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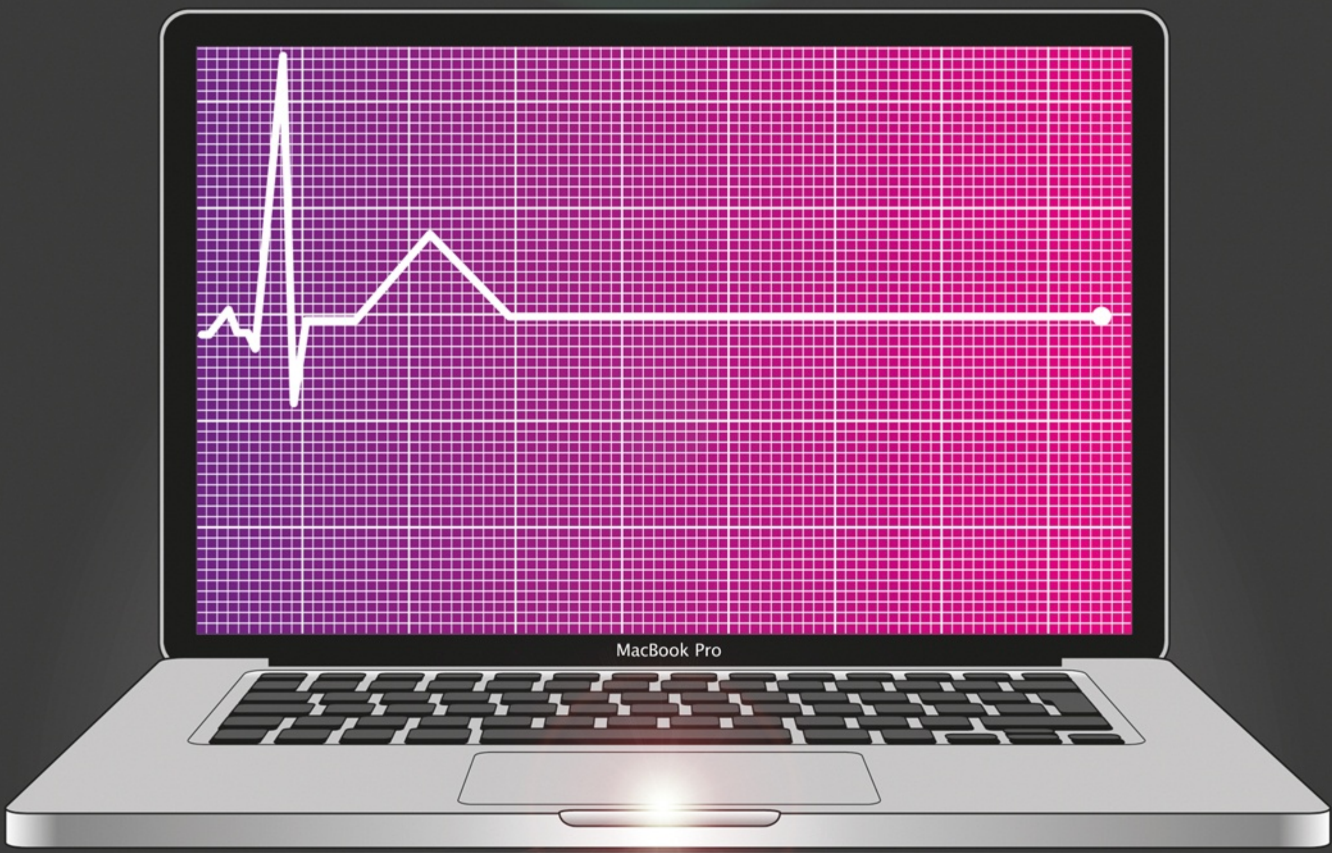
Rode's Report 2013:2

Office demand flatlining *– p 41*



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Weak office demand continues to hamper rentals • Poorly performing manufacturing sector posing the biggest threat to industrial rentals • House prices showing strong growth, but risk to outlook persists

Rode's Report

on the South African Property Market

2013:2

Vol. 24 no. 2

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THE AEROTROPOLIS TAKES OFF

by Kevin Thomas, ACSA Group Manager: Property Development

The Aerotropolis is a globally well established concept to which South Africa and the Airports Company of South Africa (ACSA) are well aligned, and ACSA is now ready to accelerate the development of the country's major airports which will open up a host of commercial property development opportunities.

OR Tambo International Airport (ORTIA) – The largest and busiest airport in Africa

As an integral part of the aerotropolis, airports have become cities in their own right ("the aerocity"), hosting sizeable populations of travelers and workers. Airports attract businesses of every type –including retail outlets, hotels, leisure and entertainment, conference, convention and exhibition venues, office buildings, medical facilities and industrial, manufacturing and distribution complexes – and have become important drivers of local economic development.

Schiphol Airport, Amsterdam, is the forerunner of the aerotropolis. In 2012, approximately 51 million people passed through Schiphol, which houses, among other things, a shopping centre, a museum, a permanent library (a world first for an airport), a mortuary and a chapel! There are 600 businesses within the Schiphol airport area employing more than 60 000 people. It is also the site of international headquarters for global companies such as Citigroup and Microsoft. Currently Schiphol's economic hub, contributes 2% of the country's GDP.

South Africa's airports: The aerotropolis development journey has begun

AIRPORTS COMPANY
SOUTH AFRICA

Cape Town International Airport – South Africa's second largest airport

Kevin Thomas, ACSA Group Manager: Property Development, states; "Airports are the new developmental node and South Africa's airports are well placed to take advantage of this. The aerocity is a viable option for businesses that want to move out of conventional central business districts and have a need for the best domestic and international connectivity combined with "24/7" security. They are also "development friendly" in terms of topography and access to adequate bulk infrastructure – all financially engineered to optimize the opportunity!"

In September 2011, the Ekurhuleni Municipality officially announced its intention to transform the Ekurhuleni Municipal District into a functioning aerotropolis. Ekurhuleni is home to OR Tambo International Airport (ORTIA), the largest and busiest airport in Africa. In 2012 the airport processed 19 million passengers, more than 310 000 tons of cargo and over 212 000 aircraft traffic movements. The Ekurhuleni Aerotropolis, with ORTIA at its centre, will be a first for Africa. .

"The ACSA strategy is completely aligned with national and provincial aerotropolis imperatives," says Thomas, "and the development of our nine airports into aerocities has already begun."

Current developments planned for ORTIA include a 20 000 square metre office block, a 14 hectare industrial park, and the creation, in conjunction with government and provincial agencies, of an industrial development zone to house a jewellery manufacturing precinct.

Various developments have commenced at the other airports with many more under discussion. To capitalise on this opportunity, investors, developers and end users need to enter into a dialogue with ACSA as soon as possible.

Contact Kevin Thomas on 011 723 2719 or email kevin.thomas@airports.co.za.

AIRPORTS COMPANY
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Rode services

- *Property consultancy*
- *Real estate valuations*
- *Real estate economics*
- *Town and regional planning*

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RodePlan
SPATIAL & DEVELOPMENT PLANNERS & ECONOMISTS
A DIVISION OF RODE & ASSOCIATES (PTY) LTD.

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

- **Land-use control**: rezoning, subdivision, departure, consent use, removal of title restrictions, zoning schemes
- **Spatial planning**: spatial development frameworks (SDFs) and plans (SDPs)
- **Governmental integrated development planning (IDP)**: processes and products, supported by a geographic information system (GIS).

RodePlan focuses on town and development planning processes and products at macro, meso and micro level. RodePlan considers an in-depth understanding of the *social, economic, political and environmental elements* that underpin present-day society as fundamental to an SDF in order for spatial planning to complement economic growth and development.

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

Rode Valuations
PROPERTY VALUATION & RESEARCH
A DIVISION OF RODE & ASSOCIATES (PTY) LTD.

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

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

■ *Farm valuations*

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

■ *Bare dominiums*

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

Rode Consult
PROPERTY CONSULTANTS
A DIVISION OF RODE & ASSOCIATES (PTY) LTD.

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

- Writing a macro overview of the South African housing market for the national Department of Housing
- Producing demand forecasts for specific office nodes and flats markets
- Producing forecasts of rental levels using econometric modelling
- Analysing property portfolios
- Producing long-term forecasts of property values in South Africa
- Analysing the property market in Bloemfontein and other Free State towns
- Acting as expert witness in arbitration and litigation
- Consulting for spatial and development planners and economists.

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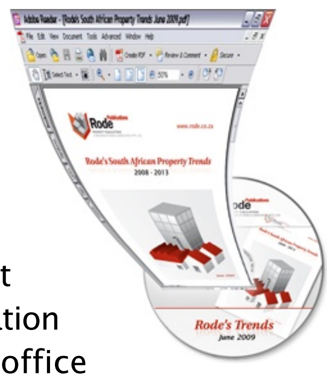
■ Rode's Report on the South African Property Market

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

■ Rode's South African Property Trends

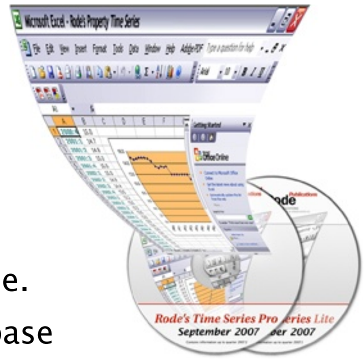
Trends is aimed at general managers with strategic decision-making power and property investment analysts who are involved in asset allocation and viability studies. It offers a statistically-based analysis and forecast by property type of all key indicators affecting the property market, and it covers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



■ Rode's Retail Report on South Africa

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

■ Rode's Time Series database



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

■ Rode's Growth Points

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

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

■ Rode's Sales

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

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Nicole Maytham

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Panellist codes

Code	Company	Telephone number
ACU	Acumen Properties	0312662003
AH	Alex Thornhill Properties	0538326889
AI	Aïda Pretoria	0125430054
AJ	Property Specials	0114753955
AN	Annenberg Real Estate	0214657780
AP	API Property Group Gauteng	0112341144
AR	Ash Brook Investments 71	0832301611
ASA	ASAP Property Agents	0126431938
AV	5th Avenue Properties	0112346111
AW	Watprop	0118870473
AY	Alpine Estates	0114537600
BA	Brammer Ross & Shapcott	0118734903
BG	Batting Properties	0437220649
BM	Jones Lang LaSalle	0115072200
BR	Broll Property Group - Illovo	0114414108
BR	Broll Property Group	0214197373
BR	Broll Property Group	0114414794
BS	Penthouse Real Estate	0116726251
BW	Buschow Properties	0845103119
BY	Bobby Rogers Property Broker	0123614484
BZ	Bales and Associates	0216838877
CB	Centurion Letting & Sales	0126536180
CC	CCI Properties CC	0828211214
CE	Cenprop Real Estate	0333471200
CF	Cathy Cordier Eiendomme	0562121518
CI	City Property Administration	0113783223
CI	City Property Administration	0123198811
CI	City Property Administration (JHB)	0119783200
CL	Cleomic Property Consultants	0117061591
CQ	Connaught Properties (Pty) Ltd	0117252780
CS	Chase & Sons	0164213170
DE	Dedekind Real Estate	0366372297
DG	DG Ladegaard Real Estate	0169339633

DK	Direct @ Home Estates	0186320269
DL	Delta Real Estate	0219302343
DN	David Newham Property Management	0219480934
DO	Bainprop (Pty) Ltd	0116092542
DQ	Deskay Real Estate	0437811099
DV	Dan Viljoen Estates	0116832345
DW	Divaris Property Brokers	0215311551
EB	ERA Ermelo	0178192398
EB	ERA National George	0448741113
EB	Era Sun Kuruman	0537123503
ED	Edric Trust	0514489431
EF	Eagle Properties	0123313165
EH	Ermelo Homenet	0178192880
EI	Eris Property Group	0123490900
EK	Ellenberger & Kahts	0514301511
EM	Property Management & Rental Specialist CC	0217901991
EP	Ecclesiate Property Specialists	0458381131
ER	Associated Brokers	0437260501
ES	Eli Ströh Edms Bpk	0152975890
EV	Engel & Völkers Commercial Properties	0123467777
FG	Fedgroup Financial Services	0113052300
FN	Fine & Country Bethlehem	0583032333
GB	Galetti Commercial and Industrial - Cape Town	0214186308
GB	Galetti Commercial and Industrial - Gauteng	0117831195
GE	Gustrouw Estates (Pty) Ltd	0218547220
GH	Gradion Property Investmens	0843938627
GO	Pam Golding	0448746619
GO	Pam Golding	0437054040
GT	Black Pepper Properties	0116431909
GV	G. Spargo and Associates	0448860001
GW	Goldswain Investments	0437222876
GY	Guy de la Porte Property Solutions	0217948879
HE	Homelet Grahamstown	0466222839
HH	Hendrik Tryhou Property Consultants	0137441671
HJ	Human & Mendance Properties	0117861170
HK	Huurkor	0124008600
HN	Harcourts Heloman	0118246028
HN	Harcourts Jana-Marie Real Estates	0155161526

HN	Harcourts Excellence	0184687089
HP	Horizon Capital (PTY)Ltd	0214258586
IK	Ikon Property Group	0214259496
IP	Investpro	0437263116
IPM	IPMS Pty (Ltd) iBhayi Property Management Services	0413655442
JC	JWF Commercial Property	0824988554
JLC	Just Commercial Northern Suburbs	0218204628
JL	Just Letting Randburg/Northcliff	0117932757
JL	Just Letting Potchefstroom	0182931858
JL	Just Letting City Bowl	0214233344
JL	Just Letting Rustenburg	0145928100
JL	Just Letting Tygerberg	0219100226
JL	Just Letting Uitenhage	0419924316
JP	John Price Estates	0415833903
KB	Key Properties	0123484800
KE	Keydom Real Estate	0132826187
KI	Kitchings Agencies	0419229870
KPR	Kemprent	0113949625
LA	Landlords "We do Rentals"	0219751770
LH	Leader Homes	0538313955
LZ	Life Residential	0214243969
MAS	Massyn Acquisitions	0123452576
MEA	Meadow Star Investments	0116014000
MF	Mooikloof Realtors	0129931900
MI	Platinum Global	0514474711
ML	Mindry Properties CC	0317834307
MO	Moolman Group Property Management	0123617970
MO	Moolman Group of Companies	0152914700
MP	Monarch Rentals (Kingdom of Rentals)	0118494211
MPR	Millar's Properties	0123420527
MR	Marder Properties	0114531220
MUL	Multi Properties	0448746707
MW	Mc William Murray Realty	0312674800
NR	National Real Estate	0514059933
OB	Only Rentals: City Bowl	0214225113
OB	Only Rentals: Kempton Park	0113917284
OF	Omnicron Commercial Financial Services	0219142616
PA	Pace Property Group	0112175959
PB	Penny Mergence	0214181035

PC	Propco (1985) (Pty) Ltd	0312090161
PE	Property Scene Group	0413734146
PF	Permanent Trust Property Group	0214418800
PH	President Estate & General Agents (Pty) Ltd	0118738707
PL	Pears Property Consultants (Pty) Ltd	0217623474
PN	Propergation Estates	0219146444
PO	Property Authority	0866186628
PPI	Portfolio Property Investments	0315664605
PQ	Pro-Net Estates	0132433113
PS	Property Scene Real Estate	0357923217
QP	Share-List Property	0317647101
QU	Quadrant Properties	0115309840
QV	Boyd Valuations	0861111789
RCP	RCP Brokers	0112622555
RD	Redefine Income Fund	0112830028
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RF	Rent-A-Flat	0117891007
RM	Remax Commercial City	0125560560
RM	Remax Kuruman	0537123123
RO	Reef Property Consultants	0116821827
RQ	Realty Value	0357891376
RS	Rawson Properties Milnerton	0215587102
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RZ	Oriprops	0137528091
SC	Stockton Property Consultants	0114259857
SF	Seeff Durbanville & Brackenfell	0219755290
SJ	Smart Properties	0413741131
SN	Selection Estates	0867555545
SO	Stockland Property Group	0835565564
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SX	Status-Mark	0116680100
TC	Parker Properties	0116153531
TH	Trevor Hosiosky Investment Properties	0118035545
TR	Trafalgar Property Services	0112145200
TR	Trafalgar Property Management	0437266066
TR	Trafalgar Property Services	0123265963
TR	Trafalgar Property & Financial Services	0313017017
TR	Trafalgar Property Services Southern Suburbs	0214105500

WA	Wall & Smith Property Consultants	0217972552
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WK	Wakefields Property Management (Pty) Ltd	0312047400
ZB	Sotheby's International Realty George	0448732519
ZB	Sotheby’s International Realty PE	0413630168
ZC	SBI Properties	0114851087
ZE	Zenith Properties	0562123207
ZR	Rent Property	0219138979
ZZ	Anon	


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The annual

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The conference and breakfast events are sponsored by Airports Company South Africa (ACSA) Properties, with Sake24 as the media sponsor for the breakfast events.

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Spier Wine Estate, Stellenboch

Single delegate from firm:	R2.100,00
2–9 delegates from same firm (each):	R1.800,00
10–14 delegates from same firm (each):	R1.621,00
15+ delegates from same firm (each):	R1.501,00

Rode Breakfast: Port Elizabeth

Thursday, 22 August 2013
Protea Hotel Marine, Port Elizabeth

Single delegate from firm:	R450,00
More than one delegate from same firm (each):	R400,00

Rode Conference: Johannesburg

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Emperors Palace, Kempton Park

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10–14 delegates from same firm (each):	R1.621,00
15+ delegates from same firm (each):	R1.501,00

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Wednesday, 28 August 2013
Ilanga Estate, Bloemfontein

Single delegate from firm:	R450,00
More than one delegate from same firm (each):	R400,00

Rode Breakfast: Durban

Friday, 30 August 2013
The Oyster Box, Umhlanga Rocks

Single delegate from firm:	R450,00
More than one delegate from same firm (each):	R400,00

Acknowledgements

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1. Sapoa, 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 2013, which reports on surveys conducted in the first quarter of 2013.

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

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

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

1 July 2013

Chapter 1: State of the property market

State of the property market in quarter 1 of 2013

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

- Weak office demand continues to hamper rentals
- Poorly performing manufacturing sector posing the biggest threat to industrial rentals
- House prices showing strong growth, but risk to outlook persists

Quantitative overview of the property market

Table 1.1 provides a snapshot of how the property market has performed over the past four quarters by comparing the latest information (quarter 2013:1) with that collected a year earlier.

Table 1.1
The property market at a glance at quarter 2013:1*
% growth on four quarters earlier (on smoothed data)

	Nominal	Real**
A-grade CBD office rentals		
Johannesburg	+3,0	-5,6
Pretoria	-4,3	-12,2
Durban	-6,1	-13,8
Cape Town	-0,6	-8,8
A-grade decentralized office rentals		
National decentralized	+4,6	-4,1
Sandton CBD	+1,5	-6,9
Randburg Ferndale	+6,4	-2,4
Brooklyn/Waterkloof (Pta)	+6,6	-2,3
Hatfield	+5,6	-3,1
Berea (Durban)	-3,1	-11,1
La Lucia Ridge	+4,8	-1,4
Claremont (CT)	-0,2	-8,5
Tyger Valley	+11,5	+2,3

* 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 2013:1* % growth on four quarters earlier (on smoothed data)		
	Nominal	Real**
Prime industrial rentals (500 m² units)		
National	+3,9	-4,7
Central Witwatersrand	+5,8	-2,9
East Rand	+2,7	-5,8
Durban metro	+9,1	0,0
Cape Peninsula	+3,0	-5,5
Flat rentals (standard quality, all sizes)		
National	+4,3	-1,4
Johannesburg metro	+1,8	-3,8
Pretoria metro	+1,1	-4,4
Durban metro	+1,5	-4,1
Cape Town metro	+1,1	-4,4

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

Office rentals

On the back of weak demand for office space and no discernible improvement in vacancy rates, market rentals continue to show mediocre growth.

In the first quarter of 2013, market rentals in Cape Town decentralized (+5%) showed the strongest growth. Johannesburg and Pretoria decentralized recorded growth of 4% while in Durban, decentralized rentals were up by a measly 2%. The recent slump in economic activity has now prompted a number of economists to scale down their *real* GDP growth forecasts for 2013. This does not augur well for office demand, vacancy rates and consequently market rentals.

Industrial market

A poorly performing manufacturing sector poses the biggest threat to strong growth in industrial rentals.

In the first quarter of 2013, the output produced by the manufacturing sector showed no year-on-year growth. When compared to the previous quarter, the performance was even worse, with output contracting by an annualized rate of almost 8%. Perhaps as a consequence, the yearly growth in Rode's national industrial rental index also cooled slightly to a growth rate of only 4%.

As for the major industrial conurbations, nominal industrial rentals in Port Elizabeth and Durban were able to show yearly growth of 9%. This was in line with the expected growth rate of building costs. The Central Witwatersrand followed with rental growth of 6%, while on the East Rand and in the Cape Peninsula, rentals were up by a mere 3%.

Flat rentals

In the first quarter of 2013, flat and house rentals were able to show modest growth of 4% and 3% respectively. Rentals on townhouses remained, however, at roughly the same levels they were a year ago. From this finding it is evident that town-houses are still oversupplied – a hangover from the boom period.

Regionally, flat rentals in Johannesburg achieved growth of about 2%, while in Pretoria, Durban and Cape Town, rentals were up by a measly 1%. Over the same period, consumer prices (excluding owners' equivalent rent) showed growth of just below 6%, implying that rentals on flats were not able to show *real* growth in any of these regions.

The house market

The growth in nominal house prices has in recent months been nothing short of impressive.

Since the third quarter of 2012, the yearly growth in national house prices has been heating up to such an extent that in May 2013, nominal house prices (as per Absa) were up by an impressive 11%. Naturally, the sustainability of the current strong growth in prices has to be questioned, especially when key drivers of demand for housing continue to struggle.

In this regard, other house-price indices show contradictory (much lower) trends in prices, and one should never forget that banks' price indices reflect the experience of each individual bank. So, if a bank were to change its lending policy, this would affect the index. Nonetheless, an important driver of house prices is economic activity; hence, the current cooling in economic growth must be a damper on prospects for house prices.■

Chapter 2: Capitalization rates

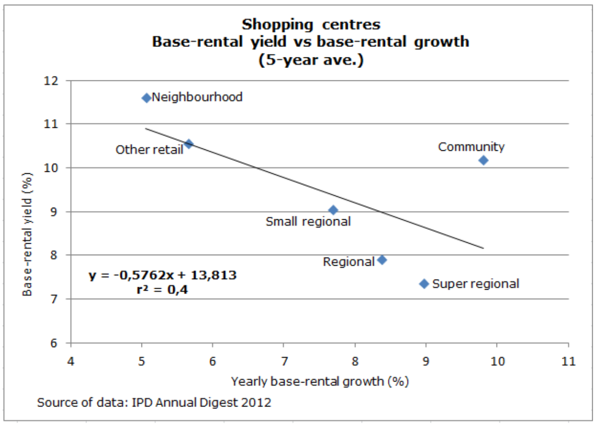
Firming yields spur strong growth in capital returns of large centres

Written by John S. Lottering

Despite the poor growth in *real* retail sales volumes during 2012, large shopping centres still managed to put in an impressive capital return performance.

