3.550	R212	R4.350	R778	PF, TR
Athlone	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Mitchell's Plain	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Pinelands	R3.000	N/A	R3.300	N/A	R4.000	N/A	R6.500	N/A	ZZ
Brooklyn/Rugby/Maitland	R1.700	N/A	R2.300	N/A	R2.600	N/A	R3.200	N/A	TR

Table 13.4 (continued)
Flat rentals: standard units
Average rents per month as at quarter 2008:3

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Monte Vista/Goodwood/Parow/Bellville Central	R1.933	R153	R2.300	R0	R2.850	R50	R3.400	R424	PF, ST, TR
Tyger Valley area/Durbanville	R1.950	R71	R2.850	R71	R3.467	R153	R4.167	R351	PF, SF, TR
Brackenfell/Kuils River	R2.000	R100	R2.350	R100	R2.838	R75	R3.667	R208	PF, SF, ST, TR
Somerset West	R1.600	N/A	R1.800	N/A	R2.000	N/A	R3.500	N/A	ZZ
Strand	R1.000	N/A	R1.800	N/A	R2.500	N/A	R3.000	N/A	ZZ
Gordon's Bay	R1.500	N/A	R2.000	N/A	R2.200	N/A	R3.000	N/A	ZZ
Port Elizabeth average	R1.669		R1.979		R2.479		R3.111		
Summerstrand/Humewood/South End	R2.250	R50	R2.850	R304	R3.400	R458	R4.500	R707	CD, JP, RM
Walmer	R1.925	R460	R2.475	R247	R2.900	R141	R3.575	R106	CD, JP
Central/North End	R1.375	R672	R1.600	R566	R2.175	R247	R2.725	R177	CD, JP
Newton Park	R1.675	R247	R1.900	R141	R2.500	R0	R2.950	R71	CD, JP
Westering	R1.650	R283	R1.875	R177	R2.425	R106	R3.000	R0	CD, JP
Kabega	R1.625	R318	R1.850	R212	R2.425	R106	R3.000	R0	CD, JP
Algoa Park	R1.350	R212	R1.600	R354	R1.825	R247	R2.425	R601	CD, JP
East London average	R1.741		R2.272		R2.713		R3.315		
Southernwood/Quigney Beach/CBD	R1.350	R212	R2.033	R321	R2.600	R361	R3.067	R155	EL, LP, TR
Berea	R2.000	R283	R2.600	R361	R2.933	R306	R3.500	N/A	EL, LP, TR
Amalinda	R1.700	R283	R2.100	R173	R2.633	R321	R3.000	N/A	EL, LP, TR
Gonubie Park	R2.000	N/A	R2.400	N/A	R2.700	N/A	R3.000	N/A	TR

Table 13.4 (continued)
Flat rentals: standard units
 Average rands per month as at quarter 2008:3

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Bloemfontein average	R 779		R1.491		R1.980		R2.588		
Bloemfontein	R800	N/A	R1.500	N/A	R2.000	N/A	R2.800	N/A	ED
Westdene	R800	N/A	R1.600	N/A	R2.000	N/A	R2.800	N/A	ED
Willows	R800	N/A	R1.600	N/A	R2.000	N/A	R2.300	N/A	ED
Navalsig	R700	N/A	R1.200	N/A	R1.900	N/A	R2.300	N/A	ED
Arboretum	R800	N/A	R1.600	N/A	R2.000	N/A	R2.800	N/A	ED

Table 13.5
Flat rentals: upmarket units
 Average rents per month as at quarter 2008:3

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Johannesburg average	R3.331		R4.011		R4.784		R5.627		
North-Eastern Suburbs (incl. Kew/Cyrlidene/Fairmount/Waverley/Lyndhurst/Bramley/Savoy)	N/A	N/A	R5.000	N/A	N/A	N/A	N/A	N/A	RF
Maraisburg/Crosby/Brixton	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Meldene (Melville, Westdene, Auckland Park)	R3.000	N/A	R3.175	N/A	R3.900	N/A	R4.500	N/A	ZZ
Rosebank/Killarney/Illovo	R4.000	N/A	R4.750	N/A	R7.500	N/A	R9.250	N/A	WN
Greenside/Victory Park/Emmarentia/Linden/Parkview/Parkhurst	R3.000	N/A	R3.550	R71	R4.250	R354	R4.750	N/A	IC, ZZ
Randburg: Ferndale/Fontainebleau	R2.750	N/A	R3.425	R601	R3.825	R601	R4.650	R919	ZZ
Randburg & Suburbs	N/A	N/A	R3.850	N/A	R4.250	N/A	R5.300	N/A	ZZ
Windsor: East/West	R2.300	N/A	R2.600	N/A	R3.850	R919	R4.300	R990	BS, ZZ
Craighall/Craighall Park	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Sandton: North & Far North (incl. Bryanston/Fourways/Lonehill/Douglasdale)	N/A	N/A	R4.500	N/A	R6.000	N/A	N/A	N/A	CA
Sandton: South to Central (incl. Sandown/Rivonia/Morningside/Sunninghill/Kyalami)	R6.000	N/A	R6.500	N/A	R7.500	N/A	R10.000	N/A	WN

Table 13.5 (continued)
Flat rentals: upmarket units
 Average rents per month as at quarter 2008:3

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Bedfordview	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Old South (incl. Rosettenville/ Turffontein/Kenilworth)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
New South (incl. Southdale/Mondeor/ Glenvista/Linmeyer)	N/A	N/A	N/A	N/A	R3.750	N/A	R4.800	N/A	DV
Germiston average	R1.857		R2.546		R3.220		R3.645		
Primrose	R2.300	N/A	R2.425	R530	R3.292	R1.002	R3.623	R1.382	MK, PH
Germiston C & S	R1.455	R417	R2.092	R861	R2.646	R1.208	R3.036	R1.505	MK, PH
Germiston South - suburbs	R1.824	R673	R2.960	R622	R3.525	R1.025	R3.915	R1.181	MK, PH
Elsburg	R1.950	N/A	R2.800	N/A	R3.500	N/A	R4.100	N/A	MK
Pretoria average	R2.204		R2.700		R3.353		R4.092		
Akasia	R1.650	R212	R2.300	R424	R2.750	R354	R3.250	R354	AI, ME, TR
Pretoria North/Dorandia/Florauna	R2.250	R354	R2.800	R608	R3.633	R709	R4.400	R1.153	AI, ME, TR
Annlin/Wonderboom/Sinoville/Montana	R2.300	R141	R2.900	R424	R3.700	R265	R4.333	R289	AI, ME, TR
Die Moot/Queenswood	R2.200	R424	R2.600	R141	R3.375	R530	R4.225	R1.025	ME, TR
Silverton/Meyerspark/La Montagne	R2.400	R141	R2.700	R141	R2.925	R247	R3.675	R106	ME, TR
Eastern suburbs (Menlo Park/Ashlea Gardens/all Lynnwoods/Die Wilgers/ Faerie Glen/Garsfontein/Pretoriuspark/ Constantia/Waterkloof Glen/ Erasmuskloof)	R2.300	R283	R2.675	R106	R3.350	R212	R4.250	R354	ME, TR
Groenkloof/Brooklyn/most Waterkloofs/ Monumentpark/Erasmusrand	R2.900	R1.556	R3.450	R1.485	R4.250	R1.768	R5.150	R1.909	ME, TR

