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**2012
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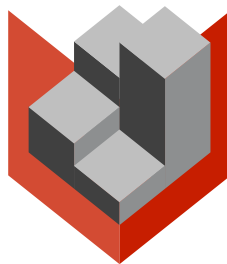

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Investments

Rode's Report

on the South African Property Market

2012:2

Vol. 23 no. 2



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Annual subscription:

4 issues: R3.700,00 (excl. VAT)

Published by

Rode & Associates (Pty) Ltd.

Reg. No: 2009/005600/07

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RSAM Printers

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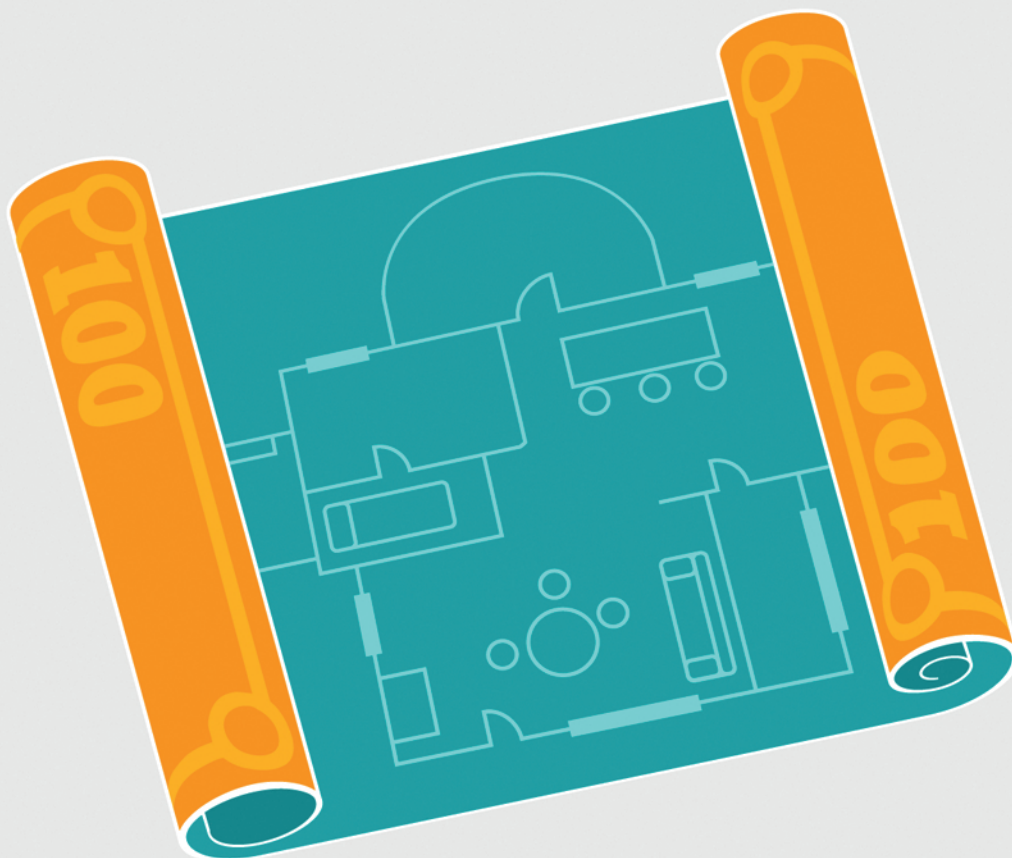


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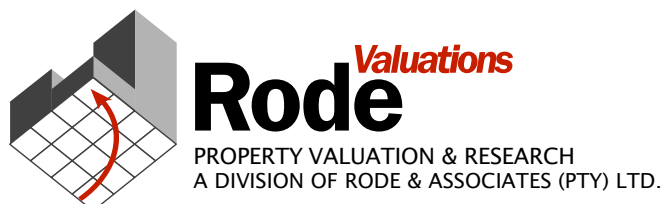
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Rode's property valuation services are underpinned by the rigorous surveying of, inter alia, market rental levels and capitalization rates. *Rode's* valuation services also rely extensively on techniques such as regression models, as well as the opportunity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

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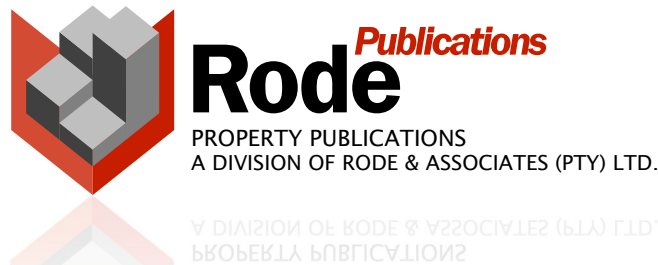
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- Producing forecasts of rental levels using econometric modelling
- Analysing property portfolios
- Producing long-term forecasts of property values in South Africa
- Analysing the property market in Bloemfontein and other Free State towns
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- Consulting for spatial and development planners and economists.



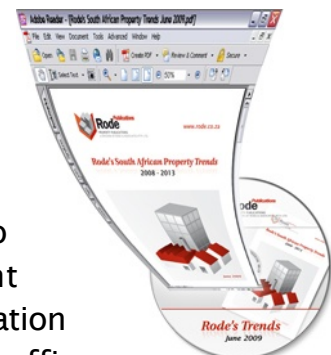
■ ***Rode's Report on the South African Property Market***

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



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

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



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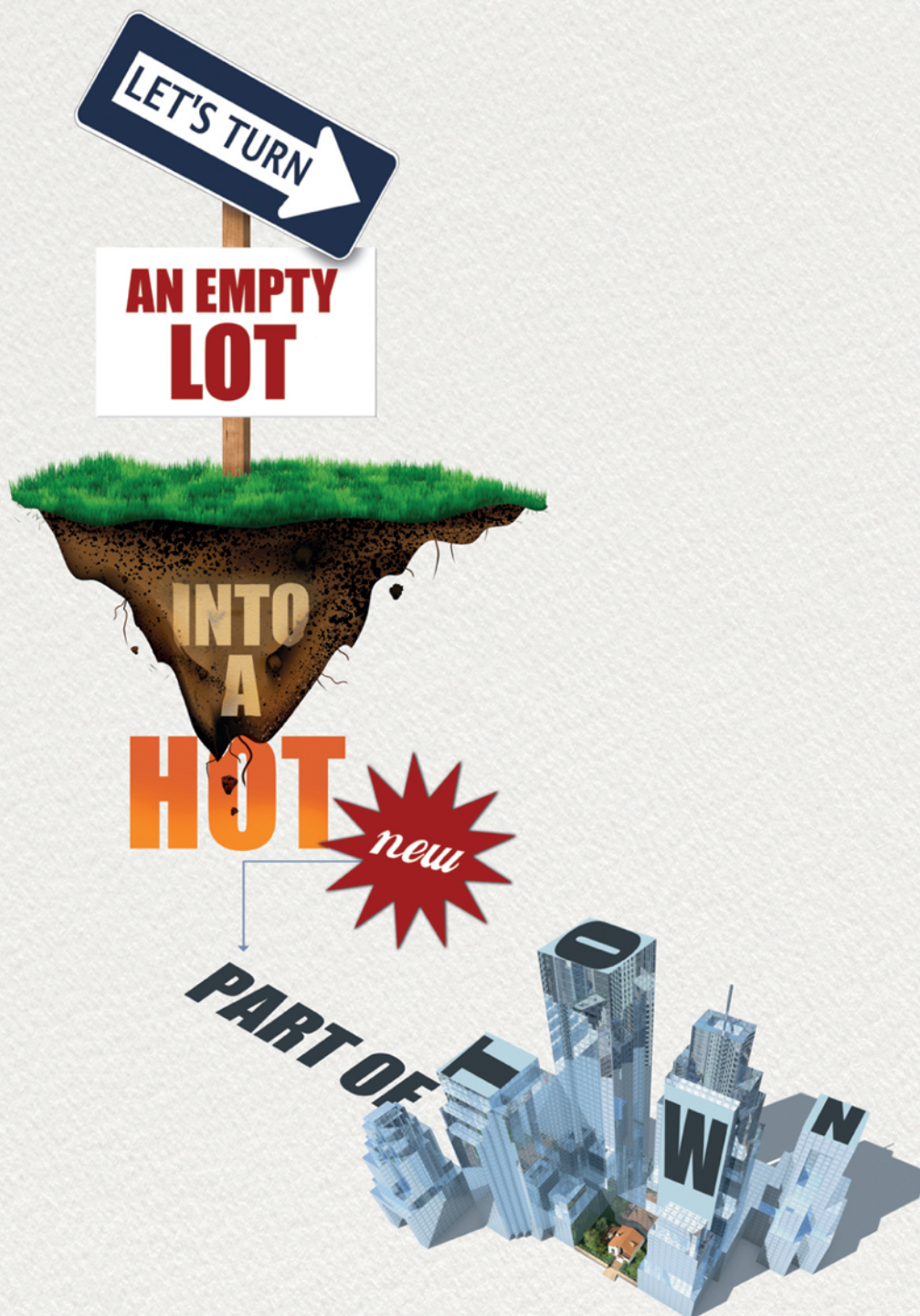
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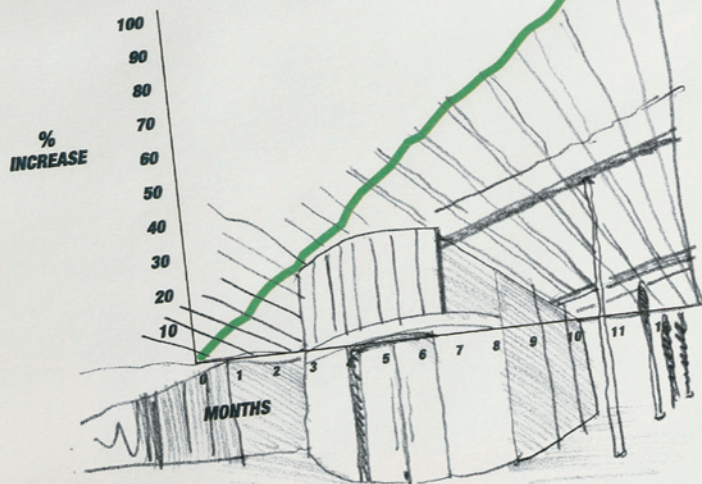
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Acknowledgements

The writers of *Rode's Report* express their sincere thanks to:

1. Sapoia, for use of the basic data from their office vacancy surveys, which we analysed further.
2. Medium-Term Forecasting Associates (MFA) of Stellenbosch, for the use of their monthly forecast of building-input costs (Haylett), as well as their leading indicator of building activity. Also for their kind permission to publish the Bureau for Economic Research's building-cost index, to which they hold the marketing rights.
3. Absa for the use of their home-building-cost index.
4. Davis Langdon, an AECOM company, for the use of their building cost data for various building types.
5. Juwayra Januarie, who manages the surveys and compiles the annexures and Lynette Smit and Angelique Claasen for their technical assistance.
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 second issue of *Rode's Report on the South African Property Market (RR)* for 2012, which reports on surveys conducted in the first quarter of 2012.

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



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

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

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

Happy reading!

Sincerely



John S. Lottering
Editor

11 June 2012

SOUTH AFRICA'S PREMIER RETAIL PORTFOLIO



www.pareto.co.za

Chapter 1: State of the property market

State of the property market in quarter 1 of 2012

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

- Sentiment of property investors improves ever so slightly
- Drivers of office demand losing their oomph
- Office rentals contract

Quantitative overview of the property market

Table 1.1 provides a snapshot of how the property market has performed over the past four quarters by comparing the latest information (quarter 2012:1) with that collected a year earlier.

Table 1.1 The property market at a glance at quarter 2012:1* % growth on four quarters earlier (on smoothed data)		
	Nominal	Real**
A-grade CBD office rentals		
Johannesburg	+18,0	+4,8
Pretoria	+8,0	-4,2
Durban	-5,0	-15,5
Cape Town	+12,0	-0,4
A-grade decentralized office rentals		
Sandton CBD	+8,6	-3,4
Randburg Ferndale	-4,8	-15,4
Brooklyn/Waterkloof (Pta)	+7,3	-4,7
Hatfield	-2,5	-13,3
Berea (Durban)	+0,2	-10,9
La Lucia Ridge	+0,6	-10,6
Claremont (CT)	+0,1	-11,1
Tyger Valley	+5,6	-6,1
* Unless otherwise specified ** Nominal values deflated by BER Building Cost Index; however, flat rentals are deflated using the Consumer Price Index.		

Table 1.1 (continued)
The property market at a glance at quarter 2012:1*
 % growth on four quarters earlier (on smoothed data)

	Nominal	Real**
Prime industrial rentals (500 m² units)		
Central Witwatersrand	+10,3	-2,0
Port Elizabeth	-1,7	-12,7
Durban metro	+0,5	-10,7
Cape Peninsula	-1,1	-12,2
Flat rentals (standard quality, all sizes)		
Johannesburg metro	+7,2	+1,1
Pretoria metro	+0,0	-5,7
Durban metro	+4,8	-1,2
Cape Town metro	+3,3	-2,7
Port Elizabeth	+3,8	-2,2
* Unless otherwise specified		
** Nominal values deflated by BER Building Cost Index; however, flat rentals are deflated using the Consumer Price Index.		

Capitalization rates

While it's been a bumpy ride for capitalization rates, their direction over the past three years has been marginally south. This means that there was no major panic among direct investors and that, if anything, the investment mood remained buoyant.

Despite an upward trend since 2008, non-residential vacancy rates were in 2011 still below their early 21st century highs (see corresponding graph). This might, in part, explain property investors' refusal to panic, even amid the uncertain economic times. Of course, a property's vacancy rate has a direct impact on the perceived risk to its potential income. This will in turn affect the required income return (capitalization rate) at which investors will be willing to trade property.

Office rentals

Moderate economic activity is keeping the demand for office space at bay. As a con-

sequence, vacancies are, in general, stagnant and flatly refuse to drop. This is in turn leading to an uninspiring rental performance. In fact, such has the impact of the lull in business activity been that the trend in real (BER BCI-deflated) rentals has been south over the past year.

In the first quarter of 2012, nominal market rentals in only Pretoria decentralized (+0,5%) could muster any growth at all. Nominal market rentals in Johannesburg decentralized remained at the same level as a year ago, whereas nominal market rentals in Cape Town (-1%) and Durban decentralized (-2%) contracted. Given that building-cost inflation — as measured by the BER BCI — is expected to show growth of roughly 13% during the year in question, the implication is that in all of these regions *real* rentals declined by between 11% and 13%.

Industrial market

The strong growth in output produced by the manufacturing sector must have been

welcoming news for the industrial property market.

In the first quarter of 2012, manufacturing output accelerated to 8% (quarter-on-quarter, annualized). Disappointing, however, is that despite the impressive quarterly increase, growth decelerated on a yearly basis to 1% from slightly above 2% in the previous quarter.

The weakness in the manufacturing sector is likely to persist, considering the continued economic woes of the Eurozone, as Europe is a major destination for SA goods. However, there is another side to this story, namely the current weakness of the rand (as in mid-June 2012), not to mention its potential to weaken even further. Evidently, rand weakness makes SA goods more competitive, but what the outcome of this tug-of-war will be, is anyone's guess. This is especially so because of SA's vulnerability to fickle portfolio inflows, which prop up the rand exchange rate. Imagine a situation where portfolio inflows become outflows. Uncertainty is, therefore, high.

Needless to say, a poorly performing manufacturing sector does not bode well for the demand for industrial property and industrial rentals. In fact, in the first quarter of 2012 only on the Central Witwatersrand (+10%) were rentals able to buck the trend of generally poor yearly growth. In other major industrial conurbations, such as the East Rand (+3%), Durban (+0,5%),

the Cape Peninsula (-1%) and Port Elizabeth (-2%) rentals either showed poor growth or contracted when compared to a year ago.

Flat rentals

Nationally, in the first quarter of 2012, market rentals of flats and houses grew by 5% and 4% respectively. Townhouses lagged behind with rentals for this segment of the residential rental market, posting growth of only of 1%. Rentals for townhouses, therefore, continued on their sideways movement observed since 2009.

The house market

The most recent Absa House Price Index indicates that nominal house prices have now been contracting for four months year on year.

The latest figure shows a contraction of just below 6% since May 2011. This is the largest contraction recorded since the late 1980s. House prices last significantly deflated during the first half of 2009, after which they rebounded.

As a result, house prices are now, in *real* terms, moving closer to their long-run trend line, aided by high building-cost inflation (which is now much higher than consumer inflation). ■

Chapter 2: Capitalization rates

Market sentiment improves ever so slightly

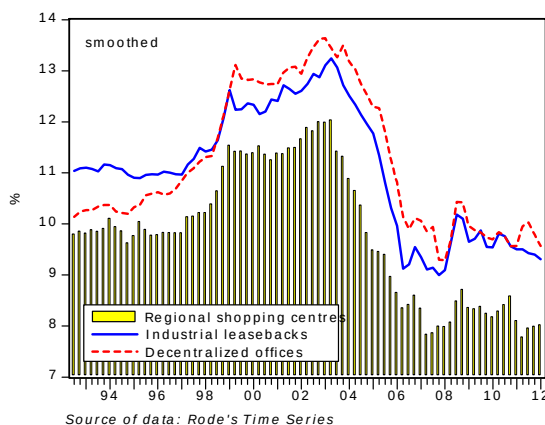
Written by Anneke Meijers

While it's been a bumpy ride for capitalization rates, their direction over the past three years has been marginally south. This means that there was no major panic among direct investors and that, if anything, the investment mood remained buoyant.

This might, in part, explain property investors' refusal to panic, even amid the uncertain economic times. Of course, a property's vacancy rate has a direct impact on the perceived risk to its potential income. This will in turn affect the required income return (capitalization rate) at which investors will be willing to trade property.

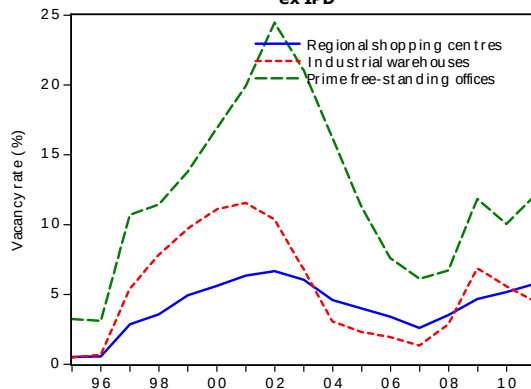
Nonetheless, in the first quarter of 2012, our respondents were of the opinion that standard capitalization rates of regional shopping centres are about 8,4%, while those on community centres are about 9,5%.

National capitalization rates by property type

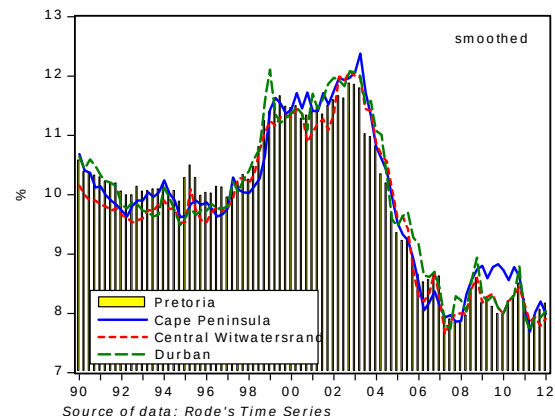


Despite an upward trend since 2008, non-residential **vacancy rates** were in 2011 still below their early 21st century highs (see corresponding graph).

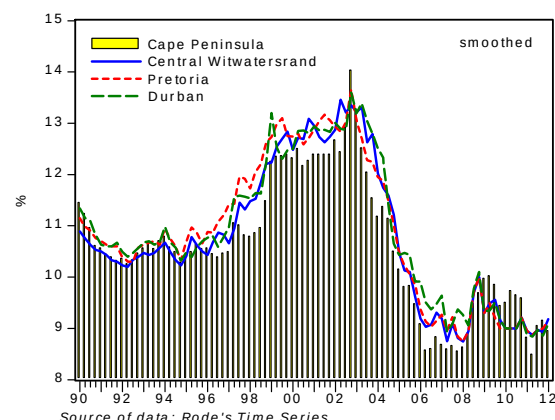
Vacancy rates by property type ex IPD



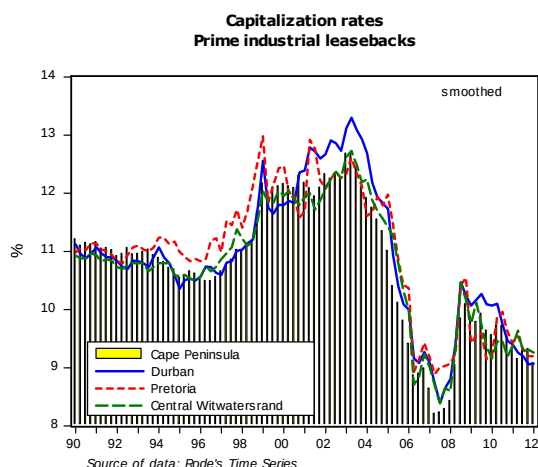
Capitalization rates Regional shopping centres



Capitalization rates Community shopping centres



Prime industrial leasebacks



In the first quarter of 2012, capitalization rates in all the major conurbations fell (improved) marginally, continuing their downward stint that started in 2009. Taking into consideration what is happening in manufacturing, i.e. shrinking exports, high production costs and global competition, industrial property capitalization rates are at best expected to keep moving sideways. A countervailing force is the recent rand weakness, which would facilitate exports.

In the reporting quarter, our respondents were of the opinion that investors in prime industrial property (with a leaseback covenant) required a minimum net standardized income yield of about 9,2% in the top cities and nodes. By "standardized income yield" we mean that capitalization rates are calculated on the assumption that the entire property is fully let at *market* rentals. On top of that, these leasebacks also command rental escalation rates of, say, 8% per annum, resulting in a handsome total return for many years of about 17% per year. Not bad, considering the alternatives out there.

Prime offices

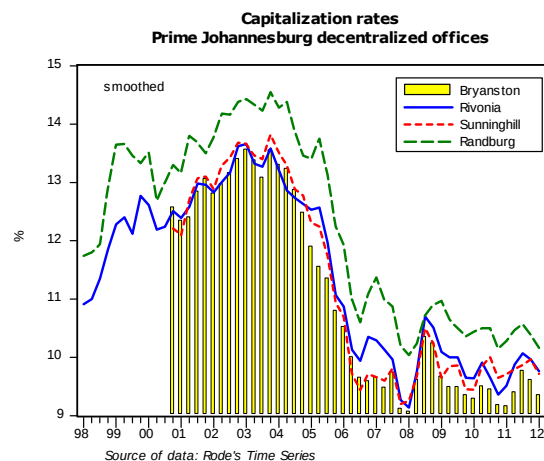
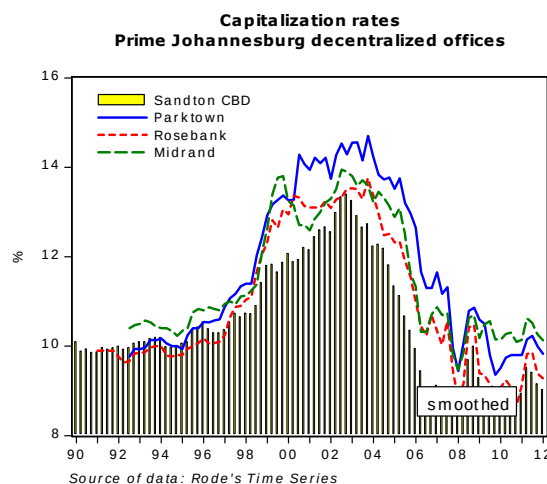
The overall trend in office capitalization rates has been downwards over the past year.

Johannesburg decentralized

In line with market rentals that are doing well in the Sandton CBD, capitalization rates on grade-A multi-tenanted offices

reached 9% in the first quarter of 2012. The Sandton CBD is followed by Rosebank, with a capitalization of 9,4%. Rosebank's standard deviation of 0,7% might be indicative of the risk or uncertainty associated with investing in this node. Besides having one of the Gautrain stations — and thereby in general being favourably viewed by investors and tenants — Rosebank has been struggling with a double-digit grade-A vacancy rate for a number of quarters now (**Chapter 6**).

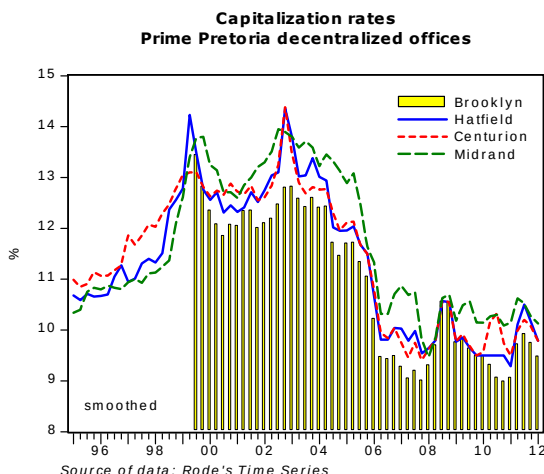
Elsewhere, in Johannesburg decentralized, capitalization rates are ranging between 9,5% and 10,3%.



Pretoria decentralized

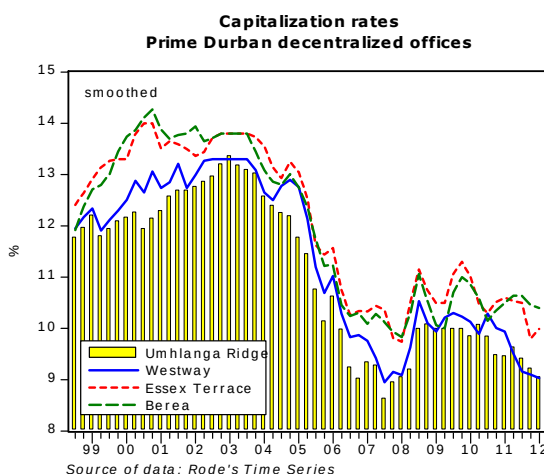
In the reporting quarter, capitalization in Pretoria decentralized continued to edge south. Of all the office nodes surveyed in Pretoria decentralized, Brooklyn (9,4%) recorded the lowest capitalization rates. Note that Brooklyn has for years been one

of the most rented-up office nodes in Pretoria decentralized (**Chapter 6**). In the office nodes of Hatfield, Centurion and Menlyn/Lynnwood, capitalization rates stood at roughly 9,7%.



Durban decentralized

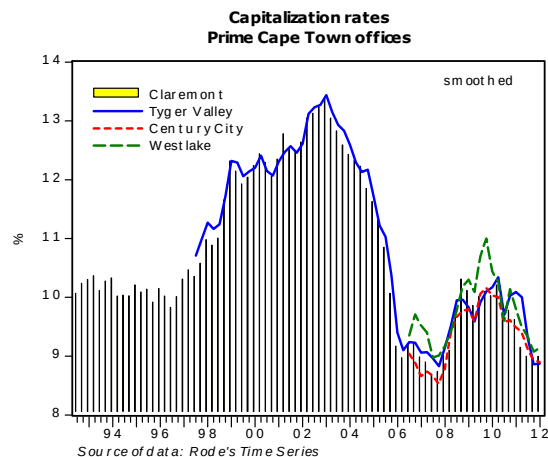
As for Durban, capitalization rates also continued their downhill stint. In the reporting quarter, capitalization rates on grade-A multi-tenanted office property in Durban decentralized ranged between 9% and 10%.



Cape Town decentralized

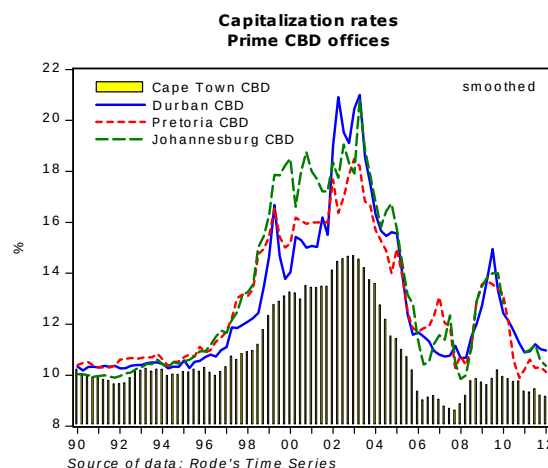
Where Cape Town decentralized was the exception to the downward trend a year ago, the office nodes of Tyger Valley, Century City, Claremont and Westlake now all depict a clear strengthening (decline) in capitalization rates. In the reporting quarter, the grade-A multi-tenanted capitalization rate was roughly 9%. The low stand-

ard deviation of around 0,3% is a signal that our respondents are fairly confident that 9% should be the capitalization rate at which office property of grade-A quality should trade in Cape Town decentralized.



Central Business Districts

Finally, capitalization rates on prime office buildings in CBDs averaged between 9% and 11% in the first quarter of 2012. Unsurprisingly, the Cape Town CBD remains the front-runner with a capitalization rate of 9,3%. This is in line with many top decentralized office nodes. Although all the CBDs are exhibiting a downward sloping trend in capitalization rates, Durban at 11% seems to be heading sideways now.



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

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".