During the year, super-regional centres recorded capital returns of 10% (up from 3% in 2011), while regional centres posted capital returns of 9%, up from -1% in 2011. The most likely explanation for this is the significant improvement in the market's rating of large, directly-held centres. Owing to the substitution principle, capitalization rates on larger shopping centres were able to decline on the back of a general decline in global interest rates and stock yields, not to mention the sharply firming listed funds' income yields in South Africa (this firming was, however, reversed in May 2013). Examples of yield compression in the mall market are East Rand Mall, which was sold at about 6½% (according to market talk), and Somerset Mall, which traded at little above 6% (our estimate).

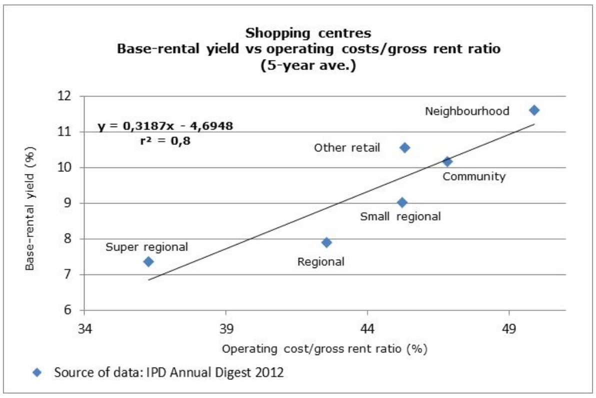
The sharp decline of listed funds' income yields enabled these funds to pay more for directly-held malls (i.e. buy at lower income yields) without diluting the listed funds' earnings. So, for the first time in our experience, the JSE-listed property funds' rating has influenced the capitalization rates of directly-held property. This is a symptom of a sea change in the property market, with listed funds asserting their dominance over directly-held portfolios, which have become bit players. It's all about liquidity, stupid!

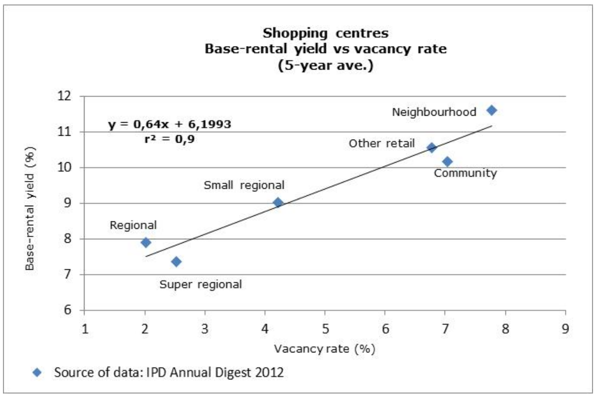


Relative to other centre types — and to a lesser extent other non-residential property types — larger malls have in recent years shown the strongest growth in base rentals, and have maintained the lowest operating-cost-to-gross-receivable-rental ratios, and have had the lowest vacancy rates. Perhaps this also explains why investors rated larger centres more favourably in 2012.

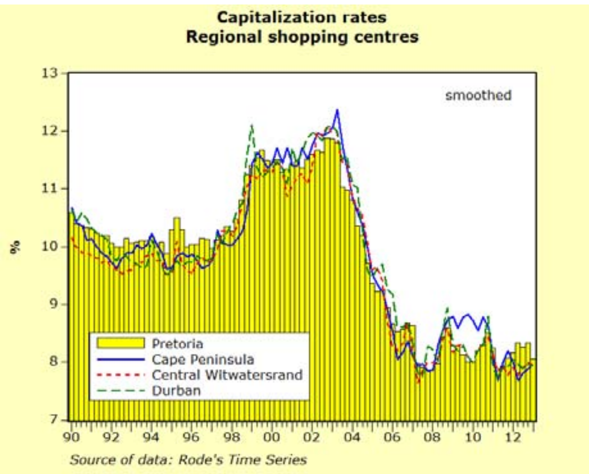
The scatter graphs illustrates how larger centres with their stronger rental growth, lower operating-cost-to-gross-rental ratios and lower vacancy rates also had lower (i.e. better) base-rental yields[1] than other centre types.

[1] ***Base Rental Value Yield:*** *The annualised base rent receivable as a percentage of the capital value at the same date. Base rent excludes recoveries. The base rental yields are historical (or trailing) as opposed to capitalization rates, which are forward yields. All of the data used in the scatter graphs was sourced from the IPD Annual Digest 2012.*





In the rest of the chapter we report on our capitalization rate findings for the first quarter of 2013.

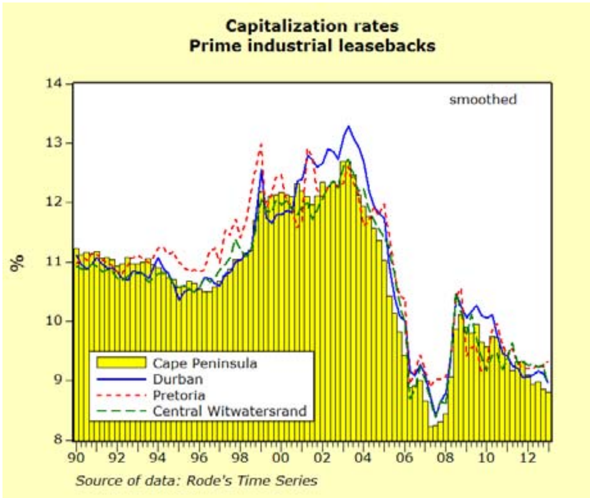


Shopping centres

According to our survey findings, in the first quarter of 2013 investors in super-regional centres required a *net* income return of about 7% to induce them to trade.

Those interested in regional, community and neighbourhood shopping centres required slightly higher *net* income returns of roughly 8%, 9% and 10% respectively.

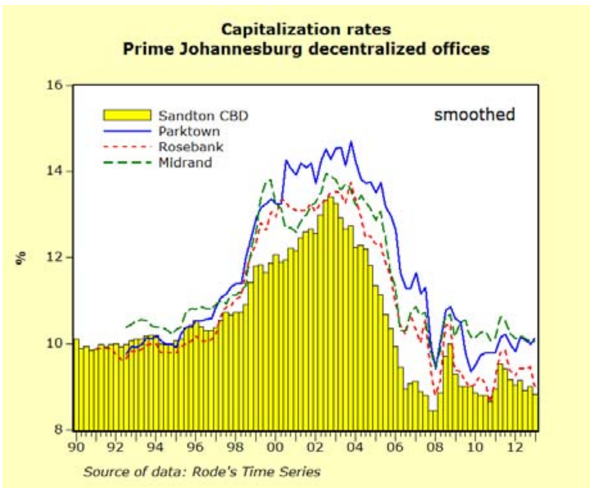
Prime industrial leasebacks



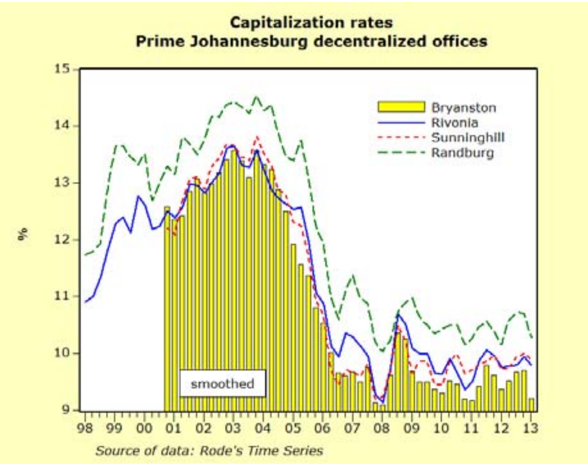
In the first quarter of 2013, capitalization rates on industrial leasebacks in the major industrial regions showed no major changes from the previous quarter. Our respondents were still of the opinion that investors in prime industrial property (with a lease-back covenant) required a minimum *net* income yield of about 9,1% in the top cities and nodes.

Prime offices

Johannesburg decentralized

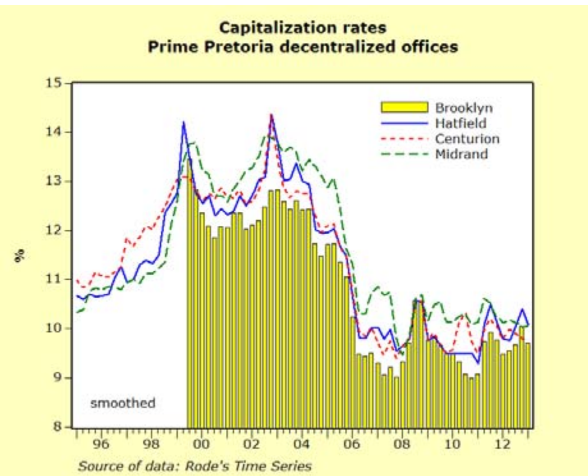


Capitalization rates on grade-A multi-tenanted office property in the urban areas of Johannes-burg also reflected little change from the previous quarter. Grade-A office capitalization rates ranged from as low as 8,8% in the Sandton CBD to as high as 10,7% in Randburg Ferndale. The difference in capitalization rates between Sandton CBD and Randburg Ferndale can be used as a rough guide to the state of the property markets in these two suburbs. The higher the capitalization rates, the worse the expected growth in income streams and/or the higher the perceived risk of the location.



Pretoria decentralized

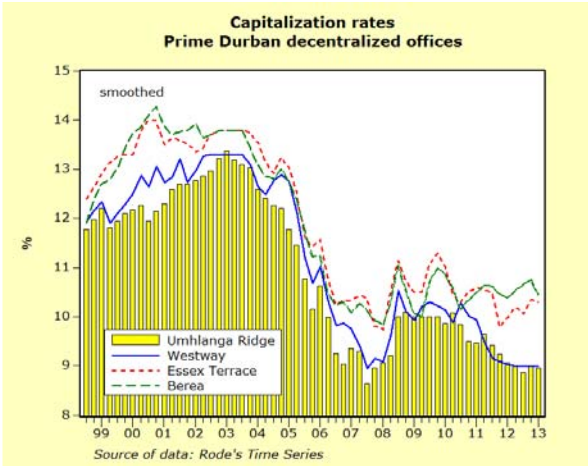
In the Pretoria decentralized office nodes of Brooklyn, Hatfield, Centurion and Midrand, capitalization rates for prime office proper ty remained steady at roughly 10%. Due to keen development activity and weak demand, office vacancy rates in Pretoria de



centralized have been edging strikingly north for a number of quarters (see **Chapter 6**). This might mean upward pressure on office property capitalization rates as investors seek to be compensated for the increased risk of higher vacancy rates.

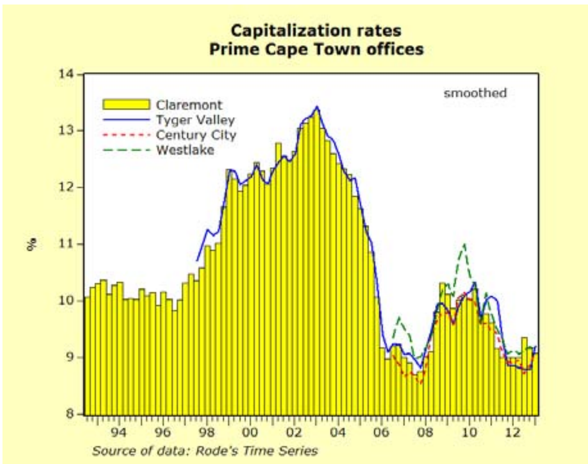
Durban decentralized

As for Durban, in the reporting quarter capitalization rates on grade-A multi-tenanted office property in Durban decentralized ranged between 9% and 10,5%. Note the weak performance of the Berea and Essex Terrace.



Cape Town decentralized

Capitalization rates in the Cape Town decentralized office nodes surveyed also stayed at previous-quarter levels. Our re-



spondents are of the opinion that investors currently require a minimum *net* income return of about 9% to induce them to trade grade-A multi-tenanted property in Cape Town decentralized.

Leaseback escalation rates

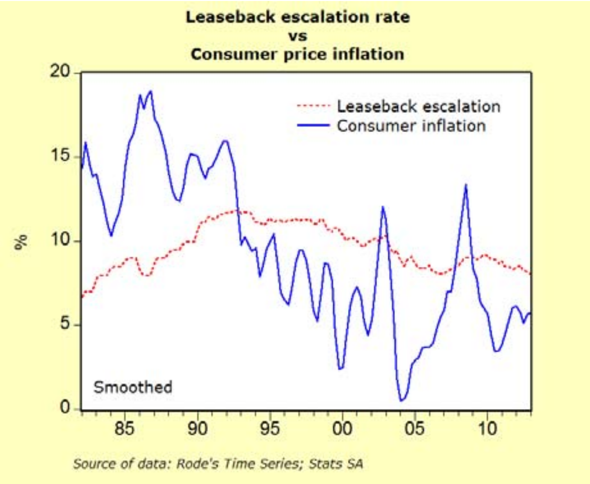


Table 2.1 shows that the average lease-back escalation rate was 8% in the first quarter of 2013.

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

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

Table 2.1
Prime industrial leaseback escalation rates
Quarter 2013:1

Mean	SD	N	Change 2013:1 less 2012:4	Broker-contributor codes
8,0	0,7	12	-0,1	AW, BZ, EK, GY, IPM, MW, PC, QP, QU, QV, RD, TH

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

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

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

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

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

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

Table 2.2 Survey of capitalization rates (%) Office buildings Means for quarter 2013:1												
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	10,0	0,8	3	9,8	0,8	3	11,6	0,6	2	13,2	0,4	2
Braamfontein	9,9	0,7	3	9,8	0,7	3	11,5	0,3	2	12,8	0,3	2
Parktown	10,2	0,2	2	9,8	0,2	2	10,7	0,5	2	13,0	-	1
Rosebank	8,8	0,7	3	8,5	0,6	3	10,0	0,8	2	10,9	1,4	2
Sandton CBD	8,7	0,5	3	8,4	0,5	3	9,7	0,5	2	11,9	-	1
Rivonia	9,7	0,4	2	9,3	0,3	2	10,7	1,0	2	12,9	-	1
Bryanston	9,0	0,8	3	8,8	0,8	3	10,6	0,8	2	12,4	-	1
Sunninghill	9,8	0,2	2	9,6	0,1	2	10,7	0,7	2	12,4	-	1
Randburg Ferndale	10,6	0,1	2	10,8	0,2	2	11,8	0,3	2	13,2	-	1
Midrand	10,1	0,3	3	9,7	0,2	3	10,9	0,7	3	12,8	-	1
Germiston CBD	11,5	-	1	11,3	0,2	2	12,7	0,1	2	13,6	0,1	2
Pretoria CBD	10,4	0,4	2	10,2	0,2	3	11,8	0,2	3	13,0	0,1	3
Hatfield	9,9	0,4	2	9,7	0,2	2	10,4	0,4	2	11,6	1,1	2
Brooklyn	9,5	0,5	2	9,2	0,2	2	10,3	0,6	2	11,1	1,1	2
Centurion	9,8	0,3	2	9,6	0,1	2	10,9	0,2	2	13,0	-	1
Menlyn/Lynnwood	9,2	0,6	3	8,8	0,6	3	10,1	0,8	2	10,9	1,4	2
Vaal Triangle	10,4	0,1	2	10,1	0,2	2	11,7	0,4	2	12,5	0,8	2
Nelspruit	10,1	0,1	2	9,9	0,0	2	11,6	0,3	2	12,7	0,2	2
Polokwane	10,2	0,2	2	9,9	0,2	2	11,4	0,5	2	12,6	0,5	2
Durban CBD	11,2	0,2	4	10,6	0,3	4	11,8	0,5	4	13,3	0,5	4
Berea	10,3	0,7	5	10,1	0,3	4	11,2	0,5	4	12,8	0,2	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	2	8,8	0,0	2	9,5	-	1	-	-	-
La Lucia / Umhlanga Ridge	8,9	0,4	6	8,8	0,2	5	10,2	0,4	5	12,4	0,3	3
Pietermaritzburg	10,2	0,0	2	10,1	0,1	2	11,3	0,1	2	13,1	0,1	2
Cape Town CBD	8,9	0,4	6	8,8	0,5	5	9,9	0,2	4	11,2	0,9	3
Bellville CBD	10,0	-	1	9,0	-	1	12,0	-	1	13,0	-	1
Bellville Tyger Valley	9,4	0,6	2	8,9	0,6	2	10,2	0,8	2	12,0	-	1
Century City	9,1	0,7	3	10,0	-	1	11,0	-	1	-	-	-
Westlake	9,1	0,7	3	9,5	-	1	-	-	-	-	-	-
Claremont	9,1	0,6	3	8,7	0,6	3	9,5	-	1	-	-	-
Port Elizabeth	10,1	0,1	3	9,6	0,4	3	11,3	0,2	3	12,9	0,3	3
East London	9,0	-	1	8,8	-	1	9,8	-	1	-	-	-
Bloemfontein CBD	9,9	0,5	4	9,8	0,4	4	11,2	0,2	4	12,6	0,4	3

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

Table 2.3
Change in capitalization rates (% points)
Office buildings
Means for quarter 2013:1 less quarter 2012:4

Best location	Grade A: multi	Grade A: leaseback	Grade B: multi	Grade C: multi	Broker & owner contributors
Johannesburg CBD	-0,3	0,0	-0,1	-0,6	QU, RD, TH
Braamfontein	-0,5	0,1	0,2	-0,3	QU, RD, TH
Parktown	0,2	0,3	-0,2	0,0	QU, TH
Rosebank	-0,6	-0,5	-0,4	-1,2	QU, RD, TH
Sandton CBD	-0,4	-0,2	0,0	0,2	QU, RD, TH
Rivonia	-0,3	-0,2	-0,4	0,0	QU, TH
Bryanston	-0,7	-0,3	-0,1	0,2	QU, RD, TH
Sunninghill	-0,2	0,1	-0,1	0,0	QU, TH
Randburg Ferndale	-0,1	0,5	0,3	-0,1	QU, TH
Midrand	0,1	0,3	-0,4	0,4	AW, QU, TH
Germiston CBD	0,0	0,1	0,1	0,0	QU, TH
Pretoria CBD	-0,5	0,1	0,1	0,0	MAS, QU, TH
Hatfield	-0,6	-0,2	-0,5	-0,9	QU, TH
Brooklyn	-0,8	-0,2	-0,6	-1,1	QU, TH
Centurion	0,0	0,2	0,4	0,0	QU, TH
Menlyn/Lynnwood	-0,2	0,0	-0,2	-1,4	QU, RD, TH
Vaal Triangle	-0,1	0,2	-0,4	-0,8	QU, TH
Nelspruit	-0,2	0,0	-0,2	0,0	QU, TH
Polokwane	-0,2	-0,2	-0,6	-0,4	QU, TH
Durban CBD	0,0	0,2	0,1	-0,2	PC, QP, QU, RD, TH
Berea	-0,4	-0,1	-0,1	0,0	PC, QP, QU, RD, TH
Essex Terrace	-0,3	-0,3	-0,3	0,0	PC, QP, QU
Westway	0,0	0,0	-	-	MW, PC
La Lucia Ridge	-0,2	0,1	0,0	0,1	MW, PC, QP, QU, RD, TH
Pietermaritzburg	0,0	-0,2	0,0	0,0	QU, TH
Cape Town CBD	-0,1	0,1	0,2	-0,8	BZ, GB, HP, QU, RD, TH
Bellville CBD	-	-	-	-	GB
Bellville Tyger Valley	0,6	0,7	0,8	-	GB, QU
Century City	0,1	-	-	-	GB, HP, QU
Westlake	0,1	-	-	-	GB, HP, QU
Claremont	0,1	0,2	0,0	-	GB, QU, RD
Port Elizabeth	-0,1	-0,1	0,0	0,0	IPM, QU, QV, TH
East London	0,0	-	-1,2	-	QU
Bloemfontein CBD	0,2	0,1	0,1	0,1	CC, EK, QU, TH
Windhoek	-0,3	0,0	-0,1	-0,6	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 8. This is so because several of our owner contributors wish to remain anonymous, but we do not show multiple ZZ codes in the table.