Table 13.5 (continued)
Flat rentals: upmarket units
 Average rand per month as at quarter 2008:3

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
South-eastern suburbs (Elarduspark/Wingate Park/Moreletapark/Pierre van Ryneveld/Waterkloof)	R2.900	R990	R3.175	R813	R4.000	R283	R5.250	R1.061	ME, TR
Sunnyside	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Arcadia	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Pretoria West	R1.700	R283	R2.550	R354	R3.200	R283	R3.450	R71	ME, TR
Kwaggasrand/West Park	R1.825	R106	R2.100	R424	R2.700	R424	R3.450	R71	ME, TR
Elandspoort/Danville	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Atteridgeville/Laudium	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Nelspruit average	R2.499		R3.475		R3.835		R4.772		
Nelinda	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Nelspruit CBD	R2.500	N/A	R3.450	R71	R3.700	R141	R4.500	N/A	FN, ZZ
West Acres and extensions	R2.500	N/A	R3.500	N/A	R3.800	N/A	R4.800	N/A	FN
Sonheuwel and extensions	R2.600	N/A	R3.500	N/A	R3.970	R325	R5.000	N/A	FN, ZZ
Nelspruit and extensions	R2.400	N/A	R3.450	R71	R3.875	R177	R4.800	N/A	FN, ZZ
Nelsville	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Durban average	R2.525		R3.316		R4.116		R5.208		
Upper highway: Kloof/Hillcrest	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Pinetown area/Queensburgh	R3.000	N/A	R3.200	N/A	R4.000	N/A	R4.500	N/A	WK
Westville area	R2.800	N/A	R3.500	N/A	R4.500	N/A	R6.000	N/A	WK
Central City (incl. Lower Berea)	R2.458	R247	R3.375	R506	R4.284	R684	R6.217	R2.522	TR, WK
Berea / Morningside / Glenwood	R2.750	R354	R3.550	R354	R5.000	R707	R6.500	R2.121	TR, WK
South and North Beach	R2.300	R100	R2.933	R115	R3.567	R404	R4.100	R141	MX, TR, WK

Table 13.5 (continued)
Flat rentals: upmarket units
 Average rand per month as at quarter 2008:3

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Durban North/La Lucia/Umhlanga	R3.200	N/A	R4.500	N/A	R5.500	N/A	R7.500	N/A	WK
North (Dolphin) Coast/Ballito	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Montclair/Yellowwood Park	R2.000	N/A	R2.900	N/A	R3.500	N/A	R4.200	N/A	WK
Bluff area/Durban South	R2.000	N/A	R2.700	N/A	R3.200	N/A	R4.000	N/A	WK
Durban South/Amanzimtoti/Warner Beach area	R2.500	N/A	R3.500	N/A	R4.000	N/A	R5.000	N/A	WK
Cape Town average	R3.006		R3.792		R4.718		R6.395		
Camps Bay/Clifton/Bantry Bay	R5.000	N/A	R6.000	N/A	R8.000	N/A	R12.000	N/A	TR
Sea Point	R4.000	N/A	R5.000	N/A	R6.748	R357	R8.250	R1.061	PF, TR
Green Point/Three Anchor Bay	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
City Bowl (excluding Higgovale)	R3.750	R354	R6.000	R1.414	R8.500	R2.121	R11.500	R4.950	JL, TR
City Centre	R4.000	R0	R6.750	R1.768	R9.500	R2.121	R15.000	R7.071	JL, TR
Waterfront	R4.500	N/A	R5.500	N/A	R7.500	N/A	R12.000	N/A	TR
Rondebosch/Rosebank/Claremont	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Kenilworth/Wynberg/Plumstead	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Muizenberg/ Kalk Bay/ Fish Hoek	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Hout Bay	R3.850	R919	R5.000	R707	R6.250	R1.061	R9.250	R3.889	TR, ZZ
Milnerton/Sanddrift	R2.950	R71	R3.600	R0	R4.550	R71	R5.100	R141	TR, ZZ
Tableview/Parklands	R2.800	N/A	R3.800	N/A	R4.500	N/A	R5.700	N/A	TR
Blouberg/Melkbos	R3.200	N/A	R3.800	N/A	R4.600	N/A	R6.500	N/A	TR
Athlone	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mitchell's Plain	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pinelands	R3.500	N/A	R3.800	N/A	R4.300	N/A	R6.800	N/A	ZZ
Brooklyn/Rugby/Maitland	R1.900	N/A	R2.500	N/A	R3.000	N/A	R3.800	N/A	TR

Table 13.5 (continued)
Flat rentals: upmarket units
 Average rand per month as at quarter 2008:3

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Monte Vista/Goodwood/Parow/Bellville	R3.000	N/A	R3.500	N/A	R3.800	N/A	R4.500	N/A	TR
Central	R2.350	R212	R3.200	R0	R4.117	R333	R4.525	R247	SF, ST, TR
Tyger Valley area/Durbanville	R2.300	R283	R2.650	R212	R3.250	R71	R4.150	R495	SF, TR
Brackenfell/Kuils River	R2.500	N/A	R2.800	N/A	R3.000	N/A	R4.000	N/A	ZZ
Somerset West	R2.000	N/A	R2.200	N/A	R3.000	N/A	R5.000	N/A	ZZ
Strand	R1.800	N/A	R2.300	N/A	R2.500	N/A	R3.200	N/A	ZZ
Gordon's Bay	R2.079		R2.719		R3.216		R3.619		
Port Elizabeth average									
Summerstrand/Humewood/South End	R2.700	R283	R3.283	R388	R4.267	R681	R5.400	R566	CD, JP, RM
Walmer	R2.550	R71	R2.925	R106	R3.375	R177	R4.500	R0	CD, JP
Central/North End	R1.800	R566	R2.175	R247	R2.525	R177	R3.400	R141	CD, JP
Newton Park	R2.050	R212	R2.300	R283	R2.825	R35	R3.400	R141	CD, JP
Westering	R2.000	R283	R2.200	R424	R2.650	R283	R3.300	R283	CD, JP
Kabega	R2.000	R283	R2.200	R424	R2.600	R354	R3.250	R354	CD, JP
Algoa Park	R1.650	R283	R1.775	R318	R2.240	R368	R2.700	R424	CD, JP
East London average									
R2.386			R2.719		R3.216		R3.619		
Southernwood/Quigney Beach/CBD	R2.000	N/A	R2.500	N/A	R3.000	N/A	R3.500	N/A	TR
Berea	R2.700	N/A	R3.000	N/A	R3.600	N/A	R4.000	N/A	TR
Amalinda	R2.400	N/A	R2.700	N/A	R3.000	N/A	R3.500	N/A	TR
Gonubie Park	R2.500	N/A	R2.700	N/A	R3.300	N/A	R3.500	N/A	TR