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

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

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

Table 2.1
Survey of capitalization rates (%)
Office buildings
Means for quarter 2012:1

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

n = Number of respondents

— = Not available – fewer than two respondents

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

Table 2.2
Change in capitalization rates (% points)
Office buildings
Means for quarter 2012:1 less quarter 2011:4

Best location	Grade A: multi	Grade A: leaseback	Grade B: multi	Grade C: multi	Broker & owner contributors
Johannesburg CBD	0,0	-0,1	0,0 0,2		PB, QU, TH, ZZ
Braamfontein	-0,2	-0,2	-0,1	0,3	BM, PB, QU, TH, ZZ
Parktown	0,0	0,2	-0,1	-	BM, PB, QU, TH, ZZ
Rosebank	0,0	0,0	0,1	-0,7	BM, FG, PB, QU, TH, ZZ
Sandton CBD	-0,1	0,1	0,1	-	BM, FG, PB, QU, TH, ZZ
Rivonia	-0,1	-0,1	-0,1	-	BM, PB, QU, TH, ZZ
Bryanston	-0,2	-0,2	-0,4	-	BM, PB, QU, TH, ZZ
Sunninghill	-0,3	-0,2	-0,3	-	PB, QU, TH, ZZ
Randburg Ferndale	-0,2	0,0	-1,0	-1,0	FG, PB, QU, TH, ZZ
Midrand	-0,1	-0,3	0,0	-1,0	CL, PB, QU, TH, ZZ
Germiston CBD	-	-	-0,3	0,1	PB, QU, TH
Pretoria CBD	-1,1	-0,9	-0,9	0,1	PB, QU, TH, ZZ
Hatfield	-0,3	-0,2	-0,4	-0,8	PB, QU, TH, ZZ
Brooklyn	-0,3	-0,2	-0,4	-1,4	QU, TH, ZZ
Centurion	-0,2	-0,2	-1,1	-	PB, QU, TH, ZZ
Menlyn/Lynnwood	-0,9	0,0	-1,1	-0,8	PB, QU, TH, ZZ
Vaal Triangle	-0,5	-0,5	-0,2	0,1	PB, QU, TH
Nelspruit	0,0	-0,2	0,3	0,6	HH, QU, TH, ZZ
Polokwane	0,1	0,2	0,5	0,6	ES, QU, TH, ZZ
Durban CBD	0,1	-0,1	0,3	1,1	MW, PC, QP, QU, TH, ZZ
Berea	0,0	0,1	0,2	0,0	PC, QP, QU, TH, ZZ
Essex Terrace	0,7	0,7	0,7	-	PC, QP, ZZ
Westway	-	-	-	-	MW, PC, QP
La Lucia Ridge	-0,2	0,1	-0,1	-1,1	MW, PC, QP, QU, TH, ZZ
Pietermaritzburg	-0,4	-0,4	-0,4	-0,1	QU, TH, ZZ
Cape Town CBD	0,2	0,1	0,0	-0,1	GB, GY, QU, TH, ZZ
Bellville CBD	-	-	-	-	GB, QU
Bellville Tyger Valley	0,4	0,4	0,0	-	GB, QU, ZZ
Century City	0,0	0,0	-0,3	-	QU
Westlake	0,2	-	-	-	GB, HP, QU
Claremont	0,2	0,3	0,1	-	GB, QU, ZZ
Port Elizabeth	-0,1	-0,2	-0,3	0,0	MJ, QU, TH, ZZ
East London	-0,6	-0,7	-1,2	0,1	QU, ZZ
Bloemfontein CBD	0,5	-0,7	0,2	0,7	BW, EK, QU, TH, ZZ
Windhoek	-	-	-	-	

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

Table 2.3
Survey of capitalization rates (%)
Industrial buildings
Means for quarter 2012:1

Best location	Prime leaseback (AAA Tenant)			Prime quality non-leaseback			Prime industrial park			Secondary quality building		
	Mean	SD	n	Mean	SD	n	Mean	SD	n	Mean	SD	n
Central Wits	9,2	0,6	5	9,7	0,6	4	9,8	0,5	4	10,7	0,8	4
West Rand	9,5	0,5	2	10,1	0,5	3	10,1	0,5	3	11,2	0,9	3
East Rand	9,4	0,6	5	10,3	0,7	5	10,3	0,6	5	10,8	0,5	4
Far East Rand	9,7	0,8	4	10,0	0,4	3	10,9	0,4	3	11,3	0,8	4
Pretoria	9,2	0,4	3	10,0	0,5	3	10,0	0,4	3	11,2	0,8	3
Vaal Triangle	9,4	0,5	3	10,3	0,4	3	10,6	0,4	3	11,5	0,9	3
Nelspruit	9,3	0,3	3	10,4	0,7	4	10,6	0,4	4	11,6	0,9	4
Polokwane	9,8	0,6	4	10,4	0,6	4	10,6	0,4	4	11,4	1,0	4
Durban	9,1	0,4	6	9,8	0,5	6	9,9	0,4	6	10,7	0,5	5
Pietermaritzburg	9,2	0,5	3	9,8	0,7	3	10,3	0,6	3	11,0	0,9	3
Cape Peninsula	9,0	0,4	4	9,5	0,4	4	9,7	0,2	4	10,4	0,5	4
Port Elizabeth	9,3	0,4	4	10,1	0,4	4	10,1	0,1	4	11,5	0,9	4
East London	9,5	-	1	10,5	-	1	11,0	-	1	12,0	-	1
Bloemfontein	10,0	0,4	4	10,8	0,4	3	10,8	0,4	5	12,0	0,6	5

n = Number of respondents

— = Not available – fewer than two respondents

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

Table 2.4
Change in capitalization rates (% points)
Industrial buildings
Means for quarter 2012:1 less quarter 2011:4

Best location	Prime leaseback	Prime non- leaseback	Prime industrial park	Secondary quality building	Broker & owner contributors
Central Wits	-0,2	-0,1	-0,9	0,7	BM, FG, QU, TH, ZZ
West Rand	0,3	-0,2	-0,9	1,1	QU, TH, ZZ
East Rand	-0,3	0,4	-0,5	0,8	QU, RO, TH, ZZ
Far East Rand	0,5	-0,2	0,1	0,6	QU, TH, ZZ
Pretoria	0,0	-0,1	-0,9	1,2	QU, TH, ZZ
Vaal Triangle	0,1	0,0	0,5	0,2	QU, TH, ZZ
Nelspruit	-0,1	0,4	-0,3	1,3	HH, QU, TH, ZZ
Polokwane	0,0	0,1	0,1	0,4	CR, QU, TH, ZZ
Durban	0,1	-0,1	-0,8	0,5	MW, PC, QP, QU, TH, ZZ
Pietermaritzburg	0,0	-0,1	-0,3	0,9	QU, TH, ZZ
Cape Peninsula	-0,3	0,1	-0,5	0,8	GY, QU, TH, ZZ
Port Elizabeth	-0,1	-0,1	-1,3	1,4	MJ, QU, TH, ZZ
East London	-1,5	0,0	-1,0	2,0	QU
Bloemfontein	-0,6	-	-1,4	1,1	BW, CC, EK, QU, TH

NB: The number of broker/owner codes does not necessarily match the sample size as indicated by the n in 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 2012:1

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

n = Number of respondents

— = 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 2012:1

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

n = Number of respondents

— = Not available

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

Table 2.6
Change in capitalization rates (% points): shopping centres
Means for quarter 2012:1 less quarter 2011:4

Best location	Super regional	Regional	Community	Broker & owner contributors
Witwatersrand	-0,1	0,1	0,2	FG, PB, QU, TH, ZZ
Pretoria	-0,2	0,0	0,0	PB, QU, TH, ZZ
Vaal Triangle	-0,1	-0,1	0,0	PB, QU, TH, ZZ
Nelspruit	-0,8	-0,1	0,2	HH, PB, QU, TH, ZZ
Polokwane	-0,2	0,0	0,1	ES, PB, QU, TH, ZZ
Durban	0,0	0,2	0,3	PB, QU, TH, ZZ
Pietermaritzburg	-0,3	-0,2	0,0	PB, QU, TH
Cape Town	-0,2	-0,1	-0,1	GB, GY, PB, QU, TH, ZZ
Port Elizabeth	-0,2	-0,2	-0,1	MJ, PB, QU, TH, ZZ
East London	-	-	-0,6	PB, QU, TH
Bloemfontein	0,0	-	-0,3	BW, CC, EK, PB, QU, TH, ZZ
Platteland	-	-	0,0	PB, QU, ZZ
Townships	-	-	0,0	PB, QU, TH, ZZ

Table 2.6 (continued)
Change in capitalization rates (% points): shopping centres
Means for quarter 2012:1 less quarter 2011:4

Best location	Neighbourhood	Local convenience	Retail warehouse	Broker & owner contributors
Witwatersrand	0,0	-0,2	0,3	FG, PB, QU, TH, ZZ
Pretoria	0,0	-0,2	0,1	PB, QU, TH, ZZ
Vaal Triangle	0,0	-0,2	0,0	PB, QU, TH, ZZ
Nelspruit	-0,1	-0,1	-0,3	HH, PB, QU, TH, ZZ
Polokwane	-0,1	-0,1	-0,1	ES, PB, QU, TH, ZZ
Durban	0,0	-0,4	-0,4	PB, QU, TH, ZZ
Pietermaritzburg	-0,3	-0,4	-0,2	PB, QU, TH
Cape Town	-0,2	-0,2	0,5	GB, GY, PB, QU, TH, ZZ
Port Elizabeth	-0,1	-0,3	-0,2	MJ, PB, QU, TH, ZZ
East London	-0,2	0,0	-0,7	PB, QU, TH
Bloemfontein	0,0	0,0	-0,1	BW, CC, EK, PB, QU, TH, ZZ
Platteland	0,1	-0,1	-0,5	PB, QU, ZZ
Townships	0,2	0,3	0,1	PB, QU, TH, ZZ

Table 2.7
Survey of capitalization rates (%): street-front shops
Means for quarter 2012:1

Best location	Metro CBD			Decentralised		
	Mean	SD	n	Mean	SD	n
Witwatersrand	10,4	0,8	5	10,7	0,8	5
Pretoria	10,5	0,9	4	10,8	0,9	4
Vaal Triangle	11,5	0,4	3	11,3	1,1	3
Nelspruit	11,3	0,2	4	11,2	1,0	4
Polokwane	11,1	0,4	4	11,1	1,0	4
Durban	10,4	0,9	5	10,6	0,8	5
Pietermaritzburg	10,9	0,7	3	11,3	1,0	3
Cape Town	10,1	0,7	6	10,5	1,0	6
Port Elizabeth	11,3	0,4	4	11,6	0,5	4
East London	11,1	0,1	2	12,5	0,5	2
Bloemfontein	11,2	0,2	5	11,3	0,8	5

n = Number of respondents

— = Not available

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

Table 2.8
Change in capitalization rates (% points): street-front shops
Means for quarter 2012:1 less quarter 2011:4

Best location	Metro CBD	Decentralised	Broker & owner contributors
Witwatersrand	0,0	0,3	FG, PB, QU, TH, ZZ
Pretoria	-0,1	0,4	PB, QU, TH, ZZ
Vaal Triangle	0,3	0,7	PB, QU, TH
Nelspruit	0,2	0,6	HH, PB, QU, TH
Polokwane	0,4	0,5	ES, PB, QU, TH
Durban	-0,2	-0,1	PB, PC, QU, TH, ZZ
Pietermaritzburg	0,2	0,7	PB, QU, TH
Cape Town	0,1	0,8	GB, GY, PB, QU, TH, ZZ
Port Elizabeth	-0,1	0,2	MJ, PB, QU, TH
East London	0,4	0,8	PB, QU
Bloemfontein	0,5	0,7	BW, EK, PB, QU, TH

Chapter 3: Capitalization-rate equations

How to estimate capitalization rates – anywhere

Updated by Anneke Meijers

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

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

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

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

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

Office-building equation

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

The source of the national equation given below is this issue of *RR*. The regression is based on 64 observations in mainly decentralized nodes.

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

The updated equation is:

$$\text{office capitalization rate \%} = 14,265 - (0,0456 * \text{gross rental})$$

where

gross rental = the gross market rental rate per rentable m² per month for grades A, B or C office buildings in quarter 2012:1.

The correlation coefficient $r = -0,76$. The standard error (SE) is 0,72 and $n = 64$.

Readers should note that it is not advisable to use this function for gross market rental

rates that fall much outside the range of R49/m²/month to R134/m²/month.

Example:

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

$$\text{office capitalization rate \%} = 14,265 - (0,0456 * 60) = 11,5\%$$

Industrial-property equation

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

The gross market rental rates are those applicable to 1000 m² units. The source of the data is this issue of *Rode's Report*. The **industrial-regression equation**, which is based on 30 observations, includes all primary and secondary industrial cities.

The updated equation is:

$$\text{industrial capitalization rate \%} = 13,171 - (0,0907 * \text{gross rental})$$

where:

gross rental = the gross market rental per rentable m² per month as in quarter 2012:1 for stand-alone prime non-leaseback or prime industrial parks or stand-alone secondary industrial space of 1'000 m², located in primary and secondary industrial cities.

The correlation coefficient $r = -0,77$. The standard error (SE) is 0,44 and $n = 30$.

It is not advisable to use this function for gross market rental rates that fall much outside the range of R19/m²/month to R39/m²/month. Also, remember to use the rental rate applicable to an area of 1.000 m².

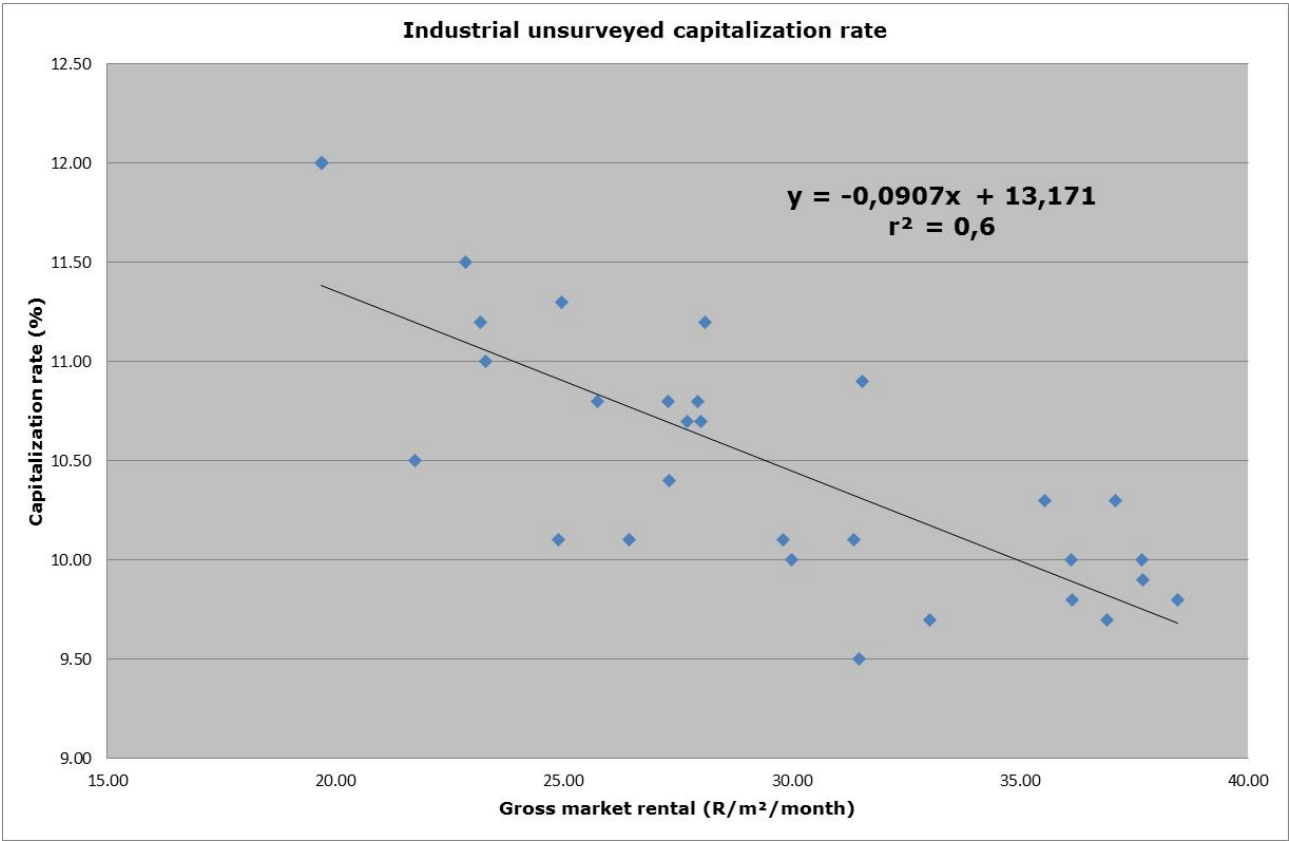
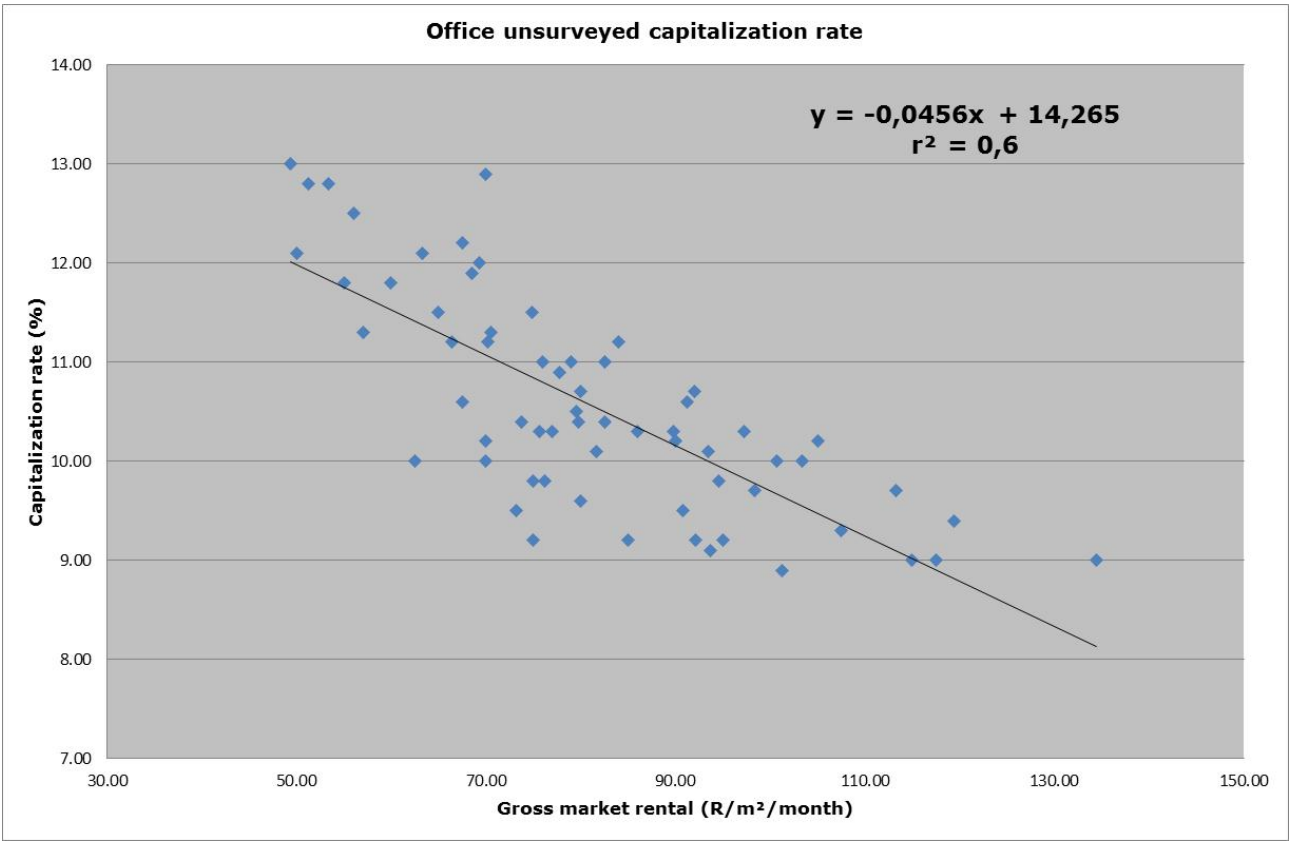
Example:

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

$$\text{industrial cap rate \%} = 13,171 - (0,0907 * 20) = 11,4\% \blacksquare$$

Warning:

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



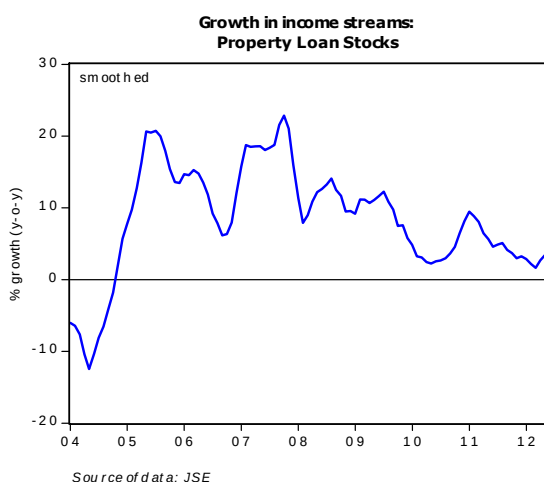
Chapter 4: Listed property

Opposing forces at work

Written by Anneke Meijers

Opposing forces are at the moment impacting on the performance of listed property. On the one side, listed property yields continue to benefit from stable and marginally declining long-bond yields. On the other side, distributions are showing mediocre growth, below that of consumer inflation.

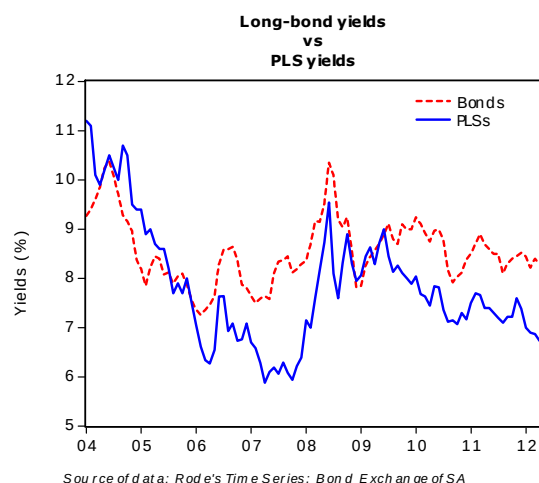
The graph which follows shows how the yearly growth of income streams has cooled since the beginning of 2011. After reaching a yearly growth rate of 9% in January 2011, growth has now decelerated to 4% in May 2012.



An important driver of the growth in listed property's income streams (which also lends a degree of predictability to future earnings) are contractual rentals that escalate at fixed annual rates of say, 8% to 10%. In recent years, however, this benefit has been eroded by rising voids and much lower market-rental growth, often resulting in downward rental reversion on expiry of leases. The graph that follows shows how the yearly growth in contractual rentals has, since 2008, been unable to record

growth of even 8%. The implication is that it is dead wrong to use the current still-high escalation rates of shortish leases as a proxy for long-term market-rental growth. For now, poorly performing property fundamentals — still high vacancy rates that are seemingly unable to drop and weak market-rental growth — imply continued poorly performing income streams in spite of still-high contractual escalation rates. This assertion depends of course on a given portfolio of properties' vacancy trends and lease expiry profiles.

Given the mediocre performance of income streams, the vigour in listed property prices in recent months has largely been due to a positive rerating of listed property. In the first five months of 2012, yearly growth in listed-property prices has averaged roughly 13%.



The positive rerating of listed property was due to steady and marginally declining long-bond yields. Digging behind the scenes of the performance of long bonds reveals improved interest in South African

gilt from non-residents. The corresponding graph shows how foreign investors, since the beginning of 2012, have steadily and increasingly been *net* purchasers of South African bonds. The search for better yields might be one explanation for this phenomenon, which played a major role in propping up the rand exchange rate. However, portfolio flows like these are subject to sudden reversal, which would have a debilitating effect on the rand's external value and inflation, and would cause interest rates to rise, in turn suppressing economic growth. Such a scenario would of course serve as a brake on listed funds' capital growth, given the correlation between long-bond yields and listed-property yields. Let's hope the governing party understands this – not the risk to listed-property funds but to the underlying economy!

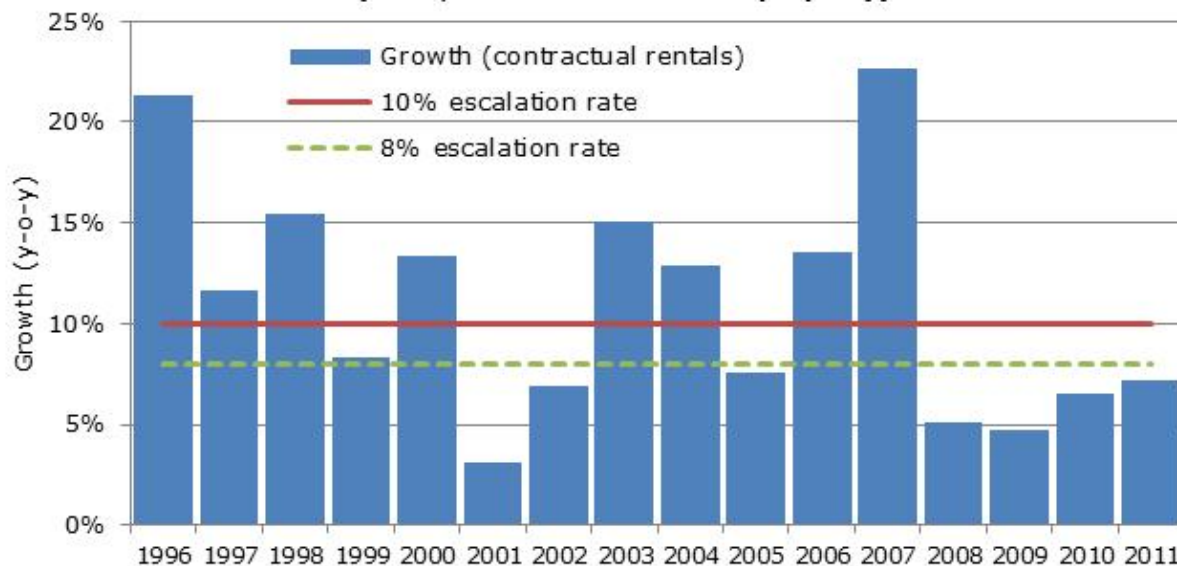
The good news is of course that South Africa, unlike some of the Eurozone countries, does not have the sword of Damocles (the ignominy of government-debt default) hanging over its head.

We are currently a *relatively* attractive country for fickle portfolio investments ... thanks to past sound macro-economic governance.

Table 4.1 shows the individual performance of property unit trusts (PUTs) and property loan stocks (PLSs) for different periods to the end of December 2011 (ex Catalyst Fund Managers).

This concludes our chapter on listed property. ■

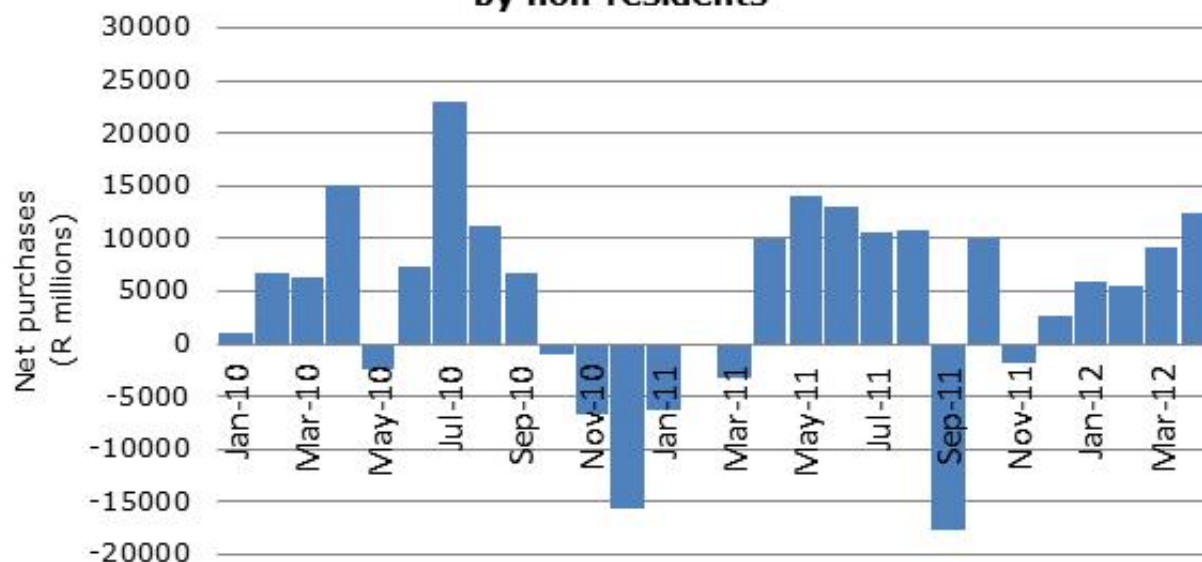
Growth in gross contractual rentals for non-residential property (retail, office and industrial property)*



Source: IPD Annual Digest, Rode calculations

*Weighted according to percentage gross rentable area

Net purchases of S.A. bonds by non-residents



Source of data: SARB

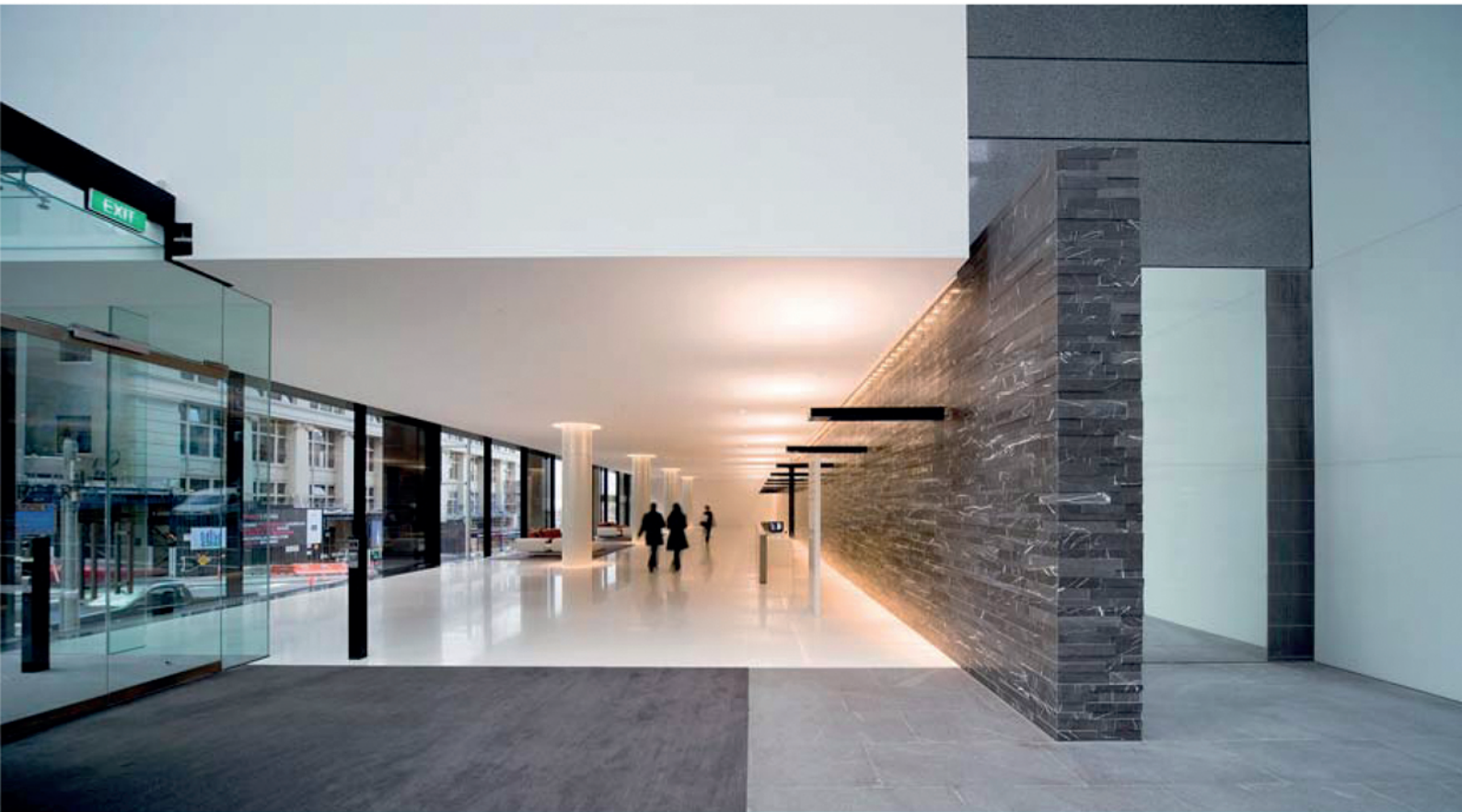
Table 4.1
Total return on property unit trusts and property loan stocks
to March 2012

Individual stock performance

	3 years*	1 year*
REIT Index	39,25%	11,77%
PUT Index	79,78%	20,35%
PLS Index	75,25%	20,33%
SA Listed Property Index (SAPY)	76,42%	20,27%
Capped Property Index (PCAP)	68,14%	16,74%
Acucap	87,81%	27,75%
Arrowhead A	-	12,93%
Arrowhead B	-	29,15%
Capital Property	99,59%	24,18%
Dipula-A	-	3,01%
Dipula-B	-	-0,50%
Emira	62,68%	5,13%
Fortress-A	73,40%	29,97%
Fortress-B	513,77%	106,75%
Fountainhead	71,34%	28,68%
Growthpoint	85,45%	24,11%
Hospitality-A	29,91%	-8,41%
Hospitality-B	-75,41%	-50,73%
Hyprop	81,17%	15,47%
Investec Property Fund	-	27,98%
New Europe Prop	7,79%	7,79%
Octodec	61,10%	-2,32%
Premium	70,99%	-5,17%
Rebosis	-	-0,70%
Redefine	62,69%	19,34%
Redefine Intl	-	-15,09%
Resilient	107,98%	37,34%
Sa Corporate	78,55%	10,07%
Sycom	87,61%	33,84%
Synergy A	-	1,16%
Synergy B	-	3,81%
Vividend	-	9,43%
Vukile	118,04%	16,61%
Vunani	-	13,90%
Rebosis	-2,7%	-2,7%
Dipula-B	-5,9%	-5,9%
Hospitality-B	-48,0%	-66,1%

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

Source: Catalyst Fund Managers



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Chapter 5: Office rentals

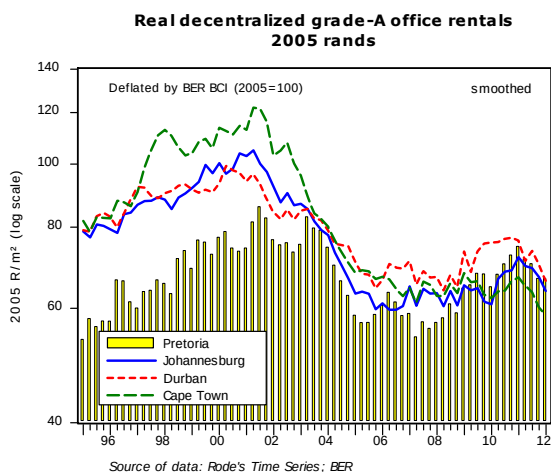
Office rentals contract

Written by Anneke Meijers

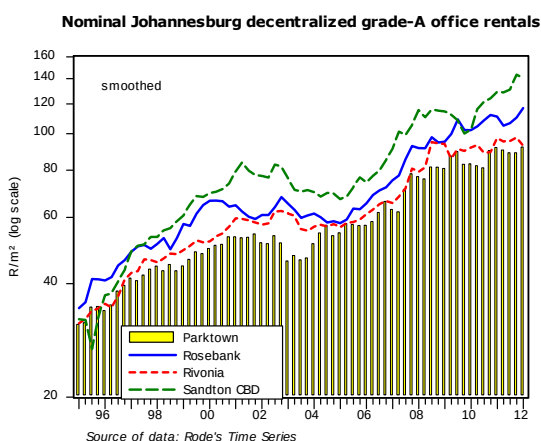
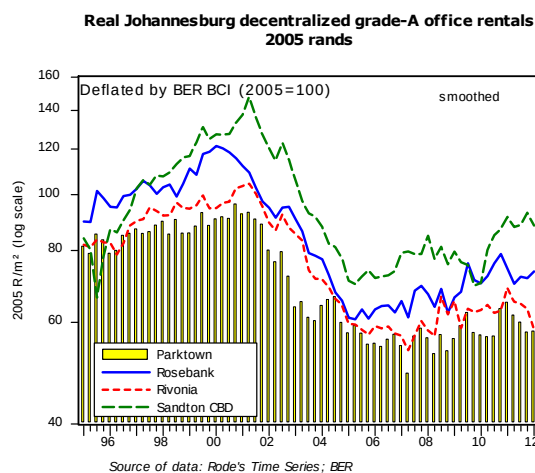
Moderate economic activity is keeping the demand for office space at bay. Resultantly, vacancies are, in general, motionless, and bluntly refuse to drop. This is in turn leading to an uninspiring rental performance. In fact, such has the impact of the lull in business activity been that the trend in *real* (BER BCI-deflated) rentals has been south over the past year.

level as a year ago, whereas nominal market rentals in Cape Town (-1%) and Durban decentralized (-2%) contracted. Given that building-cost inflation — as measured by the BER BCI — is expected to show growth of roughly 13% during the year in question, the implication is that in all of these regions *real* rentals declined by between 11% and 13%.