Table 2.4
Survey of capitalization rates (%)
Industrial buildings
Means for quarter 2013:1

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	8,8	0,7	3	9,3	0,8	3	10,6	0,1	2	10,7	0,7	2
West Rand	9,7	0,2	2	10,3	0,3	2	10,8	0,2	2	10,9	0,7	2
East Rand	9,3	0,8	4	9,6	0,6	4	10,4	0,3	3	10,6	0,4	3
Far East Rand	9,4	0,3	3	10,1	0,1	3	10,7	0,1	3	10,7	0,2	3
Pretoria	9,4	0,1	2	10,2	0,2	3	10,4	0,4	3	10,7	0,5	3
Vaal Triangle	9,6	0,1	2	10,6	0,1	2	10,5	0,1	2	11,2	0,2	2
Nelspruit	9,7	0,2	2	10,3	0,3	2	10,8	0,1	2	11,0	0,5	2
Polokwane	9,7	0,2	2	10,5	0,3	2	10,7	0,2	2	11,3	0,3	2
Durban	8,9	0,6	6	9,6	0,7	6	10,3	0,3	5	10,7	0,3	5
Pietermaritz-burg	9,5	0,2	2	10,1	0,6	2	10,6	0,0	2	10,7	0,5	2
Cape Peninsula	8,8	0,5	5	9,0	0,4	5	9,8	0,3	5	9,9	0,4	4
Port Elizabeth	9,5	0,2	5	10,3	0,2	5	10,4	0,6	4	11,3	0,7	4
East London	9,5	-	1	10,5	-	1	12,0	-	1	10,0	-	1
Bloemfontein	10,1	0,1	4	10,9	0,1	2	10,9	0,9	3	11,1	0,2	4

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

Table 2.5
Change in capitalization rates (% points)
Industrial buildings
Means for quarter 2013:1 less quarter 2012:4

Best location	Prime leaseback	Prime non-leaseback	Prime industrial park	Secondary quality building	Broker & owner contributors
Central Wits	-0,5	-0,4	-0,1	0,7	QU, RD, TH
West Rand	-0,2	0,0	-0,2	0,4	QU, TH
East Rand	-0,2	-0,4	-0,2	0,3	QU, RD, RO, TH
Far East Rand	0,2	0,2	0,0	0,0	QU, RO, TH
Pretoria	0,2	0,1	0,1	0,5	MAS, QU, TH
Vaal Triangle	0,4	0,3	0,4	0,3	QU, TH
Nelspruit	-0,1	-0,3	-0,4	0,1	QU, TH
Polokwane	-0,2	-0,3	-0,3	-0,2	MW, PC, QP, QU, RD, TH
Durban	-0,1	-0,3	0,1	0,2	QU, TH
Pietermaritzburg	-0,2	-0,6	-0,5	-0,1	BZ, GY, QU, RD, TH
Cape Peninsula	-0,1	-0,2	-0,1	0,1	BZ, IPM, QU, QV, TH
Port Elizabeth	0,0	0,2	-0,2	0,4	QU
East London	-	-0,5	-3,0	1,0	CC, EK, QU, TH
Bloemfontein	0,1	0,0	-0,4	0,6	QU, RD, TH

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

Table 2.6
Survey of capitalization rates (%): shopping centres
Means for quarter 2013:1

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

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

Table 2.6 (continued)
Survey of capitalization rates (%): shopping centres
Means for quarter 2013:1

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

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

Table 2.7
Change in capitalization rates (% points): shopping centres
Means for quarter 2013:1 less quarter 2012:4

Best location	Super regional	Regional	Commu-nity	Broker & owner contributors
Witwatersrand	-0,6	-0,1	-0,3	QU, RD, TH
Pretoria	-0,6	-0,2	-0,2	QU, RD, TH
Vaal Triangle	-0,1	-0,2	-0,2	QU, TH
Nelspruit	0,0	0,0	-0,2	QU, TH
Polokwane	0,0	-0,1	-0,1	QU, TH
Durban	-0,5	-0,2	0,1	PC, PPI, QU, RD, TH
Pietermaritzburg	-0,1	0,0	0,0	QU, TH
Cape Town	-0,1	0,1	-0,3	BZ, GB, QU, RD, TH
Port Elizabeth	-0,2	0,0	-0,1	IPM, QU, QV, TH
East London	-	-	-0,8	QU
Bloemfontein	0,0	0,1	-0,2	CC, EK, QU, TH
Platteland	-	-	0,5	QU
Townships	-	-	0,0	BZ, QU, RD, TH

Table 2.7 (continued)
Change in capitalization rates (% points): shopping centres
Means for quarter 2013:1 less quarter 2012:4

Best location	Neighbour-hood	Local conven-ience	Retail warehouse	Broker & owner contributors
Witwatersrand	0,0	-0,3	0,0	QU, RD, TH
Pretoria	-0,2	-0,2	0,0	QU, RD, TH
Vaal Triangle	-0,2	-0,3	0,2	QU, TH
Nelspruit	-0,1	-0,1	0,1	QU, TH
Polokwane	-0,1	-0,2	0,3	QU, TH
Durban	-0,1	0,8	0,1	PC, PPI, QU, RD, TH
Pietermaritzburg	0,1	-0,2	0,3	QU, TH
Cape Town	-0,6	-0,7	0,0	BZ, GB, QU, RD, TH
Port Elizabeth	-0,2	-0,3	0,0	IPM, QU, QV, TH
East London	0,2	0,8	-0,2	QU
Bloemfontein	-0,1	-0,1	-0,2	CC, EK, QU, TH
Platteland	-	-	-	QU
Townships	-	-	-	BZ, QU, RD, TH

Table 2.8 Survey of capitalization rates (%): street-front shops Means for quarter 2013:1						
Best location	Metro CBD			Decentralised		
	Mean	SD	n	Mean	SD	n
Witwatersrand	10,2	0,9	3	10,4	0,6	3
Pretoria	10,2	0,9	3	10,4	0,6	3
Vaal Triangle	11,2	0,2	2	10,9	0,2	2
Nelspruit	11,1	0,1	2	10,9	0,1	2
Polokwane	11,1	0,2	2	10,8	0,2	2
Durban	10,6	0,8	5	10,9	0,7	6
Pietermaritzburg	11,1	0,2	2	10,8	0,2	2
Cape Town	9,6	0,3	5	9,7	0,2	4
Port Elizabeth	11,1	0,7	4	11,1	0,2	4
East London	11,2	-	1	11,8	-	1
Bloemfontein	10,8	0,6	3	10,6	0,4	3

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

Table 2.9 Change in capitalization rates (% points): street-front shops Means for quarter 2013:1 less quarter 2012:4			
Best location	Metro CBD	Decentralised	Broker & owner contributors
Witwatersrand	-0,2	-0,3	QU, RD, TH
Pretoria	-0,2	-0,3	QU, RD, TH
Vaal Triangle	-0,2	-0,2	QU, TH
Nelspruit	-0,1	-0,1	QU, TH
Polokwane	-0,2	-0,3	QU, TH
Durban	-0,5	-0,1	PA, PC, QP, QU, RD, TH
Pietermaritzburg	-0,3	-0,2	QU, TH
Cape Town	0,0	-0,2	GY, PA, QU, RD, TH
Port Elizabeth	0,0	0,1	QU, TH
East London	2,2	1,8	GB, GY, QU, RD, TH
Bloemfontein	0,1	0,0	GB, QU, QV, TH

Chapter 3: Capitalization-rate equations

How to estimate capitalization rates – anywhere

Updated by John S. Lottering

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

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

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

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

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

Office-building equation

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

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

The updated equation is:

*office capitalization rate % = 15,194 – (0,05*gross rental)*

where

gross rental = the gross market rental rate per rentable m^2 per month for grades A, B or C office buildings in quarter 2013:1.

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

Readers should note that it is not advisable to use this function for gross market-rental rates that fall much outside the range of R49/m²/month to R142/m²/month.

Example:

If the gross office rental is R60 per rentable m^2 per month, then the capitalization rate is:

*office capitalization rate % =15,194 – (0,05*60) = 12,2%*

Industrial-property equation

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

The gross market rental rates are those applicable to 1 000 m^2 units. The source of the data is this issue of *Rode's Report*. The **industrial-regression equation**, which is based on 22 observations, includes all primary and secondary industrial cities.

The updated equation is:

*industrial capitalization rate % = 12,08 – (0,0541*gross rental)*

where:

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

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

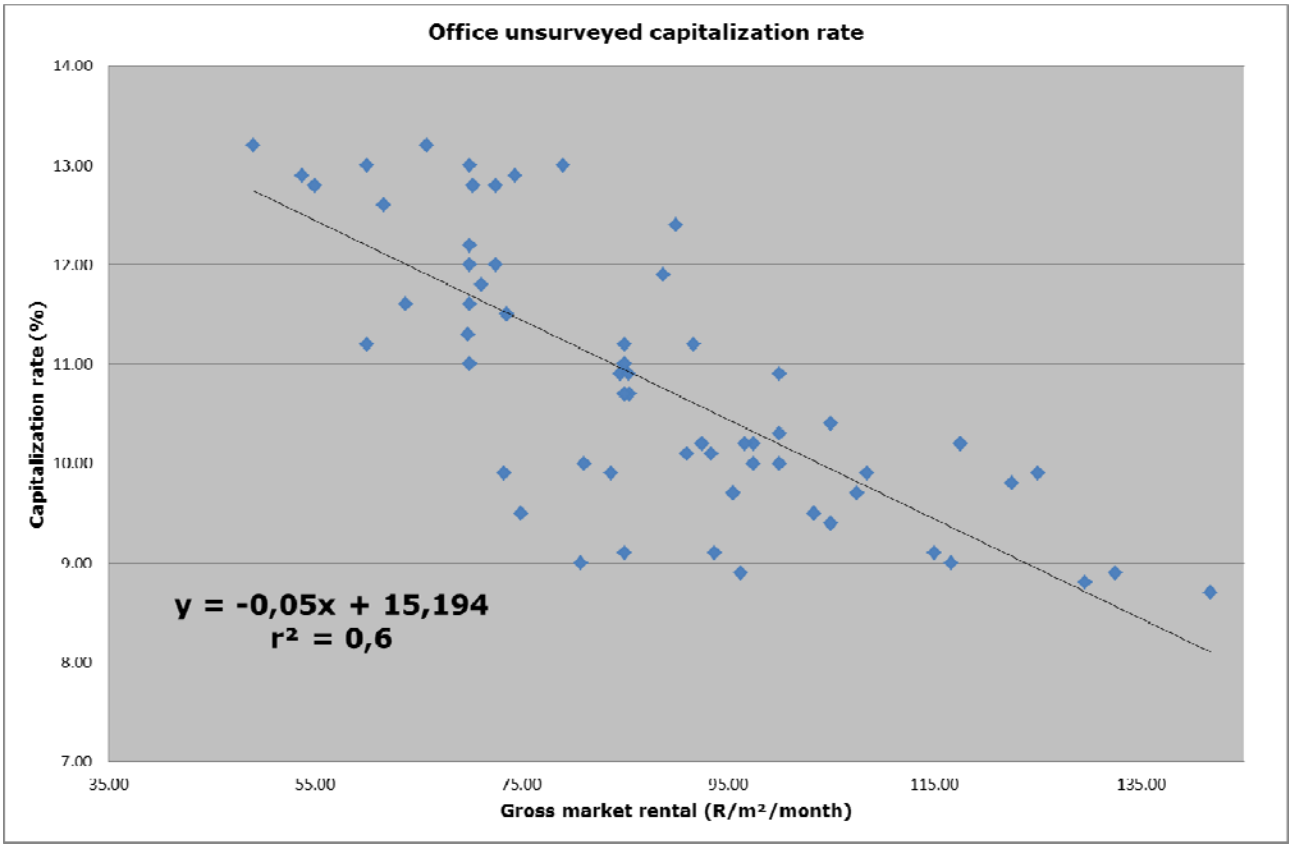
It is not advisable to use this function for gross market rental rates that fall much outside the range of R20/m^2/month to R41/m^2/month. Also, remember to use the rental rate applicable to an area of 1 000 m^2.

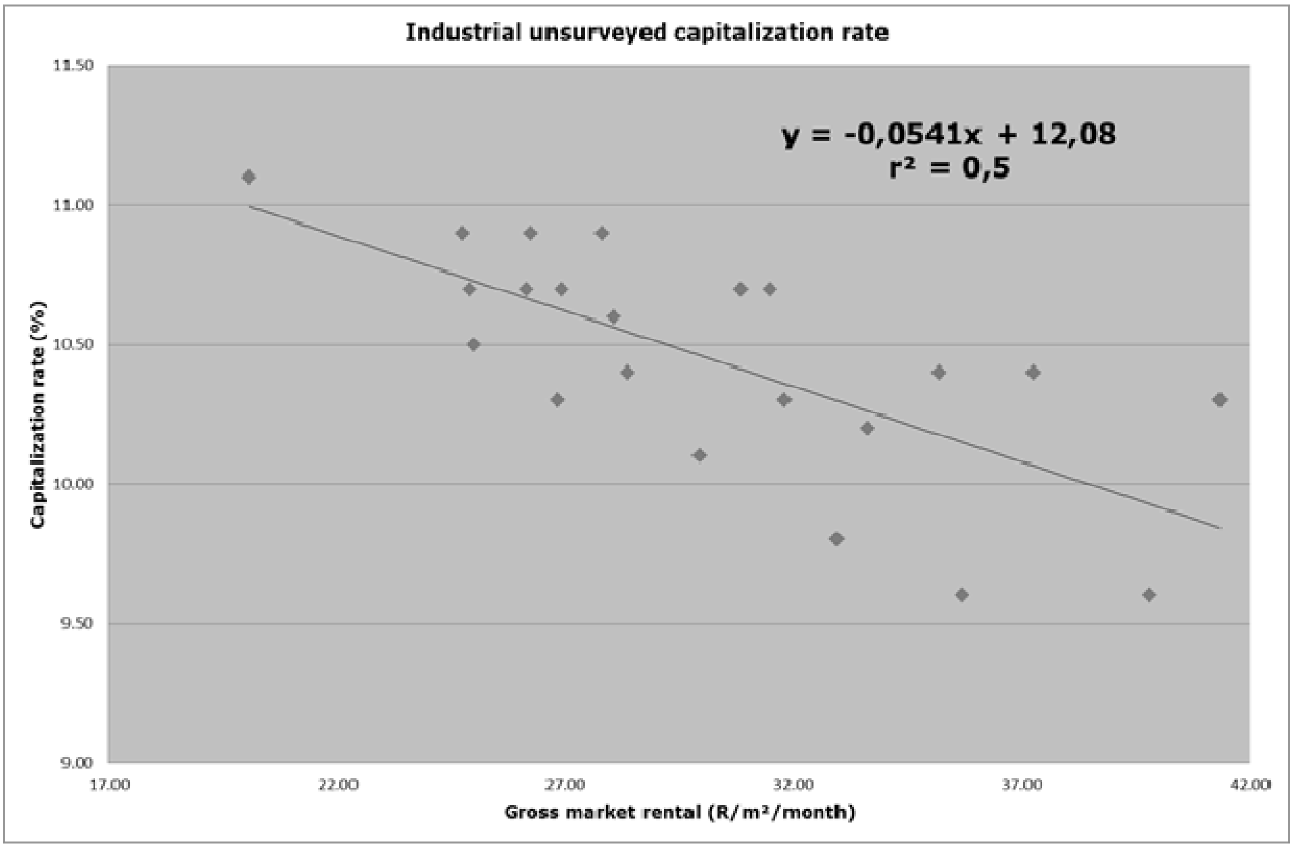
Example:

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

*industrial cap rate % = 12,08 – (0,0541*20)= 11,0%.*■

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.


Office unsurveyed capitalization rate
14.00
13.00
12.00
11.00
10.00
9.00
8.00
7.00
Capitalization rate (%)
y = -0,05x + 15,194
r² = 0,6
35.00
55.00
75.00
95.00
115.00
135.00
Gross market rental (R/m²/month)

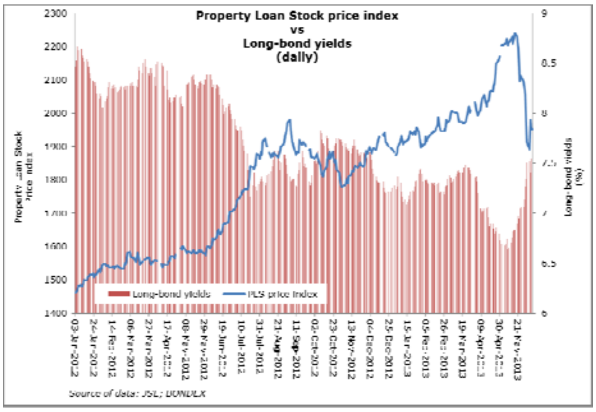

Industrial unsurveyed capitalization rate
11.50
11.00
10.50
10.00
9.50
9.00
Capitalization rate (%)
y = -0,0541x + 12,08
r² = 0,5
17.00
22.00
27.00
32.00
37.00
42.00
Gross market rental (R/m²/month)

Chapter 4: Listed property

Listed property taking a breather

Written by John S. Lottering

On the back of firming bond yields, listed property had an impressive run during 2012. In recent months, however, weakness in capital markets has resulted in listed property prices taking a bit of a breather.



The corresponding graph shows how — between the start of 2012 and April 2013 — the daily PLS price index was able to move strikingly north. This was driven by a positive re-rating of listed property on the back of firming (declining) long-bond yields. Interestingly, bond yields were able to remain firm despite the depreciation of the rand over the past two years. Inflationary fears were, however, stoked during May 2013 by the sharp 14% depreciation of the rand. This, together with a global sell-off in bonds[1] resulted in long-bond yields weakening (increasing) by close to 1 percentage point (100 basis points). Ultimately, this meant weaker listed property yields and a decline in listed property prices of about 12%. In fact, for the month ending May 2013, listed property was the worst performing asset class among the traditional asset classes. But, due to its strong run during 2012, for the 12-month period ended May 2013, listed property still came up tops (see **Table 4.1**).

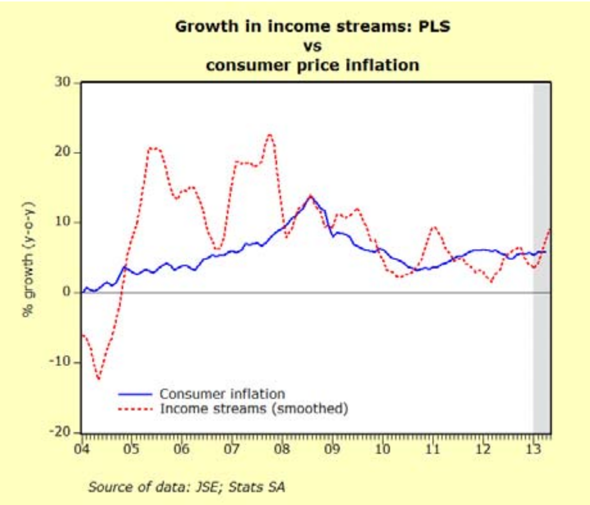
Table 4.1
Asset class performance
Total returns (including income yield and capital return)
May 2013

	month-to-date	12-month period
S.A. Listed Property	-11,1%	+27,7%
Equities	+8,5%	+26,0%
Cash	+0,4%	+5,8%
Bonds	-4,6%	+11,5%

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

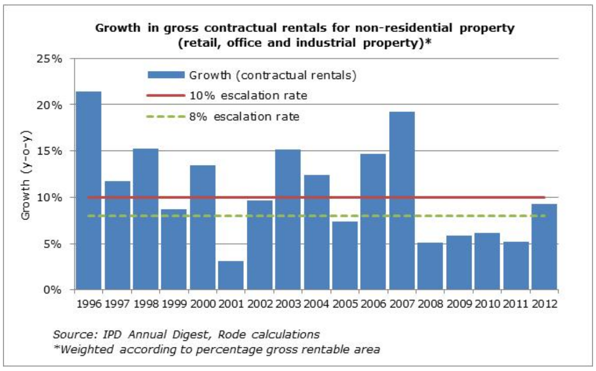
[1] In April 2013, the U.S Federal Reserve announced that it might slow the pace of its bond-purchase programme this year if the job market continues to improve. The result of this announcement was weaker global bond markets.

As for income streams, the growth in distributions has been able to accelerate since the beginning of the year. In May 2013, income streams were up by a yearly rate of 9%.



This is quite puzzling, because market rentals of malls and office buildings have been stagnating for quite some time now, and this surely must sooner or later show up in the bottom line as leases expire and revert to (lower) market levels on renewal.

One explanation for this seeming contradiction is that listed funds have until now been improving their cash flows by buying in directly-held property portfolios at cash-flow-enhancing prices. However, as we have seen in chapter 2, what with the weakening of listed yields, this windfall may now come to an end.



A second possible explanation is slightly positive gearing, because the big funds can (still) get finance at interest rates that are slightly below the yields at which directly-held portfolios are often acquired.

No matter how you analyse the reasons for the still strongly growing income streams, a (further) rise in interest rates would be bad news for listed funds. Thus, it is not inconceivable that income streams may stop growing within a year or two, which would induce another rerating by investors (resulting in capital-value loss).

Table 4.2 shows the individual performance of property unit trusts (PUTs) and property loan stocks (PLSs) for different periods to the end of June 2013 (ex Catalyst Fund Managers).

This concludes our chapter on listed property. ■

Table 4.2
Total return on property unit trusts and property loan stocks to June 2013
Individual stock performance

	1 year	3 years*
REIT Index	18,3%	62,4%
PUT Index	17,3%	67,4%
PLS Index	24,7%	94,2%
SA Listed Property Index (SAPY)	24,0%	88,7%
Capped Property Index (PCAP)	26,0%	85,6%
FORTRESS-B	41,5%	278,4%
RESILIENT	31,5%	131,7%
GROWTHPOINT	21,3%	108,0%
REDEFINE	30,6%	92,9%
HYPROP	32,8%	89,0%
FORTRESS-A	17,8%	86,6%
CAPITAL PROPERTY	13,5%	81,2%
ACUCAP	14,9%	78,0%
SA CORPORATE	25,0%	75,8%
VUKILE	8,8%	75,7%
HOSPITALITY-A	36,1%	72,1%
OCTODEC	30,1%	70,9%
FOUNTAINHEAD	15,3%	66,0%
SYCOM	17,5%	59,7%
PREMIUM	20,4%	59,5%
EMIRA	27,2%	56,1%
HOSPITALITY-B	56,1%	-42,4%
INVESTEC PROPERTY FUND	37,7%	
REBOSIS	20,8%	
VUNANI	26,4%	
DIPULA-A	25,6%	
DIPULA-B	65,8%	
VIVIDEND	9,0%	
SYNERGY A	37,7%	
SYNERGY B	29,6%	
ARROWHEAD A	27,6%	
ARROWHEAD B	46,3%	
DELPROP	6,1%	
ASCENSION-A	28,6%	
ASCENSION-B	37,4%	
ANNUITY	13,0%	

**Cumulative growth over period. Total return includes income yield and capital return.*
Source: Catalyst Fund Managers

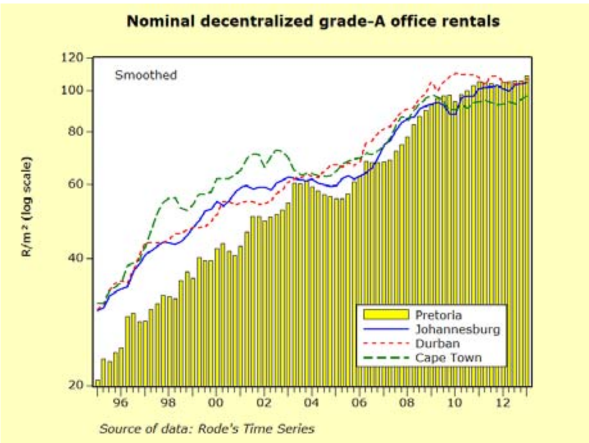
Chapter 5: Office rentals

Weak demand continues to hamper market rentals

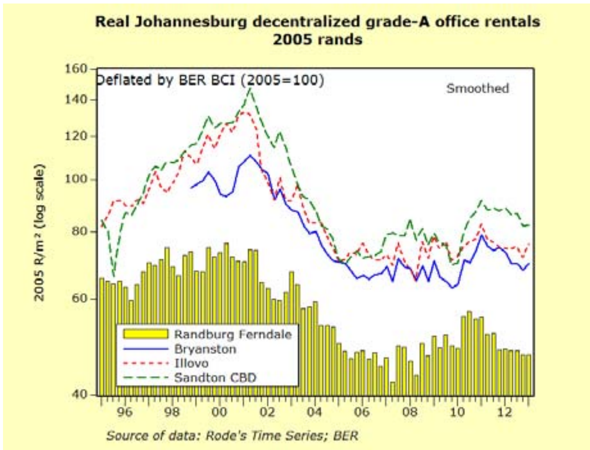
Written by John S. Lottering

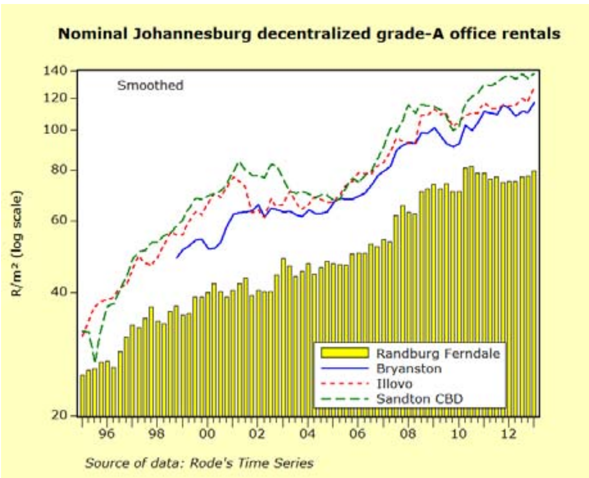
On the back of weak demand for office space and no discernible improvement in vacancy rates, market rentals continue to show mediocre growth.