Table 13.5 (continued)
Flat rentals: upmarket units
 Average rands per month as at quarter 2008:3

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Bloemfontein average	R1.309		R2.005		R2.820		R4.215		
Bloemfontein	R1.400	N/A	R2.000	N/A	R3.000	N/A	R5.000	N/A	ED
Westdene	R1.400	N/A	R2.100	N/A	R3.000	N/A	R5.000	N/A	ED
Willows	R1.400	N/A	R2.100	N/A	R3.000	N/A	R3.800	N/A	ED
Navalsig	R1.000	N/A	R1.750	N/A	R2.200	N/A	R2.800	N/A	ED
Arboretum	R1.400	N/A	R2.100	N/A	R3.000	N/A	R5.000	N/A	ED

Chapter 14: House market

Stalling house prices

Written by John S. Lottering

Until the magnitude of the drivers of house prices changes significantly, no turnaround is in sight for the stagnating house market. However, no crash in nominal prices is on the cards either because for this to happen banks would have to go on a serious foreclosure spree.

In October 2008, house-price growth continued to trend south with prices only 1,2% up on the same month a year earlier. As the accompanying graph shows, house-price growth has been in deceleration mode since 2004 largely owing to the affordability constraint. This was brought on by house prices growing for a number of years at a rate well in excess of disposable incomes as well as rising interest rates.

Table 14.1 shows the extent to which conditions for the average household wishing to own their own home, have changed since the 2004 peak in price appreciation.

According to Absa, the average national middle-segment house was priced at around R570.000 in 2004; in the third

quarter of 2008 the value of the average house was about R966.000. During 2004, the prime-overdraft rate averaged 11,4%, whilst it currently stands at 15,5%. Using the average home value and prime overdraft rate in 2004, and assuming no deposit and a repayment period of 20 years, the monthly mortgage repayment averaged about R 6.000. In the third quarter of 2008, this monthly mortgage repayment more than doubled to around R13.000, based on the same assumptions. In contrast, household disposable income only increased by about 58%, which in a way reflects how houses have become unaffordable.

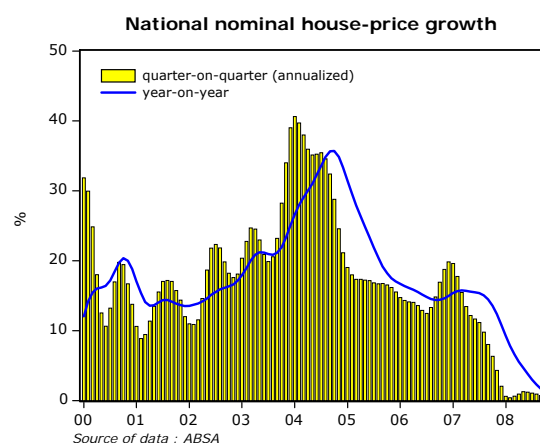


Table 14.1
Comparative house-market statistics

	2004	2008:3	Increase
Prime overdraft	11,3%	15,5%	
Absa (ave. national house value)	573.878	966.148	68%
Monthly mortgage repayment_Absa	6.045	13.080	116%
Household debt to disposable income	56,6%	76,7%*	
Disposable income (R millions)	874.479	1.382.746*	58%

Source: SARB; Absa; Standard Bank

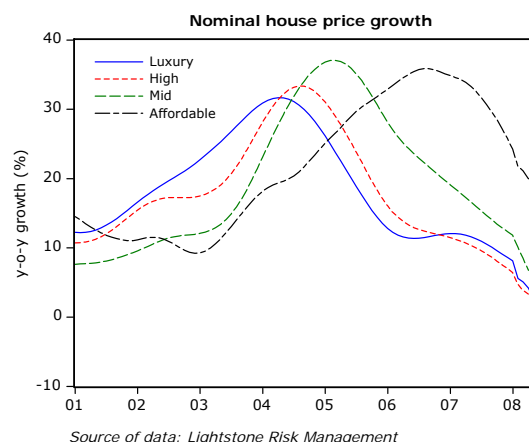
*No data available for 2008:3 as yet, used 2008:2 figures

Despite the Monetary Policy Committee's decision to keep interest rates on hold at their last two meetings, the demand for residential space to own is expected to remain weak owing to the unaffordability of houses, high borrowing costs (interest rates), stern borrowing requirements, high household debt levels and weaker general economic conditions at home and abroad.

Moving onto the various price categories, Lightstone's latest figures show the lower-priced categories continuing to outperform their more expensive counterparts. As at June 2008, luxury houses were only 1% up on a year earlier, high-priced houses contracted by 0,2%, mid-priced houses appreciated by about 5%, while houses in the affordable category still mustered growth of roughly 19%.

Lightstone's house-price bands:

- Affordable (R250k or less)
- Mid-value (R250k to R700k)
- High-value (R700k to R1,5 million)
- Luxury (R1,5 million and greater)



The regional picture

Table 14.2 summarizes year-on-year and annualized quarter-on-quarter house-price growth in the bigger metropolises relative to building-cost and consumer inflation. Clearly evident across all of the regions is the contraction in *real* home values, that is, nominal growth below building-cost and consumer inflation. Note the amazing resilience of Port Elizabeth.

Table 14.2
Nominal house-price growth by city (ex Absa)

	year-on-year				quarter-on-quarter (annualized)			
	2007:4	2008:1	2008:2	2008:3	2007:4	2008:1	2008:2	2008:3
Johannesburg	11,0	8,7	3,5	-0,5	10,1	7,6	-10,3	-8,0
Pretoria	10,4	5,1	-0,4	-6,9	0,1	-7,4	-8,0	-11,8
Durban	14,0	2,5	-6,3	-1,5	-5,7	-17,6	-7,6	31,1
Cape Town	10,7	7,5	4,3	1,2	5,6	1,2	-0,6	-1,3
Port Elizabeth	8,3	7,0	6,6	7,0	6,2	2,5	7,0	12,7
National	12,2	7,8	4,6	2,1	6,1	0,9	0,7	0,9
Absa BCI	8,1	9,2	9,2	8,2	7,4	13,2	9,0	3,2
Haylett Index	8,6	9,4	13,3	16,5	6,0	10,3	27,5	23,5
BER BCI	15,8	19,2	13,1	11,5	27,5	10,6	20,6	-9,0
CPI	8,4	9,9	11,6	13,4	8,6	10,9	17,7	16,7

Source: Stats SA; JBCC CPAP Haylett formula; Absa

Residential income yields

Tables 14.3 and **14.4** summarize the *gross-income* yields on houses and townhouses. These yields, just like capitalization rates on non-residential

property, contain important information regarding the buy-to-let house market.

This concludes our chapter on the house market. ■

Note that the yields in the tables are *gross* income yields. To convert to *net* income yields, the reader may – as a rule of thumb – deduct two percentage points. This net figure can then be compared with the capitalization rates of non-residential properties, or the income yield of any other asset class for that matter.