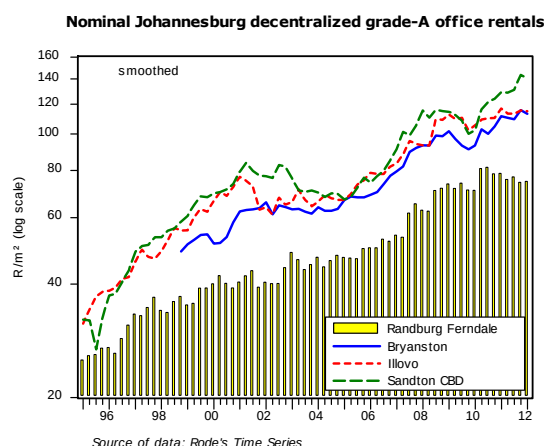
A closer look at the decentralized office areas within Johannesburg shows that over the past year, nominal rentals shrank in the areas of Rivonia (-5%), Randburg/Ferndale (-5%) and Illovo (-2%). No growth was visible in Parktown. The top performer was the Sandton CBD (+9%) followed by Rosebank (+5%).

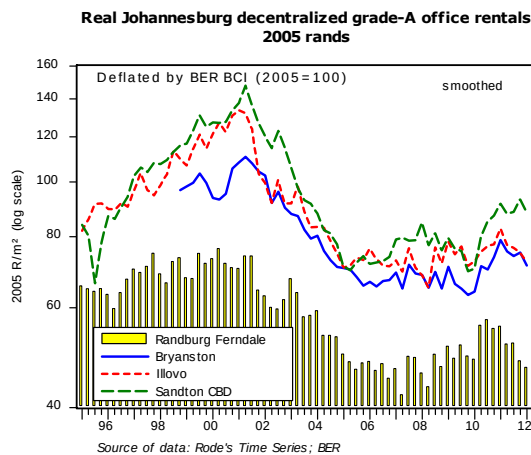


In the first quarter of 2012, nominal market rentals in only Pretoria decentralized (+0,5%) could muster any growth at all.

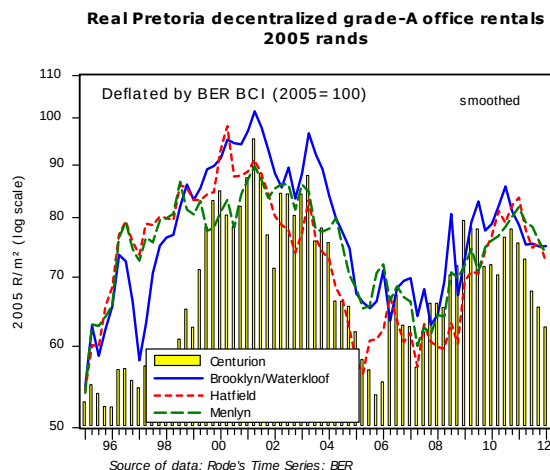
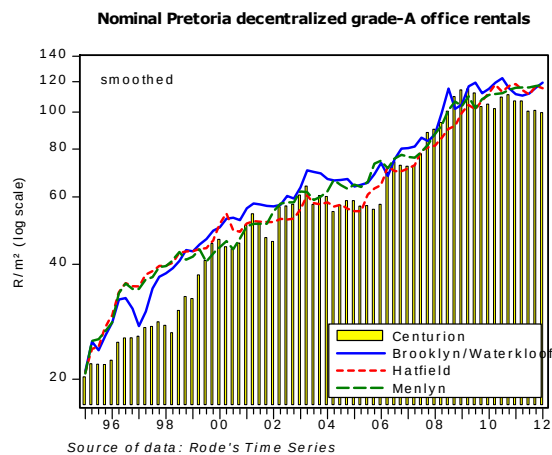


Nominal market rentals in Johannesburg decentralized (0%) remained at the same

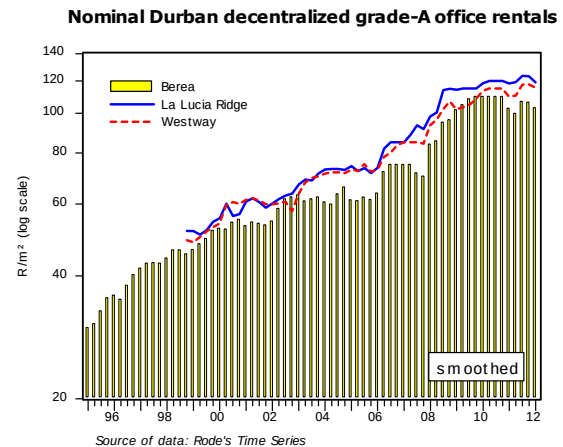




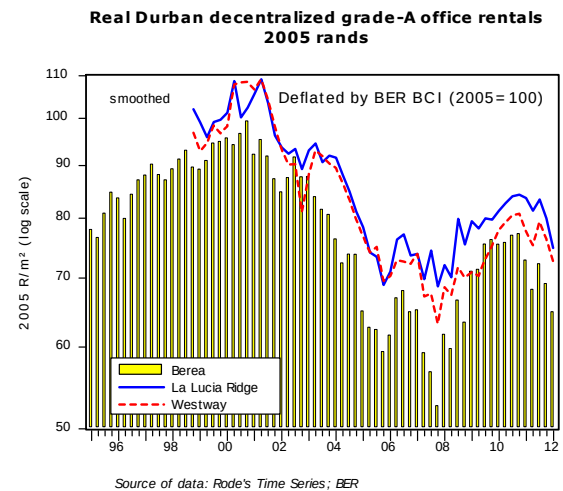
The Pretoria decentralized picture looks similar, that is, poor nominal rental growth below inflation. In the reporting quarter, the Brooklyn/Waterkloof area was able to grow by 7%, which was followed by Menlyn, where nominal rentals were up by +1%. In Hatfield (-3%) and Centurion (-14%) nominal rentals were, however, lower than they were a year ago. This is not surprising considering double-digit vacancy rates in these areas. Disconcerting is the additional supply to hit the Centurion market in the near future (**Chapter 6**).



Rental growth in the top Durban decentralized nodes of Westway, Berea and La Lucia Ridge all managed to stay out of the red, at least in nominal terms. In Westway, nominal rentals were up by 5%.



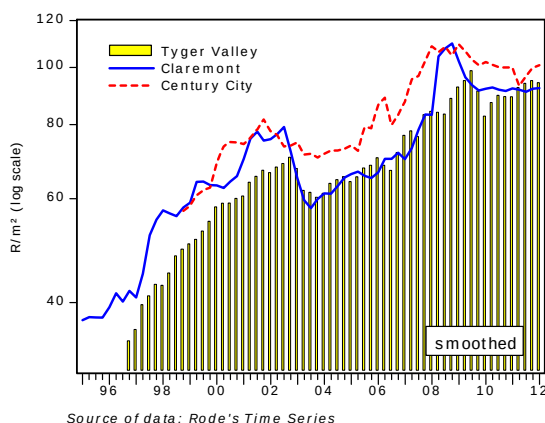
Unfortunately, Durban's premier office node, La Lucia Ridge, could only muster nominal growth of 1% over the past year. Despite vacancy rates that are shooting through the roof, office rentals in Berea were able to remain at the same level as a year ago.



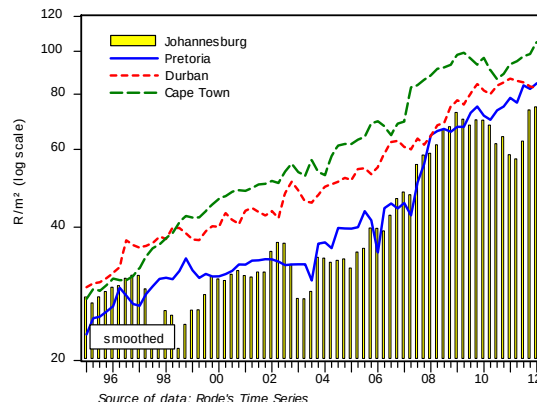
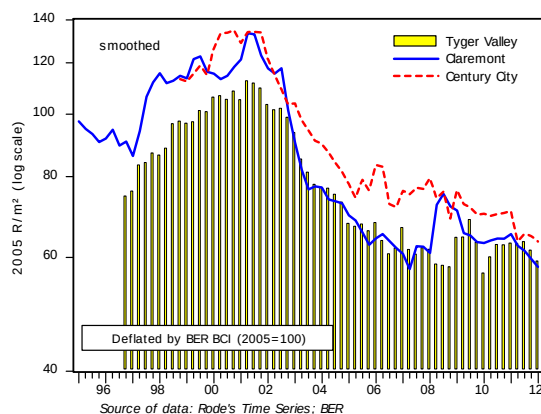
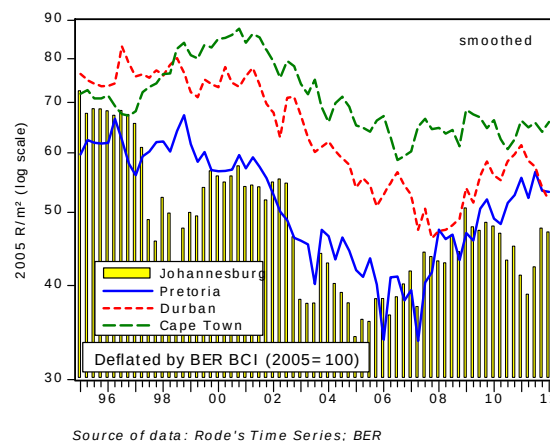
Unsurprisingly, *real* office rentals are, therefore, continuing the trend they have been following since mid 2010.

Zooming in on Cape Town decentralized, brings no better news. Nominal growth in Claremont and Century City was non-existent and in the Tyger Valley area, nominal rentals could grow by only 6%. Note that the vacancy rate trend over the past few quarters in Cape Town decentralized has been marginally north.

Nominal Cape Town decentralized grade-A office rentals



Nominal CBD grade-A office rentals

Real Cape Town decentralized grade-A office rentals
2005 randsReal CBD grade-A office rentals
2005 rands

As for the CBDs, Johannesburg (+18%), Pretoria (+8%) and Cape Town (+12%) all recorded growth in nominal rentals. The high growth rate for Johannesburg can be ascribed to base effects because of the high (17%) and still upward trending vacancy rate, which renders improving demand an unlikely suspect! In the Durban CBD, nominal office rentals shrank by 5% over the past year.

Pioneer rentals

The difference between pioneer rentals and grade-A market rentals could be a rough indication of prospects for market-rental growth (see **Table 5.1**). However, they could also just be outliers in market rentals achieved.

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

“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. 26. An explanation of the codes can be found on p. xvi.

Recap: nominal versus real rentals

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

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

Table 5.1
Pioneer office rentals
Highest gross nominal market rental rate achieved
Rands per rentable m², gross leases (excl VAT)
During quarter 2012:1

	Pioneer	Normal Grade A	Difference %
Johannesburg dec.	168,25	100,44	68%
Durban dec.	135,00	104,51	29%
Bloemfontein dec.	120,00	107,67	11%
Cape Town CBD	150,00	107,50	40%
Cape Town dec.	135,00	93,69	44%

Table 5.2
Market rental rates for office buildings
Quarter 2012:1

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

	Grade A⁺	Grade A mean	Grade B mean	Grade C mean	Broker contributor codes
Johannesburg CBD	92,33	73,79	57,08	49,38	BM, BR, FG, GB, GF, PA, QU
Braamfontein	94,50	77,00	70,50	53,33	BM, BR, FG, GB, GF, PA, QU
Sandton CBD	173,00	134,50	94,60	79,00	AR, AV, BM, BR, FG, PA, QU
Dunkeld West	127,25	109,79	93,67	83,88	AR, AW, BM, BR, GF, PA, QU
Wierda Valley	131,00	108,50	96,40	86,83	AR, AV, BM, BR, PA, QU
Randburg Ferndale	87,50	75,70	70,20	63,25	AR, BM, BR, PA, QU
Rivonia	102,38	90,80	79,50	74,83	AR, BM, BR, PA, QU
Rosebank	152,00	119,42	97,21	84,00	AR, AV, AW, BM, BR, PA, QU
Illovo	134,00	114,50	96,00	84,12	AR, AV, AW, BM, BR, PA, QU
Illovo Boulevard	138,30	116,58	100,38	87,00	AR, AW, BM, BR, PA, QU
Chiselhurst	112,25	110,00	96,40	86,60	AR, BM, BR, FG, PA, QU
Parktown	102,60	93,42	79,75	68,50	AV, AV, BM, BR, GB, PA, QU
Richmond/Milpark	90,00	79,10	68,75	60,00	AR, AV, BR, GB, PA, QU
Bedfordview	110,00	103,50	87,50	80,00	AR, BM, BR, GF, QU
Bruma	99,00	94,17	85,00	75,00	AR, BM, BR, QU
Meadowbrook	-	-	-	-	
Woodmead	118,25	104,90	89,70	82,00	AR, BM, BR, PA, QU
Sunninghill	103,50	93,60	82,20	77,50	AR, BM, BR, PA, QU
Bryanston/Epsom	130,00	110,86	89,57	79,90	AR, AV, BM, BR, FG, GF, PA, QU
Fourways	135,12	102,70	90,50	78,83	AR, BM, BR, PA, QU
Houghton	117,00	101,30	91,58	82,40	AR, BR, PA, QU
Melrose Arch	190,20	175,25	120,00	80,00	AR, AV, BM, BR, PA, WA
Hydepark	120,38	116,67	88,25	78,33	AR, AV, BR, PA, QU
Eastgate/Kramerville	110,00	86,25	65,50	60,25	AR, BM, PA, QU
Ormonde	86,00	74,50	67,33	56,33	AR, PA, QU
Midrand	101,30	89,75	77,75	69,25	AR, BR, CL, FG, PA, QU
Hendrik Potgieter Corridor	93,67	85,67	77,33	70,50	AR, PA, QU
Pretoria CBD	110,00	86,67	75,67	65,00	AI, BR, EV
Lynnwood Glen	110,00	90,00	81,67	70,00	AI, BR, EV
Lynnwood	94,00	86,00	77,50	67,50	AI, BR, EV
Lynnwood Manor	105,00	100,00	82,50	60,00	AI, BR, EV
Lynnwood Ridge	120,00	120,00	87,50	75,00	AI, BR, EV
Faerie Glen	120,33	106,67	80,00	60,00	AI, BR, EV
Val de Grace	N/A	72,00	68,00	N/A	BR
Menlyn	140,00	117,33	101,67	75,00	AI, BR, EV
Menlo Park (Brooks St.)	125,00	110,00	88,33	70,00	AI, BR, EV
Brooklyn/Waterkloof	133,33	120,33	94,00	75,00	AI, BR, EV
Nieuw Muckleneuk	130,00	125,00	93,33	70,00	AI, BR, EV
Hatfield	124,50	113,33	92,00	60,00	AI, BR, EV
Centurion	114,67	98,33	91,25	55,00	AI, BR, EV, WB
Highveld Technopark	146,50	120,00	97,50	60,00	AI, BR, EV
Sunnyside	110,00	95,00	80,00	60,00	AI, BR, EV
Arcadia	100,00	88,33	76,67	65,00	AI, BR, EV
Murrayfield	100,00	85,00	71,50	55,00	AI, BR
Nelspruit	150,00	125,00	100,00	80,00	HH
Polokwane	170,00	125,00	95,00	77,50	ES, MO
Bloemfontein CBD	114,50	100,75	76,00	56,00	BW, CC, EK
Westdene	117,33	107,67	77,67	63,33	BW, CC, EK
Durban CBD	95,00	82,50	52,50	40,00	MW, QP
Durban Berea		102,50	82,50	70,00	MW, QP
Essex Terrace	95,00	90,00	80,00	67,50	MW, QP

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

Table 5.2(continued)
Market rental rates for office buildings
Quarter 2012:1

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

	Grade A⁺	Grade A mean	Grade B mean	Grade C mean	Broker contributor codes
Westway	120,00	115,00	103,33	-	ACU, MW, QP
La Lucia Ridge	120,00	117,50	105,00	-	MW, QP
Westville	118,50	100,00	85,00	75,00	ACU, MW, QP
Pinetown	85,00	75,00	65,00	45,00	LS, QP
Hillcrest-Kloof (Upper Highway)	115,00	105,00	85,00	65,00	QP
Port Elizabeth CBD	-	-	52,25	35,00	MJ
Greenacres : Parks	-	85,00	72,00	47,50	MJ
Greenacres: Single	125,00	90,00	-	-	MJ
Walmer Park 1, 2 & 3	-	-	62,50	-	MJ
South End	-	75,00	65,00	-	MJ
Humewood	115,00	85,00	65,00	-	MJ
Cape Road	125,00	95,00	67,50	55,00	MJ
East London	-	75,00	50,00	37,50	BG, GW
East London dec.	110,00	87,50	65,00	42,50	BG
Cape Town CBD	135,00	107,50	81,67	65,00	AN, PB, QS
Sea Point	110,00	-	85,00	55,00	AN, PB, QS
V&A Portsworld Ridge	142,50	122,50	100,00	80,00	AN, PB, QS
Granger Bay	140,00	110,00	-	-	AN, PB, QS
Salt River	105,00	90,00	-	-	PB, QS
Woodstock	97,50	80,00	68,33	60,00	AN, PB, QS
Observatory	104,00	82,50	57,50	60,00	AN, PB, QS
Mowbray	120,00	110,00	78,75	70,00	BO, PB, QS
Kenilworth (Racecourse)	120,00	97,50	75,00	60,00	PB, QS
Rondebosch/Newlands	120,00	96,67	81,67	65,00	PB, QS
Wynberg	100,00	80,00	65,00	57,50	AN, PB, QS
Westlake	115,00	95,00	75,00	62,50	AN, HP, PB, QS
Tokai	106,67	88,33	75,00	62,50	AN, HP, PB
Claremont Lower**	110,00	87,50	75,00	70,00	PB, QS
Claremont Upper	120,00	96,67	77,50	-	AN, PB, QS
Hout Bay	90,00	80,00	60,00	60,00	PB
Noordhoek (Sun Valley)	90,00	70,00	50,00	40,00	PB
Pinelands	105,00	80,00	62,50	50,00	HP, PB
Athlone	90,00	70,00	50,00	40,00	PB
Milnerton	90,00	70,00	50,00	40,00	PB
Panorama	100,00	80,00	60,00	50,00	PB
Table View / Parklands	90,00	70,00	50,00	40,00	PB
Century City	128,75	101,25	85,00	75,00	AN, HP, PB, QS
Maitland	90,00	70,00	60,00	40,00	PB
Goodwood (N1 City)	100,00	79,50	60,00	50,00	HP, PB
Tygerberg Hills	115,00	95,00	77,50	62,50	AN, PB
Bellville CBD	-	80,00	70,00	50,00	PB
Tyger Valley area	108,33	93,67	73,25	67,50	AN, PB, PN, QS
Durbanville	110,00	92,50	77,50	72,50	AN, PB
Airport	-	-	-	-	
Kuils River	65,00	-	-	40,00	PB
Somerset West Town	90,00	80,00	70,00	70,00	PB
Somerset West Mall area	100,00	90,00	70,00	70,00	PB
Strand	100,00	90,00	70,00	70,00	PB
Gordon's Bay	90,00	80,00	70,00	70,00	PB

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

** Claremont Lower: east of Main Road

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

Table 5.3
Standard deviation of market rental rates for office buildings
Quarter 2012:1

	Grade A⁺	Grade A	Grade B	Grade C
Johannesburg CBD	R 2,05	R 8,68	R 10,07	R 9,08
Braamfontein	R 2,87	R 8,85	R 6,38	R 9,43
Sandton CBD	R 15,36	R 8,83	R 5,40	R 3,94
Dunkeld West	R 6,01	R 8,25	R 7,67	R 2,75
Wierda Valley	R 4,06	R 9,18	R 9,26	R 6,33
Randburg Ferndale	R 4,39	R 3,74	R 3,83	R 8,32
Rivonia	R 5,42	R 4,12	R 5,55	R 3,06
Rosebank	R 4,30	R 6,46	R 9,97	R 5,05
Illovo	R 11,75	R 9,18	R 7,29	R 5,34
Illovo Boulevard	R 10,69	R 9,36	R 8,01	R 7,71
Chiselhurst	R 2,77	R 9,35	R 8,11	R 8,26
Parktown	R 7,00	R 10,73	R 7,87	R 6,84
Richmond/Milpark	-	R 4,50	R 4,95	R 3,08
Bedfordview	R 0,00	R 9,70	R 4,33	R 0,00
Bruma	R 1,00	R 3,12	R 3,54	R 0,00
Meadowbrook	-	- -		
Woodmead	R 8,01	R 6,25	R 5,69	R 4,24
Sunninghill	R 8,08	R 7,99	R 6,73	R 2,50
Bryanston / Epsom Downs	R 7,91	R 9,57	R 5,83	R 6,17
Fourways	R 7,59	R 9,50	R 4,72	R 3,57
Houghton	R 6,74	R 5,90	R 5,00	R 3,88
Melrose Arch	R 12,01	R 17,68	R 10,00	-
Hydepark	R 6,65	R 9,43	R 8,01	R 6,24
Eastgate/Kramerville	-	R 6,50	R 7,30	R 7,60
Ormonde	R 1,00	R 4,50	R 5,73	R 8,96
Midrand	R 8,17	R 7,21	R 7,02	R 3,77
Hendrik Potgieter Corridor	R 9,84	R 4,78	R 3,77	R 1,47
Pretoria CBD	R5,00	R10,27	R7,36	R0,00
Lynnwood Glen	-	R5,00	R4,71	-
Lynnwood	R6,00	R4,00	R2,50	R2,50
Lynnwood Manor	R15,00	R10,00	R2,50	-
Lynnwood Ridge	-	R5,00	R2,50	R10,00
Faerie Glen	R6,85	R6,24	- -	
Val de Grace	-	- -		
Menlyn	R4,08	R3,77	R6,24	-
Menlo Park (Brooks St.)	-	R10,00	R6,24	-
Brooklyn/Waterkloof	R9,43	R7,32	R2,94	-
Nieuw Muckleneuk	R10,00	R7,07	R8,50	-
Hatfield	R9,50	R9,43	R8,49	-
Centurion	R6,85	R2,36	R9,60	R5,00
Highveld Technopark	R 1,50	R 5,00	R 2,50	-
Sunnyside	R 0,00	R 0,00	-	R 5,00
Arcadia	-	R 2,36	R 4,71	R 0,00
Murrayfield	-	-	R 3,50	-
Nelspruit CBD	-	- -		
Polokwane	R 10,00	R 0,00	R 5,00	R 2,50
Bloemfontein CBD	R 10,50	R 14,25	R 6,48	R 8,29
Westdene	R 5,56	R 7,13	R 6,13	R 2,36
Durban CBD	-	R 2,50	R 2,50	R 0,00
Durban Berea	-	R 7,50	R 7,50	R 5,00

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

Table 5.3 (continued)
Standard deviation of market rental rates for office buildings
Quarter 2012:1

	Grade A ⁺	Grade A	Grade B	Grade C
Essex Terrace	-	R 5,00	R 5,00	R 7,50
Westway	R 0,00	R 4,08	R 2,36	-
La Lucia Ridge	-	R 7,50	R 5,00	-
Westville	R 1,50	R 0,00	R 4,08	R 0,00
Pinetown	-	-	-	-
Hillcrest-Kloof (Upper Highway)	-	-	-	-
Port Elizabeth CBD	-	-	-	-
Greenacres : Parks	-	-	-	-
Greenacres: Single	-	-	-	-
Walmer Park 1, 2 & 3	-	-	-	-
South End	-	-	-	-
Humewood	-	-	-	-
Cape Road	-	-	-	-
East London	-	-	-	2,50
East London dec.	-	-	-	-
Cape Town CBD	R 15,00	R 12,50	R 6,24	-
Sea Point	R 10,00	-	R 10,80	-
V&A Portswood Ridge	R 12,50	R 12,50	-	-
Granger Bay	R 20,00	-	-	-
Salt River	R 5,00	-	-	-
Woodstock	R 2,50	R 5,00	R 8,50	R 10,00
Observatory	R 4,00	R 7,50	R 2,50	R 10,00
Mowbray	-	-	R 1,25	-
Kenilworth (Racecourse)	-	R 2,50	R 5,00	-
Westlake	R 0,00	R 2,36	R 6,24	R 5,00
Tokai	R 0,00	R 0,00	R 4,08	R 2,50
Claremont Lower	R 5,00	R 3,54	R 5,00	R 7,50
Claremont Upper	R 4,71	R 2,36	R 5,00	R 7,50
Hout Bay	R 0,00	R 2,50	R 5,00	-
Noordhoek (Sun Valley)	R 0,00	R 2,36	R 2,50	-
Pinelands	-	-	-	-
Athlone	-	-	-	-
Milnerton	R 5,00	-	R 2,50	-
Panorama	-	-	-	-
Rondebosch/Newlands	-	-	-	-
Wynberg	-	-	-	-
Table View / Parklands	-	-	-	-
Century City	R 5,45	R 5,45	-	-
Maitland	-	-	-	-
Goodwood (N1 City)	-	R 0,50	-	-
Tygerberg Hills	R 5,00	R 5,00	R 7,50	R 12,50
Bellville CBD	-	-	-	-
Tyger Valley area	R 6,24	R 5,79	R 8,01	R 2,50
Durbanville	R 0,00	R 2,50	R 2,50	R 7,50
Airport	-	-	-	-
Kuils River	-	-	-	-
Somerset West Town	-	-	-	-
Somerset West Mall area	-	-	-	-
Strand	-	-	-	-
Gordon's Bay	-	-	-	-

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

** Claremont Lower: east of Main Road

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

Table 5.4
Typical rent-free period in months
Average periods on offer in quarter 2012:1

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

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

** Claremont Lower: east of Main Road

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

Table 5.5
Market parking rentals
Monthly parking
Rands per bay per month (excl. VAT)
As in quarter 2012:1

	Covered reserved parking				Under shade net	Open-air parking
	Gr A ⁺	Gr A	Gr B	Gr C		
Johannesburg CBD	737	653	558	472	336	293
Braamfontein	580	560	487	396	350	272
Sandton CBD	709	597	518	474	369	323
Dunkeld West	587	528	448	411	345	253
Wierda Valley	634	559	507	438	364	254
Randburg Ferndale	500	432	321	283	291	220
Rivonia	519	440	371	364	323	245
Rosebank	676	561	462	383	375	296
Illovo	650	566	450	386	340	279
Illovo Boulevard	647	590	496	463	381	283
Chislehurst	561	511	474	467	368	255
Parktown	521	500	420	397	341	275
Richmond/Milpark	381	349	289	259	239	193
Bedfordview	518	515	439	339	290	215
Bruma	480	466	401	311	276	198
Meadowbrook	-	-	- - -			
Woodmead	563	500	418	349	317	239
Sunninghill	541	491	397	349	306	237
Bryanston / Epsom Downs	543	517	434	390	353	263
Fourways	551	472	410	340	325	248
Houghton	486	437	444	335	353	274
Melrose Arch	807	833	-	-	-	-
Hyde Park	583	562	432	450	333	262
Eastgate/Kramerville	-	437	437	400	325	252
Ormonde	-	472	400	340	287	204
Midrand	474	408	368	372	296	233
Hendrik Potgieter Corridor	479	457	387	320	289	209
Pretoria CBD	550	500	500	425	341	300
Lynnwood Glen	500	500	480	450	350	230
Lynnwood	-	500	450	375	332	285
Lynnwood Manor	550	450	400	400	425	345
Lynnwood Ridge	-	462	450	400	350	296
Faerie Glen	465	350	360	300	300	222
Val de Grace	-	-	- - -			
Menlyn	580	515	500	500	427	400
Menlo Park (Brooks St.)	450	400	400	400	350	300
Brooklyn/Waterkloof	575	-	462	400	336	285
Nieuw Muckleneuk	500	500	450	450	300	300
Hatfield	550	525	450	400	400	312
Centurion	367	307	260	180	201	152
Highveld Technopark	435	375	300	250	287	210
Sunnyside	380	300	250	200	180	100
Arcadia	-	425	200	180	175	120
Murrayfield	320	250	200	160	130	100
Nelspruit	420	370	275	220	180	120
Polokwane	390	360	285	225	355	180
Bloemfontein CBD	317	328	270	228	170	142
Westdene	350	350	283	250	187	142
Durban CBD	-	700	575	-	-	-
Durban Berea	-	525	500	450	-	-

Table 5.5 (continued)
Market parking rentals
Monthly parking rands per bay per month (excl. VAT)
As in quarter 2012:1

	Covered reserved parking				Under shade net	Open-air parking
	Gr A ⁺	Gr A	Gr B	Gr C		
Essex Terrace	-	475	475	450	350	325
Westway	612	575	550	-	-	375
La Lucia Ridge	650	600	550	-	-	375
Westville	-	500	425	300	-	350
Pinetown	-	-	-	-	-	-
Hillcrest-Kloof (Upper Highway)	300	300	280	250	200	150
Port Elizabeth CBD	-	-	-	-	-	-
Greenacres : Parks	-	350	-	-	-	250
Greenacres: Single	-	450	-	-	-	250
Walmer Park 1, 2 & 3	-	300	-	-	-	250
South End	-	200	-	-	-	150
Humewood	-	-	-	-	-	-
Cape Road	-	400	-	-	250	250
East London	-	-	-	250	-	-
East London dec.	-	-	-	-	-	-
Cape Town CBD	1.150	1.000	800	800	550	450
Sea Point	1.025	1.000	800	700	500	400
V&A Portsworld Ridge	1.350	1.075	1.000	950	600	575
Granger Bay	1.267	1.100	900	700	500	400
Salt River	800	700	600	500	400	300
Woodstock	800	700	600	500	450	400
Observatory	775	700	600	500	400	433
Mowbray	825	875	737	600	608	481
Kenilworth (Racecourse)	650	750	600	500	400	350
Rondebosch/Newlands	925	850	600	400	450	350
Wynberg	750	750	650	400	400	350
Westlake	750	617	500	400	300	325
Tokai	717	500	400	200	200	300
Claremont Lower**	800	650	500	300	200	275
Claremont Upper	925	850	600	400	300	375
Hout Bay	800	600	500	300	250	200
Noordhoek (Sun Valley)	700	600	500	300	250	200
Pinelands	700	625	500	300	250	200
Athlone	-	500	400	300	250	200
Milnerton	700	500	400	300	250	200
Panorama	600	500	400	300	250	200
Tableview/Parklands	600	500	400	300	250	200
Century City	750	725	500	350	467	362
Maitland	600	500	400	300	250	200
Goodwood (N1 City)	675	600	525	300	350	200
Tygerberg Hills	725	600	525	300	300	250
Bellville CBD	650	600	475	300	200	150
Tyger Valley area	667	525	483	300	275	250
Durbanville	800	700	500	300	250	200
Airport	-	-	-	-	-	-
Kuils River	600	400	300	200	150	150
Somerset West Town	700	600	500	3200	200	150
Somerset West Mall area	700	600	500	400	300	200
Strand	700	600	500	400	300	200
Gordon's Bay	600	500	400	300	200	200

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

** Claremont Lower: east of Main Road

Table 5.6
Office rental escalation rates on new leases (%)
Average escalation rate on net rentals for quarter 2012:1

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

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

** Claremont Lower: east of Main Road

Table 5.7
Typical gross outgoings for prime office buildings
 As reported by brokers
 R/rentable m² per month: quarter 2012:1

	Mean	SD	n
Johannesburg CBD	18,50	1,50	4
Braamfontein	16,40	3,61	5
Sandton	27,50	1,68	6
Dunkeld West	25,25	4,98	6
Wierda Valley	23,83	1,97	6
Randburg Ferndale	17,60	3,88	5
Rivonia	20,00	1,10	5
Rosebank	28,14	4,05	7
Illovo	25,07	2,70	7
Illovo Boulevard	26,67	2,36	6
Chiselhurst	26,30	3,46	5
Parktown	22,25	2,94	6
Richmond/Milpark	19,00	3,41	5
Bedfordview	22,00	4,80	6
Bruma	21,40	4,45	5
Meadowbrook	-	-	-
Woodmead	22,50	2,97	5
Sunninghill	22,10	2,94	5
Bryanston/Epsom	24,57	3,99	7
Fourways	22,20	1,94	5
Houghton	21,00	1,22	4
Melrose Arch	30,29	4,83	7
Hydepark	24,00	3,63	5
Eastgate/Kramerville	19,00	2,16	3
Ormonde	16,50	3,50	2
Midrand	17,50	2,10	5
Hendrik Potgieter Corridor	19,00	2,94	3
Pretoria CBD	15,00	-	1
Lynnwood Glen	12,00	-	1
Lynnwood	10,00	-	1
Lynnwood Manor	20,00	-	1
Lynnwood Ridge	15,00	-	1
Faerie Glen	10,00	-	1
Val de Grace	-	-	-
Menlyn	35,00	-	1
Menlo Park (Brooks St.)	15,00	-	1
Brooklyn/Waterkloof	10,00	-	1
Nieuw Muckleneuk	10,00	-	1
Hatfield	10,00	-	1
Centurion	11,50	3,50	2
Highveld Technopark	10,00	-	1
Sunnyside	10,00	-	1
Arcadia	12,00	-	1
Murrayfield	8,00	-	1

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

Table 5.7 (continued)
Typical gross outgoings for prime office buildings
 As reported by brokers
 R/rentable m² per month: quarter 2012:1