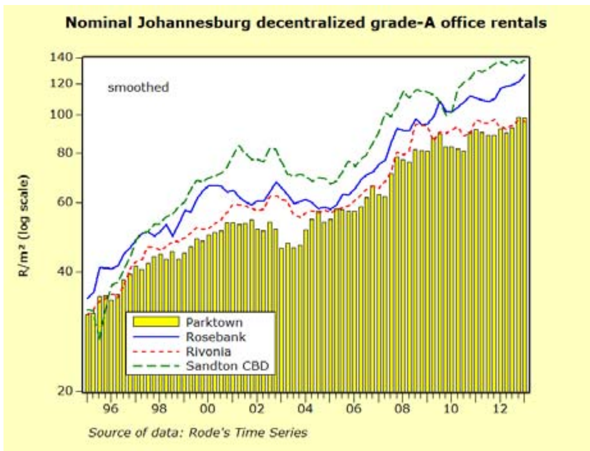
In the first quarter of 2013, market rentals in Cape Town decentralized (+5%) showed the strongest growth. Johannesburg and Pretoria decentralized recorded growth of 4% while in Durban decentralized, rentals were up by a measly 2%.

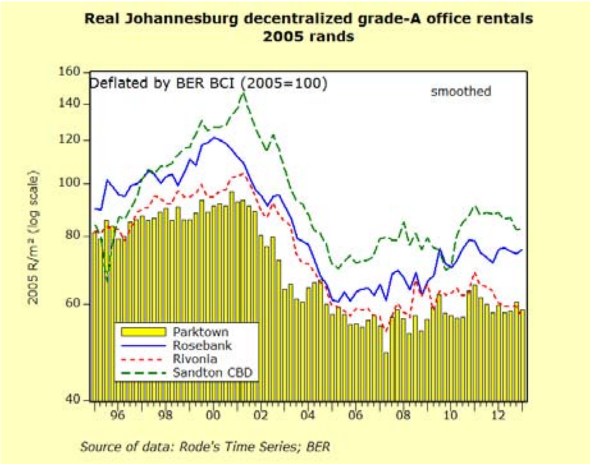


A closer look at Johannesburg decentralized shows that rentals in Illovo were at least able to grow in line with the expected growth in building costs of 9%. Illovo is also the most occupied office node in Johannesburg decentralized, with its very low vacancy rate of just 3% (see **Chapter 6**). Growth below building-cost-inflation was, however, observed in other top Johannesburg decentralized office nodes such as Parktown (+7%), Randburg/Ferndale (+6%), Rosebank (+4%), Bryanston (+4%), Rivonia (+3%) and the Sandton CBD (+2%).

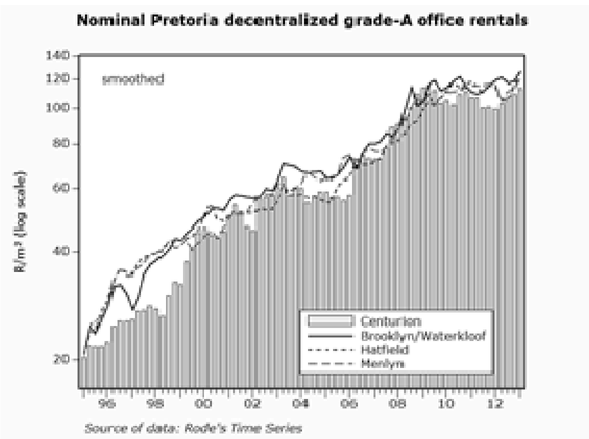


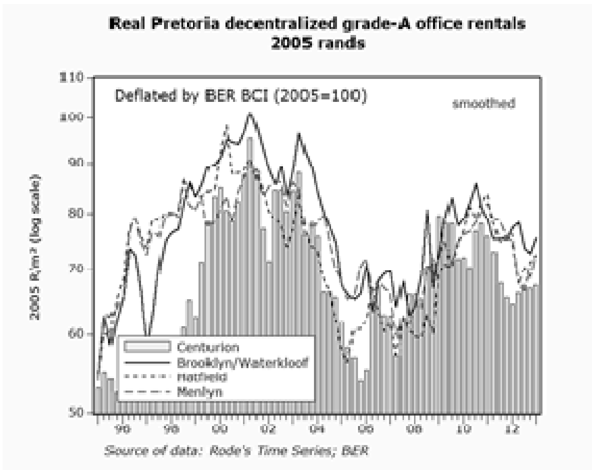






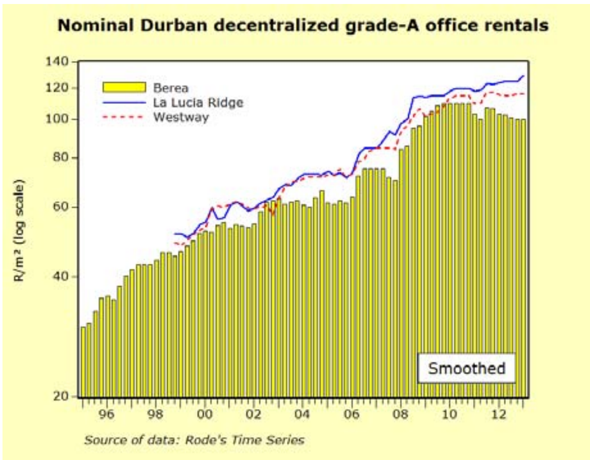
In the reporting quarter, Centurion (+10%) showed the strongest rental growth of the Pretoria decentralized office nodes surveyed. Over the past few years, vacancy rates in Centurion have moved strikingly north; so much so, that they are currently above their historic highs at 18% (see **Chapter 6**). Hence, the strong growth — which will most likely cool in the near future — must be due to low base effects given that a year ago rentals were actually contracting.

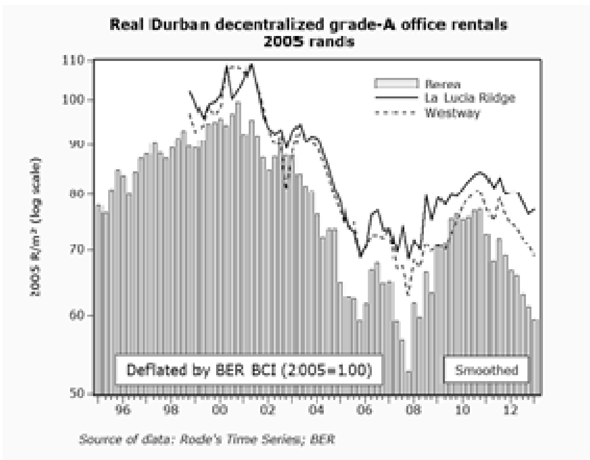




In the other top Pretoria decentralized office nodes of Brooklyn/Waterkloof and Hatfield, market rentals were up by 6%, while in Menlyn growth of 4% was achieved.

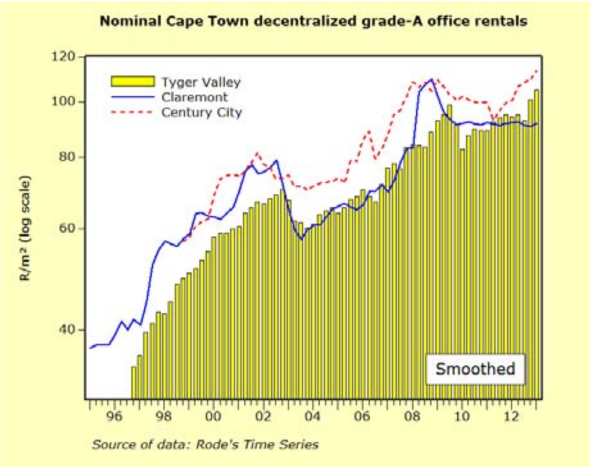
Nominal rentals in Durban's premier office node of La Lucia / Umhlanga showed the strongest growth at 5%. This was followed by Westway, where rentals were up by 1% and Berea, where rentals were actually 3% lower than a year ago. Notwithstanding vacancies declining in recent quarters, Berea is still struggling with a combined grade-A and -B vacancy rate of 12%, which might explain why rentals are shrinking.

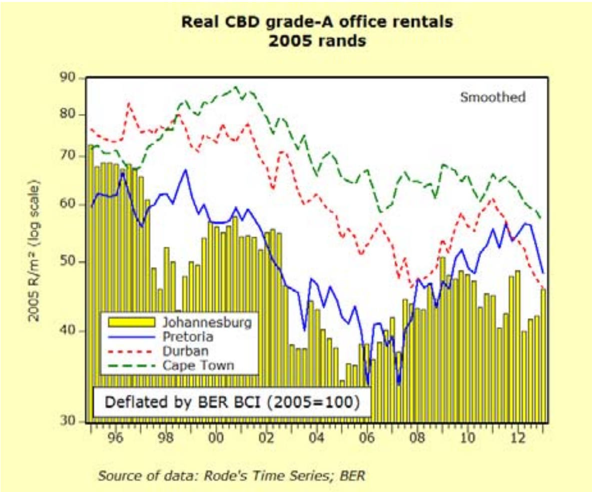




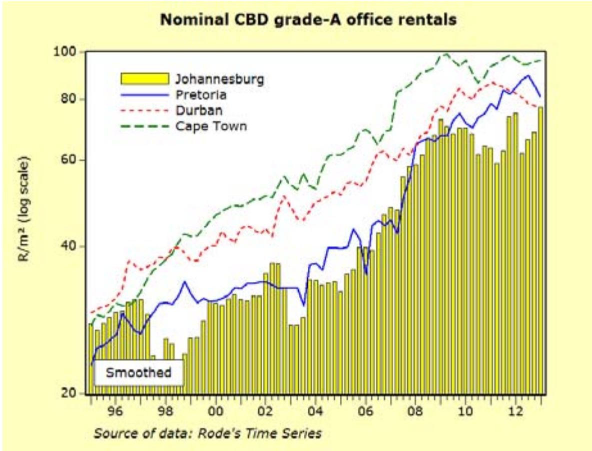
After peaking at 17% in the fourth quarter of 2008, vacancy rates in the Cape Town decentralized office node of Century City have been dropping and are currently standing at a comfortable 6%. The result of this has been an improvement in rentals of 12% in the first quarter of 2013. In Tyger

Valley, rentals were up by 11%, while in Claremont, rentals showed no growth.



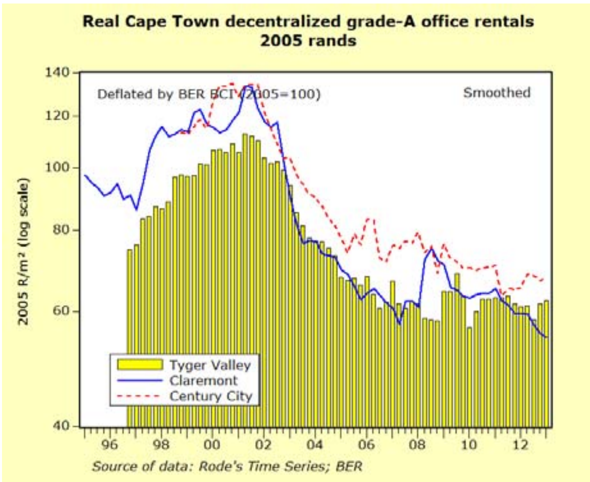


In the reporting quarter, only rentals in the CBD of Johannesburg (+3%) were able to show an improvement of sorts. In the CBDs of Pretoria (-4%), Durban (-6%) and Cape Town (-1%) rentals were all lower than they were a year ago.



Pioneer rentals

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



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

Recap: nominal versus real rentals

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

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

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

Table 5.1
Pioneer office rentals
Highest gross nominal market rental rate achieved
Rands per rentable m², gross leases (excl VAT)
During quarter 2013:1

	Pioneer	Normal Grade A	Difference %
Johannesburg dec.	200,00	106,00	89%
Pretoria dec.	155,00	110,00	41%
Durban dec.	160,00	109,00	47%
Cape Town CBD	160,00	98,00	63%
Cape Town dec.	160,00	96,00	67%

Table 5.2
Market rental rates for office buildings
Quarter 2013:1
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	96,00	81,10	63,75	49,00	BM, BR, PK, QU, REW
Braamfontein	93,33	83,67	73,60	55,00	AV, BM, BR, PK, QU, REW
Sandton CBD	182,00	141,75	107,50	88,75	AR, AV, AW, BM, BR, PK, QU, REW
Dunkeld West	133,00	120,00	97,50	83,00	AR, AW, BM, BR, PK,QU
Wierda Valley	134,00	111,58	94,50	88,50	AR, BM, BR, PK, QU
Randburg Ferndale	87,67	80,79	71,10	65,80	AR, AV, BM, BR, NH, PK, QU, REW
Rivonia	109,58	95,50	85,50	74,40	AR, AV, BM, BR, PK, QU
Rosebank	165,60	129,58	97,50	85,40	AR, AV, AW, BM, BR, PK, QU
Illovo	168,40	133,33	100,00	89,60	AR, AW, BM, BR, PK, QU
Illovo Boulevard	149,00	130,00	106,25	91,25	AR, BM, BR, PK, QU
Chiselhurston	122,50	108,75	98,33	88,33	AR, BM, BR, PK, QU
Parktown	109,00	97,50	85,00	79,00	AR, BR, PK, QU
Richmond/Milpark	-	79,75	73,12	66,83	AR, BM, BR, PK, QU
Bedfordview	109,00	95,00	83,00	78,33	AR, BR, PK, QU, REW
Bruma	111,00	96,50	81,75	75,00	PK
Meadowbrook	-	100,00	80,00	55,00	AR, AV, AW, BM, BR, PK, QU
Woodmead	124,42	110,00	92,60	81,00	AR, AV, BM, BR, PK, QU
Sunninghill	101,88	95,40	86,40	79,50	AR, AV, BM, BR, PK, QU
Bryanston/Epsom	142,17	121,33	106,00	88,75	AR, AV, AW, BM, BR, PK, QU
Fourways	134,64	113,00	92,96	80,88	AR, AV, BM, BR, PK, QU
Houghton	110,62	104,70	88,92	83,92	AR, AV, AW, BM, BR, PK, QU
Melrose Arch	195,30	141,25	133,33	110,00	AR, AV, AW, BM, BR, PK, QU
Hydepark	129,43	117,33	91,95	81,11	AR, BM, PK, QU
Eastgate/Kramerville	110,00	80,00	64,00	53,25	AR, AV, BM, PK, QU
Ormonde	-	78,50	67,25	64,67	AR, AW, BM, BR, PK, QU
Midrand	119,17	93,38	84,62	70,35	AR, QU
Hendrik Potgieter Corridor	100,00	90,00	79,50	70,66	BM, BR, PK, QU, REW
Pretoria CBD	115,00	80,00	70,00	62,50	AI, BR, EV
Lynnwood Glen	-	107,50	88,33	75,00	AI, BR, EV
Lynnwood	138,50	98,50	85,50	77,00	BR, EV
Lynnwood Manor	115,00	100,00	80,00	-	AI, BR
Lynnwood Ridge	165,00	127,50	114,50	90,00	AI, BR, EV
Faerie Glen	118,00	110,00	-	-	AI, BR, EV
Val de Grace	-	79,50	68,00	60,00	BR, EV
Menlyn	159,33	127,50	110,00	-	AI, BR, EV
Menlo Park (Brooks St.)	-	117,50	100,00	-	BR, EV
Brooklyn/Waterkloof	150,00	130,00	97,50	-	AI, BR, EV
Nieuw Muckleneuk	-	125,00	105,00	-	BR, EV
Hatfield	128,50	122,50	100,00	70,00	AI, BR, EI, EV
Centurion	148,00	110,00	98,33	-	AI, BR, EI, EV, MAS
Highveld Technopark	132,50	117,50	110,00	-	AI, BR, EV, MAS
Sunnyside	-	95,00	80,00	70,00	AI, BR
Arcadia	-	92,50	75,00	65,00	AI, BR, EV
Murrayfield	-	-	72,00	-	BR
Nelspruit	140,00	120,00	95,00	75,00	HH, RZ
Polokwane	175,00	140,00	110,00	92,50	ES, MO

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

Table 5.2 (continued) Market rental rates for office buildings Quarter 2013:1 Rands per rentable m² per month, gross leases (excl VAT)					
	Grade A^+	Grade A mean	Grade B mean	Grade C mean	Broker contributor codes
Bloemfontein CBD	125,00	107,50	85,00	61,67	CC, EK, NR
Westdene	120,00	103,33	81,67	62,50	CC, EK, NR
Durban CBD	85,00	77,50	52,50	43,33	MW, PPI, QP
Durban Berea	-	100,00	91,67	72,50	MW, PPI, QP
Essex Terrace	115,00	96,67	85,00	70,00	MW, PPI, QP
Westway	126,67	116,25	103,33	-	ACU, MW, PPI, QP
La Lucia Ridge	162,50	132,50	117,50	90,00	MW, PPI, QP
Westville	121,67	101,67	95,00	75,00	ACU, MW, PPI, QP
Pinetown	92,50	82,50	72,50	50,00	PPI, QP
Hillcrest-Kloof (Upper Highway)	120,00	110,00	90,00	72,50	PPI, QP
Port Elizabeth CBD	-	-	-	51,25	IPM, QV
Greenacres : Parks	122,50	95,00	72,50	52,50	IPM, QV
Greenacres: Single	130,00	95,00	72,50	55,00	IPM, QV
Walmer Park 1, 2 & 3	-	-	68,75	-	IPM, QV
South End	-	78,75	67,50	55,00	IPM, QV
Humewood	123,75	90,00	67,50	-	IPM, QV
Cape Road	126,25	96,25	70,00	55,00	IPM, QV
East London	-	60,00	50,00	45,60	BG, DQ, ER, GO, GW, IP
East London dec.	103,84	75,00	55,00	37,50	BG, DQ, ER, GO, GW, IP
Cape Town CBD	113,75	96,25	73,33	60,00	AN, GB, HP, PL
Sea Point	115,00	85,00	68,33	53,33	AN, GB, PL
V&A Portswood Ridge	127,50	107,50	-	-	AN, GB, PL
Granger Bay	122,50	120,00	-	-	GB, PL
Salt River	97,50	85,00	67,50	60,00	GB, PL
Woodstock	106,67	91,67	71,67	60,00	AN, GB, PL
Observatory	92,50	83,33	63,33	52,50	AN, GB, PL
Mowbray	-	-	-	-	
Kenilworth (Racecourse)	112,50	87,50	-	-	GB, PL
Rondebosch/Newlands	118,33	93,33	77,50	60,00	AN, GB, PL
Wynberg	100,00	80,00	68,33	55,00	AN, GB, PL
Westlake	112,67	93,75	70,00	55,00	AN, GB, HP, PL
Tokai	110,00	86,67	70,00	55,00	AN, HP, PL
Claremont Lower**	-	-	-	-	
Claremont Upper	120,00	97,50	75,00	-	AN, GB, PL
Hout Bay	100,00	85,00	-	-	GB
Noordhoek (Sun Valley)	-	-	-	-	
Pinelands	110,00	-	-	-	HP
Athlone	-	-	-	-	
Milnerton	-	90,00	70,00	-	GB
Panorama	-	-	-	-	
Table View / Parklands	90,00	75,00	75,00	65,00	GB, OF
Century City	143,33	115,00	85,00	75,00	AN, GB, HP
Maitland	85,00	75,00	60,00	50,00	GB
Goodwood (N1 City)	100,00	90,00	80,00	60,00	GB
Tygerberg Hills	120,00	105,00	87,50	75,00	AN, GB
Bellville CBD	-	-	70,00	60,00	AN, GB, OF
Tyger Valley area	117,50	105,00	92,50	72,50	AN, DN, GB, OF
Durbanville	110,00	97,50	80,00	67,50	AN, DN, GB

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

Table 5.2 (continued)
Market rental rates for office buildings
Quarter 2013:1
Rands per rentable m² per month, gross leases (excl VAT)

	Grade A+	Grade A mean	Grade B mean	Grade C mean	Broker contributor codes
Airport	-	-	-	-	
Kuils River	-	-	65,00	-	OF
Somerset West Town	-	-	-	60,00	OF
Somerset West Mall area	-	-	-	-	
Strand	-	-	-	-	
Gordon's Bay	-	-	-	-	
George	75,00	65,00	55,00	65,00	GV

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

Table 5.3
Standard deviation of market rental rates for office buildings
Quarter 2013:1

	Grade A+	Grade A	Grade B	Grade C
Johannesburg CBD	R6,00	R8,99	R10,38	R6,00
Braamfontein	R2,36	R8,50	R6,15	R8,16
Sandton CBD	R6,78	R5,43	R9,01	R5,73
Dunkeld West	R4,00	R6,45	R7,07	R3,08
Wierda Valley	R1,41	R2,42	R3,72	R4,39
Randburg Ferndale	R5,25	R9,27	R7,13	R9,72
Rivonia	R6,52	R5,88	R5,12	R5,95
Rosebank	R9,97	R18,62	R4,33	R4,08
Illovo	R14,22	R11,06	R10,41	R9,73
Illovo Boulevard	R9,70	R6,32	R10,23	R7,40
Chiselhurston	R2,04	R5,45	R2,36	R4,71
Parktown	R9,25	R10,31	R8,66	R7,97
Richmond/Milpark	-	R7,08	R3,25	R2,25
Bedfordview	R8,00	R6,12	R8,12	R6,24
Bruma	R6,48	R5,83	R4,66	R0,00
Meadowbrook	-	-	-	-
Woodmead	R7,47	R8,16	R4,44	R4,12
Sunninghill	R4,80	R5,54	R3,72	R3,64
Bryanston / Epsom Downs	R7,75	R8,60	R9,17	R4,15
Fourways	R6,87	R8,12	R5,08	R5,90
Houghton	R6,22	R11,46	R2,28	R2,86
Melrose Arch	R9,40	R14,31	R9,43	R10,00
Hydepark	R8,16	R2,91	R5,97	R2,83
Eastgate/Kramerville	-	R0,00	R7,11	R2,05
Ormonde	-	R1,50	R2,25	R3,68
Midrand	R8,25	R6,74	R11,18	R6,36
Hendrik Potgieter Corridor	-	-	R0,50	R0,66
Pretoria CBD	-	R7,07	R5,00	R2,50
Lynnwood Glen	-	R12,50	R8,50	-
Lynnwood	R21,50	R11,50	R10,50	-
Lynnwood Manor	R15,00	-	-	-
Lynnwood Ridge	-	R2,50	R0,50	-
Faerie Glen	R2,00	R5,00	-	-
Val de Grace	-	R7,50	-	-
Menlyn	R8,01	R7,50	-	-
Menlo Park (Brooks St.)	-	R17,50	R10,00	-
Brooklyn/Waterkloof	R0,00	-	R2,50	-
Nieuw Muckleneuk	-	R5,00	R5,00	-
Hatfield	R18,50	R2,50	R5,00	-
Centurion	R2,16	R8,16	R8,50	-
Highveld Technopark	R12,50	R7,50	-	-
Sunnyside	-	-	-	-
Arcadia	-	R7,50	R7,07	-
Murrayfield	-	-	-	-
Nelspruit CBD	-	-	-	-
Polokwane	R5,00	R0,00	R0,00	R2,50
Bloemfontein CBD	-	R7,50	R0,00	R4,71
Westdene	R5,00	R8,50	R4,71	R2,50
Durban CBD	-	R2,50	R2,50	R4,71
Durban Berea	-	R10,00	R8,50	R7,50