These yields can be used as a rough guide to the state of the respective local economies: the higher the yield, the worse the economic performance (investors require a higher initial yield to compensate for an expected poorer income growth in the future).

Table 14.3
Gross-income yields (%): Houses
Quarter 2008:3

	Low	Middle	High
Gauteng			
Centurion	9,07%	9,40%	9,28%
Benoni	6,80%	5,48%	5,21%
Boksburg	6,80%	6,70%	6,33%
Heidelberg	7,30%	6,54%	5,90%
Eastern Cape			
Port Elizabeth	6,63%	6,34%	6,60%
King William's Town	6,67%	5,91%	4,80%
Free State			
Odendaalsrus	7,70%	6,78%	8,36%
Sasolburg	7,10%	5,66%	7,33%
Bethlehem	8,58%	8,33%	5,23%
KwaZulu-Natal			
Durban			
Montclair/Yellowwood Park	9,60%	7,71%	6,95%
Newcastle	5,72%	5,30%	4,91%
Limpopo			
Phalaborwa	9,29%	7,36%	7,29%

Table 14.3 (continued)
Gross-income yields (%): Houses
Quarter 2008:3

	Low	Middle	High
Mpumalanga			
Nelspruit	7,71%	7,73%	6,77%
Ermelo	n/a	6,86%	7,45%
Secunda	9,24%	8,67%	8,99%
North West			
Klerksdorp	6,81%	6,95%	6,72%
Orkney	9,20%	9,00%	9,75%
Mafikeng	8,99%	8,59%	7,41%
Rustenburg	5,96%	6,37%	6,61%
Northern Cape			
Kimberley	4,87%	6,16%	5,16%
Colesberg	9,88%	5,24%	n/a
Western Cape			
Somerset West	5,60%	5,33%	7,50%
Strand	5,60%	5,36%	10,00%
Gordon's Bay	4,80%	5,25%	7,00%

Table 14.4
Gross-income yields (%): Townhouses
Quarter 2008:3

	Standard	High-priced
Eastern Cape		
Port Elizabeth	6,84%	6,82%
King William's Town	8,53%	5,68%
Free State		
Sasolburg	8,88%	7,33%
Bethlehem	8,15%	5,77%
Gauteng		
Centurion	8,80%	9,33%
Benoni	6,60%	6,16%
Boksburg	6,43%	5,46%
Heidelberg	8,31%	6,37%
KwaZulu-Natal		
Durban		
<i>Upper highway: Kloof / Hillcrest</i>	5,54%	5,76%
<i>Montclair / Yellowwood Park</i>	9,23%	9,15%
Newcastle	6,00%	6,00%
Limpopo		
Phalaborwa	8,31%	n/a
Mpumalanga		
Nelspruit	7,82%	6,54%
Ermelo	7,64%	6,40%
Secunda	10,14%	9,86%
North West		
Brits	8,29%	6,15%
Mafikeng	9,63%	9,80%
Rustenburg	7,52%	6,72%
Northern Cape		
Kimberley	7,33%	6,66%
Colesberg	n/a	6,00%

Chapter 15: Building activity and building costs

Hello stagflation

Written by John S. Lottering

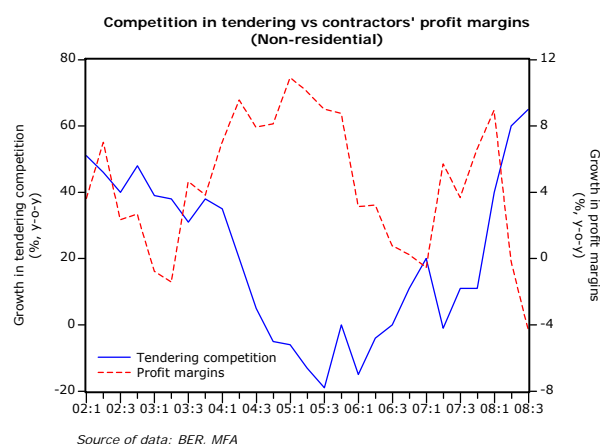
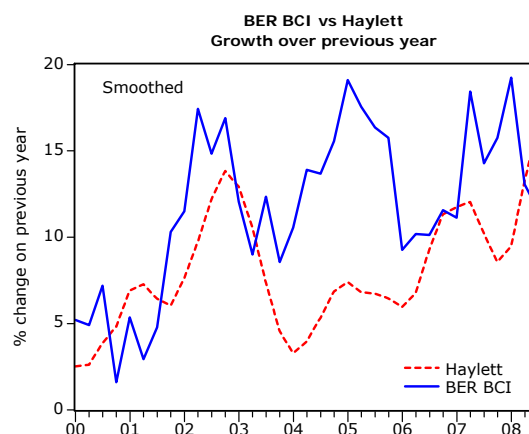
An interesting observation in recent quarters has been the acceleration in building-input-cost inflation, while building-contract-cost inflation has been decelerating. From a building contractor's point of view, this sounds like "stagflation".

The Haylett index, which is a measure of all input costs in the building industry, especially materials and labour, has since the end of 2007 entered an accelerating growth trend, while in contrast the growth in the BER Building Cost Index (BCI), which measures pre-contract non-residential building-costs (including the profit margins of contractors), has started to decelerate. In the third quarter of 2008, for example, building-input-cost inflation (Haylett) is expected to have grown by about 16%, while building-cost inflation (BER BCI) is expected to have recorded growth of roughly 12%.

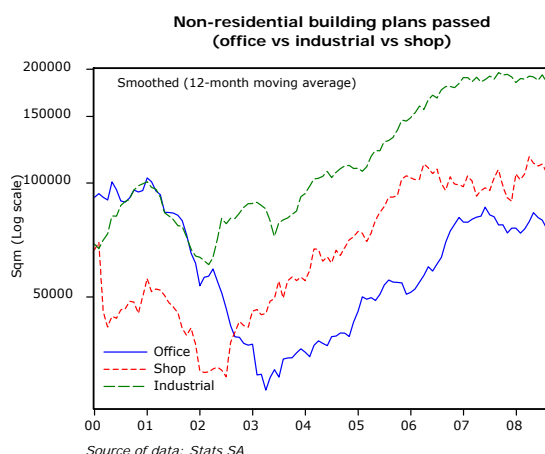
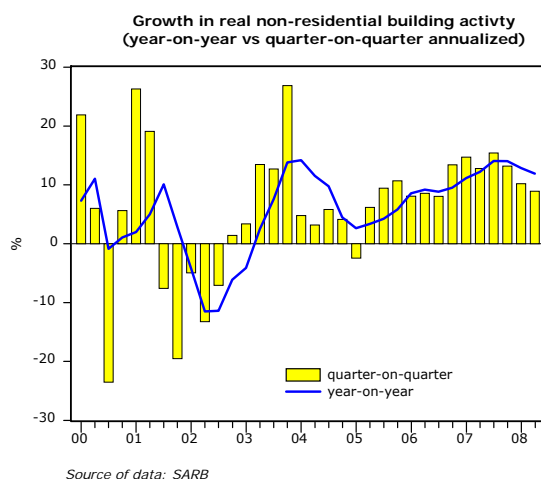
According to the MFA, the acceleration in the Haylett index can largely still be attributed to high international oil prices, which contributed significantly to rising prices of construction materials. This is so because high energy costs have a knock-on effect in the production processes of most construction materials, such as steel, cement and bricks. Furthermore, building contractors are faced with sharply rising labour costs, coupled with a shortage of skilled labour.