	Mean	SD	n
Nelspruit	22,00	-	1
Polokwane	18,00	1,00	2
Bloemfontein CBD	11,50	5,76	3
Westdene	14,17	5,95	3
Durban CBD	24,00	-	1
Durban Berea	28,00	-	1
Essex Terrace	29,00	-	1
Westway	30,00	0,00	2
La Lucia Ridge	32,00	-	1
Westville	29,00	1,00	2
Pinetown	-	-	-
Hillcrest-Kloof (Upper Highway)	30,00	-	1
Port Elizabeth CBD	13,50	-	1
Greenacres : Parks	13,50	-	1
Greenacres: Single	13,50	-	1
Walmer Park 1, 2 & 3	12,00	-	1
South End	12,00	-	1
Humewood	12,00	-	1
Cape Road	12,00	-	1
East London CBD	18,10	-	1
East London decentralized	-	-	-
Cape Town CBD	30,00	-	1
Sea Point	30,00	-	1
V&A Portswood Ridge	30,00	-	1
Granger Bay	30,00	-	1
Salt River	25,00	-	1
Woodstock	25,00	-	1
Observatory	25,00	-	1
Mowbray	23,50	1,50	2
Kenilworth (Racecourse)	25,00	-	1
Rondebosch/Newlands	22,00	-	1
Wynberg	25,00	-	1
Westlake	25,00	0,00	2
Tokai	25,00	0,00	2
Claremont Lower**	25,00	-	1
Claremont Upper	25,00	-	1
Hout Bay	25,00	-	1
Noordhoek (Sun Valley)	22,00	-	1
Pinelands	25,00	0,00	2
Athlone	20,00	-	1

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

Table 5.7 (continued)
Typical gross outgoings for prime office buildings
 As reported by brokers
 R/rentable m² per month: quarter 2012:1

	Mean	SD	n
Milnerton	20,00	-	1
Panorama	22,00	-	1
Table View / Parklands	25,00	-	1
Century City	25,00	0,00	2
Maitland	25,00	-	1
Goodwood (N1 City)	21,00	1,00	2
Tygerberg Hills	25,00	-	1
Bellville CBD	25,00	-	1
Tyger Valley area	25,00	-	1
Durbanville	22,00	-	1
Airport	-	-	-
Kuils River	-	-	-
Somerset West Town	-	-	-
Somerset West Mall area	-	-	-
Strand	-	-	-
Gordon's Bay	-	-	-

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

Table 5.8
Escalation rates on operating costs

Node	2012:1	Node	2012:1
Johannesburg CBD	9,9	Durban Berea	-
Braamfontein	9,6	Essex Terrace	-
Sandton CBD	9,4	Westway	10,0
Dunkeld West	9,3	La Lucia	-
Wierda Valley	9,0	Westville	10,0
Randburg Ferndale	9,0	Pinetown	-
Rivonia	8,7	Hillcrest-Kloof (Upper Highway)	10,0
Rosebank	9,0	Empangeni	-
Illovo	9,0	Richards Bay	-
Illovo Boulevard	9,0	Port Elizabeth CBD	8,0
Chiselhurst	9,3	Port Elizabeth dec	9,0
Parktown	9,6	East London CBD	8,0
Richmond/Milpark	9,0	East London	-
Bedfordview	9,2	Cape Town CBD	7,5
Bruma	8,8	Sea Point	7,5
Meadowbrook	10,0	V&A Portswood Ridge	7,5
Woodmead	9,0	Granger Bay	7,5
Sunninghill	9,0	Salt River	6,0
Bryanston/Epsom	9,5	Woodstock	7,5
Fourways	9,0	Observatory	7,5
Houghton	9,6	Mowbray	8,0
Melrose Arch	9,3	Kenilworth (Racecourse)	7,5
Hydepark	9,0	Westlake	7,5
Eastgate/Kramerville	8,8	Tokai	7,5
Ormonde	8,7	Claremont Lower	8,3
Midrand	9,4	Claremont Upper	8,3
Hendrik Potgieter Corridor	9,0	Hout Bay	7,5
Pretoria CBD	12,0	Noordhoek (Sun Valley)	7,5
Lynnwood Glen	10,0	Pinelands	6,0
Lynnwood	10,0	Athlone	6,0
Lynnwood Manor	12,0	Milnerton	6,0
Lynnwood Ridge	11,0	Panorama	6,0
Faerie Glen	10,0	Rondebosch/Newlands	6,0
Val de Grace	-	Wynberg	6,0
Menlyn	12,0	Table View / Parklands	6,0
Menlo Park (Brooks St)	10,0	Century City	8,7
Brooklyn/Waterkloof	10,0	Maitland	6,0
Nieuw Muckleneuk	11,0	Goodwood (N1 City)	7,5
Hatfield	10,0	Tygerberg Hills	8,0
Centurion	8,5	Bellville CBD	6,0
Highveld Technopark	10,0	Tyger Valley area	8,0
Sunnyside	10,0	Durbanville	6,0
Arcadia	10,0	Airport	-
Murrayfield	10,0	Kuils River	-
Nelspruit	10,0	Somerset West Town	-
Polokwane	8,5	Somerset West Mall area	7,0
Bloemfontein	11,3	Strand	7,0
Westdene	12,0	Gordon's Bay	7,0
Durban CBD	-	George	-

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

** Claremont Lower: east of Main Road

Chapter 6: Office demand and vacancies

Drivers of demand losing their oomph

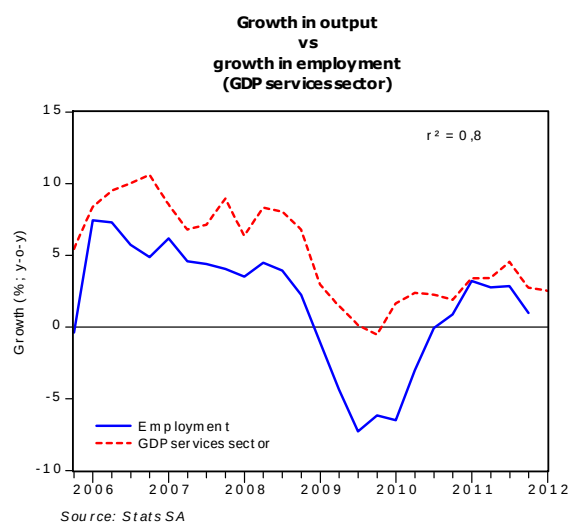
Written by Anneke Meijers

Although the demand for office property remained roughly at the same level as it was a year ago, for now, no sudden improvement can be expected. This is so considering that some of the key demand drivers are now losing their vigour.

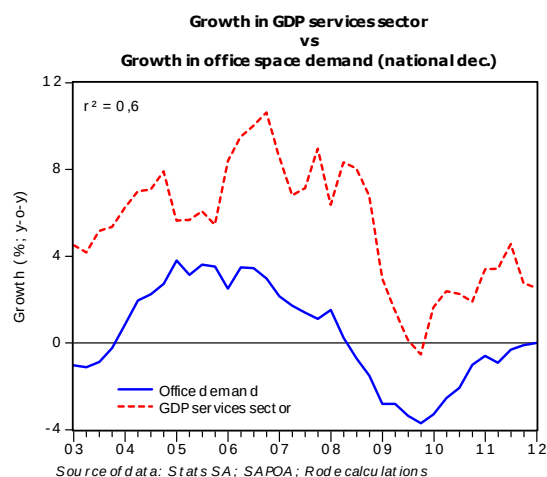
In the first quarter of 2012, office vacancy rates (on a national decentralized basis) remained steady at about 8%, the approximate rate of the past 6 quarters. More revealing, however, is that after shrinking for more than three years, demand for office space was, in the reporting quarter, at least at the same level it was a year ago. However, discouraging for the demand and vacancy-rate outlook is the deceleration in output produced by the services sector (i.e. GDP of services). In the reporting quarter, yearly growth decelerated to 2,5%.

Besides being the largest sector, in terms of its overall contribution to GDP, this sector is also arguably the largest user of office space. Therefore, waning growth in output does not bode well for employment prospects, which in turn implies continued weak demand for office space.

The corresponding graph shows the robust relationship between growth in output and employment in the services sector. The coefficient of determination ($r^2 = 0,8$) shows that 80% of the change in employment can be explained by changes in output. What's more, although the impact of output on employment is immediate, lag-effects of up to 2 quarters also take place, albeit with a waning impact.

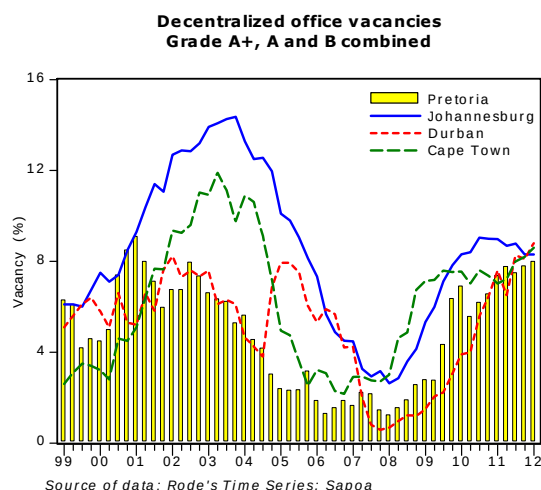


Additional evidence in support of the importance of the services sector to the office market can be found in the graph that follows. It shows the strong tendency for the growth in output produced by the services sector and the growth in office demand to move together over time.

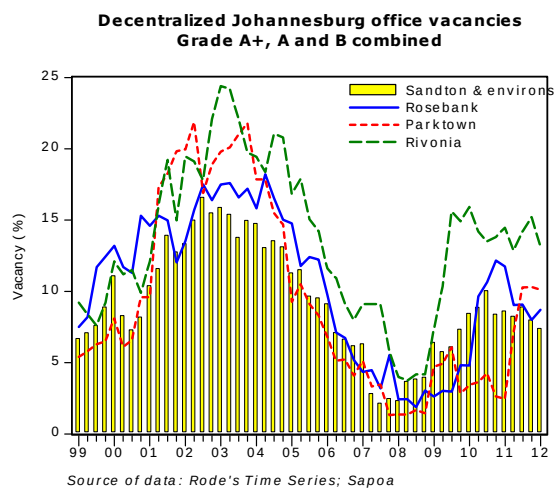
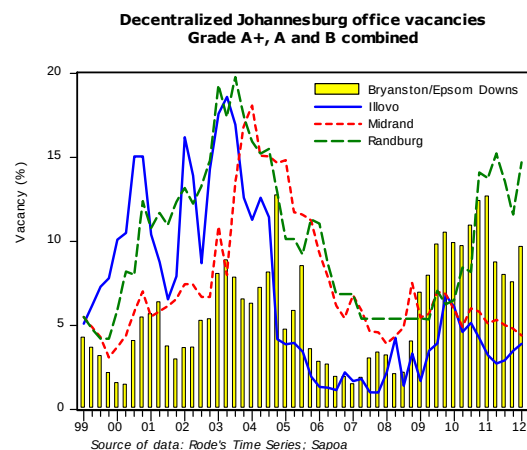


The national picture could, however, hide differences within regions and nodes.

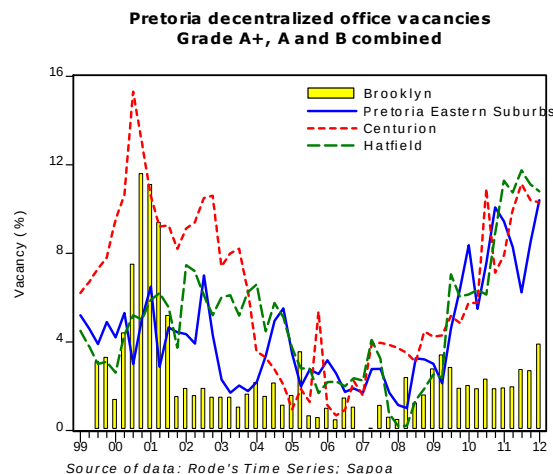
As for vacancy rates, at the regional-decentralized level, the vacancy trend over the past few quarters in Pretoria, Durban and Cape Town has remained marginally north. The exception is Johannesburg decentralized, where vacancy rates have shown marginal declines. This is confirmed by trends within some of the top decentralized office nodes where, in most cases, the direction in vacancy rates has been south. The exception is Parktown, where vacancy rates have been trekking strikingly north over the past few quarters.



Some of the least rented-up nodes are Randburg (15%), Bedfordview (14%), Rivonia (13%), Fourways (11%), Parktown (10%), Bryanston / Epsom Downs (10%) and Bruma (10%), where vacancy rates remain in the double-digits. The lowest vacancy figures were recorded in Illovo (4% - although rising) and Midrand (4%). All these vacancies are for grades A and B combined. In the popular nodes of Sandton & environs and Rosebank, vacancy rates are currently at 7% and 9% respectively. The popularity of these two nodes is confirmed by the large amounts of building activity that is still expected to take place here (see **Table 6.1**). Rosebank, however, is a cause for concern. Here the 93.000 m² expected to come online represents roughly 30% of the current stock. Furthermore, oversupply is seemingly already an issue. This is so considering that the node has been struggling with a double-digit grade-A vacancy rate for a number of quarters now.



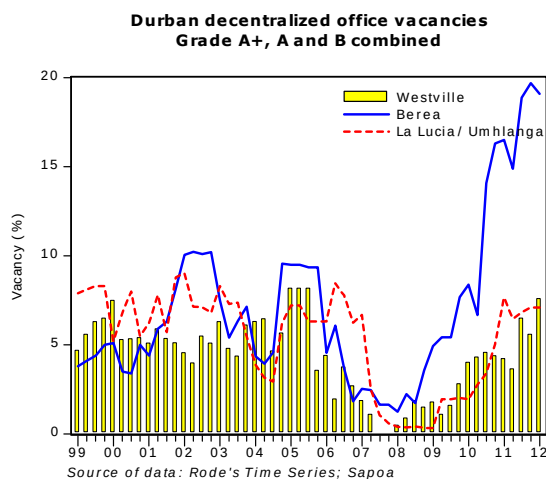
Overall, vacancies rose in Pretoria decentralized, with the exception of Hatfield, where the vacancy rate marginally decreased over the past year. Although higher than a year ago, the vacancy rate in Brooklyn was still the lowest at 4%.



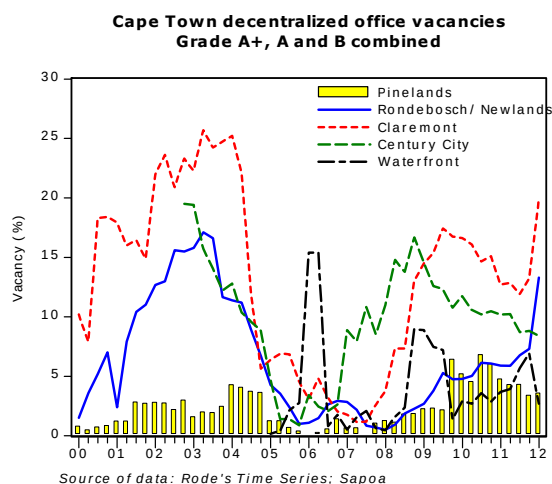
This is in stark contrast to other Pretoria decentralized nodes such as Menlyn (13%),

Hatfield (11%), Centurion (10%) and the Pretoria Eastern Suburbs (10%). Despite high vacancy rates in the Pretoria Eastern Suburbs and Centurion, another 40.000 m² and 50.000 m² respectively, are expected to be completed in the near future.

As for Durban decentralized, the news is not good either. Vacancies in Berea keep on skyrocketing, now nearly reaching the 20% level, not even taking vacancies of grade-C offices into account. In Westville, the vacancy percentage jumped marginally to just under 8%, while in the popular node of Umhlanga / La Lucia it remained steady at 7%.



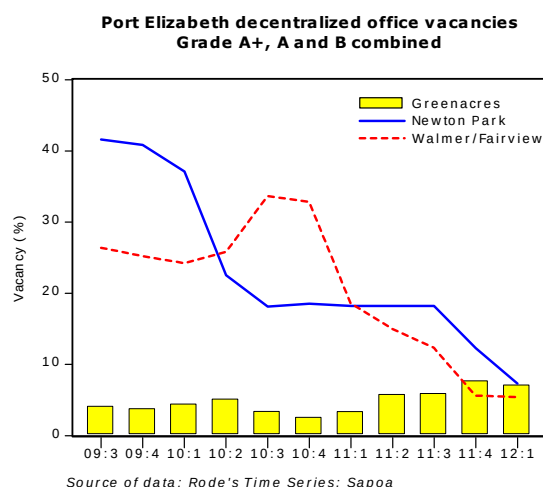
A closer look at the overall 9% average vacancy rate recorded for Cape Town decentralized, reveals sharp jumps in vacancy rates in Rondebosch/Newlands (now 13%) and Claremont (20%). Elsewhere, vacancy rates dropped. In the reporting quarter, the lowest vacancy rates were recorded in the Waterfront (3%) and Pinelands (4%).



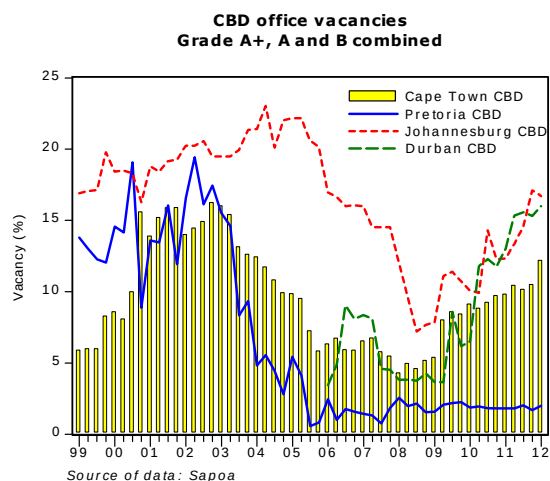
Over the past year, the largest decrease in vacancies took place in Century City, where the vacancy rate dropped nearly two percentage points to reach 8%.

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 grades A+, A and B properties as in April 2012 were 8%, 7% and 15% respectively. During tough times it is evidently not a good idea to hold grade B space, never mind grade C.

The decentralized office areas of Port Elizabeth all exhibited decreases in vacancies over the past quarter. In Walmer/Fairview and Newton Park, vacancy rates dropped to 5% and 7% respectively. This is positive news considering that vacancy rates were well into the double digits at this time in 2011.



Unfortunately, the worst news is yet to come. Barring the CBD of Pretoria, vacancies in the CBDs generally kept rising.



In the CBDs of Cape Town (12%), Johannesburg (17%) and Durban (16%) vacancy rates were not only higher when compared to a year ago but also in the double digits. In comparing these CBDs with one another, one must consider that the stock of grades

A and B is shrinking fast through ageing, with the exception of Cape Town, where strong growth is taking place (new supply and renovation are booming).

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

Table 6.1
Committed new developments
As in 2012:1
Source: Sapoa

	Total rentable area m²	Area still available for leasing m²	% unlet	As % of existing A & B stock
Johannesburg & Environs				
Bedfordview	15.000	15.000	100%	7%
Bryanston / Epsom Downs	11.856	11.856	100%	2%
Cresta/Blackheath to Randpark	30.600	3.400	11%	19%
Parktown	7.400	3.500	47%	2%
Fourways	5.937	2.104	35%	4%
Hyde Park / Dunkeld	5.000	5.000	100%	6%
Randburg	26.000	9.000	35%	6%
Rivonia	11.579	4.579	40%	4%
Rosebank	92.977	22.977	25%	33%
Sandton & Environs	83.107	74.107	89%	6%
Sunninghill	23.191	23.191	100%	7%
Woodmead	18.794	16.294	87%	5%
Cape Town & Environs				
CBD Cape Town	71.000	32.500	46%	9%
Bellville	25.000	10.000	40%	5%
Century City	2.200	2.200	100%	1%
V&A Waterfront	14.000	2.000	14%	18%
Durban & Environs				
Umhlanga / La Lucia	35.729	18.029	50%	15%
Hillcrest/Gillits	1.559	1.559	100%	5%
Westville	4.800	4.800	100%	3%
Pretoria & Environs				
Brooklyn / Nieuw Muckleneuk / Groenkloof	7.000	7.000	100%	3%
Centurion	38.400	11.450	30%	11%
Menlyn / Faerie Glen / Ashlea Gardens	76.124	29.074	38%	34%
Pretoria Eastern Suburbs / Route 21	49.573	15.811	32%	14%
Port Elizabeth & Environs				
Greenacres	2.000	2.000	100%	3%
Newton Park	6.237	6.237	100%	33%
Walmer/Fairview	16.265	16.265	100%	95%

Table 6.2
Sapoa office vacancy factors (%)

Grades A⁺, A & B

Source: Sapoa

	March 2011	June 2011	Septem- ber 2011	December 2011	March 2012
Johannesburg					
Bedfordview					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	11,2	11,2	13,7	7,7	8,7
Grade B	17,7	17,7	25,8	28,8	23,9
Total	14,4	14,4	17,6	15,3	14,2
Braamfontein					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	15,3	11,9	14,6	18,6	20,8
Grade B	13,3	14,1	14,6	14,5	12,4
Total	14,4	12,9	14,6	16,7	16,8
Bryanston / Epsom Downs					
Grade A ⁺	N/A	N/A	N/A	0,0	0,0
Grade A	11,7	7,2	6,9	8,4	8,6
Grade B	28,2	33,5	26,3	27,2	35,2
Total	12,7	8,8	8,0	9,1	9,7
Bruma					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	2,0	2,0	3,8	4,6	4,6
Grade B	18,9	18,9	15,4	14,0	14,0
Total	13,0	13,0	10,9	10,4	10,4
CBD Johannesburg					
Grade A ⁺	0,0	0,0	0,0	0,0	0,0
Grade A	6,9	7,1	8,3	12,3	10,2
Grade B	20,1	22,0	23,3	24,2	25,5
Total	12,3	13,4	14,5	17,1	16,7
Constantia Kloof Basin					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	10,2	8,4	8,0	7,7	6,8
Grade B	4,6	4,3	9,5	10,0	12,7
Total	9,9	8,2	8,1	7,8	7,2
Fourways					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	10,5	10,5	9,8	8,9	11,2
Grade B	0,0	0,0	0,0	0,0	0,0
Total	10,0	10,0	9,3	8,6	10,7
Houghton/Killarney					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	1,0	2,7	0,7	1,1	4,0
Grade B	12,7	13,8	6,4	6,4	5,8
Total	4,2	5,7	2,2	2,5	4,5

Source of data: Sapoa

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

Grades A⁺, A & B

	March 2011	June 2011	Septem- ber 2011	December 2011	March 2012
Hyde Park / Dunkeld					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	19,2	15,8	11,2	7,5	9,8
Grade B	8,5	10,6	13,6	8,4	7,3
Total	11,5	12,1	12,9	8,2	8,0
Illovo					
Grade A ⁺	5,0	5,9	5,9	5,9	5,9
Grade A	2,1	1,2	1,0	2,0	1,8
Grade B	8,6	10,2	12,1	10,8	14,3
Total	3,2	2,7	2,9	3,5	3,9
Melrose/Waverley					
Grade A ⁺	3,1	3,2	1,9	1,1	0,6
Grade A	13,2	13,2	11,0	11,0	3,1
Grade B	5,3	5,3	8,3	8,3	8,3
Total	5,5	5,6	4,6	4,0	2,0
Midrand					
Grade A ⁺	0,0	0,0	0,0	0,0	0,0
Grade A	2,8	2,5	3,6	2,3	5,0
Grade B	10,9	11,7	10,0	10,4	7,2
Total	5,1	5,3	5,0	4,8	4,4
Milpark					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	0,0	0,0	0,0	0,0	0,0
Grade B	3,5	5,0	5,0	7,9	6,3
Total	3,0	4,4	4,3	6,8	5,4
Morningside					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	4,3	4,9	6,6	6,0	4,3
Grade B	N/A	N/A	N/A	N/A	N/A
Total	4,3	4,9	6,6	6,0	4,3
Parktown					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	1,1	4,1	3,4	3,2	3,0
Grade B	3,2	8,6	13,9	13,6	13,9
Total	2,4	7,2	10,3	10,3	10,1
Randburg					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	17,9	17,9	8,2	8,0	8,0
Grade B	13,4	15,0	14,1	12,1	15,6
Total	13,7	15,2	13,6	11,6	14,7

Source of data: Sapoa

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

	March 2011	June 2011	Septem- ber 2011	Decem- ber 2011	March 2012
Rivonia					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	17,7	13,8	13,8	81,0	47,6
Grade B	13,0	12,5	14,4	12,6	11,9
Total	14,5	12,9	14,2	15,2	13,2
Rosebank					
Grade A ⁺	N/A	N/A	N/A	28,2	28,2
Grade A	23,2	16,6	14,0	12,9	13,7
Grade B	2,6	3,0	5,0	4,4	3,1
Total	11,7	9,1	9,1	8,8	8,7
Sandton & environs					
Grade A ⁺	0,0	0,0	4,0	3,9	3,0
Grade A	8,4	8,4	7,0	6,2	6,6
Grade B	16,0	15,5	13,8	12,3	10,6
Total	8,6	8,3	8,9	8,0	7,4
Sunninghill					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	7,3	7,9	7,3	8,8	6,8
Grade B	N/A	N/A	N/A	N/A	N/A
Total	7,3	7,9	7,3	8,8	6,8
Woodmead					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	10,4	9,2	8,5	8,1	7,5
Grade B	21,9	24,0	24,4	26,5	36,3
Total	11,0	9,9	9,3	9,0	8,9
Cape Town					
Bellville (incl. Tyger V)					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	5,5	6,3	7,2	7,8	6,6
Grade B	7,8	8,1	13,9	13,3	13,5
Total	6,2	6,8	9,2	9,4	8,6
CBD Cape Town					
Grade A ⁺	0,0	0,0	0,0	0,0	0,0
Grade A	10,8	11,6	11,5	12,4	14,6
Grade B	8,8	9,0	8,5	8,0	8,9
Total	9,8	10,4	10,2	10,5	12,2
Century City					
Grade A ⁺	N/A	N/A	N/A	0,0	0,0
Grade A	10,7	10,6	9,3	9,6	8,3
Grade B	5,9	7,4	4,4	4,4	10,5
Total	10,2	10,2	8,7	8,8	8,4

Source of data: Sapoa

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

Grades A⁺, A & B

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

Source of data: Sapoa

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

Grades A⁺, A & B

	March 2011	June 2011	Septem- ber 2011	December 2011	March 2012
Pretoria					
Arcadia					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	5,0	5,0	5,1	1,4	1,4
Grade B	3,8	3,8	6,7	4,8	6,1
Total	4,7	4,7	5,5	2,2	2,5
Brooklyn					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	1,2	1,5	1,8	1,8	3,3
Grade B	4,2	3,4	5,8	5,8	6,0
Total	1,9	2,0	2,7	2,7	3,9
CBD Pretoria					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	0,7	0,7	0,9	0,1	0,9
Grade B	2,4	2,4	2,6	2,6	2,6
Total	1,8	1,8	2,0	1,7	2,0
Centurion					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	6,2	8,2	9,4	8,1	8,1
Grade B	9,1	11,3	12,4	12,2	12,0
Total	7,9	9,9	11,1	10,4	10,3
Hatfield/Hillcrest					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	5,8	7,7	8,9	8,2	8,5
Grade B	14,8	12,8	13,7	13,1	12,4
Total	11,3	10,7	11,8	11,1	10,8
Highveld Technopark					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	7,6	9,0	7,1	8,5	6,5
Grade B	8,2	10,5	8,5	10,5	7,7
Total	7,7	9,4	7,5	9,1	6,8
Menlyn					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	5,0	4,0	4,0	5,2	13,7
Grade B	19,3	25,4	9,1	11,1	11,1
Total	8,3	10,1	5,1	6,5	13,2

Source of data: Sapoa

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

Grades A⁺, A & B

	March 2011	June 2011	Septem- ber 2011	December 2011	March 2012
Pretoria Eastern Suburbs					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	13,0	10,5	9,6	10,2	14,1
Grade B	5,3	5,3	1,7	5,0	5,3
Total	9,4	8,3	6,2	8,5	10,4
Lynnwood					
Grade A ⁺	N/A	1,3	1,3	1,3	0,0
Grade A	2,9	8,2	8,4	3,7	3,5
Grade B	6,4	6,6	9,8	7,5	6,5
Total	4,6	6,5	8,0	5,2	4,5
Port Elizabeth					
Greenacres					
Grade A ⁺	0,0	0,0	0,0	0,0	14,1
Grade A	3,8	0,0	0,0	0,0	6,6
Grade B	3,0	6,9	7,1	9,2	6,3
Total	3,4	5,8	5,9	7,7	7,1
Newton Park					
Grade A ⁺	17,6	17,6	17,6	10,6	6,6
Grade A	13,3	13,3	13,3	13,3	13,3
Grade B	22,9	22,9	22,9	18,9	11,3
Total	18,2	18,2	18,2	12,3	7,3
Central / Park Drive					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	N/A	N/A	N/A	N/A	N/A
Grade B	12,1	12,1	1,2	1,2	10,7
Total	12,1	12,1	1,2	1,2	1,2
Walmer/Fairview					
Grade A ⁺	N/A	N/A	N/A	N/A	N/A
Grade A	13,5	13,5	11,0	0,8	0,7
Grade B	28,8	17,9	14,9	15,5	15,5
Total	18,6	15,0	12,3	5,6	5,4
Johannesburg central					
Grade A ⁺	0,0	0,0	0,0	0,0	0,0
Grade A	8,8	8,3	9,8	13,8	12,6
Grade B	18,5	20,3	21,4	22,1	22,7
Total	12,8	13,3	14,5	17,0	16,7

Source of data: Sapoa

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

Johannesburg decentralized					
Grade A ⁺	0,6	0,6	1,9	2,4	1,9
Grade A	8,8	7,8	7,1	6,6	6,6
Grade B	10,8	12,0	12,6	12,0	11,6
Total	9,0	8,7	8,8	8,5	8,3
Pretoria decentralized					
Grade A ⁺	1,7	1,3	1,3	1,7	4,6
Grade A	8,2	9,8	8,5	8,1	8,3
Grade B	8,9	10,0	9,1	9,5	8,8
Total	7,2	8,0	7,5	7,6	8,0
Durban decentralized					
Grade A ⁺	2,1	2,1	2,1	2,1	2,1
Grade A	6,0	4,9	7,4	7,4	9,0
Grade B	10,4	9,5	9,8	9,6	8,4
Total	7,6	6,5	8,3	8,1	8,8
Cape Town decentralized					
Grade A ⁺	0,0	0,0	4,3	0,0	0,0
Grade A	7,3	7,6	7,4	8,0	7,9
Grade B	7,1	6,9	11,1	10,4	12,8
Total	7,0	7,2	8,0	8,2	8,6
National summaries					
National decentralised					
Grade A ⁺	1,1	0,9	1,7	1,9	3,1
Grade A	8,3	7,9	7,4	7,2	7,2
Grade B	9,9	10,9	11,3	11,1	10,7
Total	8,3	8,3	8,4	8,3	8,3
National CBDs					
Grade A ⁺	0,0	0,0	0,0	0,0	0,0
Grade A	9,6	9,6	10,4	12,9	13,0
Grade B	12,6	14,1	14,7	14,9	15,5
Total	11,8	12,4	13,0	14,5	15,1
Source of data: Sapoa					

Chapter 7: Industrial rentals and vacancies

There's a tug-of-war out there

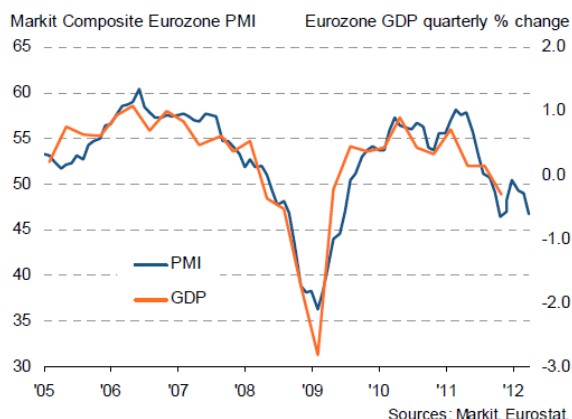
Written by John S. Lottering

The strong growth in output produced by the manufacturing sector, must have been welcoming news for the industrial property market.

In the first quarter of 2012, manufacturing output growth accelerated to 8% (quarter-on-quarter annualized). Disappointing, however, is that despite the impressive quarterly increase, growth decelerated on a yearly basis to 1% from slightly above 2% in the previous quarter.

Holding constant a rand exchange rate (more about this later), weakness in the manufacturing sector is likely to persist.

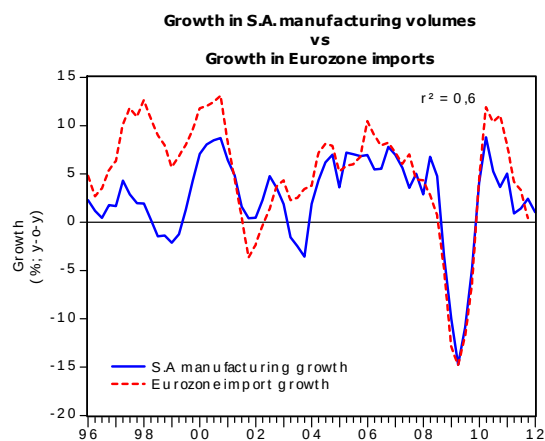
Markit Eurozone PMI and GDP



This is so considering the continued woes in which the Eurozone finds itself. Since the beginning of 2012, the Composite Eurozone PMI (Purchasing-Managers Index) has

dropped below the neutral 50 mark. Produced by *Markit Economics*, the index is based on survey data collected from a representative panel of around 4 500 manufacturing and services firms in the Eurozone.