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

Table 5.3 (continued)
Standard deviation of market rental rates for office buildings
Quarter 2013:1

	Grade A+	Grade A	Grade B	Grade C
Essex Terrace	R20,00	R10,27	R8,16	R10,00
Westway	R4,71	R5,45	R2,36	-
La Lucia Ridge	R2,50	R2,50	R7,50	-
Westville	R6,24	R2,36	R4,08	R8,16
Pinetown	R7,50	R7,50	R12,50	R5,00
Hillcrest-Kloof (Upper Highway)	R10,00	R10,00	R10,00	R7,50
Port Elizabeth CBD	-	-	-	R8,75
Greenacres : Parks	R2,50	R5,00	R7,50	R2,50
Greenacres: Single	R5,00	R5,00	R7,50	-
Walmer Park 1, 2 & 3	-	-	R3,75	-
South End	-	R1,25	R2,50	R0,00
Humewood	R1,25	R0,00	R2,50	-
Cape Road	R1,25	R3,75	R0,00	-
East London	R0,00	R0,00	R0,00	R0,00
East London dec.	R0,00	R0,00	R0,00	R0,00
Cape Town CBD	R8,20	R4,15	R6,24	R3,54
Sea Point	R5,00	R7,07	R6,24	R2,36
V&A Portswood Ridge	R2,50	R2,50	-	-
Granger Bay	R2,50	R20,00	-	-
Salt River	R2,50	R5,00	R7,50	R0,00
Woodstock	R9,43	R2,36	R6,24	R6,12
Observatory	R2,50	R8,50	R4,71	R2,50
Mowbray	-	-	-	-
Kenilworth (Racecourse)	R7,50	R2,50	-	-
Westlake	R5,25	R4,15	-	-
Tokai	R8,16	R2,36	-	-
Claremont Lower	-	-	-	-
Claremont Upper	R0,00	R2,50	-	-
Hout Bay	-	-	-	-
Noordhoek (Sun Valley)	-	-	-	-
Pinelands	-	-	-	-
Athlone	-	-	-	-
Milnerton	-	-	-	-
Panorama	-	-	-	-
Rondebosch/Newlands	R2,36	R2,36	R6,24	R6,12
Wynberg	-	R0,00	R4,71	R2,50
Table View / Parklands	-	-	R5,00	-
Century City	R4,71	R5,00	R0,00	-
Maitland	-	-	-	-
Goodwood (N1 City)	-	-	-	-
Tygerberg Hills	R0,00	R5,00	R2,50	R0,00
Bellville CBD	-	-	R0,00	R0,00
Tyger Valley area	R7,50	R7,07	R2,50	R7,50
Durbanville	R0,00	R2,50	R5,00	R2,50
Airport	-	-	-	-
Kuils River	-	-	-	-
Somerset West Town	-	-	-	-
Somerset West Mall area	-	-	-	-
Strand	-	-	-	-
Gordon's Bay	-	-	-	-
George	-	-	-	-

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

Table 5.4 Typical rent-free period in months Average periods on offer in quarter 2013:1	Mean	SD		Mean	SD
Johannesburg CBD	1,7	0,9	Durban CBD	2,7	0,5
Braamfontein	1,7	0,9	Durban Berea	0,7	0,5
Sandton CBD	1,6	0,8	Essex Terrace	0,2	0,2
Dunkeld West	1,3	0,5	Westway	0,2	0,2
Wierda Valley	1,5	0,5	La Lucia Ridge	0,2	0,2
Randburg Ferndale	2,0	0,7	Westville	0,3	0,5
Rivonia	1,5	0,5	Pinetown	1,0	-
Rosebank	1,7	0,5	Hillcrest-Kloof-Upper Highway	0,5	-
Illovo	1,7	0,5	Port Elizabeth	3,0	-
Illovo Boulevard	1,3	0,5	Port Elizabeth dec.	1,0	-
Chiselhurston	1,5	0,5	East London	0,0	0,0
Parktown	1,0	0,0	East London dec.	-	-
Richmond/Milpark	1,0	0,0	Cape Town CBD	1,0	0,0
Bedfordview	1,0	0,0	Sea Point	1,0	0,0
Bruma	1,7	0,9	V&A Portswood Ridge	1,5	0,5
Meadowbrook	1,5	0,5	Granger Bay	1,0	-
Woodmead	1,0	0,0	Salt River	1,0	0,0
Sunninghill	1,5	0,5	Woodstock	1,0	0,0
Bryanston/Epsom	1,3	0,5	Observatory	1,0	-
Fourways	1,5	0,5	Mowbray	1,0	-
Houghton	1,3	0,5	Kenilworth (Racecourse)	1,0	-
Melrose Arch	1,2	0,8	Westlake	0,5	0,5
Hydepark	1,0	0,7	Tokai	0,5	0,5
Eastgate/Kramerville	1,3	0,5	Claremont Lower	-	-
Ormonde	1,3	0,5	Claremont Upper	1,0	0,0
Midrand	1,2	0,4	Hout Bay	1,0	-
Hendrik Potgieter Corr.	1,5	0,5	Noordhoek (Sun Valley)	-	-
Pretoria CBD	3,0	-	Pinelands	1,0	-
Lynnwood Glen	3,0	-	Athlone	-	-
Lynnwood	3,0	-	Milnerton	1,0	-
Lynnwood Manor	3,0	-	Panorama	-	-
Lynnwood Ridge	3,0	-	Rondebosch/Newlands	1,0	-
Faerie Glen	3,0	-	Wynberg	1,0	-
Val de Grace	3,0	-	Table View / Parklands	1,0	0,0
Menlyn	3,0	-	Century City	1,0	0,0
Menlo Park (Brooks St)	3,0	-	Maitland	1,0	-
Brooklyn/Waterkloof	3,0	-	Goodwood (N1 City)	1,0	-
Nieuw Muckleneuk	3,0	-	Tygerberg Hills / Plattekloof	1,0	-
Hatfield	2,5	0,5	Bellville CBD	0,7	0,5
Centurion	2,5	0,5	Tyger Valley area	0,7	0,5
Highveld Technopark	3,0	-	Durbanville	1,0	-
Sunnyside	3,0	-	Airport	-	-
Arcadia	3,0	-	Kuils River	1,0	-
Murrayfield	3,0	-	Somerset West Town	1,0	-
Nelspruit CBD	-	-	Somerset West Mall area	-	-
Polokwane	3,0	1,0	Strand	-	-
Bloemfontein CBD	4,7	5,2	Gordon's Bay	-	-
Westdene	5,5	6,4	George	0,0	-

** Defined as bounded by Pietermaritz, Berg, Loop, Burger, between Chapel and Commercial.*
*** Claremont Lower: east of Main Road*
SD: See Glossary of terms and abbreviations in Annexure 1.

Table 5.5
Market parking rentals
Monthly parking
rands per bay per month (excl. VAT)
As in quarter 2013:1

	Covered reserved parking				Under shade net	Open-air parking
	Gr A^+	Gr A	Gr B	Gr C		
Johannesburg CBD	750	685	531	383	317	260
Braamfontein	680	615	496	413	388	303
Sandton CBD	863	643	514	405	417	350
Dunkeld West	619	517	434	388	355	270
Wierda Valley	658	550	507	425	344	256
Randburg Ferndale	479	422	319	268	309	236
Rivonia	525	476	425	393	344	283
Rosebank	713	574	450	369	375	305
Illovo	613	542	420	411	385	287
Illovo Boulevard	625	550	468	420	376	290
Chisellhurston	575	513	460	413	318	249
Parktown	519	475	333	333	305	266
Richmond/Milpark	383	324	313	298	256	210
Bedfordview	525	493	430	370	270	215
Bruma	473	467	351	328	238	251
Meadowbrook	-	250	150	100	150	100
Woodmead	550	495	435	371	351	265
Sunninghill	534	486	402	359	317	269
Bryanston / Epsom Downs	605	503	437	367	334	251
Fourways	535	484	427	356	343	259
Houghton	534	497	426	327	345	333
Melrose Arch	788	694	475	400	375	300
Hyde Park	600	541	456	450	385	326
Eastgate/Kramerville	350	450	350	250	302	240
Ormonde	-	492	401	348	300	235
Midrand	489	455	400	366	323	240
Hendrik Potgieter Corridor	500	450	380	300	280	220
Pretoria CBD	-	450	-	400	375	350
Lynnwood Glen	500	460	477	270	358	220
Lynnwood	500	560	-	-	393	172
Lynnwood Manor	500	480	400	-	385	275
Lynnwood Ridge	700	550	467	-	443	357
Faerie Glen	525	440	480	-	367	250
Val de Grace	-	300	300	320	280	200
Menlyn	687	525	500	-	440	376
Menlo Park (Brooks St.)	480	500	380	-	383	250
Brooklyn/Waterkloof	600	475	405	-	367	283
Nieuw Muckleneuk	575	475	405	-	350	275
Hatfield	525	503	443	-	383	330
Centurion	506	480	427	-	363	275
Highveld Technopark	450	480	480	-	327	222
Sunnyside	450	-	-	-	375	300
Arcadia	-	450	400	-	350	225
Murrayfield	-	-	-	-	-	-
Nelspruit	420	370	275	220	180	120
Polokwane	423	375	305	270	270	180
Bloemfontein CBD	323	323	235	160	180	110
Westdene	355	353	285	190	150	85

Table 5.5 (continued)
Market parking rentals
Monthly parking rands per bay per month (excl. VAT)
As in quarter 2013:1

	Covered reserved parking				Under shade net	Open-air parking
	Gr A+	Gr A	Gr B	Gr C		
Durban CBD	900	750	663	500	500	400
Durban Berea	-	450	400	300	250	200
Essex Terrace	550	475	425	400	300	300
Westway	650	575	475	400	-	400
La Lucia Ridge	700	625	550	550	400	350
Westville	450	450	375	200	-	363
Pinetown	400	300	150	150	100	100
Hillcrest-Kloof (Upper Highway)	365	340	300	275	200	150
Port Elizabeth CBD	450	413	363	350	275	225
Greenacres : Parks	450	413	363	350	275	225
Greenacres: Single	400	375	275	250	225	200
Walmer Park 1, 2 & 3	200	325	275	250	150	125
South End	400	350	325	-	-	250
Humewood	450	400	363	300	225	225
Cape Road	450	413	363	350	275	225
East London	-	450	220	235	-	280
East London dec.	-	-	-	-	-	-
Cape Town CBD	1.183	1.050	800	-	800	575
Sea Point	950	825	-	-	700	550
V&A Portswood Ridge	1.367	1.150	-	-	-	-
Granger Bay	1.417	1.200	-	-	-	-
Salt River	700	550	450	300	250	200
Woodstock	750	650	500	500	250	200
Observatory	675	500	400	300	200	150
Mowbray	750	775	-	-	-	575
Kenilworth (Racecourse)	-	600	-	-	-	450
Rondebosch/Newlands	933	815	-	-	-	500
Wynberg	750	-	350	-	-	250
Westlake	750	625	-	-	-	433
Tokai	983	567	400	-	-	475
Claremont Lower**	950	-	-	-	-	500
Claremont Upper	1.000	850	600	-	-	-
Hout Bay	-	-	-	-	-	-
Noordhoek (Sun Valley)	-	-	-	-	-	-
Pinelands	800	-	-	-	-	500
Athlone	-	-	-	-	-	-
Milnerton	500	500	-	-	450	300
Panorama	-	-	-	-	-	-
Table View / Parklands	-	-	-	-	350	-
Century City	883	775	650	-	575	417
Maitland	-	-	-	-	300	200
Goodwood (N1 City)	650	525	400	300	250	200
Tygerberg Hills	750	650	600	450	250	200
Bellville CBD	625	500	450	475	240	200
Tyger Valley area	667	638	600	500	250	325
Durbanville	700	600	500	350	300	250
Airport	-	-	-	-	-	-
Kuils River	-	-	-	300	-	150

Table 5.5 (continued)
Market parking rentals
Monthly parking rands per bay per month (excl. VAT)
As in quarter 2013:1

	Covered reserved parking				Under shade net	Open-air parking
	Gr A+	Gr A	Gr B	Gr C		
Somerset West Town	-	-	-	-	-	350
Somerset West Mall area	-	-	-	-	-	-
Strand	-	-	-	-	-	-
Gordon's Bay	-	-	-	-	-	-
George	-	-	-	-	-	-

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

Table 5.6
Office rental escalation rates on new leases (%)
Average escalation rate on net rentals for quarter 2013:1

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

** 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 2013:1

	Mean	SD	n
Johannesburg CBD	R14,67	R4,11	3
Braamfontein	R15,00	R3,08	4
Sandton	R27,88	R3,51	4
Dunkeld West	R23,00	R2,12	4
Wierda Valley	R24,00	R1,41	3
Randburg Ferndale	R18,33	R2,36	3
Rivonia	R19,33	R0,94	3
Rosebank	R30,83	R4,25	3
Illovo	R26,88	R4,80	4
Illovo Boulevard	R26,25	R2,17	4
Chiselhurston	R26,67	R2,36	3
Parktown	R17,50	R5,40	3
Richmond/Milpark	R16,00	R4,32	3
Bedfordview	R20,00	R0,00	2
Bruma	R20,00	R0,00	2
Meadowbrook	R12,50	-	1
Woodmead	R22,50	R2,04	3
Sunninghill	R20,00	R0,00	3
Bryanston/Epsom	R21,00	R1,00	2
Fourways	R21,67	R2,36	3
Houghton	R17,33	R5,25	3
Melrose Arch	R31,25	R6,50	4
Hydepark	R23,25	R3,42	4
Eastgate/Kramerville	R19,25	R5,75	2
Ormonde	R12,00	-	1
Midrand	R19,12	R2,46	4
Hendrik Potgieter Corridor	R20,00	-	1
Pretoria CBD	R16,50	R2,50	2
Lynnwood Glen	R11,00	R1,00	2
Lynnwood	R21,00	R1,00	2
Lynnwood Manor	R18,50	R6,50	2
Lynnwood Ridge	R15,00	R0,00	2
Faerie Glen	R14,50	R0,71	3
Val de Grace	R15,00	-	1
Menlyn	R25,00	R0,00	2
Menlo Park (Brooks St.)	R13,50	R1,50	2
Brooklyn/Waterkloof	R25,50	R2,50	2
Nieuw Muckleneuk	R23,00	-	1
Hatfield	R15,83	R1,84	3
Centurion	R17,33	R4,78	3
Highveld Technopark	R17,50	R2,50	2
Sunnyside	R15,00	-	1
Arcadia	R12,00	R0,00	2
Murrayfield	R12,00	-	1

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

Table 5.7 (continued)
Typical gross outgoings for prime office buildings
As reported by brokers
R/rentable m² per month: quarter 2013:1

	Mean	SD	n
Nelspruit	R20,00	-	1
Polokwane	R22,00	R1,00	2
Bloemfontein CBD	R5,00	R0,00	2
Westdene	R5,50	R0,50	2
Durban CBD	R25,50	R1,50	2
Durban Berea	R29,00	R1,00	2
Essex Terrace	R30,50	R1,50	2
Westway	R33,50	R1,08	3
La Lucia Ridge	R33,00	R1,00	2
Westville	R31,50	R0,41	3
Pinetown	R8,00	-	1
Hillcrest-Kloof (Upper Highway)	R30,00	-	1
Port Elizabeth CBD	R13,25	R1,25	2
Greenacres : Parks	R14,25	R3,25	2
Greenacres: Single	R14,25	R3,25	2
Walmer Park 1, 2 & 3	R11,00	-	1
South End	R11,00	-	1
Humewood	R11,00	-	1
Cape Road	R11,00	-	1
East London CBD	-	-	-
East London decentralized	-	-	-
Cape Town CBD		R2,94	3
Sea Point	R30,00	-	1
V&A Portswood Ridge	R25,00	-	1
Granger Bay	-	-	-
Salt River	-	-	-
Woodstock	R20,00	-	1
Observatory	-	-	-
Mowbray	-	-	-
Kenilworth (Racecourse)	-	-	-
Rondebosch/Newlands	-	-	-
Wynberg	R25,00	-	1
Westlake	R26,50	R1,50	2
Tokai	R25,00	R0,00	2
Claremont Lower**	-	-	-
Claremont Upper	-	-	-
Hout Bay	-	-	-
Noordhoek (Sun Valley)	-	-	-
Pinelands	R30,00	-	1
Athlone	-	-	-

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

Table 5.7 (continued)
Typical gross outgoings for prime office buildings
As reported by brokers
R/rentable m² per month: quarter 2013:1

	Mean	SD	n
Milnerton	-	-	-
Panorama	-	-	-
Table View / Parklands	-	-	-
Century City	R30,00	-	1
Maitland	-	-	-
Goodwood (N1 City)	-	-	-
Tygerberg Hills	-	-	-
Bellville CBD	R12,50	R2,50	2
Tyger Valley area	R22,50	R7,50	2
Durbanville	-	-	-
Airport	-	-	-
Kuils River	R15,00	-	1
Somerset West Town	R18,00	-	1
Somerset West Mall area	-	-	-
Strand	-	-	-
Gordon's Bay	-	-	-
George	-	-	-

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

Table 5.8
Escalation rates on operating costs (%)

Node	2013:1	Node	2013:1
Johannesburg CBD	9,4	Durban Berea	9,0
Braamfontein	9,2	Essex Terrace	9,0
Sandton CBD	9,2	Westway	9,0
Dunkeld West	9,5	La Lucia	9,0
Wierda Valley	9,3	Westville	9,0
Randburg Ferndale	9,3	Pinetown	9,0
Rivonia	9,4	Hillcrest-Kloof (Upper Highway)	9,5
Rosebank	9,3	Empangeni	-
Illovo	9,2	Richards Bay	-
Illovo Boulevard	9,4	Port Elizabeth CBD	7,5
Chiselhurston	9,3	Port Elizabeth dec	8,0
Parktown	9,8	East London CBD	-
Richmond/Milpark	9,5	East London	-
Bedfordview	9,2	Cape Town CBD	10,0
Bruma	9,0	Sea Point	12,0
Meadowbrook	10,2	V&A Portswood Ridge	12,0
Woodmead	9,1	Granger Bay	12,0
Sunninghill	9,4	Salt River	-
Bryanston/Epsom	9,8	Woodstock	10,0
Fourways	9,2	Observatory	-
Houghton	9,4	Mowbray	-
Melrose Arch	9,3	Kenilworth (Racecourse)	9,0
Hydepark	9,5	Westlake	9,0
Eastgate/Kramerville	10,3	Tokai	9,0
Ormonde	9,8	Claremont Lower	-
Midrand	9,7	Claremont Upper	8,0
Hendrik Potgieter Corridor	9,5	Hout Bay	-
Pretoria CBD	11,0	Noordhoek (Sun Valley)	-
Lynnwood Glen	10,0	Pinelands	9,0
Lynnwood	10,0	Athlone	-
Lynnwood Manor	10,0	Milnerton	-
Lynnwood Ridge	11,0	Panorama	-
Faerie Glen	10,0	Rondebosch/Newlands	8,0
Val de Grace	10,0	Wynberg	9,0
Menlyn	11,0	Table View / Parklands	10,0
Menlo Park (Brooks St)	10,0	Century City	9,0
Brooklyn/Waterkloof	11,5	Maitland	-
Nieuw Muckleneuk	10,0	Goodwood (N1 City)	-
Hatfield	10,0	Tygerberg Hills	-
Centurion	9,6	Bellville CBD	9,0
Highveld Technopark	10,0	Tyger Valley area	9,0
Sunnyside	10,0	Durbanville	8,0
Arcadia	10,0	Airport	-
Murrayfield	10,0	Kuils River	-
Nelspruit	8,0	Somerset West Town	10,0
Polokwane	8,8	Somerset West Mall area	10,0
Bloemfontein	12,0	Strand	-
Westdene	12,0	Gordon's Bay	-
Durban CBD	9,0	George	8,0

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

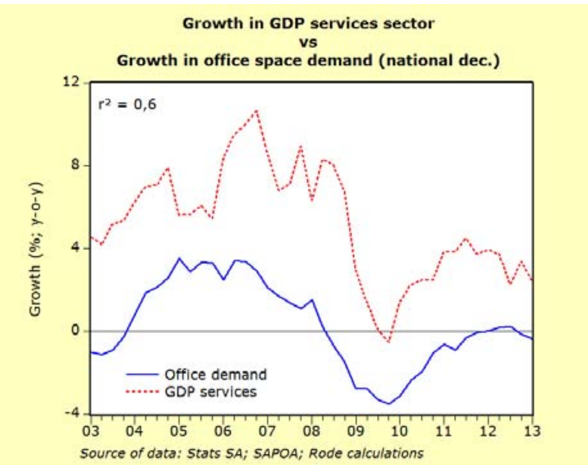
Chapter 6: Office demand and vacancies

Office demand flatlining

Written by John S. Lottering

The demand for office space is flatlining – this as its life is being sucked out by cooling economic activity and worsening unemployment.

The importance of the state of the economy to the office property market is depicted in the graph that follows. It shows the pretty strong correlation between *real* economic growth and the growth in the demand for office space. In the first quarter of 2013, the yearly growth in *real* GDP cooled to 1,9% from 2,5% in the previous quarter.

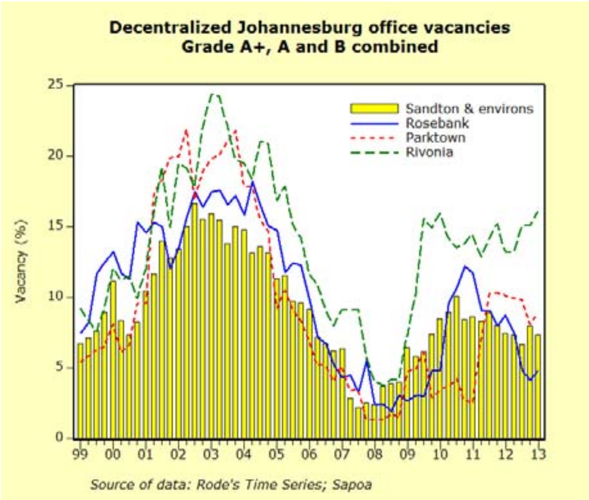


The slowdown in the yearly growth of economic activity — already discernible since about the second half of 2011 — has also meant weaker growth in employment. During the reporting quarter, the unemployment rate worsened to 25,2% from 24,9% the quarter before. The importance of conditions in the labour market to office property is illustrated by the second graph. It shows the robust correlation between growth in total employment — as measured by Adcorp — and growth in office demand. In the first quarter of 2013, both total employment and office demand showed no growth when compared to the same period a year ago.