So what has been causing the deceleration in the BER BCI, which per definition measures building-input costs plus profit margins? The BER's *Building & Construction*

survey for the third quarter of 2008 shows that tendering competition amongst non-residential contractors has, since the second quarter of 2007, started to increase on the back of a moderation in building activity. Naturally, keener tendering competition does imply that building contractors now have to trim their profit margins, which in turn can lead to lower building-cost inflation.



The reason for the moderation in non-residential building activity can be seen in the accompanying graph, which shows the deceleration in growth in the *real* value of new non-residential buildings put in place.



Furthermore, the levelling-off in non-residential building plans passed, which is usually a fairly good harbinger of future building activity, does paint a picture of a further slowdown in activity.

Of course, the levelling off in non-residential building plans being passed can be the result of a number of factors,

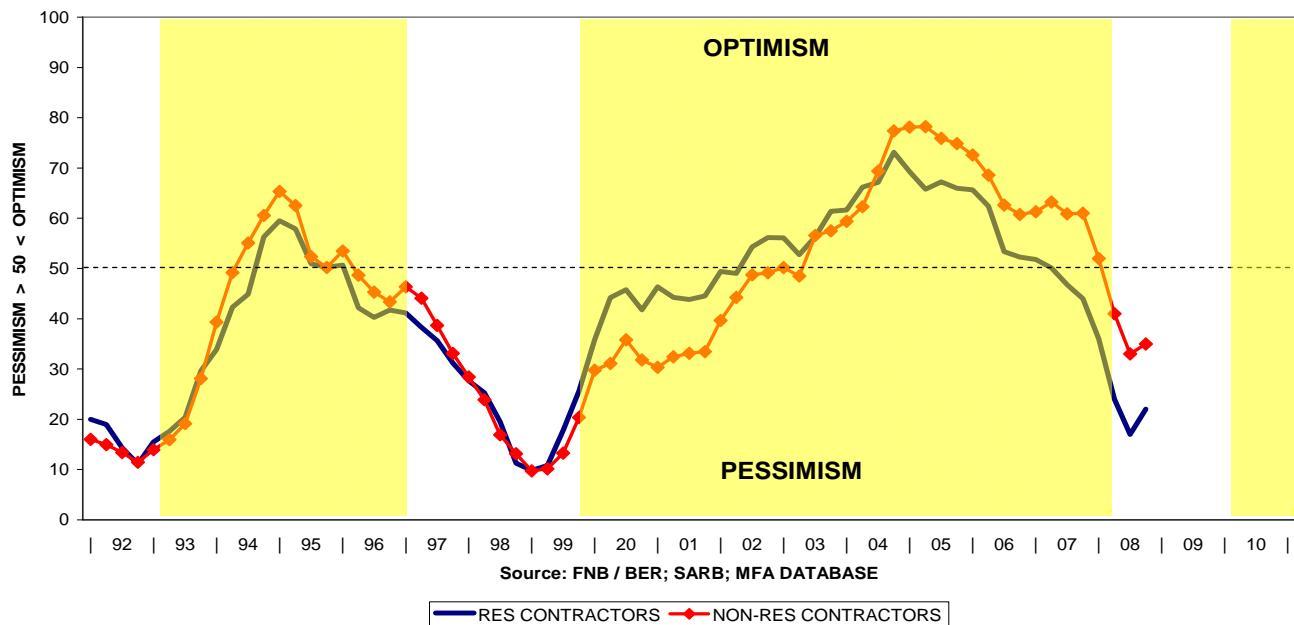
such as:

- The moratorium on electricity certificates
- Reduced confidence in the economy.
- Increased political uncertainty
- The higher level of interest rates.
- The dominance of listed property funds (which are interest-rate sensitive) as the chief drivers of non-residential building activity. Note that listed funds are only indirectly sensitive to interest rates, as their market rating is negatively affected by rising long interest rates (on the back of rising inflation expectations).

However, some good news for the non-residential building industry is that, despite still being in the 'pessimistic zone' (refer to the following graph), the moods of both non-residential and residential contractors were in the third quarter of 2008 showing signs of an upward reversal (see graph on page 162). These business mood indicators are compiled by the MFA (using BER data) and reflect contractors' perceptions about current business conditions relative to a year ago. Should building conditions improve, contractors might once again be able to stretch their profit margins, and hence, building-cost inflation should begin to accelerate once again. Furthermore, should a weak rand exchange rate not negate the potential positive spin-offs of lower crude oil prices on building-input prices too much, a moderation in building-input-cost inflation is also likely. But don't hold your breath on improving building-construction conditions any time soon.

This concludes our section on building activity and building costs. ■

COMPARISON RESIDENTIAL & NON-RESIDENTIAL CONTRACTORS BUSINESS MOOD



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 Sapoia 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 regulated 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 can 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 stormwater 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 nth root of the product, where n is the number of items in the series. The geometric mean is defined only for sets of positive numbers. For example, the geometric mean of 6 and 7 is the square root of (6*7). The geometric mean of 6, 7 and 8 is the cube root of

(6*7*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:** A 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. Clear spans;
 - 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 lettability through increasing the size of the potential tenant pool. Such enhancements could include sufficient office accommodation, adequate parking, sprinkler systems, masonry up to sill height, adequate floor loadings, roof insulation, sufficient 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 +	A
Prime	B
Prime -	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: The most probable price that a voluntary, informed and prudent purchaser will pay a voluntary, informed and prudent seller in a normal open-market (arms-length) transaction at the date of valuation – after allowing for proper marketing prior to the valuation date – when neither party is under any compulsion to sell or to purchase, other than their normal desire to transact. 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.

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. Examples are: Surrey House (Johannesburg CBD); Libridge (Braamfontein); 540 Pretorius Street (Pretoria CBD); Old Mutual Centre (Durban CBD); Safmarine House (Cape Town CBD); Southern Life Plaza (Bloemfontein); Nedcor (Port Elizabeth, Greenacres); Metropolitan Life (East London).
- **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. Examples are: 11 Diagonal Street (FNB House) (Johannesburg); Noswall Hall (Braamfontein); De Bruyn Park (Pretoria CBD); Durban Bay House (Durban CBD); Foregate Square (Cape Town CBD); VSN Centre (Port Elizabeth CBD); Standard Bank (Germiston); Omni Centre (Bloemfontein); Standard Bank (East London).
- **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. Examples are: 15 Loveday Street (Johannesburg CBD); Braamfontein Centre (Braamfontein); Maritime House (Durban CBD); St George's Centre (Cape Town CBD); Old Mutual (Port Elizabeth); Perm (Germiston); Lefko Building (Bloemfontein); Central Square (East London).