As displayed in the preceding graph, a likely consequence of the current slump in the index might be a further drag on economic growth in the Eurozone. Ultimately, this could mean weaker demand for manufactured goods from South Africa, as Europe is a major destination market for SA goods.



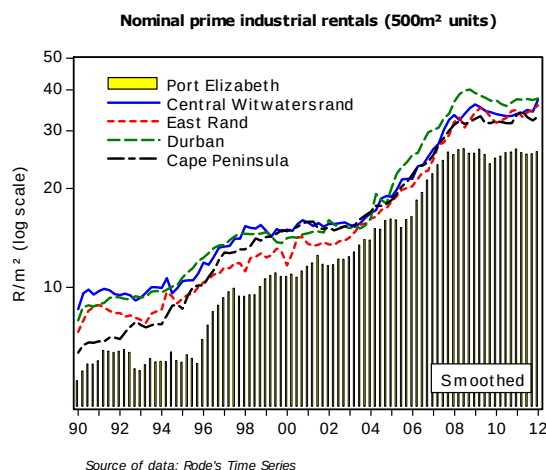
The preceding graph shows the robust correlation between growth in Eurozone imports and growth in S.A. manufacturing output. Over the 15-year period displayed in the graph, roughly 60% ($r^2 = 0.6$) of the change in SA manufacturing volumes is explained by changes in Eurozone imports.

Furthermore, considering that the manufacturing sector is the second biggest sector of our economy, this also highlights our overall economic dependence on a healthy European economy.

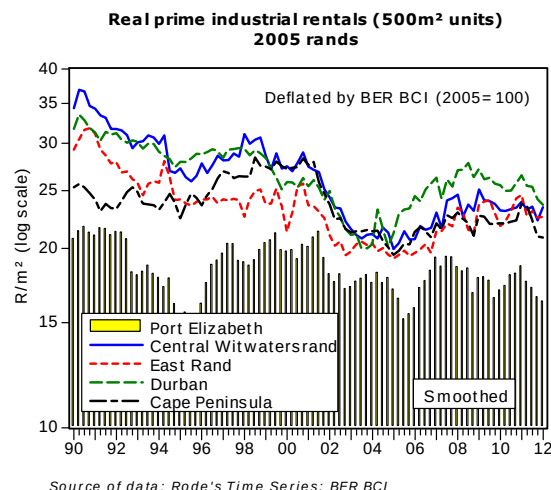
So far we have considered the bad news relating to the Eurozone crisis (depressing demand for SA-manufactured goods). But there is another side to this story, and that is the current weakness of the rand (as in early June 2012), not to mention its potential to weaken even further. Evidently rand weakness makes SA goods more competitive, but what the outcome of this tug-of-war will be, is anyone's guess. This is especially so because of SA's vulnerability to fickle portfolio inflows that are currently propping up the rand exchange rate. Imagine a situation where portfolio inflows become outflows.

Needless to say, a poorly performing manufacturing sector does not bode well for industrial property demand and rentals. In fact, in the first quarter of 2012 only on the Central Witwatersrand (+10%) were rentals able to buck the trend of generally poor yearly growth.

In other major industrial conurbations such as the East Rand (+3%), Durban (+0,5%), the Cape Peninsula (-1%) and Port Elizabeth (-2%) rentals either showed poor growth or contracted when compared to a year ago.



Building-cost inflation — as measured by the BER BCI — was roughly 13% over the past year. Using this inflation rate as a deflator, and we end up with rentals that in *real* terms are lower than a year ago.



In **Table 7.1** we examine pioneer industrial rentals, which provide a quick-and-dirty prognosis for the short-term direction of industrial rentals. These rentals suggest that there is still great upside potential for industrial-rental growth, if only the economy would perform! This seems unlikely at the moment and could more realistically be explained as outliers; either that, or they are facilities specially built for customers, and therefore, reflect a reasonable rental return on today's building cost.

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. ■

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

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

Readers are reminded that the vacancy figures in the graph above are not actual vacancy percentages, but rather graduations on a 0-9 vacancy scale. For more information, see the notes to the industrial tables on p.71. Furthermore, the vacancies are for all the unit sizes (250 m², 500 m², 1.000 m², 2.500 m² and 5.000 m²) combined, as surveyed by Rode. In reality, vacancies could differ across the different-sized units.

Table 7.1
Pioneer rental rates
for new, state-of-the-art industrial developments
during quarter 2012:1
Highest gross rental rates achieved (1.000m² units)
Rands per rentable square m² (excl VAT)

	Pioneer	Normal Prime	Difference (%)
Central Witwatersrand	65,00	37,27	74%
West Rand	55,00	30,67	79%
East Rand	60,00	35,55	69%
Pretoria	68,00	36,12	88%
Durban	68,00	36,14	88%
Nelspruit	72,00	41,00	76%
Cape Peninsula	65,00	31,47	107%
Port Elizabeth	40,00	24,88	61%
Bloemfontein	55,00	25,75	114%

Table 7.2
Mean prime industrial market rentals as in quarter 2012:1
 (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	47,50	47,50	51,25	50,00	48,33	1,0	3,815	0,011	0,38
Wynberg Proper	31,60	30,10	30,83	28,50	25,90	3,0	3,798	-0,060	-0,91
Strijdom Park	44,00	42,40	40,40	38,67	41,25	2,7	3,924	-0,029	-0,72
Kya Sand	40,00	41,25	37,00	35,50	35,00	2,0	4,014	-0,055	-0,91
Clayville/Olifantsfontein	-	-	35,00	33,75	33,75	-	-	-	-
Chloorkop	-	-	35,00	35,00	36,25	-	-	-	-
Amalgam	36,50	35,00	35,00	31,00	30,00	1,0	3,988	-0,068	-0,96
Crown Mines	42,00	40,00	36,50	35,00	31,50	2,0	4,255	-0,093	-0,99
Industria	31,33	31,33	29,67	29,00	26,33	3,0	3,774	-0,056	-0,94
Booyens/Booyens Reserve/Ophirton	32,00	30,00	28,00	25,00	25,00	1,0	3,952	-0,089	-0,98
Village Main/Village Deep/New Centre	28,50	27,50	26,33	25,00	25,00	1,0	3,604	-0,047	-0,98
Benrose	29,00	29,00	26,00	25,50	24,50	2,0	3,712	-0,061	-0,95
Steeledale/Electron/Tulisa Park	31,50	31,50	28,50	28,00	27,00	2,0	3,766	-0,056	-0,95
Aeroton	30,00	30,00	32,33	33,33	31,67	1,0	3,251	0,028	0,73
Devland/Nancefield	25,00	23,00	22,00	20,00	18,00	2,0	3,800	-0,105	-0,99
Cleveland/Heriotdale	32,00	31,50	28,50	28,00	27,50	1,0	3,767	-0,055	-0,94
Newlands/Martindale	24,75	27,00	27,00	25,00	22,00	3,0	3,520	-0,043	-0,61
Kew/Wynberg East	25,00	24,67	23,17	22,50	21,83	4,0	3,486	-0,048	-0,98
Bramley View/Lombardy West	25,00	25,00	25,00	20,00	20,00	-	3,762	-0,090	-0,89
Marlboro	22,50	22,50	22,50	22,50	22,50	-	3,114	0,000	-
Halfway House: hi-tech strip	47,00	46,38	45,00	45,23	45,00	2,0	3,923	-0,014	-0,87
Halfway House: Richards Drive	43,88	46,83	47,50	41,00	40,00	4,0	4,086	-0,044	-0,69
Commercia	35,00	35,00	-	-	-	-	-	-	-
Kramerville/Eastgate Ext12 & Ext13	48,00	48,00	45,50	45,50	42,50	1,5	4,097	-0,039	-0,93
Centurion	45,00	45,00	45,00	45,00	45,00	-	3,807	0,000	0,00
Linbro Park	53,50	53,50	53,75	53,33	54,17	2,3	3,963	0,003	0,54
Wesco Park/Eastgate Ext3, Ext11, Ext6, Ext8/Malboro North (New)	46,67	46,67	46,67	45,00	43,33	1,5	3,994	-0,025	-0,90

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2012:1
 (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				
City Deep	40,67	40,67	40,50	40,75	40,50	1,0	3,709	-0,001	-0,33
North Riding	48,17	47,25	46,00	49,83	46,50	-	3,869	-0,001	-0,04
Samrand Centurion	45,00	45,00	48,50	51,50	51,50	2,0	3,501	0,054	0,95
Barbeque Downs	47,50	47,50	-	-	-	-	-	-	-
Selby Ext 12/13/15/19/20/24/City West	43,50	42,50	39,00	37,50	36,50	1,2	4,118	-0,062	-0,98
Selby Ext 5/10/14/18	31,50	30,00	29,00	27,50	26,50	1,0	3,760	-0,057	-1,00
Selby Ext 11	31,50	30,00	29,00	27,50	26,50	1,0	3,760	-0,057	-1,00
Selby Ext 3/4/6	28,50	27,50	26,50	25,00	25,00	1,0	3,606	-0,047	-0,98
Denver (Old)	22,50	22,50	19,00	18,00	17,00	1,0	3,698	-0,103	-0,96
Denver (New)	37,33	35,00	31,00	30,00	29,00	1,0	4,077	-0,086	-0,96
Kyalami Business Park	50,83	50,83	50,83	50,83	50,83	0,0	3,928	0,000	-
Reuven	-	30,00	28,00	25,00	25,00	1,0	-	-	-
Selby (Old)/Selby Ext2/Park Central	32,00	30,00	28,00	25,00	25,00	1,0	3,952	-0,089	-0,98
Robertsham	32,00	30,00	28,00	25,00	25,00	1,0	3,952	-0,089	-0,98
Fordsburg/Mayfair	-	-	-	-	-	-	-	-	-
Central Witwatersrand	38,41	38,01	36,91	35,96	35,08	2,6			
West Rand									
Lea Glen	31,00	30,00	28,00	26,50	25,00	2,0	3,842	-0,073	-1,00
Honeydew X19, 20, 21 & 22	44,75	44,38	42,50	40,00	39,00	3,0	4,090	-0,050	-0,98
Stormill	32,33	31,67	31,67	29,00	30,00	2,5	3,655	-0,032	-0,85
Chamdor	28,00	25,00	24,00	20,50	20,00	1,5	3,955	-0,115	-0,98
Factoria	25,00	25,00	22,00	21,00	19,00	3,0	3,768	-0,095	-0,97
Randfontein: Delporton/ Aureus	23,00	22,00	22,00	20,00	18,00	3,0	3,584	-0,078	-0,95
Boltonia	22,00	22,00	20,00	19,00	18,00	4,0	3,507	-0,072	-0,98
Roodepoort:	25,00	24,00	22,00	20,00	20,00	4,0	3,676	-0,083	-0,97
Industria North	30,50	30,50	27,67	25,50	21,50	2,0	4,103	-0,116	-0,95
Robertville	31,33	31,00	28,33	27,67	26,00	2,5	3,806	-0,064	-0,97
Laserpark	38,50	37,50	37,50	35,50	35,50	1,0	3,810	-0,029	-0,95
West Rand	32,77	32,02	29,80	27,85	26,25	2,5			

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2012:1
 (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				
East Rand									
Elandsfontein	34,29	33,56	32,10	30,40	31,00	2,7	3,751	-0,040	-0,94
Tunney/Greenhills	44,12	44,00	43,62	42,88	41,62	2,0	3,899	-0,019	-0,94
Henville	40,14	40,14	37,71	39,33	38,00	1,7	3,779	-0,016	-0,66
Meadowbrook/Wilbart	37,20	36,20	34,50	34,80	32,60	1,3	3,831	-0,039	-0,94
Sunnyrock	42,00	41,67	40,83	38,83	38,00	2,1	3,946	-0,036	-0,98
Rustivia/Activia Park	33,50	33,33	32,00	32,00	31,00	1,9	3,655	-0,026	-0,95
Eastleigh	33,83	33,83	33,17	30,67	30,00	1,6	3,790	-0,045	-0,95
Sebenza Ext 14	33,71	33,71	32,86	31,00	30,40	1,9	3,746	-0,039	-0,97
Spartan Ext 16 (Sebenza Link) + Ext 1,3,7	35,29	34,86	33,64	31,67	30,00	1,9	3,887	-0,056	-0,98
Isando	34,56	34,67	35,40	34,70	33,33	2,5	3,610	-0,010	-0,54
Isando 3	35,00	35,00	36,29	33,43	32,33	2,7	3,733	-0,028	-0,75
Jet Park	40,25	40,50	40,11	39,56	40,56	2,6	3,702	-0,001	-0,15
Alrode & Xs	31,75	30,75	28,75	26,75	25,25	1,7	3,902	-0,079	-1,00
Alrode South	26,67	26,67	25,00	24,33	23,50	3,0	3,544	-0,045	-0,97
Alberton	28,75	28,75	25,00	25,00	24,50	2,0	3,689	-0,060	-0,89
Aeroporto/ Spartan Ext 2	40,75	42,00	41,00	39,00	39,33	2,0	3,837	-0,020	-0,77
Delville	26,00	26,00	24,75	23,00	21,25	2,3	3,671	-0,070	-0,96
Roodekop	27,50	26,80	25,60	25,80	26,40	1,7	3,380	-0,015	-0,63
Wadeville: Industrial zoning	30,00	28,25	27,00	26,00	25,75	1,7	3,664	-0,051	-0,97
Route 24/ Meadowdale	38,00	38,00	39,78	41,25	41,86	2,2	3,428	0,036	0,97
Germiston S/ Industries E	24,83	24,83	24,00	22,33	21,67	1,7	3,509	-0,050	-0,97
Driehoek/ Industries W	29,67	29,67	29,25	28,25	27,25	1,3	3,564	-0,029	-0,95
Knights	25,00	24,75	23,50	22,33	20,67	1,8	3,590	-0,064	-0,98
Spartan Proper	33,29	33,29	30,83	30,17	29,43	2,2	3,762	-0,045	-0,96
Founders View	44,43	44,14	42,75	41,62	40,71	2,0	3,970	-0,031	-0,99
Longmeadow	55,07	55,06	55,06	54,07	53,75	1,6	4,063	-0,009	-0,91

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2012:1
 (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					
Pomona/ Kempton park	41,40	38,25	39,00	43,00	39,50		1,8	3,661	0,005	0,12
East Rand	36,46	36,23	35,55	34,72	33,61		2,0			
Far East Rand										
Boksburg North & East	31,50	31,50	30,00	27,50	27,50		2,0	3,766	-0,054	-0,95
Benoni South	30,00	30,00	30,00	25,00	25,00		2,0	3,845	-0,074	-0,89
New Era/ Vulcania	-	-	-	-	-		-	-	-	-
Nuffield	-	-	-	-	-		-	-	-	-
Fulcrum	-	-	-	-	-		-	-	-	-
Apex	-	-	-	-	-		-	-	-	-
La Boré Brakpan	-	-	-	-	-		-	-	-	-
Morehill Ext 8 Benoni	-	-	-	-	-		-	-	-	-
Far East Rand	31,00	31,00	30,00	26,67	26,67		2,0			
Pretoria										
Mitchell St	35,00	35,00	35,00	-	-		3,0	-	-	-
Pretoria Industrial Township	-	-	-	-	18,00		2,0	-	-	-
Koedoespoort	30,00	-	-	-	-		3,0	-	-	-
Waltloo/ Despatch	-	-	-	40,00	35,00		2,0	-	-	-
Silverton/ Silvertondale	39,00	39,00	39,00	38,00	-		4,0	-	-	-
Samcor Park	-	-	-	40,00	40,00		1,0	-	-	-
Sunderland Ridge	-	-	40,00	35,00	-		6,0	-	-	-
Hermanstad	-	35,00	30,00	30,00	-		4,0	-	-	-
Kirkney	-	35,00	30,00	-	-		-	-	-	-
Hennospark X15 & X7	-	55,00	51,00	-	-		4,0	-	-	-
Gateway	-	60,00	50,00	50,00	-		-	-	-	-
Lyttleton Manor X4/X6	-	-	45,00	-	-		-	-	-	-
Pretoria North	-	-	-	-	-		-	-	-	-
Silvertondale X1	38,00	41,50	39,00	-	-		4,0	-	-	-
Brits	-	-	-	-	-		-	-	-	-

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2012:1
 (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					
Klerksoord	-	18,00	16,00	-	-		1,0	-	-	-
Roslyn	30,00	25,00	20,00	20,00	-		4,0	-	-	-
Pretoria	33,88	38,50	36,12	34,67	29,20		3,2			
Polokwane										
Lebowakgomo	-	-	-	-	-		-	-	-	-
Superbia	50,00	35,00	32,00	25,00	-		2,0	-	-	-
Industria	43,00	37,00	32,00	25,00	-		2,0	-	-	-
Ladine	45,00	37,00	32,00	25,00	-		2,0	-	-	-
Futura	40,00	35,00	30,00	22,00	-		2,0	-	-	-
Laboria	45,00	35,00	30,00	25,00	-		2,0	-	-	-
Magna Via	42,00	45,00	42,00	40,00	-		2,0	-	-	-
Seshego	-	-	-	-	-		-	-	-	-
Polokwane	44,17	37,33	33,00	27,00	-		2,0			
Nelspruit										
Nelspruit East	47,50	40,00	37,50	33,00	27,50		3,0	4,777	-0,169	-0,99
Nelspruit West	48,50	43,50	42,50	40,00	35,00		2,5	4,404	-0,096	-0,97
Rocky's Drift	39,50	38,00	35,50	32,50	29,00		2,0	4,261	-0,102	-0,99
Riverside Park	58,50	51,50	48,50	45,00	39,00		3,5	4,739	-0,124	-0,98
Nelspruit	48,50	43,25	41,00	37,62	32,62		2,7			
Durban										
Springfield Park	41,67	41,67	39,50	37,67	37,00		3,7	3,988	-0,045	-0,97
Mayville	-	34,00	33,00	32,00	-		2,0	-	-	-
Phoenix	32,00	32,00	32,00	31,00	29,00		3,5	3,652	-0,030	-0,85
North Coast Rd / Briardene	44,00	42,00	42,00	40,00	40,00		3,0	3,949	-0,032	-0,95
Briardene Industrial Park	46,00	44,00	43,50	40,00	39,33		3,3	4,129	-0,054	-0,98
Umgeni Rd/ Stamford Hill	38,00	38,00	38,00	38,00	-		3,0	-	-	-
Umbilo/ Sydney Rd/ Gale St	35,00	35,00	35,00	40,00	40,00		5,0	3,230	0,054	0,89
Jacobs	37,83	37,83	36,67	36,00	36,00		3,7	3,744	-0,020	-0,95
Mobeni	36,50	36,00	35,00	36,00	36,00		3,0	3,602	-0,003	-0,24

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2012:1
 (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				
Danskraal	-	15,00	13,00	11,00	10,00	2,0	-	-	-
Nambiti	-	15,00	13,00	11,00	10,00	2,0	-	-	-
Colenso	-	-	-	-	-	-	-	-	-
Ladysmith	-	15,00	13,00	11,00	10,00	2,0			
Cape Peninsula									
Viking Place	38,00	35,00	32,50	25,00	22,00	2,5	4,724	-0,190	-0,98
Glosderry	-	45,00	43,00	-	-	-	-	-	-
Paarden Eiland/ Metro	40,33	38,00	36,50	35,00	35,00	2,5	3,943	-0,048	-0,96
Montague Gardens	39,00	37,00	36,00	33,50	34,50	3,5	3,901	-0,046	-0,92
Marconi Beam	44,00	41,67	39,00	38,00	38,00	1,0	4,042	-0,050	-0,94
Killarney Gardens	31,00	29,67	28,50	27,00	25,50	5,0	3,788	-0,064	-1,00
Racing Park	29,33	29,33	26,50	26,50	22,50	5,5	3,862	-0,082	-0,92
Atlantis	-	-	-	-	-	-	-	-	-
Woodstock/ Salt River/ Observatory	40,00	35,00	32,50	30,00	26,50	2,5	4,376	-0,128	-0,99
Athlone 1 & 2	30,00	32,50	30,00	30,00	25,00	3,0	3,791	-0,059	-0,73
Lansdowne Nerissa	30,00	32,50	30,00	30,00	-	5,0	-	-	-
Sand Industria	-	-	-	-	-	-	-	-	-
Ottery Hillstar	35,00	36,50	35,00	35,00	-	3,0	-	-	-
Ottery Sunset	35,00	35,00	35,00	35,00	-	3,0	-	-	-
Diep River	45,00	45,00	40,00	40,00	-	3,0	-	-	-
Elfindale	45,00	45,00	40,00	40,00	-	3,0	-	-	-
Monwood/ Philippi East	27,50	27,50	27,50	25,00	18,00	5,5	4,084	-0,125	-0,82
Retreat/ Steenberg	45,00	45,00	40,00	40,00	-	3,0	-	-	-
Capricorn Park	44,50	43,50	45,00	45,00	-	7,0	-	-	-
Maitland	37,80	35,50	32,20	29,50	27,00	3,6	4,260	-0,113	-1,00
Ndabeni	38,67	34,33	30,67	30,00	26,67	2,8	4,258	-0,114	-0,97
Airport	38,00	37,50	36,00	34,33	32,67	3,0	3,934	-0,052	-0,99
Epping 1 & 2	33,75	32,00	27,33	25,00	23,67	3,7	4,213	-0,126	-0,98
WP Park	37,67	36,00	33,50	31,50	31,00	1,5	4,003	-0,069	-0,98

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2012:1
 (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				
Elsies River (excl. Central Park)	26,50	26,25	23,33	22,33	21,33	3,7	3,719	-0,078	-0,97
Parow Beaconvale	33,00	32,80	30,20	29,25	28,00	3,0	3,827	-0,058	-0,97
Tygerberg Business Park	36,00	34,50	32,00	31,25	29,50	2,0	3,937	-0,065	-0,98
Parow Industria	34,25	31,75	30,67	28,67	27,33	3,0	3,924	-0,073	-0,99
Parow East	31,50	30,00	28,00	26,00	25,00	4,0	3,889	-0,080	-1,00
Bellville Oakdale	-	-	-	-	-	-	-	-	-
Bellville Stikland/ Kaymor	35,25	33,00	32,00	30,33	29,33	2,7	3,878	-0,059	-0,99
Bellville Triangle	32,50	31,33	29,67	28,67	27,67	2,0	3,775	-0,054	-0,99
Bellville South/ Sacks Circle	31,50	29,75	28,67	27,67	27,33	2,3	3,692	-0,047	-0,97
Kraaifontein	31,33	30,33	28,33	27,67	26,00	2,0	3,781	-0,061	-0,99
Brackenfell Industria	31,75	30,50	29,67	28,00	27,33	2,7	3,737	-0,051	-1,00
Everite Brackenfell	34,25	33,75	31,33	30,33	29,33	2,3	3,840	-0,055	-0,98
Kuils River	32,50	30,75	29,67	28,67	27,00	2,0	3,793	-0,058	-0,99
Blackheath	30,00	28,75	28,00	26,67	24,67	2,7	3,745	-0,061	-0,98
Saxenburg Industrial Park	32,33	31,33	30,00	27,50	26,50	3,0	3,872	-0,070	-0,99
Okavango Park	34,33	31,67	30,00	28,00	26,50	2,0	3,989	-0,084	-1,00
Firgrove	-	-	-	-	-	-	-	-	-
The Interchange (Somerset)	-	-	-	-	-	-	-	-	-
Strand Halt	-	-	-	-	-	-	-	-	-
Broadlands	-	-	-	-	-	-	-	-	-
Cape Peninsula	34,75	33,53	31,47	29,85	27,40	3,0			
George									
George Central	20,00	18,00	18,00	-	-	-	-	-	-
Tamsui Industria	-	-	-	-	-	-	-	-	-
George	20,00	18,00	18,00	-	-	-			
Port Elizabeth									
Deal Party	25,00	23,75	22,75	18,75	18,75	3,5	3,832	-0,108	-0,96

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2012:1
 (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				
North End	27,75	25,75	24,25	20,50	20,00	3,5	3,974	-0,117	-0,99
Korsten/ Neave/ Sidwell/ Sydenham	24,00	24,00	21,25	18,25	18,25	3,0	3,808	-0,109	-0,96
South End Walmer	21,00	21,00	21,00	20,00	20,00	2,0	3,163	-0,020	-0,89
Uitenhage: Volkswagen area/Nelson	27,50	27,50	27,50	25,00	25,00	1,0	3,546	-0,039	-0,89
Mandela Bay Logistics Park	17,50	17,50	17,50	15,00	15,00	4,0	3,238	-0,062	-0,89
Uitenhage: Hella/Kruisrivier	22,50	22,25	21,25	19,00	19,00	2,8	3,495	-0,066	-0,96
Struandale	13,75	13,75	13,75	11,50	11,00	4,0	3,129	-0,084	-0,91
Markman Township	28,00	24,75	23,25	23,25	21,50	1,5	3,714	-0,076	-0,93
Perseverance	36,50	36,50	35,00	33,50	32,00	1,5	3,868	-0,046	-0,97
Walmer	29,00	29,00	29,00	29,00	25,25	3,0	3,594	-0,036	-0,71
Greenbushes	41,25	41,25	37,75	35,00	35,00	1,0	4,093	-0,065	-0,95
Fairview	26,89	26,10	24,88	22,12	20,76	2,6			
Port Elizabeth									
Bloemfontein									
Hilton	42,50	36,00	33,50	27,50	18,00	2,0	5,240	-0,262	-0,95
East End	44,00	39,00	33,33	28,50	15,00	2,7	5,669	-0,324	-0,93
Harvey Road	40,00	32,50	26,00	21,33	15,00	2,5	5,426	-0,313	-0,99
Old Industrial	31,50	30,00	22,50	17,50	12,00	2,8	5,339	-0,325	-0,98
Hamilton: Mill St	26,00	22,50	17,50	15,00	13,25	4,0	4,513	-0,230	-0,99
Hamilton: G Lubbe St	25,00	21,50	16,00	14,00	12,75	3,3	4,474	-0,232	-0,98
Estoir	36,50	31,00	27,50	30,00	25,00	2,0	4,099	-0,101	-0,86
Bloemfontein	35,07	30,88	25,75	21,36	15,22	2,8			

Table 7.3
Standard deviation from mean prime industrial market rentals
as in 2012:1

	Area size leased in m²					Contributor codes
	250	500	1.000	2.500	5.000	
Central Witwatersrand						
Cambridge Park	2,50	2,50	4,15	4,08	2,36	AV, BR, MR, RA
Wynberg proper	2,06	2,65	4,26	3,00	2,69	AV, AW, BR, GB, MR, RA
Strijdom Park	2,76	2,24	0,80	3,94	2,17	AJ, AV, AW, BR, GB, RA
Kya Sand	5,10	4,15	2,45	2,87	3,08	AJ, AV, BM, BR, RA
Clayville/ Olifantsfontein	-	-	0,00	1,25	1,25	AV, BR
Chloorkop	-	-	0,00	0,00	1,25	AV, BR
Amalgam	1,50	0,00	0,00	1,00	2,00	BM, RO
Crown Mines	-	-	1,50	0,00	1,50	AV, RO
Industria	3,30	3,30	2,05	2,94	4,19	AV, BM, RO
Booyens/ Booyens Reserve/ Ophirton	-	-	-	-	-	RO
Village Main/ Village Deep/ New Centre	3,50	2,50	1,25	0,00	0,00	AV, BR, RO
Benrose	1,00	1,00	1,00	0,50	0,50	BR, RO
Steeledale/ Electron/ Tulisa	3,50	3,50	1,50	2,00	3,00	BR, RO
Aeroton	-	-	2,05	2,36	2,36	AV, BM, RO
Devland/ Nancefield	-	-	-	-	-	RO
Cleveland/ Heriotdale	3,00	3,50	1,50	2,00	2,50	BR, RO
Newlands/ Martindale	2,25	-	-	-	-	BR, RO
Kew/ Wynberg East	0,00	0,47	1,31	2,04	2,90	AV, AW, MR, RO
Bramley View/ Lombardy West	-	-	-	-	-	GB
Marlboro South (Alexandra)	2,50	2,50	2,50	2,50	2,50	BR, GB, RO
Halfway House: hi-tech strip	2,68	1,39	3,25	3,56	4,75	AV, BM, BR, CL, MR
Halfway House: Richards Drive	2,97	3,17	3,54	2,94	1,63	AV, BR, CL, MR
Commercia	-	-	-	-	-	BR
Kramerville/ Eastgate X12 & X13	2,45	2,45	3,32	3,32	2,50	AW, BR, GB, MR, RA

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2012:1

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Centurion	-	-	-	-	-	AV
Linbro Park	3,00	3,66	1,91	1,86	2,36	AV, AW, BM, BR, MR, RA
Wesco Park/ Eastgate X3,X11,X6,X8/ Marlboro North (New)	2,36	2,36	2,36	0,00	2,36	GB, MR, RA
City Deep	4,12	4,12	1,66	3,27	3,64	AV, BM, BR, RO
North Riding	1,31	3,66	4,32	2,25	1,08	AV, BR, GB
Samrand Centurion	0,00	0,00	3,50	6,50	6,50	AV, BR
Barbeque Downs	-	-	-	-	-	BR
Selby Ext 12/ 13/ 15/ 19/ 20/ 24/ City West	1,50	2,50	1,00	2,50	3,50	BR, RA, RO
Selby Ext 5/ 10/ 14/ 18	6,50	5,00	4,00	2,50	1,50	BR, RO
Selby Ext 11	6,50	5,00	4,00	2,50	1,50	BR, RO
Selby Ext 3/ 4/ 6	3,50	2,50	1,50	0,00	0,00	BR, RO
Denver (Old)	2,50	2,50	1,00	2,00	3,00	BR, RO
Denver (New)	3,30	3,30	1,00	0,00	1,00	BM, BR, RO
Kyalami Business Park	1,18	1,18	1,18	1,18	1,18	AV, BR, MR
Reuven	-	-	-	-	-	RO
Selby (Old)/ Selby X2/ Park Central	6,50	7,50	6,00	7,50	2,50	RA, RO
Robertsham	-	-	-	-	-	RO
Fordsburg/ Mayfair	-	-	-	-	-	
West Rand						
Lea Glen	1,00	0,00	0,00	1,50	3,00	QS, RO
Honeydew X19, 20, 21 & 22	0,43	2,38	3,27	3,74	2,94	AJ, GB, QS, RA
Stormill	2,05	2,36	2,36	2,94	3,56	AV, QS, RO
Chamdor	2,00	0,00	1,00	0,50	0,00	QS, RA
Factoria	-	-	-	-	-	QS
Randfontein: Delporton/ Aureus	-	-	-	-	-	QS

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2012:1

	Area size leased in m²					Contributor codes
	250	500	1.000	2.500	5.000	
Boltonia	-	-	-	-	-	QS
Roodepoort: Technikon/ Manufacta	-	-	-	-	-	QS
Industria North	2,62	2,62	2,05	3,09	3,50	AV, BM, QS
Robertville	1,89	1,41	2,36	2,05	1,41	AV, QS, RO
Laserpark	4,19	5,79	2,50	0,50	4,50	AV, GB, QS
East Rand						
Elandsfontein	1,56	1,64	1,97	2,58	3,62	AV, BM, BQ, BR, GB, HJ, JC, MH, MR, QS, RO
Tunney/Greenhills	1,90	1,87	2,83	2,45	2,94	BR, BQ, GB, HJ, JC, MH, MR, QS, RO
Henville	3,44	3,44	3,61	4,31	1,90	BM, BQ, BR, GB, HJ, JC, MH, MR, QS, RO
Meadowbrook/Wilbart	1,72	2,48	2,24	4,19	3,32	BQ, GB, JC, MH, QS, RO
Sunnyrock	2,52	2,21	3,13	2,79	3,52	BQ, BR, JC, MH, QS, RO
Rustivia/Activia Park	1,80	1,89	3,07	3,13	1,26	BQ, BR, JC, MH, QS, RO
Eastleigh	1,86	1,86	1,95	1,37	1,26	BQ, GB, JC, MH, QS, RO
Sebenza Ext 14	1,67	1,67	1,73	1,15	0,80	BQ, BR, HJ, JC, MH, QS, RO
Spartan Ext 16 (Sebenza Link) + Ext 1,3,7	0,45	0,35	1,09	1,37	1,49	BQ, BR, HJ, JC, MH, MR, QS
Isando	3,95	2,45	3,29	3,38	4,59	AV, BQ, BR, GB, HJ, JC, MH, MR, QS, RO
Isando 3	4,15	4,15	3,04	3,19	3,29	AV, BR, GB, HJ, JC, MR, QS, RO
Jet Park	4,31	3,56	3,96	3,69	4,57	AV, BM, BQ, BR, JC, MH, QS, RO
Alrode & Xs	2,05	2,59	1,30	1,30	1,64	BR, JC, QS, RO
Alrode South	4,15	4,15	4,33	3,42	3,83	BR, JC, QS, RO
Alberton	1,25	1,25	0,00	0,00	0,50	BR, QS
Aeroporto/ Spartan Ext 2	0,83	1,87	1,00	2,37	2,49	BR, JC, QS RO
Boltonia	-	-	-	-	-	QS