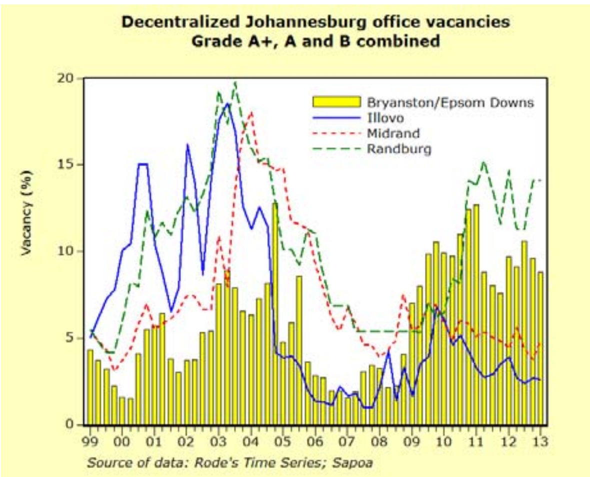
Interestingly, the recent slump in economic activity has now prompted a number of economists to scale down their *real* GDP growth forecasts for 2013 – this does not, as the preceding graphs tell us, bode well for office demand and, consequently, prospects for vacancy rates.

As for current vacancy rates, no surprises were observed in the decentralized areas of Johannesburg, Pretoria, Durban and Cape Town in the first quarter of 2013. In these areas office vacancy rates remained, on the whole, at roughly their previous-quarter levels.

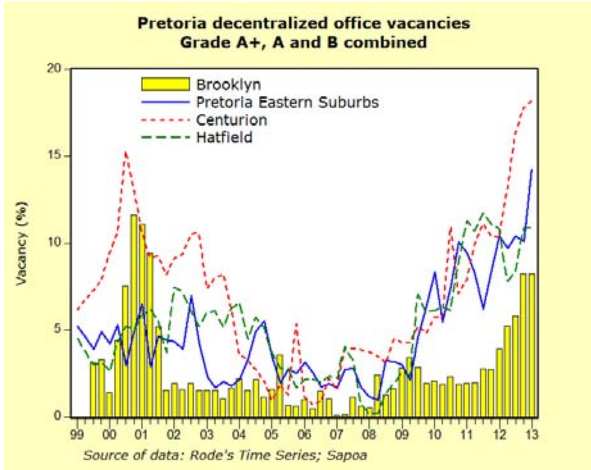
A look within Johannesburg decentralized reveals low vacancy rates in Illovo (3%), Rosebank (5%) and Midrand (5%). In these office nodes the general direction of vacancy rates has been south for a number



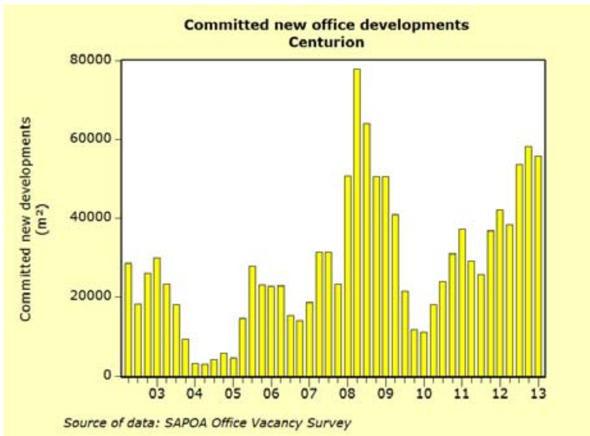
of quarters now. While vacancy rates in Sandton & Environs — Johannesburg's premier office area — have also been trekking south over the past three years, this area's vacancy rate nevertheless still stood at 7% in the survey quarter. In both Bryanston and Parktown, vacancy rates stood at roughly 9%, while Randburg and Rivonia were the least occupied office nodes with vacancy rates of 14% and 16% respectively.



Compared to other regions, vacancy rates in Pretoria decentralized are the highest, with a combined vacancy rate of 11%. Evident from the graph that follows is the overall northward trend in vacancy rates in Pretoria decentralized since 2008. This is a clear-cut question of overbuilding rather than shrinking demand.



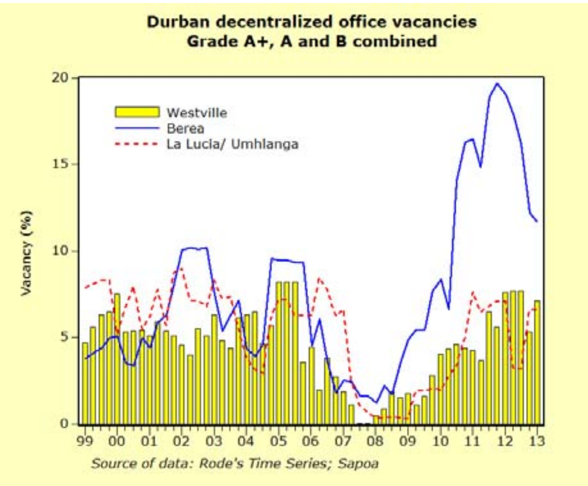
The office vacancy rate in Centurion has in recent quarters moved past its historic highs and is currently standing at 18%. Partly due to overzealous development, the growth in office stock in Centurion has in recent years outpaced the growth in demand for office space. As **Table 6.1** shows, another 51.000 m² of office space, of which 67% was still unlet in the first quarter of 2013, is expected to come on line in the near future.



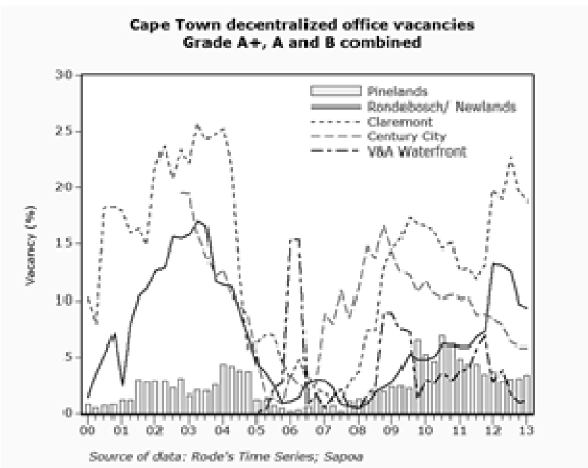
Should this space not be taken up promptly, the outcome could be more upward pressure on vacancy rates in Centurion. The corresponding graph, for example, shows how committed new office developments in Centurion have moved north since 2010. Of course, the fact that Centurion is the location of one of the Gautrain stations, might explain the appeal of this node to developers.

In the other Pretoria decentralized office nodes, vacancy rates ranged from as low as 7% in Lynwood to as high as 14% in the Pretoria Eastern Suburbs.

As for Durban decentralized, in the office nodes of La Lucia / Umhlanga and Berea, vacancy rates remained at their previous-quarter levels of 7% and 12% respectively. However, in Westville, vacancies increased from 5% in the previous quarter to 7% in the reporting quarter.

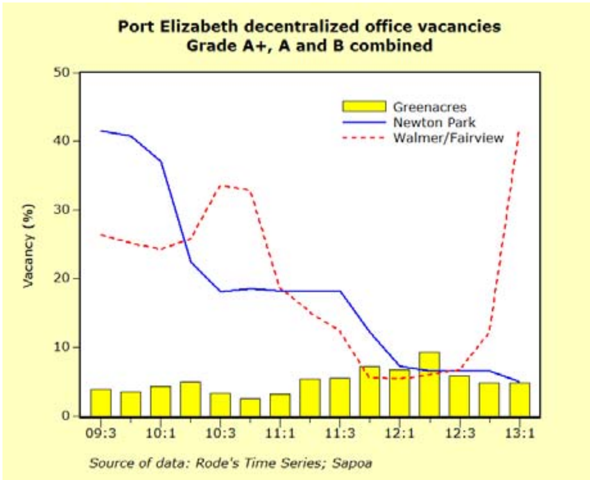


The take-up of office space in the node of Century City has been the most impressive of the Cape Town decentralized office nodes in recent years. After reaching a vacancy rate of 15% in 2008, vacancy rates have since then headed south and are currently standing at about 6%.



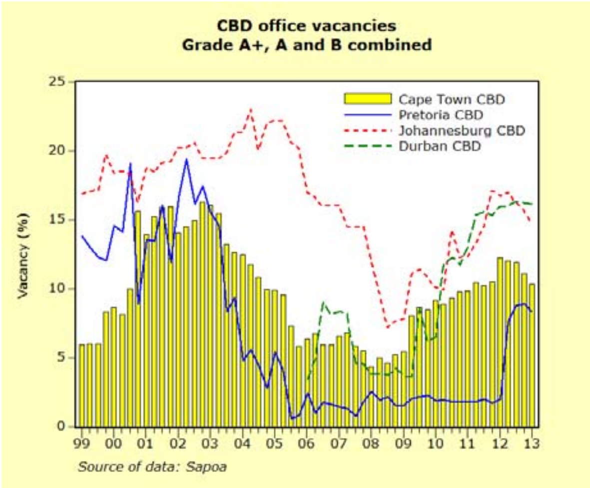
According to the developers of Century City, the vacancy is actually as low as 3% when one includes in the total occupied space, new leases that have already been signed, even if tenants have not yet physically occupied the premises. Vacancy rates in the V&A Waterfront and Pinelands are, however, still lower at 1% and 3% respectively. In the reporting quarter, Rondebosch/Newlands (9%) and Claremont (19%) were the least let office areas in Cape Town decentralized.

The vacancy rate in the Port Elizabeth decentralized office node of Walmer/Fairview jumped to 41% from 12% in the previous quarter. This was mainly because of a sharp increase in its grade-B vacancy rate from 20% to 36%.



In Newton Park the vacancy rate dropped from 7% to 5% while in Greenacres the vacancy rate remained steady at 5%. Greenacres is by far the biggest office area in Port Elizabeth decentralized with its total rentable area of 61.000 m². In the reporting quarter, its 4.000 m² of grade A^+ and 11.000 m² of grade-A office space was fully let.

In the reporting quarter, the CBDs of Johannesburg (15%), Durban (16%) and Cape Town (10%) all recorded double-digit vacancy rates. The exception was the Pretoria CBD, where the vacancy rates stood at 8%.



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

Table 6.1
Committed new office developments
As in 2013:1

	Total rentable area m^2	Area still available for leasing m^2	% unlet	As % of existing stock
Johannesburg & Environs				
Bryanston / Epsom Downs	20.527	14.527	71%	4%
Cresta/Blackheath to Randpark	27.200	0	0%	16%
Greenstone/Edenvale/Modderfontein	8.098	8.098	100%	11%
Hyde Park / Dunkeld	10.200	7.700	75%	11%
Randburg	31.000	0	0%	7%
Rivonia	11.579	4.579	40%	4%
Rosebank	83.294	8.294	10%	29%
Sandton & Environs	83.107	74.107	89%	5%
Sunninghill	23.191	23.191	100%	6%
Woodmead	15.000	0	0%	4%
Cape Town & Environs				
CBD Cape Town	73.000	39.500	54%	8%
Bellville	25.000	5.000	20%	5%
Century City	13.245	11.245	85%	5%
V&A Waterfront	12.000	0	0%	15%
Durban & Environs				
Hillcrest/Gillits	3.300	3.300	100%	11%
Westville	10.500	2.700	26%	6%
Pretoria & Environs				
Hatfield/Hillcrest	16.046	1.546	10%	6%
Brooklyn / Nieuw Muckleneuk / Groenkloof	5.750	5.750	100%	3%
Centurion	50.790	33.700	66%	12%
Pretoria Eastern Surburbs / Route 21	27.786	17.886	64%	7%
Port Elizabeth & Environs				
Greenacres	2.000	2.000	100%	3%
Walmer/Fairview	7.965	7.965	100%	31%
Total	**542.413**	**255.423**	**47%**	**7%**

Source: SAPOA

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

	March 2012	June 2012	September 2012	December 2012	March 2013
Johannesburg					
Bedfordview					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	8,7	9,8	10,1	9,8	14,4
Grade B	23,9	16,9	13,8	18,5	17,4
Total	**14,2**	**12,2**	**11,4**	**12,8**	**15,4**
Braamfontein					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	20,8	19,3	19,9	19,9	16,5
Grade B	12,4	15,3	15,2	16,3	17,8
Total	**16,8**	**17,4**	**17,7**	**18,3**	**17,1**
Bryanston / Epsom Downs					
Grade A+	0,0	0,0	0,0	0,0	0,0
Grade A	8,6	8,9	10,2	9,5	8,8
Grade B	35,2	18,6	24,0	17,5	15,2
Total	**9,7**	**9,1**	**10,6**	**9,6**	**8,8**
Bruma					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	4,6	4,6	6,5	6,1	7,5
Grade B	14,0	15,9	15,6	15,6	19,1
Total	**10,4**	**11,6**	**12,1**	**11,9**	**14,7**
CBD Johannesburg					
Grade A+	0,0	0,0	0,0	0,0	0,0
Grade A	10,2	10,2	10,6	11,2	0,0
Grade B	25,5	26,0	23,9	20,9	25,4
Total	**16,7**	**17,0**	**16,2**	**15,6**	**14,7**
Constantia Kloof Basin					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	6,8	7,3	5,9	6,9	3,7
Grade B	12,7	13,1	14,1	13,1	7,3
Total	**7,2**	**7,7**	**6,5**	**7,3**	**3,9**
Fourways					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	11,2	11,1	10,4	11,0	14,5
Grade B	0,0	0,5	0,0	0,0	0,0
Total	**10,7**	**10,6**	**10,0**	**10,6**	**13,9**
Houghton/Killarney					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	4,0	4,5	6,3	7,9	3,9
Grade B	5,8	4,6	5,8	3,4	0,9
Total	**4,5**	**4,5**	**6,2**	**6,7**	**3,2**

Source of data: Sapoa

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

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

Source of data: Sapoa

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

	March 2012	June 2012	September 2012	December 2012	March 2013
Rivonia					
Grade A^+					
Grade A	47,6	9,6	9,9	9,9	12,4
Grade B	11,9	14,8	17,4	17,4	17,7
Total	**13,2**	**13,2**	**15,1**	**15,1**	**16,1**
Rosebank					
Grade A^+	N/A	N/A	N/A	N/A	N/A
Grade A	13,7	11,4	7,4	5,1	4,4
Grade B	3,1	3,9	2,6	3,1	5,1
Total	**8,7**	**7,4**	**4,8**	**4,1**	**4,8**
Sandton & environs					
Grade A^+	3,0	2,5	4,0	0,9	0,9
Grade A	6,3	6,3	6,1	8,9	7,5
Grade B	10,6	10,6	8,5	9,8	9,7
Total	**7,2**	**7,1**	**6,6**	**7,9**	**7,3**
Sunninghill					
Grade A^+	N/A	N/A	N/A	N/A	N/A
Grade A	6,8	4,6	3,9	7,5	10,0
Grade B	N/A	N/A	N/A	N/A	N/A
Total	**6,8**	**4,6**	**3,9**	**7,5**	**10,0**
Woodmead					
Grade A^+	N/A	N/A	N/A	N/A	N/A
Grade A	7,5	7,5	7,4	5,8	5,8
Grade B	36,3	36,3	27,5	27,5	33,7
Total	**8,9**	**8,9**	**8,4**	**6,9**	**7,1**
Cape Town					
Bellville (incl. Tyger V)					
Grade A^+	N/A	N/A	N/A	N/A	N/A
Grade A	6,6	6,9	6,9	5,7	5,5
Grade B	13,5	12,7	12,9	13,5	10,6
Total	**8,6**	**8,5**	**8,6**	**8,0**	**7,0**
CBD Cape Town					
Grade A^+	0,0	0,0	0,0	0,0	0,0
Grade A	14,6	13,7	13,4	13,5	9,5
Grade B	8,9	9,8	10,1	7,9	11,1
Total	**12,2**	**12,0**	**11,9**	**11,1**	**10,3**
Century City					
Grade A^+	0,0	0,0	0,0	0,0	0,0
Grade A	8,3	7,7	5,9	5,4	5,6
Grade B	10,5	10,5	10,2	10,5	8,7
Total	**8,4**	**7,8**	**6,3**	**5,8**	**5,8**

Source of data: Sapoa

Table 6.2 (continued) Sapoa office vacancy factors (%) Grades A^{+}, A & B					
	March 2012	**June 2012**	**September 2012**	**December 2012**	**March 2013**
Claremont					
Grade A^{+}	N/A	N/A	N/A	N/A	N/A
Grade A	15,3	10,0	17,7	15,4	14,2
Grade B	40,6	30,0	29,1	24,8	24,7
Total	**19,8**	**19,0**	**22,8**	**19,6**	**18,8**
Pinelands					
Grade A^{+}	N/A	N/A	N/A	N/A	N/A
Grade A	3,7	2,8	3,0	3,1	3,3
Grade B	2,6	2,3	1,5	2,4	3,0
Total	**3,6**	**2,7**	**2,9**	**3,0**	**3,3**
Rondebosch/Newlands					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	17,6	17,2	15,9	13,0	11,8
Grade B	2,8	2,9	4,4	1,4	3,2
Total	**13,3**	**13,1**	**12,6**	**9,7**	**9,3**
V&A Waterfront					
Grade A^{+}	0,0	0,0	0,0	0,0	0,0
Grade A	5,2	5,0	2,4	1,1	1,6
Grade B	2,2	17,6	7,4	5,8	5,8
Total	**2,7**	**3,8**	**1,7**	**1,0**	**1,2**
Durban					
Berea					
Grade A^{+}					
Grade A	20,6	17,1	12,3	9,8	9,9
Grade B	17,8	18,6	19,7	14,4	13,1
Total	**19,1**	**17,9**	**16,2**	**12,2**	**11,7**
CBD Durban					
Grade A^{+}	N/A	N/A	N/A	N/A	N/A
Grade A	21,3	21,3	20,6	20,6	20,6
Grade B	11,9	11,9	12,9	12,8	12,5
Total	**16,0**	**16,0**	**16,3**	**16,2**	**16,1**
Umhlanga / La Lucia					
Grade A^{+}	2,1	2,1	2,1	2,1	2,1
Grade A	7,7	3,3	3,3	7,2	7,2
Grade B	3,0	3,0	3,0	2,0	2,0
Total	**7,1**	**3,2**	**3,2**	**6,6**	**6,6**
Westville					
Grade A^{+}	N/A	N/A	N/A	N/A	N/A
Grade A	8,5	9,8	8,4	4,2	4,9
Grade B	6,8	5,8	7,1	6,3	8,8
Total	**7,6**	**7,7**	**7,7**	**5,3**	**7,1**

Source of data: Sapoa

Table 6.2 (continued) Sapoa office vacancy factors (%) Grades A+, A & B					
	March 2012	June 2012	September 2012	December 2012	March 2013
Pretoria					
Arcadia					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	1,4	7,8	6,4	7,9	7,9
Grade B	6,1	6,1	3,1	3,7	3,7
Total	**2,5**	**7,4**	**5,6**	**6,6**	**6,6**
Brooklyn					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	3,3	5,0	6,0	8,7	8,7
Grade B	6,0	5,6	5,3	6,2	6,2
Total	**3,9**	**5,2**	**5,8**	**8,2**	**8,2**
CBD Pretoria					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	0,9	1,3	1,8	1,8	1,8
Grade B	2,6	10,8	11,1	11,2	10,4
Total	**2,0**	**7,6**	**8,8**	**8,9**	**8,3**
Centurion					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	8,1	8,6	16,3	13,6	13,6
Grade B	12,0	16,8	16,3	21,9	22,6
Total	**10,3**	**13,2**	**16,3**	**17,8**	**18,2**
Hatfield/Hillcrest					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	8,5	2,8	2,4	6,4	6,4
Grade B	12,4	11,3	12,3	14,0	14,0
Total	**10,8**	**7,8**	**8,3**	**10,9**	**10,9**
Highveld Technopark					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	6,5	8,1	8,0	4,9	4,9
Grade B	7,7	11,7	11,1	11,4	11,4
Total	**6,8**	**9,0**	**8,9**	**6,7**	**6,7**
Menlyn					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	13,7	13,4	16,4	13,3	9,2
Grade B	11,1	10,0	12,2	12,5	7,9
Total	**13,2**	**12,4**	**15,3**	**13,1**	**8,9**
Source of data: Sapoa					

Table 6.2 (continued) Sapoa office vacancy factors (%) Grades A+, A & B					
	March 2012	June 2012	September 2012	December 2012	March 2013
Pretoria Eastern Suburbs					
Grade A^+	N/A	N/A	N/A	N/A	N/A
Grade A	14,1	10,4	11,7	8,4	15,8
Grade B	5,3	2,6	8,5	12,6	11,9
Total	**10,4**	**9,7**	**10,4**	**10,1**	**14,3**
Lynnwood					
Grade A^+	0,0	0,0	0,0	0,0	0,0
Grade A	3,5	4,1	5,9	2,5	4,1
Grade B	6,5	6,9	6,6	6,9	10,9
Total	**4,5**	**4,8**	**5,4**	**4,4**	**7,1**
Port Elizabeth					
Greenacres					
Grade A^+	14,1	14,1	6,1	0,0	0,0
Grade A	6,6	11,1	0,0	0,0	0,0
Grade B	6,3	8,6	7,0	6,2	6,2
Total	**6,7**	**9,3**	**5,8**	**4,8**	**4,8**
Newton Park					
Grade A^+	6,6	6,6	6,6	6,6	4,8
Grade A	13,3	0,0	0,0	0,0	0,0
Grade B	11,3	11,3	11,3	11,3	11,3
Total	**7,3**	**6,7**	**6,7**	**6,7**	**5,1**
Central / Park Drive					
Grade A^+	N/A	N/A	N/A	N/A	N/A
Grade A	N/A	N/A	N/A	N/A	N/A
Grade B	10,7	20,8	19,9	22,4	21,8
Total	**10,7**	**20,8**	**19,9**	**22,4**	**21,8**
Walmer/Fairview					
Grade A^+	N/A	N/A	N/A	N/A	N/A
Grade A	0,7	0,7	0,7	0,7	41,9
Grade B	15,5	17,7	19,8	36,3	39,8
Total	**5,4**	**6,1**	**6,8**	**12,1**	**41,5**
Johannesburg central					
Grade A^+	0,0	0,0	0,0	0,0	0,0
Grade A	12,3	12,0	12,4	13,1	4,6
Grade B	22,7	23,8	22,0	20,0	24,1
Total	**16,7**	**17,1**	**16,5**	**16,2**	**15,2**
Source of data: Sapoa					