- **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 A+, A-, B+, B-, C+ or C-.

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

Office grades defined by gross market rentals as in November 2007:

Node	Grade A	Grade B	Grade C
Johannesburg CBD	> R59	R31 - R58	< R30
Braamfontein	> R66	R43 - R65	< R42
Pretoria CBD	> R55	R33 - R54	< R32
Durban CBD	> R65	R36 - R64	< R35
Cape Town CBD	> R95	R52 - R94	< R51
Port Elizabeth CBD	> R45	R25 - R44	< R24
East London CBD	> R48	R35 - R47	< R34
Nelspruit	> R90	R56 - R89	< R55
Bloemfontein	> R53	R35 - R52	< R34

Office stock: Total rentable office space.

Office take-up: Change in office demand. Where take-up is positive, it can

also be called the growth in demand.

Office vacancies: This is the floor area available for leasing at any given time, irrespective of whether there is still a valid lease over the space. Often expressed as a percentage of the stock in rentable m².

Operating costs: See **outgoings**.

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

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

- Cleaning.
- Repairs & maintenance.
- Common-area electricity & water (not tenant's own).
- Security.
- Management (excluding head office overheads).
- All leasing expenses: broker's commission and in-house payroll, advertising, tenant installations & relocations (unless recovered), buy-outs, etc.
- Municipal tax.
- Insurance (fire & SASRIA). In the case of self-insurance, the landlord's provision 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).

Rental:

- **Basic rental (base rental** in the USA): A set amount used as a minimum rent in a lease which also employs a percentage of turnover or other allocation for additional rent.
- **Gross rental:** The *total* rental payable by the tenant, *excluding VAT*, the tenant's own electricity and water charges, but *including* other operating costs recovered by the landlord (if any), as well as promotion expenses payable by the tenant in the case of shopping centres. See also **rental, net**.

- **Net rental:** The amount payable by the tenant, excluding **VAT** and excluding operating costs recovered by the landlord (if any). See also **rental, gross**.
- **Nominal rental:** This has a dual meaning:
 - o Firstly, it refers to rentals where the analyst or valuer assumes no incentives like a **rent-free period**, free relocation, cash upfront, or balance-of-installation allowance. It also excludes amortisation of tenant-installation costs.
 - o Secondly, it can also mean actual rental values (i.e. not deflated). See also **rental, real**.
- **Pioneer rental:** The highest rental actually achieved – and could be a once-off outlier deal; hence “pioneer” is not “market”. The difference between pioneer and the highest market rentals may be used as a blunt tool to gauge the prospects for market rental growth in the short term. If the differential is positive, it is an indication of growth prospects in the node. If the differential is negative, it is an indication that landlords are finding it difficult to find new tenants at the going market rental rate.
- **Real rental:** Deflated rental, typically observations (values) over time (a **time series**) from which the relevant inflation has been removed. See also **rental, nominal**.

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

Required rate: see **hurdle rate**.

Retail price: In the context of property syndication, this means the price at which a property-holding company's shares are sold to the public or the price at which

these shares trade. See also **wholesale value**.

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

Sapoa: South African Property Owners Association.

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

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

Shopping centre configurations:

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

Shopping centre types:

- **Super regional:** More than 100.000 rentable m² of shop space; substantial comparison-shopping; principal tenants are three or more major department stores; more than 250 shops. Examples are: Eastgate and Sandton City

(Johannesburg); Menlyn Park (Pretoria); Gateway (Durban metro); Canal Walk (Cape metro).

- Regional: 30.000 to 100.000 rentable m² of shop space; principal tenant(s) are one or more major department stores; approximately 40 to 250 shops. Examples are: Westgate, Fourways Mall, Cresta (Johannesburg); Brooklyn Mall (Pretoria); The Pavilion (Durban metro); Sanlam Centre in Parow, Tyger Valley, Kenilworth (Cape metro); Greenacres (Port Elizabeth); Mimosa Mall (Bloemfontein); Vincent Park Shopping Centre (East London).
- Community: 10.000 to 30.000 rentable m² of shop space; principal tenant is typically a variety store (e.g. Clicks) or a discount department store (e.g. Dion or Game); approximately 30 to 60 shops. Examples are: Sunnypark (Pretoria); Musgrave Centre (Durban); Middestad Mall in Bellville, Meadowridge, Goodwood Mall, Constantia Village (Cape metro); Constantia Centre (Port Elizabeth); Brandwag Centre (Bloemfontein); Beacon Bay Retail Park (East London).
- Neighbourhood: 3.000 to 10.000 rentable m² of shop space; principal tenant is a supermarket; 15 to 40 shops.
- Convenience: 300 to 1.200 rentable m² of shop space; principal tenant is a café or grocer like Kwik Spar; 5 to 15 shops.
- Retail warehouse: Stand-alone; single tenant; >10.000m²; air-conditioned, no ceiling, warehouse-like finishes, e.g. Makro, Hypermarket, Game, Dion.
- Value centre: Multi-tenanted strip centre; >10.000m²; warehouse type finishes in order to deliver lower prices to consumers.

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

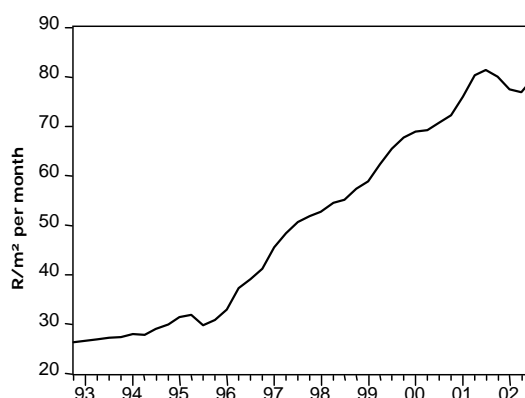
or curve fitting.

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

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

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

A graphic portrayal of a rental time series
Quarterly frequency



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.

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

Technical background to the Rode surveys

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

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

The cons of tracking actual transactions are:

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

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

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

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

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

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

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

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

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

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

Hurdle rate: The question put to landlord panellists is:

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

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

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

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

The question put to the panellists is:

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

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

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

grades); occupation within 3 months, a lease period of 4 years and an average position within the building.

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

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

* The bulk that is legally permissible and economically viable.

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

* The bulk that is legally permissible and economically viable.

**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*, with a pump-potential of 350.000 litres per month?

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

Industrial rentals: The question put to panellists is:

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

Respondents are asked to assume that the office portion (if any) is less than 10% of the

total area. The assumed floor area sizes are: 250m², 500m², 1.000m², 2.500m² and 5.000m². Respondents are also asked to fill in their vacancy estimate for prime industrial space, using a scale of 0 to 9. See the table below for detail on the vacancy scale.

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

Thus, the reported vacancies do not represent percentages.

Industrial land values: The question put to panellists is:

"In your opinion, what are the current *market* values per m² for vacant, serviced levelled land in the townships and for the stand sizes indicated below? Where land is

only leased, provide the rent per m² per month. Exclude transfer costs and VAT. Provided you are well informed, please give us your opinion even though you might not have concluded a sale for the exact sizes shown in the spreadsheet attachment."