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2012:1

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Delville	1,58	1,58	2,17	2,12	2,59	BR, JC, QS, RO
Roodekop	2,50	2,64	2,73	3,25	2,73	BM, BR, JC, QS, RO
Wadeville: Industrial zoning	1,41	2,05	1,87	1,22	1,48	BR, JC, QS, RO
Route 24/ Meadowdale	2,86	2,86	3,29	3,67	4,00	BM, BR, HJ, JC, MH, QS, RO
Germiston S/ Industries E	4,44	4,44	2,87	3,63	4,26	BR, JC, QS, RO
Driehoek/ Industries W	3,30	3,30	2,59	2,05	1,92	BR, JC, QS, RO
Knights	0,71	0,43	2,79	3,63	4,42	BR, JC, MH, QS, RO
Spartan Proper	1,67	1,67	1,68	1,05	0,90	BR, HJ, JC, MH, MR, QS, RO
Founders View	1,76	1,87	2,22	2,29	3,10	BQ, BR, GB, HJ, JC, MH, QS, RO
Longmeadow	2,01	1,88	1,88	2,70	2,95	BM, BQ, BR, GB, JC, MH, QS, RO
Pomona/ Kempton Park	2,33	3,26	2,56	2,91	2,33	BQ, BR, JC, QS, RO
Far East Rand						
Boksburg North & South	1,50	1,50	0,00	2,50	2,50	BR, RO
Benoni	-	-	-	-	-	RO
New Era/Vulcania	-	-	-	-	-	
Nuffield	-	-	-	-	-	
Fulcrum	-	-	-	-	-	
Apex	-	-	-	-	-	
La Boré Brakpan	-	-	-	-	-	
Morehill Ext 8 Benoni	-	-	-	-	-	
Pretoria						
Mitchell St	-	-	-	-	-	BY
Pretoria Industrial Township	-	-	-	-	0,00	AI, BY
Koedoespoort	0,00	-	-	-	-	AI, BY
Waltloo/ Despatch	-	-	-	5,00	5,00	AI, BY
Silverton/ Silvertondale	1,00	1,00	1,00	0,00	-	AI, BY

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2012:1

	Area size leased in m²					Contributor codes
	250	500	1.000	2.500	5.000	
Samcor Park	-	-	-	-	-	AI
Sunderland Ridge	-	-	0,00	0,00	-	AI, BY
Hermanstad	-	0,00	0,00	0,00	-	AI, BY
Kirkney	-	-	-	-	-	AI
Hennospark X15 & X7	-	10,00	9,00	-	-	AI, BY
Gateway	-	-	-	-	-	AI
Lyttleton Manor X4/X6	-	-	-	-	-	AI
Pretoria North	-	-	-	-	-	
Silvertondale X1	-	3,50	1,00	-	-	AI, BY
Brits	-	-	-	-	-	
Klerksoord	-	-	-	-	-	BY
Rosslyn	0,00	0,00	0,00	0,00	-	AI, BY
Polokwane						
Lebowakgomo	-	-	-	-	-	ES
Superbia	-	-	-	-	-	ES
Industria	-	-	-	-	-	ES
Ladine	-	-	-	-	-	ES
Futura	-	-	-	-	-	ES
Laboria	-	-	-	-	-	ES
Magna Via	-	-	-	-	-	ES
Seshego	-	-	-	-	-	ES
Nelspruit						
Nelspruit East	2,50	2,00	2,50	5,00	4,50	HH, RZ
Nelspruit West	3,50	1,50	2,50	2,00	0,00	HH, RZ
Rocky's Drift	2,50	2,00	0,50	2,50	1,00	HH, RZ
Riverside Park	3,50	3,50	6,50	5,00	1,00	HH, RZ

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2012:1

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Durban						
Springfield Park	2,36	2,36	2,68	2,05	1,41	ML, PC, QP
Mayville	-	-	-	-	-	ML, PC
Phoenix	-	0,00	0,00	1,00	1,00	ML, PC
North Coast Rd / Briardene	1,00	0,00	0,00	0,00	0,00	PC, QP
Briardene Industrial Park	1,41	1,41	1,47	0,00	0,94	ML, PC, QP
Umgeni Rd/ Stamford Hill	-	-	-	-	-	PC
Umbilo/ Sydney Rd/ Gale St	-	-	-	-	-	PC
Jacobs	0,24	0,24	1,25	1,41	1,41	ML, PC, QP
Mobeni	1,50	1,41	0,00	1,41	1,41	ML, PC, QP
Prospecton	1,50	1,50	1,50	1,50	1,50	ML, PC
Ithala Industrial Estate	-	-	-	-	-	PC
Pinetown Central	2,24	2,05	1,30	1,80	2,24	LS, ML, PC, QP
New Germany	2,05	2,38	2,17	1,50	1,30	LS, ML, PC, QP
Isipingo	-	-	-	-	-	
Rossburgh/ South Coast Rd	-	-	-	0,00	2,50	ML, PC
Edwin Swales Drive	-	-	-	2,50	2,50	ML, PC
Glen Anil	-	-	-	-	-	PC
Brickfield Rd	-	-	-	-	-	PC
Verulam	-	-	-	-	-	
Canelands	-	-	-	-	-	ML
Tongaat	-	-	-	-	-	
New Westmead/ Mahogany	0,00	1,63	2,05	0,94	1,41	LS, ML, PC
Westmead	2,00	2,59	1,50	1,30	1,22	LS, ML, PC, QP

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2012:1

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Mariann Park/ Southmead	-	1,50	1,41	2,36	1,00	LS, ML, PC
Maxmead	0,87	1,41	1,09	0,87	1,30	LS, ML, PC, QP
Ringroad Industrial Park	-	-	-	-	-	PC
Avoca/ Red Hill/ Northgate	-	-	-	-	-	PC
Falcon Park	0,00	0,50	0,00	0,50	0,50	LS, PC
River Horse Valley Business	0,00	0,00	1,41	1,41	0,94	ML, PC, QP
Mount Edgecombe	1,00	1,00	1,00	0,00	0,00	ML, PC
Umbogintwini/ Southgate	-	-	-	-	-	PC
Southgate Industrial Park	-	-	-	-	-	PC
Umgeni Park	-	-	-	-	-	PC
Hammersdale	4,00	4,00	1,82	1,41	0,87	LS, ML, PC, QP
Cato Ridge	6,00	6,00	6,24	5,45	7,07	LS, ML, PC, QP
Ladysmith						
Ezakeni/ Pieters	-	-	-	-	-	DE
Danskraal	-	-	-	-	-	DE
Nambiti	-	-	-	-	-	DE
Colenso	-	-	-	-	-	DE
Cape Peninsula						
Viking Place	-	0,00	2,50	-	-	AN, GB
Glosderry	-	-	-	-	-	PL
Paarden Eiland/ Metro	3,30	1,41	1,50	0,00	0,00	AN, DL, GB, PL
Montague Gardens	5,35	3,56	2,83	1,50	0,50	AN, DL, GB
Marconi Beam	1,41	2,36	1,00	0,00	-	AN, DL, GB
Killarney Gardens	2,94	2,36	1,50	-	0,50	AN, DL, GB
Racing Park	2,49	2,49	1,50	1,50	2,50	AN, DL, GB
Atlantis	-	-	-	-	-	
Woodstock/ Salt River/ Observatory	0,00	0,00	2,50	0,00	1,50	AN, GB
Athlone 1 & 2	-	2,50	-	-	-	GB, PL

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2012:1

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Lansdowne Nerissa	-	2,50	-	-	-	GB, PL
Sand Industria	-	-	-	-	-	-
Ottery Hillstar	-	1,50	0,00	-	-	GB, PL
Ottery Sunset	-	-	-	-	-	GB
Diep River	0,00	0,00	-	-	-	GB, PL
Elfendale	-	-	-	-	-	GB
Monwood/ Philippi East	2,50	2,50	2,50	0,00	-	GB, OG
Philippi West (west of Vanguard)	-	-	-	-	-	-
Gugulethu Industrial (Brown Farm)	-	-	-	-	-	-
Retreat/ Steenberg	-	-	-	-	-	GB
Capricorn Park	0,50	1,50	-	-	-	GB, PL
Maitland	2,71	2,87	3,71	0,87	2,12	AN, DD, DL, GB, GY
Ndabeni	4,50	0,94	0,94	0,00	2,36	AN, GB, GY
Airport	4,06	4,33	4,32	5,79	5,91	AN, DL, GB, GY
Epping 1 & 2	3,03	2,16	0,47	0,00	1,25	AN, DL, GB, GY
WP Park	2,05	1,00	1,50	1,50	1,00	AN, DL, GY
Elsies River (excl, Central Park)	1,50	1,79	1,25	2,05	0,94	AN, DD, GB, GY
Parow Beaconvale	4,00	4,17	4,71	5,76	5,79	AN, DD, DL, GB, GY
Tygerberg Business Park	3,10	3,50	3,46	4,09	4,72	AN, DD, DL, GB, GY
Parow Industria	3,77	3,77	4,92	5,73	5,56	AN, DD, DL, GB
Parow East	1,50	0,00	-	-	-	DD, DL
Bellville Oakdale	-	-	-	-	-	-
Bellville Stikland/ Kaymor	2,49	4,24	4,32	4,78	4,19	AN, DD, DL, GB
Bellville Triangle	3,64	4,19	4,64	4,50	3,77	AN, DD, DL, GB
Bellville South/ Sacks Circle	2,96	3,34	3,86	3,77	3,30	AN, DD, DL, GB
Kraaifontein	1,89	2,05	2,87	3,09	2,94	AN, DD, GB

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2012:1

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Brackenfell Industria	1,79	2,18	2,36	3,56	3,30	AN, DD, DL, GB
Everite Brackenfell	1,30	2,17	1,89	2,05	1,89	AN, DD, DL, GB
Kuils River	1,80	2,59	3,68	3,30	3,74	AN, DD, DL, GB
Blackheath	2,45	3,27	3,56	4,64	5,25	AN, DD, DL, GB
Saxenburg Industrial Park	2,05	1,25	0,00	0,50	0,50	AN, DD, DL
Okavango Park	1,70	2,36	0,00	0,00	0,50	AN, DD, DL
Firgrove	-	-	-	-	-	
The Interchange (Somerset)	-	-	-	-	-	
Strand Halt	-	-	-	-	-	
Broadlands	-	-	-	-	-	
George						
George Central	-	-	-	-	-	ZB
Tamsui Industria	-	-	-	-	-	ZB
Port Elizabeth						
Deal Party	0,00	1,25	0,25	1,25	1,25	MJ, PE
North End	0,25	2,25	0,75	0,50	0,00	MJ, PE
Korsten/ Neave/ Sidwell/ Sydenham	4,00	4,00	3,75	1,75	1,75	MJ, PE
South End Walmer	-	-	-	-	-	MJ
Uitenhage: Volkswagen area/Nelson	-	-	-	-	-	MJ
Mandela Bay/Logistics Park	-	-	-	-	-	MJ
Uitenhage: Hella/Kruisrivier	-	-	-	-	-	MJ
Struandale	-	0,25	1,25	1,00	1,00	MJ, PE
Markman Township	1,25	1,25	1,25	0,50	1,00	MJ, PE
Perseverance	-	3,25	1,75	1,75	3,50	MJ, PE

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2012:1

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Walmer	1,50	1,50	0,00	1,50	-	MJ, PE
Greenbushes	1,00	1,00	1,00	1,00	2,75	MJ, PE
Fairview	1,25	1,25	0,25	-	-	MJ, PE
Bloemfontein						
Hilton	12,50	9,00	8,50	7,50	-	BW, EK
East End	9,00	5,35	4,99	6,50	-	BW, CC, EK
Harvey Road	5,00	2,50	1,41	2,62	-	BW, CC, EK
Old Industrial	3,50	4,08	2,50	2,50	-	BW, CC, EK
Hamilton: Mill St	4,00	2,50	2,50	3,00	3,25	BW, EK
Hamilton: G Lubbe St	5,00	3,50	4,00	4,00	3,75	BW, EK
Estoir	8,50	9,00	7,50	-	-	BW, EK

Notes to the industrial rental tables

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

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

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

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

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

The scale should be interpreted as follows:

0 = no vacancy

1 = 'low-' vacancy;

2 = 'low' vacancy

3 = 'low+' vacancy

4 = 'medium-' vacancy;

5 = 'medium' vacancy

6 = 'medium+' vacancy

7 = 'high-' vacancy;

8 = 'high' vacancy

9 = 'high+' vacancy

where: low = <10% vacancy;

medium = 10% - 20% vacancy;

high = >20% vacancy.

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

Table 7.4
Predominant market escalation rates (%)
for industrial leases
Average as in quarter 2012:1

	5-year leases		
	Mean	SD	N
Central Witwatersrand	8,9	0,7	9
West Rand	8,7	0,6	7
East Rand	8,8	0,6	12
Far East Rand	8,2	0,2	2
Pretoria	8,0	-	1
Polokwane	8,5	-	1
Nelspruit	8,0	0,0	2
Durban	8,5	0,3	4
Ladysmith	8,0	-	1
Cape Peninsula	8,6	0,5	5
George	8,0	-	1
Port Elizabeth	7,8	0,2	2
East London	-	-	-
Bloemfontein	8,0	0,8	3

Notes:

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

Table 7.5
Indicative operating expenses
for industrial buildings
As in quarter 2012:1 in rands per m² per month

	Stand-alone			Park		
	R/m ²	SD	N	R/m ²	SD	N
Central Witwatersrand	8,00	2,19	7	9,94	2,30	8
West Rand	6,94	2,15	4	6,75	1,79	4
East Rand	5,75	1,07	10	8,31	1,63	9
Pretoria	6,80	-	1	-	-	-
Polokwane	5,50	-	1	8,00	-	1
Nelspruit	7,75	0,75	2	11,00	1,00	2
Durban	9,90	1,00	3	11,80	0,20	2
Cape Peninsula	6,50	2,18	4	8,50	2,09	4
George	2,50	-	1	-	-	-
Port Elizabeth	-	-	1	-	-	-
East London	-	-	-	-	-	-
Bloemfontein	6,00	-	1	6,00	-	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.

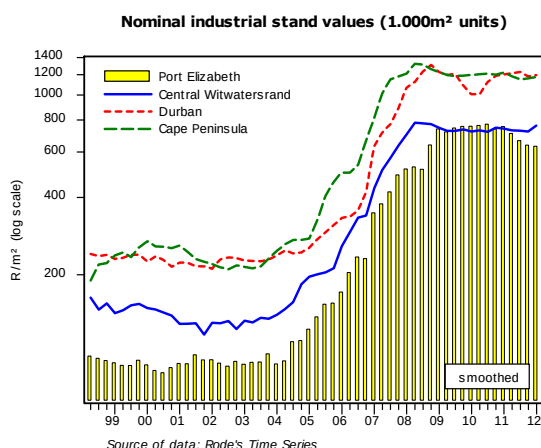
Chapter 8: Industrial stand values

No movement in stand values

Written by Anneke Meijers

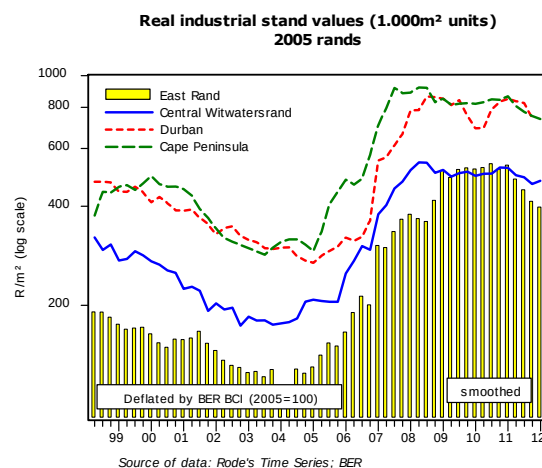
The weak performance of industrial property rentals is also impacting on industrial stand values. Consequently, the general movement of stand values was south for the year ending the first quarter of 2012.

Valuers would understand the reason for the impact of rentals on land values as the value of land is a residual item in a market-value calculation based on the income-producing capacity of the land.



Compared to a year earlier, and across all major industrial conurbations barring the Central Witwatersrand, market values of industrial stands were lower. Growth in the Central Witwatersrand accelerated to 3% year on year, the highest growth since 2009. Elsewhere, growth slowed remarkably. Port Elizabeth (-16%), Durban (-1%) and the Cape Peninsula (-4%) continued their declining trends in nominal rands. Over the same period, building-cost inflation grew by roughly 13%, translating into contracting *real* stand values in all of the above areas.

Of course, considering the strong tendency for industrial-rental and stand-value growth to follow each other, the poor prospects for rental growth on the back of a poorly performing manufacturing sector, could lead to even more contracting stand-value growth.



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

This concludes our chapter on industrial stand values. ■

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

Table 8.1
Mean market values for serviced and level industrial stands in quarter 2012:1
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Central Witwatersrand								
Cambridge Park	1.800	1.750	1.700	1.600	0,0	7,836	-0,021	-0,99
Wynberg proper	1.000	1.000	1.000	1.000	0,0	6,908	0,000	-
Strijdom Park	950	966	975	925	1,5	6,931	-0,003	-0,62
Kya Sand	687	675	625	587	2,5	7,033	-0,011	-0,98
Clayville/ Olifantsfontein	433	416	366	366	6,0	6,637	-0,007	-0,86
Chloorkop	550	550	525	525	-	6,483	-0,003	-0,86
Amalgam	1.400	1.300	1.200	1.100	1,0	7,952	-0,031	-0,96
Crown Mines	1.400	1.300	1.200	1.100	1,0	7,952	-0,031	-0,96
Industria	-	-	-	-	-	-	-	-
Booyssens/ Booyssens Reserve/ Ophirton	750	750	700	650	0,0	7,082	-0,012	-0,99
Village Main/ Village Deep/ New Centre	625	625	600	575	0,0	6,708	-0,006	-0,99
Benrose	600	600	600	600	0,0	6,397	0,000	-
Steeledale/ Electron/ Tulisa Park	625	625	625	600	1,0	6,551	-0,003	-0,91
Aeroton	800	750	725	675	0,0	7,156	-0,012	-0,95
Devland/ Nancefield	650	650	600	600	1,0	6,775	-0,006	-0,86
Cleveland/ Heriotdale	575	575	575	550	2,0	6,478	-0,003	-0,91
Newlands/ Martindale	-	-	-	-	-	-	-	-
Kew/ Wynberg East	500	500	500	500	-	6,215	0,000	-
Bramley View/ Lombardy West	500	500	500	500	-	6,215	0,000	-
Marlboro South (Alexandra)	300	275	275	275	2,0	5,901	-0,002	-0,58
Halfway House: hi-tech strip	900	933	933	866	1,0	6,925	-0,005	-0,66
Halfway House: Richards Drive	800	800	800	750	-	6,863	-0,006	-0,91
Commercialia	500	500	500	400	-	6,833	-0,011	-0,91

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2012:1
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Kramerville/ Eastgate X12 & X13	1.000	1.000	1.000	1.000	-	6,908	0,000	-
Centurion	1.000	1.000	800	800	-	7,739	-0,024	-0,86
Linbro Park	1.000	1.000	1.000	970	2,3	6,992	-0,003	-0,91
Wesco Park/ Eastgate X3,X11,X6,X8/ Marlboro North (New)	1.000	1.000	1.000	900	1,0	7,200	-0,011	-0,91
City Deep	800	800	800	800	0,0	6,685	0,000	-
North Riding	800	866	800	800	-	6,801	-0,003	-0,41
Samrand Centurion	750	716	650	650	5,5	7,087	-0,011	-0,85
Barbeque Downs	1.000	1.000	800	800	-	7,739	-0,024	-0,86
Selby Ext 12/ 13/ 15/ 19/ 20/ 24/ City West	1.150	1.100	1.000	925	0,5	7,719	-0,024	-0,97
Selby Ext 5/ 10/ 14/ 18	625	625	600	550	0,0	6,831	-0,009	-0,99
Selby Ext 11	625	625	600	575	0,0	6,708	-0,006	-0,99
Selby Ext 3/ 4/ 6	625	625	600	575	0,0	6,708	-0,006	-0,99
Denver (Old)	425	425	425	400	2,0	6,220	-0,003	-0,91
Denver (New)	675	675	675	650	1,0	6,619	-0,003	-0,91
Kyalami Business Park	1.000	1.000	1.000	800	-	7,526	-0,022	-0,91
Reuven	750	750	700	650	0,0	7,082	-0,012	-0,99
Selby (Old)/ Selby X2/ Park Central	925	875	800	725	0,2	7,563	-0,021	-0,98
Robertsham	900	850	800	750	0,0	7,337	-0,015	-0,96
Fordsburg/ Mayfair	-	-	-	-	-	-	-	-
Central Witwatersrand	779	774	745	715	1,2			
West Rand								
Lea Glen	687	687	665	612	1,5	6,885	-0,009	-0,99
Honeydew X19, 20, 21 & 22	1.033	1.033	933	825	1,0	7,662	-0,024	-0,99
Stormill	766	766	735	712	3,5	6,885	-0,006	-0,98

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2012:1
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Chamdor	325	312	290	282	1,5	6,224	-0,004	-0,92
Factoria	275	250	250	235	2,0	6,005	-0,003	-0,85
Randfontein: Delporton/ Aureus	225	225	225	200	3,0	5,743	-0,003	-0,91
Boltonia	-	-	-	-	-	-	-	-
Rodepoort: Technikon/ Manufacta	180	180	180	160	3,0	5,519	-0,002	-0,91
Industria North	425	425	400	400	0,0	6,278	-0,003	-0,86
Robertville	750	750	725	725	1,5	6,746	-0,003	-0,86
Laserpark	837	862	725	737	1,0	7,263	-0,014	-0,79
West Rand	669	671	603	583	1,8			
East Rand								
Elandsfontein	600	600	600	650	0,3	6,175	0,006	0,91
Tunney/ Greenhills	1.000	987	962	890	0,8	7,249	-0,012	-0,99
Henville	750	700	700	625	0,3	7,091	-0,012	-0,94
Meadowbrook/Wilbart	862	862	850	805	0,8	6,965	-0,007	-0,97
Sunnyrock	925	925	900	750	0,3	7,437	-0,020	-0,96
Rustivia/ Activia Park	775	775	750	642	0,3	7,204	-0,015	-0,97
Eastleigh	775	775	775	666	2,0	7,070	-0,012	-0,91
Sabenza Ext 14	775	775	775	650	1,0	7,140	-0,014	-0,91
Spartan Ext 16 (Sebenza Link) + Ext 1, 3, 7	737	737	725	608	0,8	7,153	-0,015	-0,94
Isando	750	750	812	787	0,2	6,409	0,005	0,64
Isando 3	750	750	750	716	0,0	6,746	-0,004	-0,91
Jet Park	1.008	1.008	925	878	0,9	7,380	-0,015	-0,97
Alrode&Xs	450	450	500	458	1,0	5,958	0,001	0,24
Alrode South	400	400	400	450	1,0	5,665	0,006	0,91
Alberton	450	450	425	425	1,0	6,322	-0,003	-0,86
Aeroport/ Spartan Ext 2	1.000	1.000	850	840	0,0	7,546	-0,019	-0,88

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2012:1
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Delville	433	416	400	375	1,0	6,491	-0,006	-0,98
Roodekop	400	350	362	366	1,7	6,132	-0,002	-0,30
Wadeville: Industrial zoning	525	516	481	431	1,3	6,868	-0,011	-1,00
Route 24/ Meadowdale	825	825	800	762	0,7	6,963	-0,007	-0,99
Germiston S/ Industries E	425	416	400	343	1,3	6,669	-0,009	-0,99
Driehoek/ Industries W	568	568	562	550	1,3	6,447	-0,002	-0,99
Knights	391	391	383	341	1,0	6,369	-0,006	-0,96
Spartan Proper	-	750	725	650	0,0	-	-0,013	-0,99
Founders View	800	800	787	791	2,0	6,729	-0,001	-0,69
Longmeadow	1.066	1.100	1.066	1.040	2,2	7,087	-0,005	-0,77
Panorama/ Kempton Park	841	833	833	800	2,2	6,871	-0,004	-0,95
East Rand	709	706	694	667	0,9			
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	-	-	-	-	-	-	-	-

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2012:1
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Waltloo/ Despatch	-	-	-	650	-	-	-	-
Silverton/ Silvertondale	-	-	-	650	5,0	-	-	-
Samcor Park	-	-	-		-	-	-	-
Sunderland Ridge	-	-	-		-	-	-	-
Hermanstad	-	-	-		-	-	-	-
Kirkney	-	-	-		-	-	-	-
Hennospark X15 & X7	-	-	-		-	-	-	-
Gateway	-	-	-		-	-	-	-
Lyttleton Manor X4/X6	-	-	-		-	-	-	-
Pretoria North	-	-	-		-	-	-	-
Silvertondale X1	-	-	-		-	-	-	-
Brits	-	-	-		-	-	-	-
Klerksoord	-	-	-		-	-	-	-
Rosslyn	-	-	-		-	-	-	-
Pretoria	-	-	-	650	5,0	-	-	-
Polokwane								
Lebowakgomo	-	-	-		-	-	-	-
Superbia	-	-	-		-	-	-	-
Industria	-	-	-		-	-	-	-
Ladine	-	470	-	-	-	-	-	-
Futura	-	-	-		-	-	-	-
Laboria	-	-	-		-	-	-	-
Magna Via	-	535	480	-	-	-	-	-
Seshego	-	-	-		-	-	-	-
Polokwane	-	502	480	-	-	-	-	-

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2012:1
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Nelspruit								
Nelspruit East	1.000	1.000	825	675	2,0	8,180	-0,038	-0,99
Nelspruit West	1.000	1.000	825	675	1,0	8,180	-0,038	-0,99
Rocky's Drift	600	580	550	500	3,0	6,936	-0,011	-1,00
Riverside Park	1.100	1.000	950	850	5,0	7,719	-0,024	-0,95
Nelspruit	925	895	787	675	2,8			
Durban								
Springfield Park	1.550	1.600	1.425	1.600	0,5	7,384	0,002	0,09
Mayville	-	-	-	-	-	-	-	-
Phoenix	-	-	900	900	3,0	-	-	-
North Coast Rd / Briardene	1.250	1.250	-	-	1,0	-	-	-
Briardene Industrial Park	-	-	-	1.200	1,0	-	-	-
Umgeni Rd/ Stamford Hill	-	-	-	-	0,0	-	-	-
Umbilo/ Sydney Rd/ Gale St	-	-	-	-	1,0	-	-	-
Jacobs	-	-	-	-	1,0	-	-	-
Mobeni	-	-	-	-	1,0	-	-	-
Prospecton	-	-	-	2.000	2,0	-	-	-
Pinetown Central	1.600	1.533	1.433	1.200	1,0	8,218	-0,043	-1,00
New Germany	1.200	1.200	1.075	1.000	1,3	7,700	-0,024	-0,97
KwaDebeka Industrial Park	-	-	-	-	-	-	-	-
Isipingo	-	800	800	-	1,0	-	-	-
Rossburgh/ South Coast Rd	-	-	-	-	-	-	-	-
Edwin Swales Drive	-	-	-	-	-	-	-	-
Glen Anil	-	-	-	-	-	-	-	-
Brickfield Rd	-	-	800	-	1,0	-	-	-
Verulam	-	-	-	-	-	-	-	-

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2012:1
(R/m² excl VAT)

	Area size in m²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Canelands	-	-	-	600	1,0	-	-	-
Tonga	-	-	-	-	-	-	-	-
New Westmead/ Mahogany Ridge	1.600	1.550	1.225	1.200	1,0	8,383	-0,046	-0,89
Westmead	1.600	1.533	1.500	1.200	1,0	8,175	-0,043	-0,97
Mariann Park/ Southmead	1.066	1.000	837	837	4,0	7,779	-0,025	-0,86
Maxmead	1.550	1.533	1.533	1.500	2,3	7,431	-0,005	-0,95
Ringroad Industrial Park	-	-	-	-	0,0	-	-	-
Avoca/ Red Hill/ Northgate	-	1.000	-	-	-	-	-	-
Falcon Park	-	1.000	1.000	-	1,0	-	0,000	-
River Horse Valley Business Estate	1.600	1.600	1.600	1.600	1,2	7,378	0,000	-
Mount Edgecombe	-	1.200	1.100	1.100	2,0	7,507	-0,011	-0,79
Umbogintwini/ Southgate	-	-	-	-	1,0	-	-	-
Southgate Industrial Park	-	1.000	1.000	900	1,0	7,396	-0,013	-0,93
Umgeni Park	-	-	-	-	-	-	-	-
Hammersdale	416	375	337	317	4,3	6,833	-0,010	-0,91
Cato Ridge	500	500	487	437	4,7	6,609	-0,007	-0,97
Durban	1.207	1.136	1.026	987	1,8			
Cape Peninsula								
Viking Place	1.000	900	800	800	1,0	7,586	-0,019	-0,82
Glosderry	1.500	1.500	1.500	1.500	-	7,313	0,000	-
Paarden Eiland/ Metro	2.000	2.000	2.000	1.800	1,0	7,893	-0,022	-0,91
Montague Gardens	1.600	1.550	1.500	1.300	1,0	7,969	-0,032	-0,99
Marconi Beam	1.500	1.500	1.500	-	1,0	-	0,000	-
Killarney Gardens	1.250	1.250	1.150	700	1,5	8,817	-0,063	-0,97
Racing Park	850	817	800	725	5,5	7,186	-0,013	-0,98

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2012:1
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Atlantis	-	-	-	-	-	-	-	-
Woodstock/ Salt River/ Observatory	2.000	1.800	1.800	1.800	1,0	7,840	-0,014	-0,58
Athlone 1 & 2	-	-	-	-	-	-	-	-
Lansdowne Nerissa	-	-	-	-	-	-	-	-
Sand Industria	-	-	-	-	-	-	-	-
Ottery Hillstar	1.000	1.000	1.000	-	1,0	0,000	0,000	-
Ottery Sunset	1.000	1.000	1.000	-	1,0	0,000	0,000	-
Diep River	1.000	1.000	1.000	-	1,0	0,000	0,000	-
Elfindale	1.000	1.000	1.000	-	1,0	0,000	0,000	-
Monwood/ Philippi East	375	375	350	320	9,0	6,432	-0,006	-0,99
Philippi West (west of Vanguard Dr)	-	-	-	-	-	-	-	-
Gugulethu Industrial (Brown Farms)	-	-	-	-	-	-	-	-
Retreat/ Steenberg	1.000	1.000	450	250	-	11,510	-0,090	-0,94
Capricorn Park	725	725	700	-	7,0	-	-0,007	-0,97
Maitland	1.300	1.183	900	850	1,5	8,561	-0,049	-0,90
Ndabeni	1.750	1.400	1.250	1.050	1,0	8,879	-0,066	-0,90
Airport	1.317	1.250	1.233	1.133	3,3	7,585	-0,018	-0,96
Epping 1 & 2	1.075	1.050	1.000	900	1,3	7,507	-0,019	-1,00
WP Park	1.600	1.575	1.000	900	1,0	9,397	-0,083	-0,91
Elsies River (excl. Central Park)	825	800	725	700	1,5	7,249	-0,014	-0,94
Parow Beaconvale	1.267	1.067	983	867	2,0	8,187	-0,038	-0,90
Tygerberg Business Park	1.300	1.200	1.033	1.000	2,0	8,000	-0,031	-0,89
Parow Industria	1.200	1.067	983	933	2,0	7,805	-0,025	-0,88
Parow East	1.350	1.200	1.075	950	1,0	8,228	-0,040	-0,95
Bellville Oakdale	-	-	-	-	-	-	-	-
Bellville Stikland/ Kaymor	1.250	1.150	1.100	950	1,5	7,892	-0,030	-0,97
Bellville Triangle	950	875	850	850	1,0	7,151	-0,008	-0,72
Bellville South/ Sacks Circle	850	833	725	700	1,5	7,406	-0,017	-0,92

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2012:1
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Kraaifontein	875	875	775	700	2,0	7,508	-0,021	-0,98
Brackenfell Industria	1.100	1.050	900	875	1,5	7,761	-0,025	-0,90
Everite Brackenfell	1.250	1.150	1.075	1.050	1,0	7,637	-0,019	-0,86
Kuils River	1.025	1.025	875	850	1,5	7,602	-0,021	-0,91
Blackheath	850	733	675	600	4,0	7,716	-0,024	-0,92
Saxenburg Industrial Park	1.150	1.083	950	925	3,0	7,746	-0,024	-0,90
Okavango Park	1.200	1.200	1.100	1.000	1,5	7,678	-0,023	-0,99
Firgrove	-	-	-	-	-	-	-	-
The Interchange (Somerset West)	-	-	-	-	-	-	-	-
Strand Halt	-	-	-	-	-	-	-	-
Broadlands	-	-	-	-	-	-	-	-
Cape Peninsula	1.174	1.086	1.114	904	2,1			
George								
George Central	-	-	-	-	-	-	-	-
Tamsui Industria	-	-	-	-	-	-	-	-
George	-	-	-	-	-			
Port Elizabeth								
Deal Party	850	800	700	700	1,0	7,380	-0,016	-0,85
North End	1.000	1.000	800	750	1,0	7,918	-0,030	-0,93
Korsten/ Neave/ Sidwell/ Sydenham	-	750	775	775	1,0	-	0,003	0,79
South End Walmer	1.000	925	875	800	0,5	7,540	-0,020	-0,96
Uitenhage: Volkswagen area/ Nelson Mandela Bay Logistics Park	400	400	300	300	-	7,063	-0,012	-0,86
Uitenhage:Hella/ Kruisrivier	150	150	100	100	-	6,521	-0,006	-0,86
Struandale	500	500	500	400	-	6,833	-0,011	-0,91
Markman Township	162	162	162	150	6,0	5,313	-0,001	-0,91