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

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

Source of data: Sapoa

Table 6.3 Sapoa office stock (m²) Grades A$^+$, A & B Source: Sapoa					
	March 2012	June 2012	September 2012	December 2012	March 2013
Johannesburg					
Bedfordview					
Grade A$^+$					
Grade A	124.327	130.327	130.327	133.427	136.087
Grade B	69.758	69.758	69.758	69.974	69.794
Total	**194.085**	**200.085**	**200.085**	**203.401**	**205.881**
Braamfontein					
Grade A+					
Grade A	193.405	193.405	193.405	226.121	226.121
Grade B	170.988	170.988	170.988	170.988	170.988
Total	**364.393**	**364.393**	**364.393**	**397.109**	**397.109**
Bryanston / Epsom Downs					
Grade A$^+$	23.138	23.138	23.138	23.138	23.138
Grade A	469.313	469.313	469.313	474.593	476.306
Grade B	30.578	30.578	30.578	30.578	30.579
Total	**523.029**	**523.029**	**523.029**	**528.309**	**530.023**
Bruma					
Grade A$^+$					
Grade A	33.664	33.664	33.664	33.664	33.664
Grade B	54.458	54.458	54.458	54.458	54.458
Total	**88.122**	**88.122**	**88.122**	**88.122**	**88.122**
CBD Johannesburg					
Grade A$^+$	24.000	24.000	24.000	24.000	24.000
Grade A	792.276	792.276	792.276	780.976	593.866
Grade B	621.732	647.362	639.287	713.610	852.296
Total	**1.438.008**	**1.463.638**	**1.455.563**	**1.518.586**	**1.470.162**
Constantia Kloof Basin					
Grade A$^+$					
Grade A	283.764	284.464	289.178	289.178	289.178
Grade B	20.853	20.853	22.193	22.193	22.193
Total	**304.617**	**305.317**	**311.371**	**311.371**	**311.371**
Fourways					
Grade A$^+$					
Grade A	142.821	142.821	146.289	146.289	143.083
Grade B	6.500	6.500	6.500	6.500	6.501
Total	**149.321**	**149.321**	**152.789**	**152.789**	**149.584**
Houghton/Killarney					
Grade A$^+$					
Grade A	83.398	75.108	83.398	83.398	100.398
Grade B	29.200	36.890	29.200	29.200	29.201
Total	**112.598**	**111.998**	**112.598**	**112.598**	**129.599**
Source of data: Sapoa					

Table 6.3 (continued) **Sapoa office stock (m²)** Grades A^+, A & B					
	March 2012	**June 2012**	**September 2012**	**December 2012**	**March 2013**
Hyde Park / Dunkeld					
Grade A^+					
Grade A	24.937	24.937	24.937	24.937	24.937
Grade B	65.589	65.589	65.589	65.589	65.589
Total	**90.526**	**90.526**	**90.526**	**90.526**	**90.526**
Illovo					
Grade A^+	4.000	4.000	7.500	7.500	7.500
Grade A	136.633	136.633	138.833	136.655	136.655
Grade B	27.114	27.114	26.064	27.164	27.164
Total	**167.747**	**167.747**	**172.397**	**171.319**	**171.319**
Melrose/Waverley					
Grade A^+	92.000	92.000	92.000	92.000	92.000
Grade A	28.878	28.878	28.878	28.878	28.878
Grade B	15.663	15.663	19.697	19.697	19.697
Total	**136.541**	**136.541**	**140.575**	**140.575**	**140.575**
Midrand					
Grade A^+	167.404	167.404	167.404	167.404	167.404
Grade A	188.774	188.774	188.774	188.774	193.733
Grade B	224.483	224.483	224.483	224.483	224.484
Total	**580.661**	**580.661**	**580.661**	**580.661**	**585.621**
Milpark					
Grade A^+					
Grade A	27.900	27.900	27.900	27.900	27.900
Grade B	176.926	176.926	176.926	175.526	175.526
Total	**204.826**	**204.826**	**204.826**	**203.426**	**203.426**
Morningside					
Grade A^+					
Grade A	77.528	77.528	67.659	80.256	80.257
Grade B					
Total	**77.528**	**77.528**	**67.659**	**80.256**	**80.257**
Parktown					
Grade A^+					
Grade A	114.776	115.176	114.776	114.776	122.176
Grade B	216.782	216.782	217.880	217.880	217.881
Total	**331.558**	**331.958**	**332.656**	**332.656**	**340.057**
Randburg					
Grade A^+					
Grade A	45.167	45.167	45.167	45.167	45.167
Grade B	348.714	348.747	348.747	351.560	351.560
Total	**393.881**	**393.914**	**393.914**	**396.727**	**396.727**

Source of data: Sapoa

Table 6.3 (continued) Sapoa office stock (m²) Grades A+, A & B					
	March 2012	June 2012	September 2012	December 2012	March 2013
Rivonia					
Grade A+					
Grade A	10.500	83.391	83.391	83.391	83.391
Grade B	264.742	191.851	191.851	191.851	191.851
Total	**275.242**	**275.242**	**275.242**	**275.242**	**275.242**
Rosebank					
Grade A+	8.400				
Grade A	126.297	126.297	126.297	126.297	132.673
Grade B	144.949	144.949	144.949	144.949	144.949
Total	**279.646**	**271.246**	**271.246**	**271.246**	**277.622**
Sandton & environs					
Grade A+	233.532	229.332	229.332	229.332	229.332
Grade A	737.588	737.588	737.588	715.588	715.588
Grade B	493.500	486.980	493.500	510.487	543.487
Total	**1.464.620**	**1.453.900**	**1.460.420**	**1.455.407**	**1.488.407**
Sunninghill					
Grade A+					
Grade A	348.647	348.647	348.647	348.648	348.825
Grade B					
Total	**348.647**	**348.647**	**348.647**	**348.648**	**348.825**
Woodmead					
Grade A+					
Grade A	335.799	335.799	339.999	345.499	356.299
Grade B	17.800	17.800	17.800	17.800	17.801
Total	**353.599**	**353.599**	**357.799**	**363.299**	**374.100**
Cape Town					
Bellville (incl. Tyger V)					
Grade A+					
Grade A	348.772	352.772	352.772	352.772	352.772
Grade B	139.948	139.948	139.948	151.948	148.148
Total	**488.720**	**492.720**	**492.720**	**504.720**	**500.920**
CBD Cape Town					
Grade A+	12.500	12.500	12.500	12.500	12.500
Grade A	470.341	470.341	470.341	470.341	308.668
Grade B	299.139	299.139	299.139	300.834	472.507
Total	**781.980**	**781.980**	**781.980**	**783.675**	**793.675**
Century City					
Grade A+	7.000	7.000	7.000	7.000	7.000
Grade A	211.037	211.037	213.235	213.227	213.227
Grade B	28.980	28.980	28.980	28.981	28.969
Total	**247.017**	**247.017**	**249.215**	**249.208**	**249.196**

Source of data: Sapoa

Ta ble 6.3 (continued) Sapoa office stock (m²) Grades A⁺, A & B					
	March 2012	**June 2012**	**September 2012**	**December 2012**	**March 2013**
Claremont					
Grade A+					
Grade A	85.036	57.036	58.036	58.036	58.036
Grade B	18.586	46.586	46.586	46.586	46.586
Total	**103.622**	**103.622**	**104.622**	**104.622**	**104.622**
Pinelands					
Grade A+					
Grade A	208.468	208.468	208.468	208.468	208.468
Grade B	19.957	19.957	19.957	19.957	19.957
Total	**228.425**	**228.425**	**228.425**	**228.425**	**228.425**
Rondebosch/Newlands					
Grade A+					
Grade A	70.254	70.254	70.254	70.254	70.254
Grade B	28.077	28.077	28.077	28.077	28.077
Total	**98.331**	**98.331**	**98.331**	**98.331**	**98.331**
V&A Waterfront					
Grade A+	34.500	34.500	34.500	34.500	34.500
Grade A	39.071	39.071	39.071	39.071	39.071
Grade B	6.298	6.298	6.298	6.298	6.298
Total	**79.869**	**79.869**	**79.869**	**79.869**	**79.869**
Durban					
Berea					
Grade A+					
Grade A	29.299	29.299	29.899	29.899	30.979
Grade B	33.397	33.607	33.397	33.397	38.045
Total	**62.696**	**62.906**	**63.296**	**63.296**	**69.024**
CBD Durban					
Grade A+					
Grade A	151.063	151.063	151.063	151.063	151.063
Grade B	192.256	192.256	192.256	192.256	192.256
Total	**343.319**	**343.319**	**343.319**	**343.319**	**343.319**
Umhlanga / La Lucia					
Grade A+	4.706	4.706	4.706	4.706	4.706
Grade A	203.981	203.981	203.981	239.710	239.710
Grade B	28.652	28.652	28.652	28.652	28.652
Total	**237.339**	**237.339**	**237.339**	**273.068**	**273.068**
Westville					
Grade A+					
Grade A	86.898	90.898	85.298	85.298	84.852
Grade B	100.635	100.628	101.489	101.657	104.084
Total	**187.533**	**191.526**	**186.787**	**186.955**	**188.936**
Source of data: Sapoa					

Table 6.3 (continued) **Sapoa office stock (m²)** Grades A^{+}, A & B					
	March 2012	**June 2012**	**September 2012**	**December 2012**	**March 2013**
		Pretoria			
Arcadia					
Grade A^{+}					
Grade A	169.103	169.103	174.629	173.639	173.639
Grade B	54.718	54.718	54.718	74.870	74.870
Total	**223.821**	**223.821**	**229.347**	**248.509**	**248.509**
Brooklyn					
Grade A^{+}					
Grade A	175.599	171.632	171.632	171.632	171.632
Grade B	52.776	52.776	52.776	53..021	53.021
Total	**228.375**	**224.408**	**224.408**	**224.653**	**224.653**
CBD Pretoria					
Grade A^{+}					
Grade A	134.557	134.557	97.467	97.467	97.467
Grade B	238.700	260.700	297.790	297.790	297.790
Total	**373.257**	**395.257**	**395.257**	**395.257**	**395.257**
Centurion					
Grade A^{+}					
Grade A	157.282	165.942	176.904	201.950	201.950
Grade B	208.224	212.492	210.250	209.420	209.420
Total	**365.506**	**378.434**	**387.154**	**411.370**	**411.370**
Hatfield/Hillcrest					
Grade A^{+}					
Grade A	105.436	106.036	106.036	106.036	106.036
Grade B	153.945	153.945	153.945	153.984	153.984
Total	**259.381**	**259.981**	**259.981**	**260.020**	**260.020**
Highveld Technopark					
Grade A^{+}					
Grade A	334.746	341.746	324.946	324.946	324.946
Grade B	123.071	120.644	120.644	120.644	120.644
Total	**457.817**	**462.390**	**445.590**	**445.590**	**445.590**
Menlyn					
Grade A^{+}					
Grade A	179.321	181.836	208.258	208.258	246.126
Grade B	45.321	75.824	78.386	78.387	78.386
Total	**224.642**	**257.660**	**286.644**	**286.645**	**324.512**
Source of data: Sapoa					

Table 6.3 (continued) Sapoa office stock (m²) Grades A+, A & B					
	March 2012	June 2012	September 2012	December 2012	March 2013
Pretoria Eastern Suburbs					
Grade A+					
Grade A	199.476	200.958	201.210	202.922	215.707
Grade B	139.199	19.631	139.799	139.799	139.800
Total	**338.675**	**220.589**	**341.009**	**342.721**	**355.507**
Lynnwood					
Grade A+	30.400	30.400	30.400	30.400	30.400
Grade A	75.817	103.259	71.455	74.090	72.590
Grade B	104.515	107.592	113.092	113.692	112.992
Total	**210.732**	**241.251**	**214.947**	**218.182**	**215.982**
Port Elizabeth					
Greenacres					
Grade A+	3.545	3.545	3.545	3.545	3.545
Grade A	10.953	10.953	10.953	10.953	10.953
Grade B	51.856	51.856	51.856	51.856	51.856
Total	**66.354**	**66.354**	**66.354**	**66.354**	**66.354**
Newton Park					
Grade A+	16.621	16.621	16.621	16.621	16.621
Grade A	967	967	967	967	967
Grade B	1.500	1.500	1.500	1.500	1.500
Total	**19.088**	**19.088**	**19.088**	**19.088**	**19.088**
Central / Park Drive					
Grade A+					
Grade A					
Grade B	5.568	8.163	8.541	8.541	8.542
Total	**5.568**	**8.163**	**8.541**	**8.541**	**8.542**
Walmer/Fairview					
Grade A+					
Grade A	11.707	11.707	11.707	11.707	20.007
Grade B	5.471	5.471	5.471	5.471	5.472
Total	**17.178**	**17.178**	**17.178**	**17.178**	**25.479**
Johannesburg central					
Grade A+	24.000	24.000	24.000	24.000	24.000
Grade A	985.681	985.681	985.681	1007.097	819.987
Grade B	792.720	818.350	810.275	884.598	1023.284
Total	**1.802.401**	**1.828.031**	**1.819.956**	**1.915.695**	**1.867.271**

Source of data: Sapoa

Table 6.3 (continued) Sapoa office stock (m²) Grades A+, A & B					
	March 2012	June 2012	September 2012	December 2012	March 2013
Johannesburg de-centralized					
Grade A+	528.474	515.874	519.374	519.374	519.374
Grade A	3.534.116	3.605.817	3.618.420	3.653.436	3.701.316
Grade B	2.378.597	2.306.909	2.311.161	2.330.877	2.363.703
Total	**6.441.187**	**6.428.600**	**6.448.955**	**6.503.687**	**6.584.393**
Pretoria decentralized					
Grade A+	30.400	30.400	30.400	30.400	30.400
Grade A	1.396.780	1.440.512	1.435.070	1.463.473	1.512.626
Grade B	881.769	797.622	923.610	943.817	943.117
Total	**2.308.949**	**2.268.534**	**2.389.080**	**2.437.690**	**2.486.143**
Durban decentralized					
Grade A+	4.706	4.706	4.706	4.706	4.706
Grade A	320.178	324.178	319.178	354.907	355.541
Grade B	162.684	162.887	163.538	163.706	170.781
Total	**487.568**	**491.771**	**487.422**	**523.319**	**531.028**
Cape Town decentralized					
Grade A+	41.500	41.500	41.500	41.500	41.500
Grade A	962.638	938.638	941.836	941.828	941.828
Grade B	241.846	269.846	269.846	281.847	278.035
Total	**1.245.984**	**1.249.984**	**1.253.182**	**1.265.175**	**1.261.363**
Source of data: Sapoa					

Chapter 7: Industrial rentals and vacancies

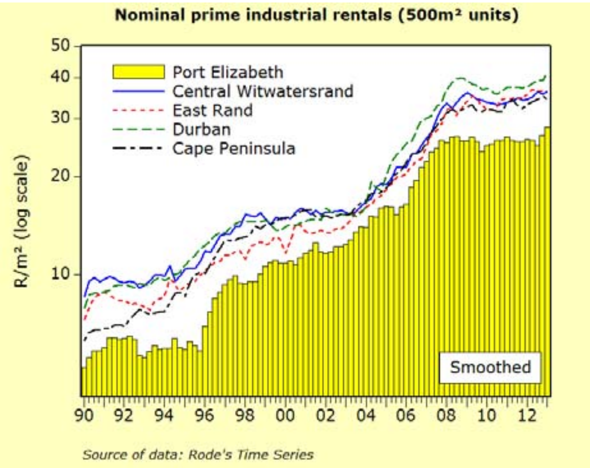
Manufacturing activity showing no growth

Written by John S. Lottering

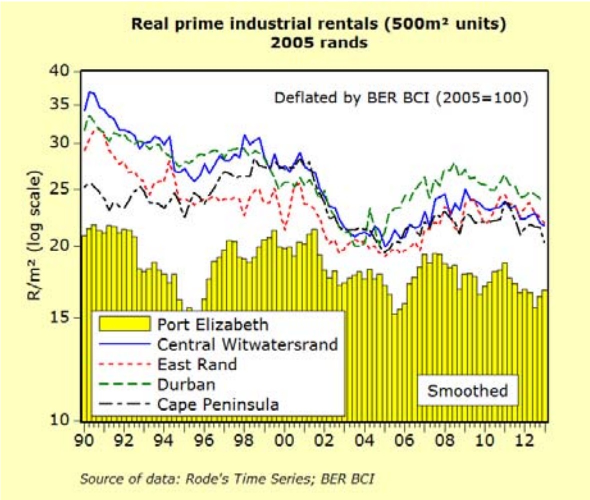
A poorly performing manufacturing sector poses the biggest threat to strong growth in industrial rentals.

In the first quarter of 2013, the output produced by the manufacturing sector showed no year-on-year growth. When compared to the previous quarter, the performance was even worse, with output *contracting* by an annualized rate of almost 8%. Maybe as a consequence, the yearly growth in Rode's national industrial rental index also cooled slightly to a growth rate of only 4%.

As for the major industrial conurbations, nominal industrial rentals in Port Elizabeth and Durban were able to show yearly growth of 9%. This was in line with the expected growth rate of building costs. The Central Witwatersrand followed with rental growth of 6%, while on the East Rand and in the Cape Peninsula, rentals were up by a mere 3%.



Given the prevailing weak and uncertain global economic conditions (a proxy for possible foreign demand for locally manufactured goods) and the uninspiring performances of domestic wholesale and retail trade volumes (a proxy for domestic demand for manufactured goods), the short- to medium-term outlook for the manufacturing sector continues to seem dull. By implication this may lead to weak demand for industrial space and lacklustre growth in rentals.



In **Table 7.1** we examine pioneer industrial rentals, which provide a quick-and-dirty prognosis for the short-term direction of industrial rentals. Often, pioneer rental levels represent leases signed on newly erected pre-let buildings, and these of course reflect today's building costs, as developers naturally expect a fair return on their development costs.

The remainder of this chapter includes:

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

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

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

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

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

Table 7.1
Pioneer rental rates
for new, state-of-the-art industrial developments
during quarter 2013:1
Highest gross rental rates achieved (1.000-m² units)
Rands per rentable square m² (excl VAT)

	Pioneer	Normal prime	Difference (%)
Central Witwatersrand	59,00	35,83	65%
West Rand	52,00	31,80	64%
East Rand	53,00	35,70	48%
Durban	60,00	39,80	51%
Nelspruit	72,00	43,25	66%
Cape Peninsula	46,00	31,41	46%
Port Elizabeth	42,00	26,83	57%
Bloemfontein	40,00	26,25	52%

Table 7.2
Mean prime industrial market rentals as in quarter 2013:1
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Central Witwatersrand									
Cambridge Park	48,00	48,00	48,60	45,75	44,33	1,5	4,044	-0,028	-0,86
Wynberg Proper	31,30	31,33	31,33	30,75	29,70	2,6	3,545	-0,016	-0,86
Strijdom Park	42,83	42,00	40,67	38,00	37,00	2,8	4,054	-0,052	-0,99
Kya Sand	37,33	37,40	37,67	36,17	34,50	3,7	3,779	-0,026	-0,84
Clayville/Olifantsfontein	33,00	30,00	32,50	34,12	32,12	3,0	3,400	0,011	0,27
Chloorkop	38,00	38,00	36,00	33,33	34,17	2,5	3,900	-0,046	-0,92
Amalgam	36,33	34,67	35,75	30,67	32,50	2,0	3,852	-0,047	-0,80
Crown Mines	45,00	45,00	41,67	40,00	37,25	2,4	4,186	-0,065	-0,97
Industria	28,00	28,00	25,50	24,00	23,33	2,9	3,725	-0,068	-0,97
Booysens/Booysens Reserve/Ophirton	26,00	25,33	25,00	24,00	29,12	2,1	3,095	0,022	0,37
Village Main/Village Deep/New Centre	26,40	26,00	26,00	25,00	25,00	2,5	3,384	-0,020	-0,95
Benrose	30,92	30,42	29,00	28,08	27,33	3,5	3,672	-0,043	-0,99
Steeledale/Electron/Tulisa Park	33,17	33,17	31,00	29,67	28,33	2,0	3,828	-0,056	-0,98
Aeroton	37,00	36,50	35,50	33,50	34,40	1,8	3,781	-0,031	-0,90
Devland/Nancefield	25,00	25,00	20,00	20,00	20,00	1,0	3,694	-0,087	-0,86
Cleveland/Heriotdale	32,75	32,75	30,00	28,50	27,75	1,8	3,844	-0,062	-0,97
Newlands/Martindale	27,50	27,50	25,00	29,00	29,00	2,3	3,156	0,023	0,46
Kew/Wynberg East	25,12	27,00	25,25	22,67	21,33	4,0	3,658	-0,067	-0,86
Bramley View/Lombardy West	24,00	29,00	24,33	21,67	24,50	4,3	3,447	-0,035	-0,40
Marlboro	22,67	22,67	20,00	19,00	19,00	4,3	3,513	-0,070	-0,93
Halfway House: hi-tech strip	49,88	45,75	45,50	43,10	42,70	3,0	4,153	-0,049	-0,94
Halfway House: Richards Drive	41,50	41,80	40,83	39,60	38,80	2,8	3,876	-0,025	-0,95
Commercia	35,50	38,33	35,00	33,50	33,50	1,2	3,794	-0,034	-0,73
Kramerville/Eastgate Ext12 & Ext13	54,60	48,00	48,50	48,30	48,50	2,0	4,108	-0,029	-0,65
Centurion	45,00	45,00	46,50	50,00	46,00	1,8	3,697	0,020	0,56

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2013:1
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Linbro Park	59,50	59,50	55,10	51,25	57,30	2,6	4,243	-0,030	-0,58
Wesco Park/Eastgate Ext3, Ext11, Ext6, Ext8/Malboro North (New)	50,75	50,75	48,75	47,50	46,67	2,9	4,105	-0,031	-0,98
City Deep	38,70	38,30	38,17	37,70	37,25	1,5	3,723	-0,012	-0,99
North Riding	45,62	45,12	45,00	42,67	42,88	2,0	3,958	-0,024	-0,93
Samrand Centurion	45,00	45,00	45,00	43,33	42,67	1,5	3,924	-0,019	-0,91
Barbeque Downs	52,25	48,75	48,00	48,00	48,00	1,0	4,057	-0,024	-0,77
Selby Ext 12/13/15/19/20/24/City West	37,50	37,50	37,00	34,50	32,75	1,8	3,908	-0,047	-0,94
Selby Ext 5/10/14/18	34,33	34,33	33,67	28,67	27,67	2,0	4,027	-0,082	-0,93
Selby Ext 11	30,00	30,00	34,33	28,00	27,33	1,3	3,650	-0,036	-0,49
Selby Ext 3/4/6	26,67	26,00	25,67	24,00	23,33	1,5	3,546	-0,046	-0,98
Denver (Old)	24,20	23,60	21,60	21,40	20,20	2,5	3,517	-0,060	-0,97
Denver (New)	34,20	34,10	32,70	32,00	31,00	1,9	3,729	-0,034	-0,98
Kyalami Business Park	50,70	51,25	48,75	48,08	46,50	1,6	4,110	-0,031	-0,94
Reuven	32,00	30,25	30,00	28,75	26,75	2,3	3,760	-0,054	-0,97
Selby (Old)/Selby Ext2/Park Central	28,33	27,67	26,00	25,00	23,33	1,5	3,708	-0,064	-0,99
Robertsham	31,25	30,75	29,50	27,50	26,75	1,9	3,762	-0,056	-0,99
Fordsburg/Mayfair	25,00	25,00	25,00	23,00	22,00	2,0	3,495	-0,045	-0,91
Central Witwatersrand	**37,21**	**36,91**	**35,83**	**34,10**	**33,44**	**2,4**			
West Rand									
Lea Glen	30,67	30,67	29,33	27,67	25,67	1,7	3,783	-0,061	-0,96
Honeydew X19, 20, 21 & 22	45,00	44,67	43,00	40,67	38,67	2,7	4,113	-0,053	-0,98
Stormill	35,00	35,00	35,00	33,25	31,00	2,4	3,795	-0,039	-0,88
Chamdor	25,50	24,00	21,00	20,00	19,00	1,2	3,785	-0,101	-0,98
Factoria	25,50	24,00	22,00	20,00	19,00	1,5	3,799	-0,101	-1,00
Randfontein: Delporton/ Aureus	25,00	25,00	20,00	20,00	18,00	3,0	3,866	-0,115	-0,93
Boltonia	25,00	22,00	20,00	20,00	20,00	0,0	3,547	-0,070	-0,85
Roodepoort: Technikon/Manufacta	25,00	25,00	22,00	20,00	20,00	3,0	3,723	-0,088	-0,95