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

Flat rentals: The question put to panellists is:

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

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

■

How to interpolate industrial rental rates and land values

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

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

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

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

Note that a and b are given in the table. The correlation coefficient r 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 close to -1 is a good fit.

An example:

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

Assume the following equation:

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

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

Step 1:

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

Thus:

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

Step 2:

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

Approximate building cost rates as at January 2008

Source: *Property and construction handbook*, Davis Langdon Farrow Laing (Pty) Ltd, January 2008.

The following, unless otherwise stated, is a list of approximate building cost rates per m² of construction area for various building types in the Gauteng region. The rates represent the average expected building cost rates for 2008. 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 variables.

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

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

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

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

Building type

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

Offices

1. Low-rise office park development with standard specification	/m ²	R4.400 – R5.200
2. Low-rise prestigious office park development	/m ²	R5.800 – R8.700
3. High-rise tower block with standard specification	/m ²	R6.700 – R8.700
4. High-rise prestigious tower block	/m ²	R8.700 – R10.400

Note: The foregoing rates include appropriate tenant allowances incorporating carpets, wallpaper, louver drapes, partitions, lighting, air-conditioning and electrical reticulation.

Parking

1. Parking on grade including integral landscaping and ground preparation	/m ²	R280 – R370
2. Structured parking above ground	/m ²	R2.300 – R2.900
3. Parking in semi-basement	/m ²	R2.200 – R3.200
4. Parking in basement	/m ²	R2.300 – R3.600

Retail

1. Suburban strip shopping — value centre	/m ²	R4.100 – R6.400
2. Regional shopping centre comprising supermarket chain store, national chains, line shops and enclosed malls	/m ²	R6.400 – R7.500

Note: The above rates include the cost of tenant requirements and specifications of national chain stores.

Industrial

1. Industrial warehouse including small office area and change facilities within structure (architect/engineer-designed)		
1.1 Steel frame, corrugated steel cladding and roof sheeting	/m ²	R2.200 – R3.300
1.3 Steel frame, brickwork to ceiling height, corrugated steel cladding above and roof sheeting	/m ²	R2.500 – R3.700
1.4 Administration offices, ablution and change room block	/m ²	R4.300 – R5.000

Residential

1. Site services to low cost housing stand (250 – 350m ²)	/no	R20.000 – R30.000
2. Low-cost housing	/m ²	R1.700 – R2.700
3. Simple low-rise apartment block	/m ²	R4.000 – R5.200
4. Duplex townhouse — economic	/m ²	R4.000 – R5.200
5. Prestige apartment block	/m ²	R6.000 – R8.700

Building type

Residential (continued)

6.	Private dwelling houses:		
	• Economic	/m ²	R2.700
	• Standard	/m ²	R3.900
	• Middle Class	/m ²	R4.400
	• Luxury	/m ²	R6.300
	• Exclusive	/m ²	R8.700
	• Exceptional ('Super luxury')	/m ²	R15.000 – R30.000
7.	Outbuildings	/m ²	R1.700 – R2.700
8.	Carport (shaded):		
	• Single	/no	R2.400
	• Double	/no	R4.400
9.	Carport (covered):		
	• Single	/no	R3.600
	• Double	/no	R6.500
10.	Swimming pool		
	• Not exceeding 50kl	/no	R50.000
	• Exceeding 50kl and not exceeding 100kl	/no	R50.000 – R80.000
11.	Tennis court		
	• Standard	/no	R110.000
	• Floodlit	/no	R130.000

Clinics

1.	Clinic: 150-bed, 5-theatre (excluding doctors' accommodation)	/bed	R500.000 – R750.000
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Hotels

1.	Limited service hotel	/key	R340.000 – R500.000
2.	Resort Style	/key	R1.250.000 – R1.425.000
3.	Luxury	/key	R1.425.000 – R2.000.000

Note: The rate stated above for a luxury hotel is based on a hotel having a ratio of approximately 35m² of back-of-house and public areas such as conference rooms, entrance foyers, lounges and restaurants per room. This ratio can vary considerably with different types of hotels, e.g. limited service and resort hotels, CBD business hotels or casino complexes.

Studios

1.	Studios: dancing, art exhibitions, etc.	/m ²	R7.500 – R10.000
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Conference Centres

1.	Conference centre to international standards	/m ²	R14.000 – R18.000
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Building type

Retirement Centres

1.	Dwelling house		
	• middle class	/m ²	R4.000
	• luxury	/m ²	R5.700
2.	Apartment block		
	• middle class	/m ²	R4.200
	• luxury	/m ²	R5.900
3.	Community centre		
	• middle class	/m ²	R5.500
	• luxury	/m ²	R8.000

Note: The above rates exclude frail care facilities.

Schools

1.	Primary school	/m ²	R3.800 – R4.800
2.	Secondary school	/m ²	R4.100 – R5.300

Stadiums

1.	Stadiums to PSL Standards including partial roofing and seating to main stand and VIP areas, public seating on concrete stands and facilities, change rooms, including field preparation, irrigation, drainage, access control, PA system and floodlighting.	/seat	R9.500 – R13.000
2.	Stadiums to FIFA Standards including roofed public seating, private suites, bar facilities, change rooms, press and VIP areas, field preparation, irrigation, drainage, access control, PA system, video displays, floodlighting and CCTV.	/seat	R25.000 – R31.000

Prisons

1.	New generation prison	/inmate	R150.000 – R180.000
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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.

Electrical installation

1.	Office buildings — standard installation	/m ²	R230 – R330
2.	Office buildings — sophisticated installation	/m ²	R340 – R470
3.	Residential	/m ²	R270 – R380
4.	Shopping centres	/m ²	R310 – R410
5.	Hotels	/m ²	R510 – R650

Building services

Electronic installation

1. Access control (office buildings)	/m ²	R55 – R130
2. Fire detection (office buildings)	/m ²	R45 – R90
3. CCTV (office buildings)	/m ²	R100 – R140
4. Data installation (office buildings)	/m ²	R230 – R600

Fire protection installation (offices)

1. Sprinkler system including hydrants and hose reels (excluding void sprinkler)	/m ²	R100 – R160
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Air-conditioning installation

1. Ventilation to parking/services areas	/m ²	R100 - R250
2. Office buildings: console units	/m ²	R340 – R440
3. Office buildings: console/split units	/m ²	R440 – R600
4. Office buildings: package units	/m ²	R560 – R740
5. Office buildings: central plant	/m ²	R790 – R1.000
6. Residential: split units	/m ²	R580 – 840
7. Shopping centres: split units	/m ²	R510 – R650
8. Shopping centres: package units	/m ²	R510 – R1.000
9. Hotels: public areas	/m ²	R870 – R1.300
10. Hospitals: split units to wards	/m ²	R1.000 – R1.300
11. Hotels: console units	/key	R10.500 – R15.000
12. Hotels: split units	/key	R22.000 – R30.000
13. Hotels: central plants	/key	R38.000 – R50.000
14. Hospitals: operating theatres	/theatre	R130.000 - R500.000

Note: see note with regard to hotels.