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2012:1
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Perseverance	525	525	515	490	2,5	6,473	-0,004	-0,99
Walmer	1.100	1.100	1.025	750	1,0	8,132	-0,040	-0,97
Greenbushes	375	375	262	250	4,0	7,390	-0,015	-0,89
Fairview	850	850	800	800	1,0	6,971	-0,006	-0,86
Port Elizabeth	634	646	596	524	2,0			
Bloemfontein								
Hilton	300	290	250	150	1,7	7,749	-0,017	-0,99
East End	383	360	277	200	2,3	7,968	-0,020	-0,99
Harvey Road	-	-	-	-	-	-	-	-
Old Industrial	262	267	180	150	1,7	7,503	-0,014	-0,94
Hamilton: Mill St	200	180	180	80	2,0	7,785	-0,013	-0,94
Hamilton: G Lubbe St	180	160	130	60	2,5	8,377	-0,013	-1,00
Estoir	450	420	400	325	3,5	7,023	-0,013	-0,99
Bloemfontein	303	285	252	184	2,2			

Table 8.2
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2012:1
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Central Witwatersrand					
Cambridge Park	-	-	-	-	RA
Wynberg proper	235,70	235,70	259,27	259,27	BR, GB, RA
Strijdom Park	50,00	108,97	43,30	82,92	AV, BR, GB, RA
Kya Sand	124,37	143,61	103,08	113,88	AV, BR, GB, RA
Clayville/ Olifantsfontein	47,14	62,36	84,98	84,98	AV, BR, MR
Chloorkop	50,00	50,00	75,00	75,00	AV, BR
Amalgam	-	-	-	-	RO
Crown Mines	-	-	-	-	RO
Industria	-	-	-	-	-
Booyens/ Booyens Reserve/ Ophirton	-	-	-	-	RO
Village Main/ Village Deep/ New Centre	125,00	125,00	100,00	75,00	BR, RO
Benrose	-	-	-	-	RO
Steeledale/ Electron/ Tulisa Park	25,00	25,00	25,00	0,00	BR, RO
Aeroton	150,00	100,00	75,00	62,36	AV, RO
Devland/ Nancefield	-	-	-	-	RO
Cleveland/ Heriotdale	75,00	75,00	75,00	50,00	BR, RO
Newlands/ Martindale	-	-	-	-	-
Kew/ Wynberg East	250,00	250,00	250,00	150,00	BR, GB
Bramley View/ Lombardy West	-	-	-	-	GB
Marlboro South (Alexandra)	50,00	75,00	75,00	75,00	GB, RO
Halfway House: hi-techstrip	100,00	94,28	94,28	94,28	AV, BR, GB, MR
Halfway House: Richards Drive	0,00	0,00	0,00	50,00	AV, BR
Commercia	-	-	-	-	BR
Kramerville/ Eastgate X12 & X13	500,00	500,00	500,00	500,00	BR, GB

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2012:1
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Centurion	-	-	-	-	BR
Linbro Park	0,00	0,00	0,00	40,00	AW, BM, BR, MR, RA
Wesco Park/ Eastgate X3, X11, X6, X8/ Marlboro North (New)	471,40	471,40	471,40	524,93	BR, GB, RA
City Deep	0,00	0,00	0,00	40,82	BR, RO
North Riding	47,14	94,28	141,42	81,65	AV, BR, GB
Samrand Centurion	50,00	62,36	111,80	111,80	AV, BR
Barbeque Downs	-	-	-	-	BR, RA, RO
Selby Ext 12/ 13/ 15/ 19/ 20/ 24/ City West	309,12	282,84	235,70	201,38	BR, RO
Selby Ext 5/ 10/ 14/ 18	125,00	125,00	100,00	50,00	BR, RO
Selby Ext 11	125,00	125,00	100,00	75,00	BR, RO
Selby Ext 3/ 4/ 6	125,00	125,00	100,00	75,00	BR, RO
Denver (Old)	25,00	25,00	25,00	50,00	BR, RO
Denver (New)	75,00	75,00	75,00	50,00	BR, RO
Kyalami Business Park	-	-	-	-	BR
Reuven	-	-	-	-	RO
Selby (Old)/ Selby X2/ Park Central	175,00	125,00	100,00	75,00	RA, RO
Robertsham	-	-	-	-	RO
Fordsburg/ Mayfair	-	-	-	-	
West Rand					
Lea Glen	62,50	62,50	85,00	87,50	QS, RO
Honeydew X 19, 20, 21 & 22	169,97	169,97	249,44	167,08	BR, QS, RA
Stormill	23,57	23,57	15,00	12,50	AV, QS, RO
Chamdor	25,00	12,50	10,00	17,50	QS, RA
Factoria	-	-	-	-	QS

Table 8.2(continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2012:1
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Randfontein: Delporton/ Aureus	-	-	-	-	QS
Boltonia	-	-	-	-	-
Rodepoort: Technikon/ Manufacta	-	-	-	-	QS
Industria North	-	-	-	-	QS
Robertville	0,00	0,00	25,00	25,00	QS, RO
Laserpark	96,01	119,24	228,02	96,01	AV, BR, GB, QS
East Rand					
Elandsfontein	-	-	-	155,62	BM, BR, GB, MR
Tunney/ Greenhills	160,00	156,20	149,67	101,72	BQ, BR, GB, JC, QS, RO
Henville	-	-	-	25,00	QS
Meadowbrook/ Wilbart	62,50	62,50	50,00	96,57	JC, QS
Sunnyrock	-	-	-	100,00	BR, QS
Rustivia/ Activia Park	-	-	-	92,50	BR, QS
Eastleigh	25,00	25,00	25,00	84,98	B, JC, QS
Sebenza Ext 14	108,01	108,01	99,02	163,46	GB, JC, QS, RO
Spartan Ext 16 (Sebenza Link) + Ext 1, 3, 7	12,50	12,50	54,01	42,49	JC, QS, RO
Isando	-	-	87,50	73,95	BR, GB, QS, RO
Isando 3	-	-	-	23,57	BR, GB, QS
Jet Park	11,79	11,79	114,02	109,73	BM, BQ, BR, GB, JC, QS, RO
Alrode & Xs	-	-	-	31,18	BR, QS, RO
Alrode South	-	-	-	40,82	BM, BR, QS
Alberton	0,00	0,00	25,00	25,00	BR, QS
Aeroporto/ Spartan Ext 2	-	-	50,00	29,44	BR, GB, QS

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2012:1
(R/m² excl VAT)

	Area size in m²				Contributors
	1.000	2.000	5.000	10.000	
Delville	23,57	23,57	0,00	20,41	JC, QS, RO
Roodekop	-	-	37,50	62,36	JC, QS, RO
Wadeville: Industrial zoning	124,16	117,85	77,81	59,62	BR, JC, QS, RO
Route 24/ Meadowdale	125,00	204,12	100,00	64,95	BR, GB, JC, QS, RO
Germiston S/ Industries E	35,36	23,57	0,00	27,24	BM, JC, QS, RO
Driehoek/ Industries W	99,02	99,02	96,01	61,24	BR, JC, QS, RO
Knights	11,79	11,79	23,57	11,79	JC, QS, RO
Spartan Proper	-	-	-	50,00	BR, QS
Founders View	94,28	94,28	100,69	90,79	GB, JC, QS
Longmeadow	94,28	81,65	47,14	48,99	BM, BR, GB, JC, QS
Pomona/ Kempton Park	11,79	23,57	23,57	77,46	BM, BQ, BR, JC, QS
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	-	-	-	-	

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2012:1
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Koedoespoort	-	-	-	-	BY
Waltloo/ Despatch	-	-	-	-	
Silverton/ Silvertondale	-	-	-	-	
Samcor Park	-	-	-	-	
Sunderland Ridge	-	-	-	-	
Hermanstad	-	-	-	-	
Kirkney	-	-	-	-	
Hennospark X15 & X7	-	-	-	-	
Gateway	-	-	-	-	
Lyttleton Manor X4/ X6	-	-	-	-	
Pretoria North	-	-	-	-	ES
Silvertondale X1	-	-	-	-	
Brits	-	-	-	-	
Klerksoord	-	-	-	-	
Rosslyn	-	-	-	-	
Polokwane	-	-	-	-	
Lebowakgomo	-	-	-	-	
Superbia	-	-	-	-	
Industria	-	-	-	-	
Ladine	-	-	-	-	
Futura	-	-	-	-	ES
Laboria	-	-	-	-	
Magna Via	-	-	-	-	ES

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2012:1
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Seshego	-	-	-	-	
Nelspruit					
Nelspruit East	0,00	0,00	25,00	175,00	HH, RZ
Nelspruit West	0,00	0,00	25,00	175,00	HH, RZ
Rocky's Drift	0,00	0,00	0,00	0,00	HH, RZ
Riverside Park	100,00	0,00	0,00	0,00	HH, RZ
Durban					
Springfield Park	50,00	-	175,00	-	QP
Mayville	-	-	-	-	
Phoenix	-	-	-	-	PC
North Coast Rd/ Briardene	-	-	-	-	PC
Briardene Industrial Park	-	-	-	-	PC
Umgeni Rd/ Stamford Hill	-	-	-	-	
Umbilo/ Sydney Rd/ Gale St	-	-	-	-	
Jacobs	-	-	-	-	
Mobeni	-	-	-	-	
Prospecton	-	-	-	-	PC
Pinetown Central	287,23	234,52	204,63	200,00	LS, ML, PC, QP
New Germany	141,42	141,42	192,03	163,30	LS, ML, PC, QP
Isipingo	-	-	-	-	PC
Rosburgh/ South Coast Rd	-	-	-	-	
Edwin Swales Drive	-	-	-	-	
Glen Anil	-	-	-	-	

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2012:1
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Brickfield Rd	-	-	-	-	PC
Verulam	-	-	-	-	
Canelands	-	-	-	-	PC
Tongaat	-	-	-	-	
New Westmead/ Mahogany Ridge	205,48	169,97	131,23	94,28	LS, ML, PC
Westmead	294,39	234,52	235,70	200,00	LS, ML, PC, QP
Mariann Park/ Southmead	82,92	70,71	64,95	64,95	LS, ML, PC, QP
Maxmead	262,47	234,52	234,52	216,51	LS, ML, PC, QP
Ring road Industrial Park	-	-	-	-	
Avoca/ Red Hill/ Northgate	-	-	-	-	
Falcon Park	-	-	-	-	
River Horse Valley Business Estate	188,56	188,56	188,56	188,56	ML, PC, QP
Mount Edgecombe	-	-	-	-	PC
Umbogintwini/ Southgate	-	-	-	-	
Southgate Industrial Park	-	-	-	-	PC
Umgeni Park	-	-	-	-	
Hammersdale	62,36	90,14	89,27	83,18	LS, ML, PC, QP
Cato Ridge	81,65	81,65	54,49	64,95	LS, ML, PC, QP
Cape Peninsula					
Viking Place	-	-	-	-	GB
Glosderry	-	-	-	-	GB
Paarden Eiland/ Metro	500,00	-	-	-	AN, GB
Montague Gardens	100,00	50,00	0,00	-	AN, GB

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2012:1
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Marconi Beam	-	-	-	-	GB
Killarney Gardens	250,00	250,00	350,00	-	AN, GB
Racing Park	122,47	164,99	200,00	125,00	AN, DL, GB
Atlantis	-	-	-	-	-
Woodstock/ SaltRiver/ Observatory	-	-	-	-	GB
Athlone 1 & 2	-	-	-	-	-
Lansdowne Nerissa	-	-	-	-	-
Sand Industria	-	-	-	-	-
Ottery Hillstar	-	-	-	-	GB
Ottery Sunset	-	-	-	-	GB
Diep River	-	-	-	-	GB
Elfindale	-	-	-	-	GB
Monwood/ Philippi East	75,00	75,00	100,00	130,00	GB, OG
Philippi West (west of Vanguard Dr)	-	-	-	-	-
Gugulethu Industrial(Brown Farms)	-	-	-	-	-
Retreat/ Steenberg	-	-	-	-	GB
Capricorn Park	25,00	25,00	-	-	GB, PL
Maitland	100,00	131,23	100,00	50,00	GB, GY, PL
Ndabeni	250,00	100,00	150,00	50,00	GB, GY
Airport	84,98	40,82	47,14	94,28	AN, GB, GY
Epping 1 & 2	75,00	150,00	163,30	81,65	AN, GB, GY
WP Park	200,00	225,00	-	-	AN, GY
Elsies River(excl. Central Park)	125,00	100,00	125,00	100,00	AN, GY

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2012:1
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Parow Beaconvale	94,28	94,28	23,57	47,14	AN, DD, GY
Tygerberg Business Park	141,42	81,65	47,14	0,00	AN, DD, GY
Parow Industria	163,30	94,28	84,98	47,14	AN, DD, GY
Parow East	150,00	100,00	125,00	50,00	GY, DD
Bellville Oakdale	-	-	-	-	
Bellville Stikland/ Kaymor	50,00	102,74	25,00	0,00	AN, DD
Bellville Triangle	50,00	25,00	50,00	50,00	AN, DD, PL
Bellville South/Sacks Circle	50,00	102,74	25,00	0,00	AN, DD
Kraaifontein	125,00	125,00	125,00	100,00	AN, DD
Brackenfell Industria	100,00	150,00	100,00	125,00	AN, DD
Everite Brackenfell	150,00	187,08	125,00	150,00	AN, DD, PL
Kuils River	175,00	175,00	125,00	150,00	AN, DD
Blackheath	150,00	117,85	75,00	100,00	AN, DD, PL
Saxenburg Industrial Park	150,00	154,56	50,00	75,00	AN, DD, PL
Okavango Park	100,00	100,00	100,00	0,00	AN, DD
Firgrove	-	-	-	-	
The Interchange (Somerset West)	-	-	-	-	
Strand Halt	-	-	-	-	
Broadlands	-	-	-	-	
George					
George Central	-	-	-	-	
Tamsui Industria	-	-	-	-	

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2012:1
(R/m² excl VAT)

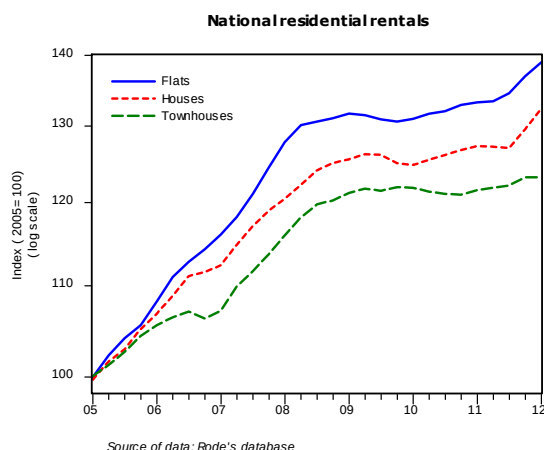
	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Port Elizabeth					
Deal Party	100,00	150,00	200,00	200,00	MJ, PE
North End	-	-	-	-	MJ
Korsten/ Neave/ Sidwell/ Sydenham	-	-	25,00	25,00	MJ, PE
South End Walmer	-	75,00	75,00	-	MJ, PE
Uitenhage: Volkswagenarea/ Nelson Bay Logistics Park	-	-	-	-	MJ
Uitenhage: Hella/ Kruisrivier	-	-	-	-	MJ
Struandale	-	-	-	-	MJ
Markman Township	37,50	37,50	37,50	50,00	MJ, PE
Perseverance	175,00	175,00	165,00	190,00	MJ, PE
Walmer	100,00	100,00	175,00	-	MJ, PE
Greenbushes	125,00	125,00	137,50	150,00	MJ, PE
Fairview	150,00	150,00	200,00	200,00	MJ, PE
Bloemfontein					
Hilton	0,00	8,16	0,00	-	BW, CC, EK
East End	23,57	32,66	2,50	-	BW, CC, EK
Harvey Road	-	-	-	-	-
Old Industrial	12,50	62,36	-	-	BW, CC, EK
Hamilton: Mill St	0,00	0,00	0,00	-	BW, EK
Hamilton: G Lubbe St	0,00	0,00	-	-	BW, EK
Estoir	0,00	0,00	0,00	25,00	BW, EK
Hilton	0,00	8,16	0,00	-	BW, CC, EK
East End	23,57	32,66	2,50	-	BW, CC, EK

Chapter 9: Flats market

Modest residential rental growth

Written by Anneke Meijers

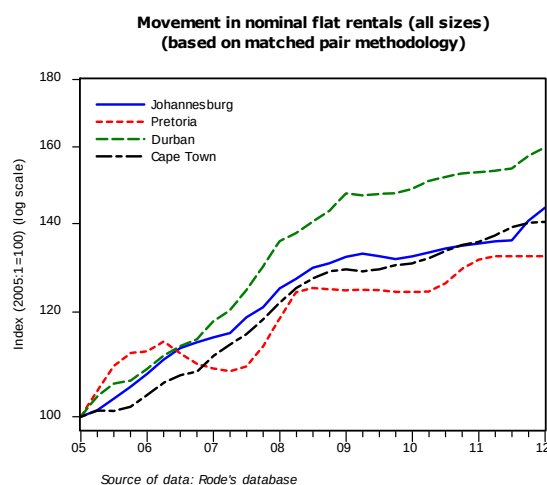
Nationally, in the first quarter of 2012 market rentals for flats and houses grew by 5% and 4% respectively. Townhouses lagged behind with rentals for this segment of the residential rental market posting growth of only of 1%. Rentals for townhouses, therefore, continued on their sideways movement observed since 2009.



As for flat rentals at the regional level, Johannesburg recorded the strongest nominal growth of 7% in the reporting quarter. This was followed by Durban and Cape Town, which showed growth of 5% and 3% respectively. In Pretoria, flat rentals remained roughly at the same level they were a year ago.

When taking consumer-price inflation (+6,1%) into account, it is apparent that residential rentals are contracting in *real* terms. This is in line with what is happening in the rest of the property market and,

more specifically, with regard to house prices (see **Chapter 10**).



Income yields of flats

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

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

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

The previous graphs give only a very broad picture of trends in the flats market, since the rentals reflected are averages of many different suburbs within the particular metropolitan areas. Keep in mind that all analyses were done on standard-quality flat units. Readers requiring more details are directed to the many tables, starting on p. 98, of specific rental levels in the various suburbs for the various grades of flats.

Table 9.1
Gross-income yields (%): Flats
Quarter 2012:1

	Bachelor	1-Bedroom	2-Bedroom	3-Bedroom
Eastern Cape				
Port Elizabeth				
- Summerstrand / Humewood / South End	9,6%	5,6%	5,6%	6,0%
- Walmer	6,6%	5,5%	9,8%	11,8%
- Central / North End	14,2%	14,6%	12,4%	11,3%
- Newton Park	-	12,0%	9,0%	9,4%
- Kabega	-	15,2%	11,6%	8,9%
- Algoa Park	-	15,4%	11,0%	10,5%
Queenstown				
- Queenstown Central (CBD)	6,0%	6,6%	8,0%	7,6%
- Westbourne/Weshof	6,2%	6,3%	7,3%	7,1%
- Sandringham / Granger Heugh Park	7,2%	6,3%	7,3%	7,5%
- Northern Areas, incl. "Top Town"	6,9%	7,1%	7,8%	8,0%
Uitenhage				
- Uitenhage	9,4%	10,0%	9,1%	8,8%
Free State				
Bloemfontein				
- Bloemfontein CBD	16,6%	13,1%	9,9%	-
- Westdene	-	10,3%	12,9%	-
- Willows	14,3%	15,3%	12,7%	12,9%
- Navalsig	-	11,3%	9,3%	-
- Arboretum	-	10,3%	10,2%	-
Gauteng				
- East Rand				
Kempton Park				
- Croydon	-	-	8,7%	9,4%
Boksburg				
- Ravenswood	-	-	8,5%	8,8%

Table 9.1 (continued)
Gross-income yields (%): Flats
Quarter 2012:1

	Bachelor	1-Bedroom	2-Bedroom	3-Bedroom
<i>Alberton</i>				
- Verwoerd Park	-	-	10,0%	10,6%
<i>Benoni</i>				
- Benoni Central	10,8%	-	9,6%	11,4%
- Centurion				
- Pierre van Ryneveld	-	-	7,9%	7,5%
- Kloofsig / Lyttelton Manor / Doring-kloof	9,3%	9,6%	7,8%	9,8%
- Highveld and Extensions	-	-	9,0%	7,8%
- Clubviews/Eldoraigne	-	-	10,6%	-
- Rooihuiskraal / The Reeds	-	-	8,9%	8,8%
- Valhalla	-	-	7,8%	8,9%
Western Cape				
- Tyger Valley / Durbanville	9,8%	8,0%	9,2%	7,9%

Table 9.2 (continued)
Flat rentals: standard units
 Average rents per month as at quarter 2012:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Bedfordview	-	-	-	-	R5,600	-	-	-	TR
Old South (incl. Rosettenville/ Turfontein/Kenilworth)	-	-	-	-	-	-	-	-	
New South (incl. Southdale/Mondeor/ Glenvista/Linmeyer)	R1,400	-	R1,750	-	R2,200	-	R2,900	-	DV
Germiston average	R1,699		R2,115		R2,850		R2,811		
Primrose	R1,830	-	R2,170	-	R2,670	-	R2,500	-	PH
Germiston C & S	R1,585	R445	R1,855	R488	R2,620	R1,245	R2,400	-	BA, PH
Germiston South - suburbs	R1,690	R297	R2,200	R0	R3,275	R318	R3,700	-	BA, PH
Elsburg	-	-	R2,260	-	R2,880	-	-	-	PH
Pretoria average	R2,454		R2,807		R3,504		R4,066		
Akasia	R2,500	R424	R2,750	R354	R3,450	R212	R3,800	R141	HK, TR
Pretoria North/Dorandia/Florauna	R2,200	R361	R2,433	R306	R3,167	R208	R3,900	R141	CI, HK, TR
Annlin/Wonderboom/Sinoville/Montana	R2,467	R351	R2,967	R208	R3,500	R141	R4,300	R424	CI, HK, TR
Die Moot/Queenswood	R2,600	R173	R2,900	R100	R3,417	R202	R3,750	R354	CI, HK, TR
Silverton/Meyerspark/La Montagne	R2,000	R0	R2,350	R71	R2,750	R354	R3,300	R283	HK, TR
Eastern suburbs (Menlo Park/Ashlea Gardens/all Lynnwoods/Die Wilgers/ Faerie Glen/Garsfontein/Pretoriuspark/ Constantia/Waterkloof Glen/ Erasmuskloof)	R2,400	R0	R2,867	R115	R3,700	R100	R4,050	R71	CI, HK, TR
Groenkloof/Brooklyn/most Waterkloofs/ Monumentpark/Erasmusrand	R2,850	R354	R3,150	R212	R4,200	R0	R5,050	R495	HK, TR
South-eastern suburbs (Elarduspark/ Wingate Park/Moreletapark/Pierre van Ryneveld/Waterkloof)	R3,250	R778	R3,700	R707	R4,650	R212	R5,200	R283	HK, TR

Table 9.2 (continued)
Flat rentals: standard units
 Average rand per month as at quarter 2012:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Durban average	R2,830		R3,337		R4,148		R5,124		
Upper highway: Kloof/Hillcrest	R3,000	-	R3,500	-	R4,000	-	R5,000	-	WK
Pinetown area/Queensburgh	R2,600	R141	R3,300	R283	R4,025	R318	R4,850	-	TR, WK
Westville area	R2,500	-	R3,200	-	R4,200	-	R5,850	-	WK
Central City (incl. Lower Berea)	R2,775	R35	R3,100	R141	R4,200	R566	R5,500	-	TR, WK
Berea / Morningside / Glenwood	R2,925	R106	R3,500	R0	R4,625	R177	R5,500	-	TR, WK
South and North Beach	R2,950	R71	R3,450	R71	R4,625	R177	R5,750	-	TR, WK
Durban North/La Lucia/Umlhanga	-	-	-	-	-	-	-	-	-
North (Dolphin) Coast/Ballito	-	-	-	-	-	-	-	-	-
Montclair/Yellowwood Park	R2,750	-	R3,175	R318	R3,750	R354	R4,500	-	TR, WK
Bluff area/Durban South	R2,500	-	R3,500	R0	R3,850	R71	R4,278	R315	TR, WK
Durban South/Amazimtoti/Warner Beach area	R3,000	-	R3,500	-	R3,750	-	R4,500	-	TR, WK
Cape Town average	R2,695		R3,283		R4,174		R5,198		
Camps Bay/Clifton/Bantry Bay	R4,550	R71	R5,600	R141	R6,650	R212	R8,500	-	SQ, TR
Sea Point	-	-	-	-	-	-	-	-	TR
Green Point/Three Anchor Bay	R3,650	R132	R4,550	R529	R6,383	R1,402	R6,500	-	PF, SQ, TR
City Bowl (excluding Higgovale)	R3,967	R29	R4,675	R348	R6,113	R853	R8,650	R786	JL, LZ, OB, SQ, TR
City Centre	R3,550	R354	R4,883	R952	R5,765	R332	R7,350	R212	SQ, TR
Waterfront	-	-	-	-	-	-	-	-	-
Rondebosch/Rosebank/Claremont	R3,153	R67	R4,083	R126	R5,383	R202	R7,000	R500	PF, TR
Kenilworth/Wynberg/Plumstead	R2,883	R76	R3,350	R132	R4,300	R304	R5,500	-	PF, SQ, TR
Muizenberg/ Kalk Bay/ Fish Hoek	R2,850	R409	R3,450	R568	R3,850	R71	R5,200	-	SQ, TR
Hout Bay	R2,900	-	R3,725	R318	R4,775	R247	R5,800	-	EM

Table 9.2 (continued)

Flat rentals: standard units

Average rents per month as at quarter 2012:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Milnerton/Sanddrift	R3,000	R100	R3,575	R150	R4,425	R150	R5,500	R0	LA, PF, RS, TR
Tableview/ Parklands	R2,867	R208	R3,233	R58	R4,538	R645	R4,800	R361	LA, PF, SF, TR
Blouberg/Melkbos	R2,950	R71	R3,425	R35	R4,325	R35	R5,383	R104	LA, TR
Athlone	R2,000	-	R2,200	-	R2,800	-	R3,200	-	TR
Mitchell's Plain	R1,500	-	R1,800	-	R2,200	-	R2,800	-	TR
Pinelands	R3,000	R0	R3,500	R0	R4,400	R141	R5,400	R141	LA, TR
Brooklyn/Rugby/Maitland	R2,417	R76	R2,917	R144	R3,367	R189	R4,350	R212	LA, SQ, TR
Monte Vista/ Goodwood/ Parow/ Bellville Central	R2,600	R200	R3,060	R195	R3,800	R212	R4,433	R404	JL, LA, SQ, TR, ZR
Tyger Valley area/ Durbanville	R2,525	R369	R3,000	R356	R4,000	R245	R4,825	R287	LA, PF, SF, TR, ZR
Brackenfell/ Kuils River	R2,225	R403	R2,760	R344	R3,590	R313	R4,400	R529	LA, PF, SF, TR, ZR
Somerset West	R1,867	R115	R2,267	R252	R3,067	R115	R4,067	R115	GE, TR, LA
Strand	R1,913	R131	R2,478	R221	R3,225	R310	R3,900	R964	GE, LA, SQ, TR
Gordon's Bay	R1,867	R115	R2,400	R100	R3,067	R115	R4,400	R529	GE, LA, TR
Port Elizabeth average	R2,334		R2,635		R3,377		R4,274		
Summerstrand/Humewood/South End	R3,100	R265	R3,700	R283	R4,900	R557	R6,233	R929	JP, ZB
Walmer	R2,900	R458	R2,600	R424	R4,100	R566	R6,500	-	JP, ZB
Central/North End	R2,300	-	R2,550	R354	R2,930	R99	R3,200	-	ZB
Newton Park	R2,500	R424	R2,800	R424	R3,200	-	R4,500	-	JP, ZB
Westerling	R2,200	R0	R2,550	R71	R3,350	R636	R4,000	-	JP, ZB
Kabega	R1,950	R495	R2,400	R707	R3,050	R636	R3,850	R919	JP, ZB
Algoa Park	R1,700	R424	R2,100	R424	R2,600	R424	R2,900	-	JP, ZB
East London average	R2,347		R2,544		R3,014		R3,447		
Southernwood/Quigney Beach/CBD	R2,500	-	R2,750	-	R3,250	-	R3,750	-	TR

Table 9.2 (continued)
Flat rentals: standard units
 Average rands per month as at quarter 2012:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Berea	R2,750	-	R2,950	-	R3,550	-	R3,800	-	TR
Amalinda	R2,350	-	R2,400	-	R2,700	-	R3,050	-	TR
Gonubie Park	R2,000	-	R2,150	-	R2,650	-	R3,250	-	TR
Bloemfontein average	R1,779		R2,360		R3,008		R3,744		
Bloemfontein	R1,675	R247	R2,300	R424	R2,900	R141	R3,500	-	ED, MI
Westdene	R1,775	R35	R2,400	R141	R2,950	R212	R4,000	R0	ED, EK, MI
Willows	R1,850	R87	R2,367	R321	R3,133	R351	R3,625	R177	ED, EK, MI
Navalsig	R1,800	-	R2,333	R289	R2,917	R401	R3,450	R636	ED, EK, MI
Arboretum	R1,800	-	R2,400	R566	R3,150	R495	R4,200	R990	ED, MI

Table 9.3

Flat rentals: upmarket units

Average rand per month as at quarter 2012:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean S	D	Mean	SD	Mean	SD	
Johannesburg average	R3,001		R4,298		R5,326		R6,045		
North-Eastern Suburbs (incl. Kew/Cyrlidene/Fairmount/Waverley/Lyndhurst/Bramley/Savoy)	-	-	-	-	-	-	-	-	-
Maraisburg/Crosby/Brixton	-	-	-	-	-	-	-	-	-
Meldene (Melville, Westdene, Auckland Park)	R3,500	-	R4,500	-	R6,000	-	R7,500	-	JL
Rosebank/Killarney/Illovo	R4,200	-	R5,500	-	-	-	-	-	TR
Greenside/Victory Park/Emmarentia/Linden/Parkview/Parkhurst	R4,500	-	R5,500	-	R6,500	-	R8,000	-	JL
Randburg: Ferndale/Fontainebleau	R3,000	R707	R4,000	R0	R5,067	R404	R6,200	R424	BS, JL, TR
Randburg & Suburbs	R3,050	R778	R3,750	R354	R4,650	R71	R5,950	R71	BS, JL
Windsor: East/West	R2,300	R424	R3,300	R424	R4,250	R354	R4,900	R141	BS, JL
Craighall/Craighall Park	-	-	-	-	-	-	-	-	-
Sandton: North & Far North (incl. Bryanston/Fourways/Lonehill/Douglasdale)	R3,000	-	R5,000	R0	R6,500	R0	R8,000	-	BS, TR
Sandton: South to Central (incl. Sandown/Rivonia/Morningside/Sunninghill/Kyalami)	-	-	R5,500	-	R7,500	-	-	-	TR
Bedfordview	-	-	-	-	-	-	-	-	-
Old South (incl. Rosettenville/Turffontein/Kenilworth)	-	-	-	-	-	-	-	-	-
New South (incl. Southdale/Mondeor/Glenvista/Linmeyer)	R1,575	-	R2,700	R1,131	R3,400	R1,556	R3,400	-	DV, TR

Table 9.3 (continued)

Flat rentals: upmarket units

Average rents per month as at quarter 2012:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	S	D	Mean	SD	Mean	SD
Kwaggasrand/West Park	-	-	-	-	-	-	-	-	-
Elandspoort/Danville	-	-	-	-	-	-	-	-	-
Atteridgeville/Laudium	-	-	-	-	-	-	-	-	-
Centurion Average	R3,588		R4,133			R4,986		R6,264	
Pierre van Ryneveld	-	-	-	-	-	R4,300	-	R5,200	ASA
Irene	-	-	-	-	-	-	-	-	-
Kloofsig/ Lyttleton Manor/ Doringkloof/ Zwartkop	R3,625	-	R4,000	-	-	R5,500	R707	R8,050	R2,728 ASA, CB
Highveld and Extensions	R3,600	-	R4,200	-	-	R4,950	R212	R6,050	R71 ASA, CB
Clubviews/ Eldoraigne/ Wierda Park/ Cranebrook/ Bronberrick/ Rooihuiskraal North	R3,700	-	R4,400	-	-	R4,850	R495	R6,000	R707 ASA, CB
Rooikruiskraal/ The Reeds	R3,600	-	R4,200	-	-	R5,300	R283	R6,550	R636 ASA, CB
Heuweloord	R3,500	-	R4,000	-	-	R5,000	-	R6,000	- CB
Valhalla	R3,500	-	R4,000	-	-	R5,000	-	R6,000	- CB
Nelspruit average	R2,000		R3,472			R4,379		R5,735	
Nelinda	-	-	-	-	-	-	-	-	-
Nelspruit CBD	R2,000	-	R3,000	-	-	R3,800	-	R5,000	FN
West Acres and extensions	-	-	-	-	-	R4,400	-	R5,700	FN
Sonheuwel and extensions	-	-	R3,100	-	-	R4,000	-	R5,500	FN
Nelspruit and extensions	-	-	R4,500	-	-	R5,500	-	R6,900	FN
Nelsville	-	-	-	-	-	-	-	-	-
Durban average	R3,238		R4,152			R5,200		R7,049	
Upper highway: Kloof/Hillcrest	R3,500	-	R4,000	-	-	R5,000	-	R6,000	WK