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.

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

Work group 180 (February 1991 = 100)

Forecast from: June 2008 Forecast date: September 2008

Month	2006		2007		2008		2009		2010		2011		2012	
	Index	% ch	Index	% ch	Index	% ch	Index	% ch	Index	% ch	Index	% ch	Index	% ch
Jan	277,3	5,8	311,2	12,2	336,1	8,2	392,0	16,6	420,8	7,4	442,1	5,1	465,2	5,2
Feb	278,7	6,1	310,5	11,4	341,4	10,0	394,6	15,6	421,9	6,9	443,8	5,2	466,5	5,1
Mar	279,3	5,6	311,6	11,6	348,8	11,9	396,0	13,5	422,4	6,7	445,0	5,4	468,9	5,4
Apr	282,1	5,8	317,0	12,4	359,2	13,3	400,3	11,4	424,9	6,2	448,3	5,5	472,8	5,5
May	285,9	7,0	321,9	12,6	369,1	14,7	404,8	9,7	429,0	6,0	452,3	5,4	476,8	5,4
Jun	290,9	8,6	324,5	11,6	376,1	15,9	406,0	7,9	427,9	5,4	453,1	5,9	477,3	5,4
Jul	295,2	8,9	326,4	10,6	386,1	16,9	408,7	7,1	430,6	5,3	456,1	5,9	480,4	5,3
Aug	301,8	10,8	329,1	9,0	385,8	17,2	412,8	7,0	432,7	4,8	455,7	5,3	481,3	5,6
Sep	302,9	10,9	329,2	8,7	387,2	17,6	415,9	7,4	435,7	4,8	457,1	4,9	484,9	6,1
Oct	304,2	11,1	331,5	9,0	389,6	17,5	418,1	7,3	438,8	4,9	460,8	5,0	490,3	6,4
Nov	307,4	11,9	331,8	7,9	390,4	17,7	419,0	7,3	440,1	5,0	462,7	5,1	492,6	6,5
Dec	309,0	12,2	332,9	7,7	391,3	17,6	419,6	7,2	440,9	5,1	463,1	5,0	493,2	6,5
Avg.	292,9	8,8	323,1	10,3	371,4	14,9	407,3	9,7	430,5	5,7	453,3	5,3	479,2	5,7

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
1993:2	57,9	17,1%	2001:1	105,3	9,6%
1993:3	58,8	12,2%	2001:2	107,4	8,1%
1993:4	59,4	7,4%	2001:3	111,4	9,7%
1994:1	60,2	6,3%	2001:4	115,9	12,5%
1994:2	61,6	6,3%	2002:1	118,9	12,9%
1994:3	62,6	6,4%	2002:2	122,1	13,7%
1994:4	62,7	5,5%	2002:3	126,7	13,8%
1995:1	63,6	5,6%	2002:4	131,8	13,7%
1995:2	65,3	6,1%	2003:1	137,4	15,5%
1995:3	65,9	5,3%	2003:2	143,2	17,3%
1995:4	66,9	6,7%	2003:3	149,0	17,6%
1996:1	68,6	7,7%	2003:4	156,2	18,5%
1996:2	68,3	4,5%	2004:1	163,8	19,2%
1996:3	68,2	3,6%	2004:2	170,3	18,9%
1996:4	68,9	3,0%	2004:3	175,4	17,7%
1997:1	69,4	1,3%	2004:4	180,2	15,3%
1997:2	71,0	4,1%	2005:1	185,6	13,4%
1997:3	74,0	8,4%	2005:2	192,2	12,9%
1997:4	77,1	11,9%	2005:3	198,1	13,0%
1998:1	79,7	14,8%	2005:4	203,9	13,3%
1998:2	82,3	15,8%	2006:1	208,2	12,0%
1998:3	83,5	12,8%	2006:2	212,0	10,2%
1998:4	84,0	9,1%	2006:3	219,8	10,8%
1999:1	84,2	5,7%	2006:4	226,6	11,1%
1999:2	86,6	5,2%	2007:1	230,4	10,7%
1999:3	89,4	7,1%	2007:2	236,1	11,4%
1999:4	92,2	9,7%	2007:3	239,5	9,0%
2000:1	96,1	14,1%	2007:4	244,2	7,7%
2000:2	99,4	14,8%	2008:1	253,1	9,8%
2000:3	101,5	13,5%	2008:2	257,1	8,9%
2000:4	103,0	11,7%	2008:3	258,3	7,9%

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

BER Building Cost Index (non-residential tender prices)

1990=100

	First quarter	Second quarter	Third quarter	Fourth quarter	Average
1996	162,5	166,2	170,5	175,4	168,7
% ch	11,8	9,3	11,5	10,5	10,7
1997	179,9	178,8	186,1	185,6	182,6
% ch	10,7	7,6	9,1	5,8	8,3
1998	186,7	192,7	184,8	192,5	189,2
% ch	3,8	7,8	-0,7	3,7	3,6
1999	196,9	198,7	195,5	209,0	200,0
% ch	5,5	3,1	5,8	8,6	5,7
2000	204,4	209,4	211,1	207,0	208,0
% ch	3,8	5,4	8,0	-1,0	4,0
2001	221,0	211,0	224,8	231,8	222,2
% ch	8,1	0,8	6,5	12,0	6,8
2002	246,0	253,6	253,3	275,0	257,0
% ch	11,3	20,2	12,7	18,6	15,7
2003	269,1	276,0	288,4	292,8	281,6
% ch	9,4	8,8	13,8	6,5	9,6
2004	302,3	316,2	326,8	341,1	321,6
% ch	12,4	14,6	13,3	16,5	14,2
2005	363,3	368,3	380,1	394,1	376,5
% ch	20,2	16,5	16,3	15,6	17,1
2006	387,8	411,2	416,2	443,1	414,6
% ch	6,8	11,7	9,5	12,4	10,1
2007	428,8	500,1	462,7	521,1	476,7
% ch	10,6	21,6	11,2	17,6	15,0
2008	514,4	552,7	518,2		
% ch	20,0	10,5	12,0		

Source:

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

The last few months are always subject to change.

Prime overdraft rate at month-end (%) (proxy for trends in mortgage rates*)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
1986	15,5	15,5	15,5	15,5	14,5	14,5	14,5	14,0	13,5	13,5	13,5	12,0	14,3
1987	12,5	12,5	12,5	12,5	12,5	12,5	12,5	12,5	12,5	12,5	12,5	12,5	12,5
1988	13,0	13,0	14,0	14,0	15,0	15,0	16,0	16,0	16,0	16,0	18,0	18,0	15,3
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	15,5	

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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*Source: BA 900

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PROPERTY VALUERS**



Lagos, Nigeria: Le Meridien Grand Ikoyi Towers (in association). Architects: GLH & Associates (Left)
Johannesburg: New Times Square shopping centre and apartments. Architects: DBM Architects (Right)

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- Leisure
- Special needs buildings



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