Table 9.3 (continued)
Flat rentals: upmarket units
 Average rand per month as at quarter 2012:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean S	D	Mean	SD	Mean	SD	
Pinetown area/Queensburgh	R2,900	R141	R3,575	R389	R4,475	R389	R5,500	-	TR, WK
Westville area	R3,500	-	R4,500	-	R5,000	-	R7,000	-	WK
Central City (incl. Lower Berea)	R2,900	R141	R3,525	R318	R4,775	R1,379	R5,500	R2,121	TR, WK
Berea / Morningside / Glenwood	R3,150	R71	R4,250	-	R5,800	-	R8,000	-	TR, WK
South and North Beach	R3,100	R141	R4,250	R354	R5,475	R742	R8,000	-	TR, WK
Durban North/La Lucia/Umhlanga	R4,000	-	R5,750	-	R7,000	-	R15,000	-	WK
North (Dolphin) Coast/Ballito	-	-	-	-	-	-	-	-	-
Montclair/Yellowwood Park	R3,000	-	R3,750	-	R4,500	-	R5,000	-	WK
Bluff area/Durban South	R3,000	-	R3,800	-	R4,500	-	R5,000	-	WK
Durban South/Amanzimtoti/Warner Beach area	R3,250	-	R3,800	-	R4,500	-	R5,500	-	WK
Cape Town average	R3,334		R4,134		R5,327		R6,891		
Camps Bay/Clifton/Bantry Bay	R5,750	R71	R6,400	R141	R9,000	R0	R14,750	R354	SQ, TR
Sea Point	-	-	-	-	-	-	-	-	-
Green Point/Three Anchor Bay	R4,950	R636	R5,950	R71	R7,300	R283	R8,750	R354	PF, SQ, TR
City Bowl (excluding Higgovale)	R4,833	R289	R6,150	R304	R8,667	R416	R11,750	R354	JL, LI, OB, SQ, TR
City Centre	R4,500	R0	R5,700	R424	R8,075	R247	R9,000	-	SQ, TR
Waterfront	-	-	-	-	-	-	-	-	TR
Rondebosch/Rosebank/Clairemont	R3,867	R709	R4,933	R737	R6,833	R1,155	R10,500	R707	PF, SQ, TR
Kenilworth/Wynberg/Plumstead	R3,900	R566	R4,450	R354	R5,450	R71	R6,750	R354	SQ, TR
Muizenberg/ Kalk Bay/ Fish Hoek	R3,400	R141	R3,925	R35	R5,050	R71	R6,000	-	SQ, TR
Hout Bay	-	-	-	-	-	-	-	-	-
Millerton/Sanddrift	R3,500	R497	R4,050	R574	R4,975	R785	R6,500	R866	LA, PF, RS, TR
Tableview/Parklands	R3,375	R310	R4,067	R379	R4,863	R626	R5,967	R58	LA, PF, SQ, TR

Table 9.3 (continued)
Flat rentals: upmarket units
 Average rands per month as at quarter 2012:1

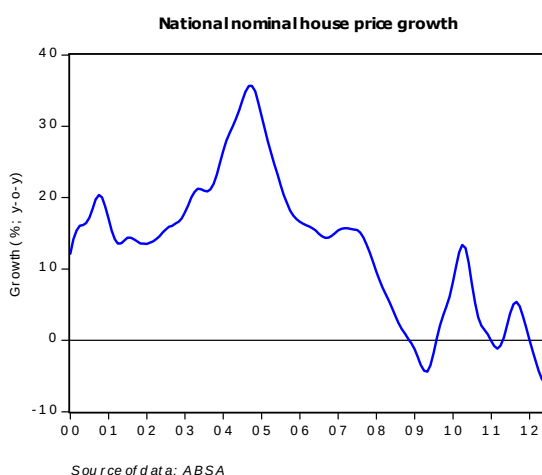
	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean S	D	Mean	SD	Mean	SD	
Blouberg/Melkbos	R3,667	R351	R4,400	R141	R5,850	R212	R7,350	R212	LA, PF, TR
Athlone	R2,200	-	R3,000	-	R3,500	-	R4,500	-	TR
Mitchell's Plain	R2,000	-	R2,800	-	R3,500	-	R4,500	-	TR
Pinelands	R3,650	R212	R4,500	R0	R6,000	R0	R7,750	R354	LA, TR
Brooklyn/Rugby/Maitland	R2,967	R58	R3,417	R144	R4,317	R318	R5,400	R173	LA, SQ, TR
MonteVista/Goodwood/Parow/Bellville Central	R3,075	R150	R3,500	R258	R4,600	R566	R5,425	R850	LA, SQ, TR, ZR
Tyger Valley area/Durbanville	R3,133	R115	R3,975	R386	R4,770	R239	R6,733	R1,328	LA, PF, SF, TR, ZR
Brackenfell/Kuils River	R2,550	R370	R3,020	R295	R3,900	R224	R4,667	R289	LA, PF, SF, TR, ZR
Somerset West	R2,533	R58	R3,567	R115	R4,533	R58	R6,167	R1,155	GE, LA, TR
Strand	R2,667	R289	R3,500	R0	R4,667	R289	R6,000	R866	GE, LA, TR
Gordon's Bay	R2,700	R265	R3,567	R115	R4,567	R115	R5,733	R252	GE, LA, TR
Port Elizabeth average	R2,610		R3,066		R3,563		R4,320		
Summerstrand/Humewood/South End	R3,250	R354	R4,000	R283	R4,700	R283	R7,600	R1,493	JP, ZB
Walmer	R2,975	R177	R3,800	R0	R4,650	R212	R6,250	R1,061	JP, ZB
Central/North End	R2,500	-	R2,750	-	R3,250	-	R3,500	-	ZB
Newton Park	R2,675	R318	R3,075	R318	R3,450	R354	R3,800	-	JP, ZB
Westering	R2,650	R212	R3,025	R247	R3,500	R0	R3,850	-	JP, ZB
Kabega	R2,600	R141	R2,975	R177	R3,400	R141	R3,850	-	JP, ZB
Algoa Park	R1,850	-	R2,200	-	R2,500	-	R3,000	-	ZB
East London average	R2,658		R2,906		R3,356		R3,813		
Southernwood/Quigney Beach/CBD	R2,800	-	R3,250	-	R3,600	-	R4,050	-	TR
Berea	R3,100	-	R3,250	-	R3,500	-	R4,200	-	TR
Amalinda	R2,500	-	R2,700	-	R3,050	-	R3,500	-	TR

Chapter 10: House market

About booms and busts

Written by Erwin Rode and Anneke Meijers

The most recent Absa House Price Index indicates that nominal house prices have now been contracting for four months year on year. The latest figure shows a contraction of just below 6% since May 2011. This is the largest contraction recorded since the late 1980s. House prices last significantly deflated during the first half of 2009, after which they rebounded.



As a result, house prices are now, in *real* terms, moving closer to their long-run trend line, aided by high building-cost inflation (which is now much higher than consumer inflation).

South Africa's market could have been in a much worse state.

In the USA, Robert J. Shiller, renowned for what he and Greenspan coined "irrational exuberance", quite rationally predicted in 2006 that the bubble would burst (*The Economist*, 22 April 2006). And so it did. Shiller now believes that it would take at least a generation, and maybe even two, to

recover (Reuters, 24 April 2012). Granted, this latest opinion seems a bit extreme, but it should not be rejected out of hand because it is probably based on the Japanese experience after 1989. In that year, an extraordinary *real* estate bubble in Japan burst, and more than two decades later there is still no recovery in sight — in spite of huge monetary expansion ("quantitative easing") and zero interest rates. In fact, the Japanese can be called the inventors of quantitative easing. So, perish the thought, Shiller could be right again.

In well-behaved, stable Netherlands, with inflation at a modest 2,3% today, house prices have declined by a noteworthy 12% since the outbreak of the credit crisis in 2008 (ABN AMRO, 29 February 2012). In fact, in March of this year, house prices were 5% lower than a year earlier, and in April the number of sales (churn) had declined by 19% year on year. It seems the end is not in sight.

Like the examples above, poorly performing house prices are now a feature of most developed, including all Anglo-Saxon, countries. What these nations seem to have in common is hangover economies after the intoxicating cheap-credit consumer boom of the previous decade. Let us, completely unscientifically, check this theory by considering the two major contrarian economies, Germany and China.

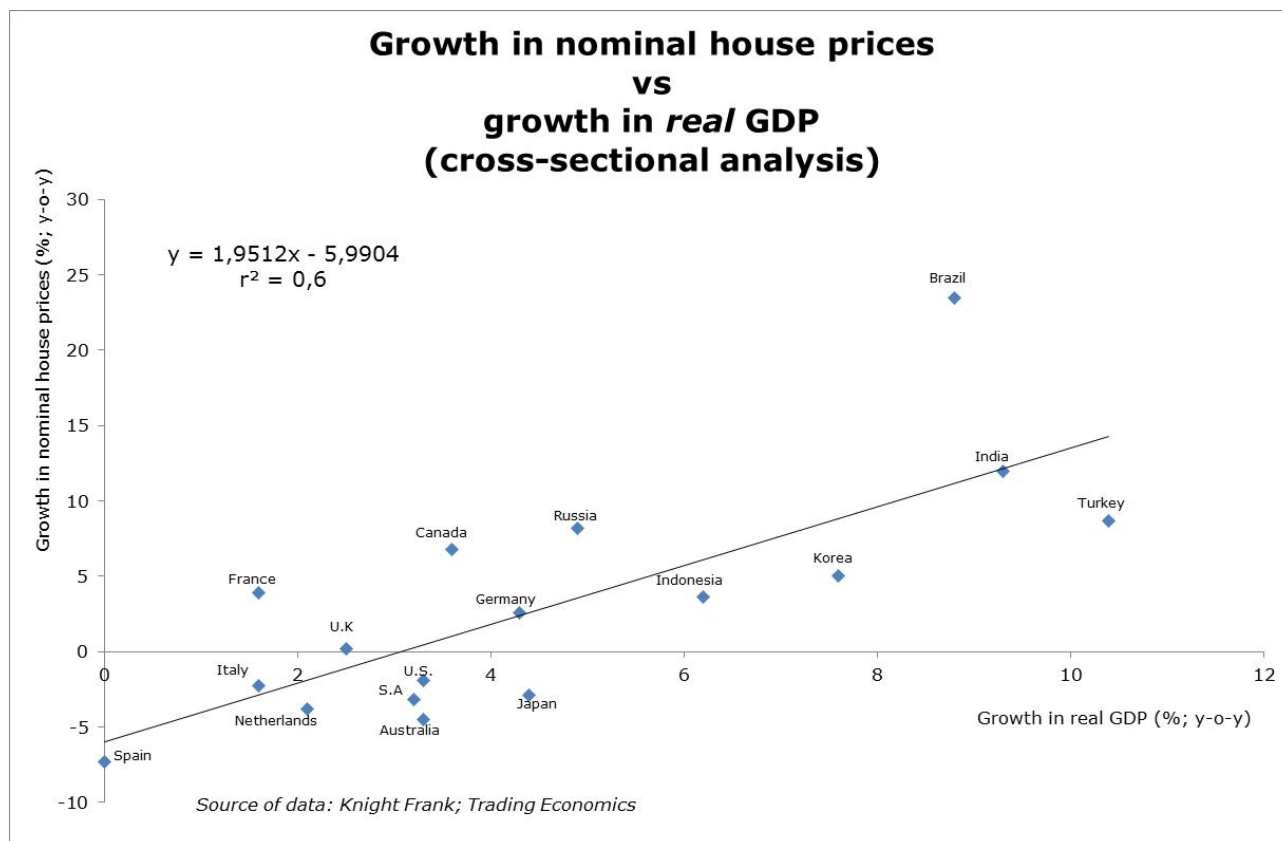
Germany's economy has so far given the European crisis a narrow miss. In terms of our theory, a lukewarm economy would lead to a tepid house market. Thus, rather unsurprisingly, in the first quarter of 2012,

German house prices grew, in tandem with the weak economy, at a modest 2,6% — a trend evident since 2010 (Verband Deutscher Pfandbriefbanken or vdp). In comparison, the inflation rate in Germany is 2,1%, meaning there is not much real growth. However, it needs to be said that the German house market on average hadn't experienced the wild exuberance of large parts of the world in the run-up to the Great Recession. If it had, the house market here might also have been deflating, in spite of an economy that is not contracting (yet).

Now consider China, which has been in a once-in-500-year structural boom. Here, prices have grown by a mind-boggling 90% since the start of 2009, but had reached a peak in the third quarter of 2011 (Knight Frank, "China Residential Market Watch: Q1 2012"). Since then, the Chinese government has implemented regulations to cool the market, and this has had the effect of orderly deflating prices by 6%

(*The Globe and Mail*, 18 May 2012). Nevertheless, *Forbes* magazine (1 March 2012) claims property prices in China are still 10% to 25% overvalued. Thus it seems that the government is managing an orderly deflation of prices; that is, there is no rout. However, Nouriel Roubini's *EconoMonitor* claims the number of transactions in the house market was 17,5% lower (year on year) in the first quarter of this year (*Business Day*, 22 May 2012). Add to this news the first straws in the wind that the Chinese economy is cooling significantly, and one cannot be sanguine about prospects for this locomotive economy. A bursting of the bubble is not out of the question.

Of course one cannot come to a conclusion on this sparse and biased selection of countries, and the superficiality of the above narrative. However, the corresponding scatter graph does lend some credence to the notion that house prices are influenced positively — from the demand side — by economic growth.



The graph shows the positive relationship between current (2012q1) yearly growth in nominal house prices and yearly *real* GDP growth (lagged by 7 quarters¹) for a number of developed and developing countries.² The lag of almost two years does suggest that the impact of changes in *real* GDP growth on the housing market is often not immediate, but does take some time to filter through. Assuming that this is true, the outlook for the housing markets in these economies remains gloomy. This is so because in most of these countries (even in the likes of Brazil and India where house prices are still showing double-digit growth) yearly *real* GDP growth has been decelerating for a number of quarters now.

A last thought: what comes first, a real estate bubble that bursts or the economic slowdown?

This needs to be investigated, but suffice it to say here that the two probably mutually reinforce one another.

Residential income yields

Tables 10.1 and **10.2** summarize the *gross-income* yields on houses and townhouses. These yields can be used as a rough guide as to the state of the suburbs within the various cities, towns or areas: the higher the yield, the worse the *expected* growth in income streams and/or the higher the *perceived* risk of location.

As a rule of thumb, in order to convert gross yields to net, the reader might deduct 1,5% points.

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

¹ A number of lags to *real* GDP growth (from 0 to 8 quarters) were tested. A lag of 7 quarters gave the best results (the highest r^2).

² All of the countries that were selected (barring South Africa) contribute at least 1% or more to total global economic output (source: IMF World Economic Outlook Database).

Table 10.1
Gross-income yields (%) of houses by price class
Quarter 2012:1

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

Table 10.1 (continued)
Gross-income yields (%) of houses by price class
Quarter 2012:1

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

Table 10.2
Gross-income yields (%) of townhouses by price class
Quarter 2012:1

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

Table 10.2 (continued)
Gross-income yields (%) of townhouses by price class
Quarter 2012:1

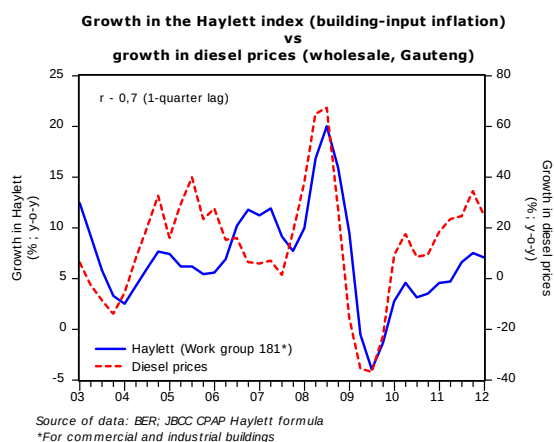
	Low	Middle
Centurion		
- <i>Pierre van Ryneveld</i>	7,9%	8,5%
- <i>Irene</i>	8,3%	12,8%
- <i>Kloofsig / Lyttleton Manor / Doringkloof</i>	8,3%	11,3%
- <i>Highveld and Extensions</i>	7,9%	8,8%
- <i>Clubviews / Eldoraigne / Wierda Park</i>	7,4%	8,9%
- <i>Rooihuiskraal / The Reeds</i>	7,2%	9,6%
- <i>Heuweloord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

Chapter 11: Building activity and building costs

Fuel prices one of the culprits

Written by Anneke Meijers

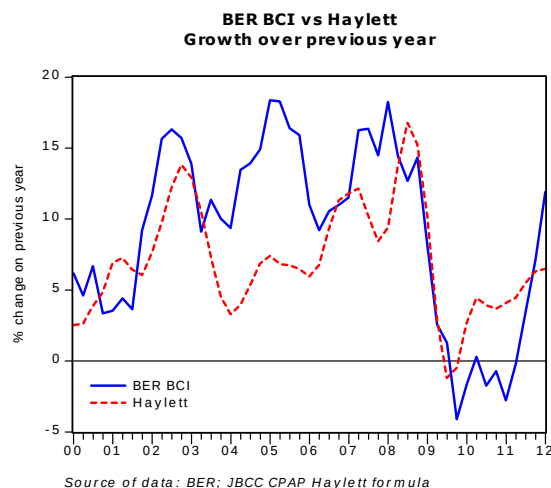
Over the past few quarters, cost-push factors have driven building-input prices higher. This has, in turn, resulted in robust growth in tender prices.



One of the cost-push culprits has been fuel prices. As the corresponding graph shows, there is a fairly robust relationship between building-input-cost inflation and growth in diesel prices. Note also how changes in building-input prices lag changes in diesel prices by a quarter. Since the beginning of 2011, the price of diesel fuel has risen by an average yearly rate of roughly 25%. This has placed upward pressure on building-input prices, which over the same period have averaged growth of about 6%. Changes in fuel prices, of course, affect the transport costs of building materials. Now, after having trimmed profit margins to the bone, contractors have had no option but to pass on higher-input costs in the form of higher tender prices. Resultantly, the growth in tender prices has also accelerated sharply. In the first quarter of 2012, the BER Building-Cost Index (which measures the movement in accepted tender prices) is expected to have shown

growth of about 13%. Note that the 13% reflects a rebound following years of building-cost declines and might also be distorted by a small sample size, given the little building activity taking place.

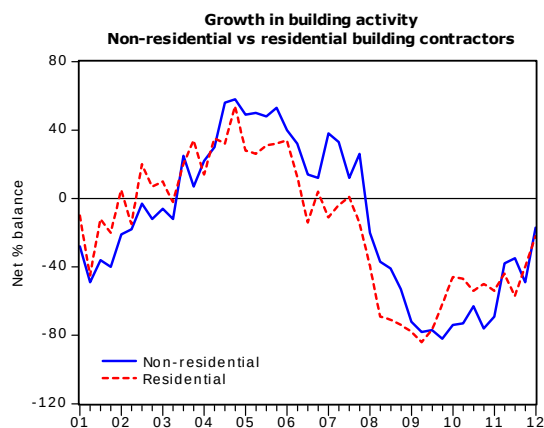
At the time of writing, US-dollar crude-oil prices were heading south. Since peaking in March 2012, crude oil prices have plunged more than 20%. This might mean more relief in the form of falling domestic fuel prices. In turn, the outcome could be lower building-input price inflation. Here the assumption is that the current depreciation of the rand-dollar exchange rate does not negate the fall in US-dollar crude oil prices.



Regarding building activity, this continues to shrink. As can be seen in the graph that follows, for most of the building contractors surveyed by the BER¹, building activity was

¹ In one of their quarterly surveys, the Bureau for Economic Research (BER) asks a panel of residential and non-residential contractors to rate if building activity is "up", "the same" or "down" when compared to a year ago. The percentage reporting "down" is then subtracted from the percentage of respondents saying "up" to arrive at a net percentage balance.

still down in the first quarter of 2012 when compared to the first quarter of 2011.



The contraction in building activity is also

observable from the square meterage of space being completed (see **Tables 11.1** and **11.2**). For the year ended March 2012, the square meterage of non-residential buildings completed, was down by 11%. The growth in plans passed for office and industrial space does, however, imply some activity in the near future in these two segments of the market. But don't hold your breath, because in a market like the one at present, building plans passed are often shelved.

The prospects for residential-building activity are not good, either. Both the square meterage of buildings completed and planned, shrank (albeit marginally) over the 6- and 12-month periods ended March 2012.

Table 11.1

New non-residential buildings (private sector) (m²)

% change on a year earlier

	Offices	Shopping space	Industrial buildings	Total
12 months ended March 2012 (% change on a year earlier)				
Completed	-37,9%	-3,4%	1,5%	-11,1%
Plans passed	16,6%	-15,2%	15,7%	7,1%
6 months ended March 2012 (% change on a year earlier)				
Completed	-47,1%	-6,5%	33,7%	-2,0%
Plans passed	15,7%	-28,6%	24,5%	4,6%
Source of data: Stats SA				

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

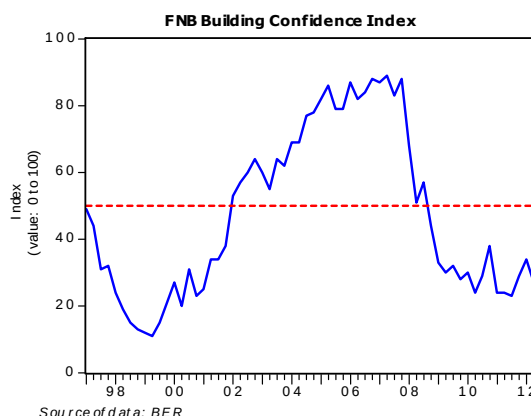
	Houses		Flats & townhouses	Total
	Smaller than 80 m²	Larger than 80 m²		
12 months ended March 2012 (% change on a year earlier)				
Completed	2,8%	0,9%	-7,0%	-0,6%
Plans passed	-3,9%	-0,9%	4,2%	-0,4%
6 months ended March 2012 (% change on a year earlier)				
Completed	-16,3%	3,1%	9,6%	0,6%
Plans passed	-2,8%	4,7%	-14,2%	-0,5%
Source of data: Stats SA				

Source of data: Stats SA

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

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

This state of affairs is confirmed by the lack of confidence in the industry. As can be seen in the graph that follows, the overall direction in building-construction confidence has been south since peaking in 2007. In fact, in the second quarter of 2012, more than 70% of the respondents surveyed by the compilers of the FNB-BER building-confidence index were still unsatisfied with prevailing business conditions. This index reflects the business confidence of architects, quantity surveyors, contractors, sub-contractors, retail merchants and manufacturers of building materials.



Have a nice day. ■

Annexures

Glossary of property and related terms and abbreviations

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

Besa: Bond Exchange of South Africa.

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

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

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

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

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

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

Civils: colloquial for **civil construction**.

Civil construction: the construction of

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

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

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

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

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

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

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

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

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

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

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

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

An alternative term is intrinsic value.

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

Geometric mean return: It is also called the time-weighted rate of return or the average compounded rate of return. It is calculated by taking the **geometric mean** of

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

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

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

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

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

Industrial-building grades:

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

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

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

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

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

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

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

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

Metro: Metropolitan.

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

n: Number of respondents.

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

NNN lease: Also known as a triple-net lease. A fully repairing and insuring lease (tenant pays all operating costs). The commonest example is a Leaseback.

Office building grades defined by quality of finishes and facilities:

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

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

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

Office stock: Total rentable office space.

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

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

Operating costs: See **outgoings**.

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

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

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

The following items are excluded:

- VAT.
- Head office overheads.
- Tenant's own electricity and water.
- Tenant installations/relocations recovered.
- Internal maintenance.
- Recoverable refuse & sewerage.

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

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

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

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

Rental:

- **Basic rental (base rental** in the USA): A set amount used as a minimum rent in a lease which also employs a percentage of turnover or other allocation for additional rent.
- **Gross rental:** The *total* rental payable by the tenant, *excluding VAT*, the tenant's own electricity and water charges, but *including* other operating costs recovered by the landlord (if any), as well as promotion expenses payable by the tenant in the case of shopping centres. See also **rental, net**.
- **Net rental:** The amount payable by the tenant, excluding **VAT** and excluding operating costs recovered by the landlord (if any). See also **rental, gross**.
- **Nominal rental:** This has a dual meaning:
 - o Firstly, it refers to rentals where the analyst or valuer assumes no incentives like a **rent-free period**, free relocation, cash upfront, or balance-of-installation allowance. It also excludes amortisation of tenant-installation costs.
 - o Secondly, it can also mean actual rental values (i.e. not deflated). See

also **rental, real**.

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

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

Required rate: see **hurdle rate**.

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

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

Sapoa: South African Property Owners Association.

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

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

Shopping centre configurations:

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

Shopping centre types:

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

Game); approximately 30 to 60 shops. Examples are: Sunnypark (Pretoria); Musgrave Centre (Durban); Middestad Mall in Bellville, Meadowridge, Goodwood Mall, Constantia Village (Cape metro);

Constantia Centre (Port Elizabeth); Brandwag Centre (Bloemfontein); Beacon Bay Retail Park (East London).

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

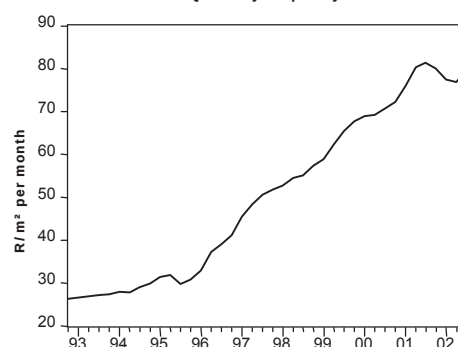
Smoothing: Removal of shorter-term fluctuations in a **time series**, by e.g. moving averages, exponential smoothing, or curve fitting.

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

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

Time series

A graphic portrayal of a rental time series
Quarterly frequency



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

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

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

VAT: value-added tax.

Wholesale value: In the context of property syndication, this means the estimated price that a share or shares of a syndicated property-holding company would fetch (excluding winding-up costs)

should the holding company be dissolved and the underlying property sold as a normal, non-syndicated property. See also **retail price**.

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

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

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

References:

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

Technical background to the Rode surveys

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

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

The cons of tracking actual transactions are:

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

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

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

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

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

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

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

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

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

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

Hurdle rate: The question put to landlord panellists is:

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

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

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

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

The question put to the panellists is:

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

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

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

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

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

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

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

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

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

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

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

Industrial rentals: The question put to panellists is:

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

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

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

Thus, the reported vacancies do not represent percentages.

Industrial land values: The question put to panellists is:

"In your opinion, what are the current *market* values per m² for vacant, serviced levelled land in the townships and for the

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

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

Flat rentals: The question put to panellists is:

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

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

■

How to interpolate industrial rental rates and land values

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

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

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

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

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

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

An example:

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

Assume the following equation:

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

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

Step 1:

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

Thus:

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

Step 2:

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

Approximate building cost rates as at July 2012

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

The following, unless otherwise stated, is a list of approximate building cost rates per m² of construction area for various building types in the Gauteng region. The rates represent the average expected building cost rates for 2012. It is stressed that these rates are purely of an indicative nature and should be used with circumspection, as they are dependent upon a number of assumptions.

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

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

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

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

Building type

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

Offices

1.	Low-rise office park development with standard specification	/m ²	R5.500 – R6.700
2.	Low-rise prestigious office park development	/m ²	R7.100 – R10.600
3.	High-rise tower block with standard specification	/m ²	R7.800 – R10.600
4.	High-rise prestigious tower block	/m ²	R10.600 – R13.250

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

Parking

1.	Parking on grade including integral landscaping and ground preparation	/m ²	R375 – R480
2.	Structured parking	/m ²	R2.950 – R3.800
3.	Parking in semi-basement	/m ²	R2.950 – R4.000
4.	Parking in basement	/m ²	R3.000 – R4.500

Retail

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

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

Industrial

1.	Industrial warehouse including, office and change facilities within structure area (architect/engineer-designed):		
1.1	Steel frame, steel cladding and roof sheeting	/m ²	R2.650 – R4.000
1.2	Steel frame, brickwork to ceiling, steel cladding above and roof sheeting	/m ²	R3.200 – R4.450
1.3	Administration offices, ablution and change room block	/m ²	R5.100 – R6.400
1.4	Cold storage facilities	/m ²	R9.400 – R13.500

Residential

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

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

Hotels

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

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

Studios

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

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

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

4.	Frail care	/m ²	R9.000
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Schools

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

Stadiums

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

Prisons

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

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

Building services
Electronic installation

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

Fire protection installation (offices)

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

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

Notes

1. Regional variations: Construction costs normally vary between the different provinces of South Africa. Costs in the Western Cape and KwaZulu-Natal, specifically upper class residential, for example, are generally significantly higher than Gauteng due to the demand for this accommodation. Rates have therefore been based on data received from the Gauteng province, where possible. However, specific costs for any region can be given upon request from any Davis Langdon office in that region.

2. Value added tax (VAT): As the majority of developers are registered vendors in the property industry, any VAT paid by them on commercial property development is fully recoverable. Therefore to reflect the net development cost, VAT has not been allowed for in the above rates. Should the gross cost (i.e. after VAT inclusion) be required, then VAT at the ruling rate (currently 14%) should be added to all the above rates.

Cognisance should be taken however, of the effect of VAT on cash flow over a time period. This will vary according to the payment period of the individual vendor but in all cases will add to the capital cost of the project to the extent of interest on the VAT outstanding for the VAT cycle of the particular vendor.

3. For guidance with regard to the cost of buildings rated under the Green Star South Africa rating tool system, see the latest edition of the Davis Langdon publication entitled "Quick Guide to Green Design Attributes."

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

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

Source:

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

Absa home building-cost index

2000 = 100

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

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

BER Building Cost Index (non-residential tender prices)

2005=100

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

Source:

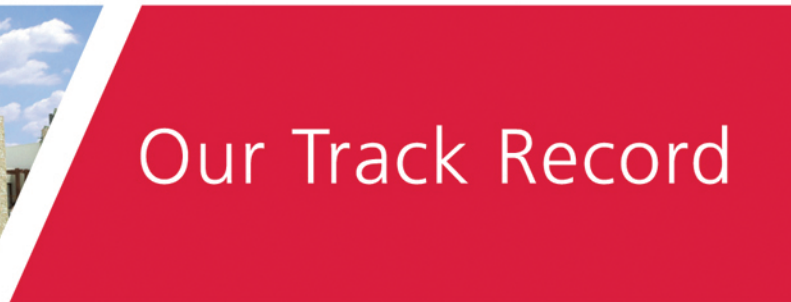
This table is an extract of the *Building Cost Report* of Medium-Term Forecasting Associates, P O Box 7119, Stellenbosch, 7600, Tel, 0218838152, and is published with their permission,
The last few months are always subject to change,

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

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
1989	18,0	19,0	19,0	19,0	20,0	20,0	20,0	20,0	20,0	21,0	21,0	21,0	19,8
1990	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0
1991	21,0	21,0	21,0	20,0	20,0	20,0	20,0	20,0	20,0	20,3	20,3	20,3	20,3
1992	20,3	20,3	20,3	19,3	19,3	19,3	18,3	18,3	18,3	18,3	17,3	17,3	18,8
1993	17,3	16,3	16,3	16,3	16,3	16,3	16,3	16,3	16,3	16,3	15,3	15,3	16,2
1994	15,3	15,3	15,3	15,3	15,3	15,3	15,3	15,3	16,3	16,3	16,3	16,3	15,6
1995	16,3	17,5	17,5	17,5	17,5	17,5	18,5	18,5	18,5	18,5	18,5	18,5	17,9
1996	18,5	18,5	18,5	19,5	20,5	20,5	19,5	19,5	19,5	19,3	20,3	20,3	19,5
1997	20,3	20,3	20,3	20,3	20,3	20,3	20,3	20,3	20,3	19,3	19,3	19,3	20,0
1998	19,3	19,3	18,3	18,3	18,3	22,3	24,0	25,5	25,5	24,5	23,5	23,0	21,8
1999	22,0	21,0	20,0	19,0	19,0	18,0	17,5	16,5	16,5	15,5	15,5	15,5	18,0
2000	14,5	14,5	14,5	14,5	14,5	14,5	14,5	14,5	14,5	14,5	14,5	14,5	14,5
2001	14,5	14,5	14,5	14,5	14,5	13,8	13,5	13,5	13,0	13,0	13,0	13,0	13,8
2002	14,0	14,0	15,0	15,0	15,0	16,0	16,0	16,0	17,0	17,0	17,0	17,0	15,8
2003	17,0	17,0	17,0	17,0	17,0	15,5	15,5	14,5	13,5	12,0	12,0	11,5	15,0
2004	11,5	11,5	11,5	11,5	11,5	11,5	11,5	11,0	11,0	11,0	11,0	11,0	11,3
2005	11,0	11,0	11,0	10,5	10,5	10,5	10,5	10,5	10,5	10,5	10,5	10,5	10,6
2006	10,5	10,5	10,5	10,5	10,5	11,0	11,0	11,5	11,5	12,0	12,0	12,5	11,2
2007	12,5	12,5	12,5	12,5	12,5	13,0	13,0	13,5	14,0	14,0	14,0	14,5	13,2
2008	14,5	14,5	14,5	15,0	15,0	15,5	15,5	15,5	15,5	15,5	15,5	15,0	15,1
2009	15,0	14,0	13,0	13,0	11,0	11,0	11,0	10,5	10,5	10,5	10,5	10,5	10,8
2010	10,5	10,5	10,0	10,0	10,0	10,0	10,0	10,0	9,5	9,5	9,0	9,0	9,8
2011	9,0	9,0	9,0	9,0	,0	9,0	9,0	9,0	9,0	9,0	9,0	9,0	9,0
2012	9,0	9,0	9,0	9,0	,0								

Source: SARB

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



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