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2013:1
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Industria North	30,00	30,00	26,75	25,00	21,75	1,5	4,038	-0,109	-0,97
Robertville	34,75	34,00	33,25	31,75	30,75	1,8	3,782	-0,041	-0,99
Laserpark	42,50	43,75	41,75	40,50	40,00	2,0	3,915	-0,026	-0,88
West Rand	**33,81**	**33,52**	**31,80**	**30,26**	**28,80**	**1,9**			
East Rand									
Elandsfontein	34,00	34,20	34,00	33,20	34,75	2,5	3,516	0,002	0,11
Tunney/Greenhills	45,66	44,43	45,23	42,80	42,68	1,8	3,949	-0,023	-0,89
Henville	42,00	42,00	41,60	40,60	39,25	2,0	3,873	-0,022	-0,93
Meadowbrook/Wilbart	39,80	38,50	38,50	37,08	35,80	2,0	3,866	-0,033	-0,97
Sunnyrock	42,80	42,20	42,00	40,20	37,80	1,5	3,988	-0,039	-0,94
Rustivia/Activia Park	35,60	36,83	35,83	34,75	34,17	1,7	3,700	-0,019	-0,79
Eastleigh	36,80	36,80	35,60	34,00	33,40	2,6	3,817	-0,036	-0,97
Sebenza Ext 14	34,33	34,33	33,17	31,50	30,92	2,9	3,765	-0,039	-0,97
Spartan Ext 16 (Sebenza Link) + Ext 1,3,7	34,60	35,50	33,60	33,40	32,75	2,1	3,682	-0,022	-0,85
Isando	35,40	36,17	36,17	36,67	37,00	2,4	3,497	0,013	0,96
Isando 3	37,00	37,60	36,80	35,80	34,80	2,5	3,754	-0,023	-0,90
Jet Park	39,60	39,67	39,17	38,67	36,83	2,2	3,815	-0,022	-0,89
Alrode & Xs	34,17	33,20	29,83	29,40	29,00	1,9	3,845	-0,059	-0,93
Alrode South	31,17	30,40	27,75	27,00	26,60	2,2	3,749	-0,057	-0,96
Alberton	33,75	33,75	26,67	25,00	25,00	2,7	4,177	-0,118	-0,92
Aeroport/ Spartan Ext 2	42,00	42,40	41,40	39,80	40,50	2,6	3,847	-0,018	-0,85
Delville	25,00	24,67	24,33	23,17	21,50	1,0	3,503	-0,048	-0,94
Roodekop	31,25	31,00	28,75	29,00	27,25	2,0	3,691	-0,044	-0,93
Wadeville: Industrial zoning	32,50	31,17	29,50	28,67	27,57	2,2	3,773	-0,054	-0,99
Route 24/ Meadowdale	39,50	39,20	41,33	41,00	40,20	2,5	3,623	0,010	0,54
Germiston S/ Industries E	26,00	26,00	25,60	24,60	22,50	1,8	3,534	-0,046	-0,90
Driehoek/ Industries W	33,75	33,50	30,12	29,50	28,50	1,2	3,860	-0,061	-0,95

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2013:1
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Knights	26,33	26,33	26,25	25,50	21,33	1,7	3,640	-0,060	-0,79
Spartan Proper	33,25	34,50	31,25	30,50	29,25	2,0	3,806	-0,050	-0,91
Founders View	42,25	44,75	40,50	41,00	40,25	1,8	3,900	-0,024	-0,67
Longmeadow	55,90	54,90	57,10	56,10	53,50	1,8	4,078	-0,009	-0,43
Pomona/ Kempton park	40,00	39,50	41,25	42,40	42,83	2,3	3,526	0,027	0,94
East Rand	**36,86**	**36,83**	**35,70**	**34,98**	**34,45**	**2,1**			
Far East Rand									
Boksburg North & East	34,60	34,00	33,00	31,40	30,40	2,0	3,799	-0,045	-0,99
Benoni South	32,33	32,33	32,33	31,67	29,00	2,0	3,670	-0,031	-0,80
New Era/ Vulcania	24,00	24,00	22,50	22,50	22,50	1,5	3,315	-0,025	-0,86
Nuffield	30,00	30,00	27,00	25,00	25,00	1,0	3,813	-0,072	-0,95
Fulcrum	28,00	25,00	25,00	22,00	20,00	2,0	3,911	-0,106	-0,98
Apex	34,00	34,00	32,50	29,00	25,00	1,7	4,143	-0,103	-0,94
La Boré Brakpan	22,00	22,00	20,00	20,00	18,00	2,0	3,466	-0,065	-0,94
Morehill Ext 8 Benoni	35,00	35,00	35,00	30,00	30,00	2,0	3,931	-0,062	-0,89
Far East Rand	**31,31**	**30,94**	**29,94**	**28,25**	**26,53**	**1,8**			
Pretoria									
Mitchell St	35,00	35,00	26,00	25,00	20,00	5,5	4,648	-0,190	-0,96
Pretoria Industrial Township	35,00	35,00	25,00	25,00	20,00	4,0	4,636	-0,190	-0,94
Koedoespoort	36,50	30,00	27,00	25,00	23,00	3,0	4,338	-0,144	-0,97
Waltloo/ Despatch	28,00	26,00	28,00	26,00	22,00	4,5	3,701	-0,064	-0,78
Silverton/ Silvertondale	49,00	35,00	40,00	37,50	32,00	3,5	4,355	-0,101	-0,76
Samcor Park	38,00	35,00	35,00	31,50	32,00	3,0	3,949	-0,060	-0,94
Sunderland Ridge	40,00	40,00	40,00	45,00	40,00	3,0	3,595	0,017	0,38
Hermanstad	30,00	30,00	35,00	25,00	20,00	2,5	4,258	-0,135	-0,76
Kirkney	20,00	25,00	20,00	18,00	15,00	1,5	3,806	-0,121	-0,78
Hennopspark X15 & X7	50,00	50,00	47,50	45,00	40,00	2,0	4,346	-0,073	-0,94
Gateway	50,00	50,00	55,00	44,50	40,00	1,0	4,400	-0,077	-0,75

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2013:1
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m²					Vacancy	a	b	r
	250	**500**	**1.000**	**2.500**	**5.000**				
Lyttleton Manor X4/X6	35,00	50,00	30,00	30,00	25,00	2,0	4,590	-0,156	-0,72
Pretoria North	35,00	32,50	30,00	30,00	30,00	3,0	3,798	-0,050	-0,87
Silvertondale X1	38,00	35,00	41,50	30,00	28,00	2,5	4,259	-0,104	-0,77
Brits	25,00	25,00	25,00	22,00	20,00	3,0	3,686	-0,077	-0,91
Klerksoord	25,00	25,00	25,00	25,00	20,00	2,5	3,584	-0,059	-0,71
Rosslyn	25,00	25,00	27,50	23,50	19,00	3,0	3,747	-0,082	-0,72
Pretoria	**35,79**	**34,55**	**33,63**	**31,13**	**25,83**	**2,9**			
Polokwane									
Lebowakgomo	-	-	-	-	-	-	-	-	-
Superbia	47,50	35,00	31,00	23,50	-	2,0	-	-	-
Industria	41,50	37,00	38,50	26,25	-	2,0	-	-	-
Ladine	45,00	36,00	31,50	25,00	-	2,0	-	-	-
Futura	37,50	35,00	30,00	21,00	-	2,0	-	-	-
Laboria	42,50	35,50	30,00	24,00	-	2,0	-	-	-
Magna Via	41,00	41,25	38,50	31,50	-	2,0	-	-	-
Seshego	-	-	-	-	-	-	-	-	-
Polokwane	**42,50**	**36,62**	**33,25**	**25,21**	**-**	**2,0**			
Nelspruit									
Nelspruit East	45,00	40,00	38,00	38,00	30,00	2,0	4,418	-0,112	-0,91
Nelspruit West	45,00	45,00	42,00	40,00	35,00	2,0	4,291	-0,082	-0,94
Rocky's Drift	39,00	38,00	38,00	34,00	30,00	2,0	4,165	-0,085	-0,93
Riverside Park	62,00	55,00	55,00	50,00	40,00	3,0	4,842	-0,128	-0,94
Nelspruit	**47,75**	**44,50**	**43,25**	**40,50**	**33,75**	**2,3**			
Durban									
Springfield Park	44,25	42,75	42,25	40,75	39,50	2,2	3,988	-0,036	-0,99
Mayville	37,33	38,33	37,00	36,00	32,33	2,7	3,912	-0,046	-0,84
Phoenix	37,50	37,50	36,50	39,00	39,00	2,3	3,521	0,016	0,69

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2013:1
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
North Coast Rd / Briardene	46,00	46,50	44,00	42,50	41,25	3,0	4,069	-0,041	-0,96
Briardene Industrial Park	48,67	47,67	45,00	44,00	44,50	2,2	4,064	-0,034	-0,91
Umgeni Rd/ Stamford Hill	39,00	39,00	38,00	36,50	35,00	2,7	3,886	-0,037	-0,96
Umbilo/ Sydney Rd/ Gale St	36,50	35,00	33,50	39,00	33,50	3,7	3,610	-0,006	-0,11
Jacobs	39,33	38,33	37,67	37,67	37,75	3,0	3,731	-0,013	-0,83
Mobeni	40,33	40,75	40,25	39,50	37,75	2,8	3,833	-0,022	-0,86
Prospecton	46,50	45,00	45,00	45,00	36,50	3,0	4,214	-0,063	-0,77
Ithala Industrial Estate	39,00	38,00	37,50	36,50	36,50	2,0	3,783	-0,023	-0,97
Pinetown Central	43,75	42,50	40,75	40,50	40,50	3,8	3,911	-0,026	-0,91
New Germany	41,00	40,50	39,75	38,75	38,00	3,5	3,859	-0,026	-1,00
Isipingo	36,67	36,00	35,33	33,33	31,67	2,7	3,886	-0,049	-0,98
Rossburgh/ South Coast Rd	41,33	38,33	36,67	34,00	34,00	4,0	4,074	-0,067	-0,97
Edwin Swales Drive	38,00	35,00	35,00	40,00	39,00	1,7	3,435	0,027	0,52
Glen Anil	41,00	41,00	39,00	39,00	38,00	2,7	3,862	-0,026	-0,94
Brickfield Rd	40,00	37,50	38,00	38,00	35,00	2,5	3,859	-0,033	-0,83
Verulam	45,00	45,00	40,00	40,00	38,00	6,0	4,141	-0,059	-0,93
Canelands	45,00	40,00	40,00	40,00	38,00	6,0	4,006	-0,043	-0,84
Tongaat	40,00	40,00	35,00	33,50	33,50	4,0	4,080	-0,070	-0,92
New Westmead/ Mahogany	45,00	44,00	45,25	43,75	42,33	2,8	3,905	-0,017	-0,78
Westmead	43,33	42,33	42,50	40,75	39,50	2,8	3,937	-0,030	-0,96
Mariann Park/ Southmead	32,50	32,50	32,50	33,33	33,33	4,3	3,420	0,010	0,89
Maxmead	43,50	42,25	40,50	39,50	39,00	2,8	3,973	-0,037	-0,98
Ringroad Industrial Park	40,00	40,00	40,00	-	-	2,0	-	-	-
Avoca/ Red Hill/ Northgate	48,50	44,00	42,33	42,33	41,67	3,0	4,085	-0,044	-0,86
Falcon Park	41,50	41,50	40,50	38,00	38,00	4,0	3,933	-0,035	-0,95
River Horse Valley Business	55,00	55,00	54,00	54,00	50,67	3,8	4,151	-0,024	-0,85
Mount Edgecombe	47,50	47,50	47,50	45,25	43,75	3,0	4,034	-0,029	-0,91

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2013:1
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Umbogintwini/ Southgate	45,00	42,50	40,00	45,00	45,00	2,0	3,548	0,017	0,08
Southgate Industrial Park	52,50	50,00	47,50	45,00	43,50	2,5	4,305	-0,063	-1,00
Hibiscus Industrial Park	-	-	-	-	-	-			
Umgeni Park	60,00	60,00	47,50	50,00	47,50	2,7	4,550	-0,084	-0,84
Hammersdale	23,50	22,00	22,00	20,67	20,67	4,5	3,374	-0,042	-0,95
Cato Ridge	40,00	37,50	35,00	31,67	25,00	3,2	4,530	-0,146	-0,96
Durban	**42,60**	**41,66**	**39,80**	**39,34**	**37,91**	**3,1**			
Ladysmith									
Ezakheni/ Pieters	-	-	-	-	-	-	-	-	-
Danskraal	-	-	-	-	-	-	-	-	-
Nambiti	-	-	-	-	-	-	-	-	-
Colenso	-	-	-	-	-	-	-	-	-
Ladysmith	**-**	**-**	**-**	**-**	**-**	-			
Cape Peninsula									
Viking Place	36,80	34,00	30,75	25,50	23,50	2,0	4,487	-0,157	-1,00
Glosderry	44,50	41,00	45,00	38,00	35,00	3,0	4,224	-0,075	-0,84
Paarden Eiland/ Metro	41,00	37,50	36,50	35,00	35,00	3,0	3,961	-0,050	-0,93
Montague Gardens	40,25	36,00	35,00	31,67	31,00	3,3	4,143	-0,086	-0,98
Marconi Beam	41,25	40,00	38,00	37,50	32,00	1,7	4,151	-0,075	-0,92
Killarney Gardens	32,67	31,00	29,00	28,00	25,50	3,5	3,918	-0,078	-0,99
Racing Park	30,00	30,00	26,67	26,67	23,00	4,7	3,894	-0,085	-0,93
Atlantis	22,00	22,00	35,00	30,00	-	-	-	-	-
Woodstock/ Salt River/ Observatory	41,50	35,00	30,00	30,00	25,00	2,5	4,519	-0,151	-0,96
Athlone 1 & 2	30,00	30,00	30,00	30,00	-	5,0	-	-	-
Lansdowne Nerissa	30,00	30,00	30,00	30,00	-	5,0	-	-	-
Sand Industria	32,00	30,00	30,00	-	-	-	-	-	-
Ottery Hillstar	35,00	35,00	35,00	35,00	-	3,0	-	-	-

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2013:1
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
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	25,00	25,00	25,00	25,00	-	6,0	-	-	-
Retreat/ Steenberg	45,00	45,00	40,00	40,00	-	3,0	-	-	-
Capricorn Park	45,00	45,00	45,00	42,00	-	7,0	-	-	-
Maitland	38,60	34,80	27,50	27,67	25,00	3,3	4,407	-0,142	-0,94
Ndabeni	45,00	35,33	30,00	29,00	26,33	2,5	4,633	-0,164	-0,94
Airport	44,00	37,00	36,00	32,00	38,50	2,8	3,997	-0,054	-0,56
Epping 1 & 2	35,80	33,25	26,75	25,40	23,80	3,8	4,346	-0,142	-0,96
WP Park	39,60	37,25	33,00	29,00	29,00	2,0	4,311	-0,115	-0,97
Elsies River (excl, Central Park)	33,50	32,50	30,75	20,00	20,00	3,3	4,707	-0,204	-0,93
Parow Beaconvale	36,75	35,50	35,33	33,00	33,67	3,0	3,782	-0,033	-0,92
Tygerberg Business Park	38,75	36,75	34,25	33,00	32,00	2,0	4,000	-0,064	-0,98
Parow Industria	36,33	31,00	30,50	29,25	27,50	3,6	3,986	-0,080	-0,93
Parow East	33,50	30,00	26,00	25,50	24,00	2,5	4,071	-0,108	-0,95
Bellville Oakdale	35,00	25,00	30,00	30,00	-	1,0	-	-	-
Bellville Stikland/ Kaymor	36,33	35,33	34,33	31,00	30,33	2,3	3,965	-0,065	-0,98
Bellville Triangle	31,67	29,33	28,00	25,67	25,00	2,0	3,884	-0,080	-0,99
Bellville South/ Sacks Circle	32,50	28,00	25,33	24,33	23,33	2,3	4,008	-0,104	-0,95
Kraaifontein	32,00	30,00	29,50	29,00	27,50	1,5	3,693	-0,044	-0,96
Brackenfell Industria	33,50	31,75	29,67	29,33	29,50	2,3	3,727	-0,043	-0,89
Everite Brackenfell	34,33	34,00	30,00	29,25	30,00	2,3	3,832	-0,055	-0,86
Kuils River	32,33	28,67	28,67	27,33	28,50	2,0	3,642	-0,039	-0,74
Blackheath	30,50	29,50	29,00	27,50	27,00	2,5	3,646	-0,041	-0,99
Saxenburg Industrial Park	30,00	28,67	28,00	26,33	27,50	2,3	3,575	-0,034	-0,85
Okavango Park	34,00	30,67	28,67	27,33	27,00	2,0	3,908	-0,075	-0,95

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2013:1
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Firgrove	-	-	-	-	-	-	-	-	-
The Interchange (Somerset	30,00	30,00	30,00	-	-	-	-	-	-
Strand Halt	-	-	-	-	-	-	-	-	-
Broadlands	29,00	25,00	25,00	-	-	-	-	-	-
Cape Peninsula	**36,09**	**33,53**	**31,41**	**29,49**	**27,94**	**2,8**			
George									
George Central	20,00	22,00	18,00	17,00	17,00	4,0	2,381	-0,281	-0,89
Tamsui Industria	24,00	26,00	24,00	22,00	20,00	3,0			
Pacaltsdorp Industria	24,00	26,00	24,00	22,00	20,00	3,0			
George	**22,67**	**24,67**	**22,00**	**20,33**	**19,00**	**3,3**			
Port Elizabeth									
Deal Party	28,75	28,75	26,25	26,25	23,75	2,5	3,716	-0,062	-0,94
North End	27,50	28,75	25,25	24,25	23,00	4,0	3,732	-0,070	-0,92
Korsten/ Neave/ Sidwell/ Sydenham	26,25	26,25	23,75	23,00	25,50	3,0	3,390	-0,025	-0,50
South End Walmer	23,00	23,00	23,00	21,50	21,50	2,0	3,300	-0,027	-0,89
Uitenhage: Volkswagen area/Nelson Mandela Bay Logistics Park	33,75	33,75	34,00	30,50	21,00	1,5	4,379	-0,139	-0,81
Uitenhage: Hella/Kruisrivier	16,25	16,25	13,75	15,00	15,00	4,0	2,932	-0,030	-0,52
Struandale	26,25	26,25	26,25	24,25	24,25	3,0	3,461	-0,032	-0,89
Markman Township	20,00	20,00	20,00	18,75	18,75	5,0	3,153	-0,026	-0,89
Perseverance	26,25	26,25	26,25	23,60	22,35	3,5	3,616	-0,057	-0,91
Walmer	38,75	36,00	33,50	32,00	30,00	0,5	4,100	-0,082	-0,99
Greenbushes	33,50	33,50	28,75	28,75	28,75	2,5	3,837	-0,060	-0,86
Fairview	43,75	43,75	41,25	32,50	32,50	1,0	4,484	-0,120	-0,93
Port Elizabeth	**28,67**	**28,54**	**26,83**	**24,37**	**23,30**	**2,7**			
East London									
Arcadia	38,00	30,00	30,00	20,00	-	1,0	-	-	-
Gately/Woodbrook	30,00	28,00	25,00	25,00	25,00	1,0	3,710	-0,062	-0,88

Table 7.2 (continued)

Mean prime industrial market rentals as in quarter 2013:1

(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Wilsonia	28,00	25,00	20,00	20,00	16,00	2,0	4,283	-0,174	-0,96
Braelyn	30,00	28,00	25,00	20,00	14,00	1,0	4,837	-0,246	-0,96
Northend	38,80	30,00	25,00	-	-	1,0	-	-	-
Chiselhurst	30,00	30,00	25,00	23,00	-	1,0	-	-	-
East London	**32,47**	**28,50**	**25,00**	**21,60**	**18,33**	**1,2**			
Bloemfontein									
Hilton	37,50	32,50	30,00	25,00	20,00	1,5	4,744	-0,200	-0,99
East End	37,67	33,33	28,33	22,00	18,00	1,7	5,039	-0,250	-1,00
Harvey Road	38,00	33,00	27,00	22,00	18,00	2,0	5,030	-0,250	-1,00
Old Industrial	31,67	29,33	23,50	18,00	15,00	1,7	4,950	-0,262	-0,99
Hamilton: Mill St	25,00	22,00	18,00	14,00	12,00	2,0	4,636	-0,253	-1,00
Hamilton: G Lubbe St	23,50	22,50	17,50	12,00	10,00	1,5	4,952	-0,310	-0,98
Estoir	44,00	41,00	36,50	32,00	28,00	1,5	4,640	-0,152	-1,00
Bloemfontein	**34,36**	**31,07**	**26,25**	**20,71**	**17,29**	**1,6**			

Table 7.3
Standard deviation from mean prime industrial market rentals as in 2013:1

	Area size leased in m²					Contributor codes
	250	500	1.000	2.500	5.000	
Central Witwatersrand						
Cambridge Park	4,69	4,69	4,88	4,92	4,92	AP, BR, GT, MR, QU
Wynberg Proper	1,08	2,44	1,97	2,48	3,31	AP, BR, GH, GT, MR, QU
Strijdom Park	4,22	3,65	3,04	2,83	3,61	AP, BM, BR, GH, GT, QU
Kya Sand	2,75	1,74	2,05	1,86	3,30	AP, BM, BR, GH, GT, QU
Clayville/Olifantsfontein	3,00	0,00	2,50	3,09	2,46	AP, BM, BR, GT, QU
Chloorkop	0,00	0,00	1,41	2,36	3,12	AP, BR, GT
Amalgam	4,64	4,64	4,82	3,30	2,50	AP, BM, GT, QU, RO
Crown Mines	0,00	0,00	2,36	0,00	2,28	AP, BM, GT, QU, RO
Industria	0,00	0,00	0,50	2,00	2,36	AP, BM, GT, QU
Booysens/Booysens Reserve/Ophirton	2,94	2,05	2,45	2,94	2,01	AP, BM, GT, QU, RO
Village Main/Village Deep/New Centre	3,14	2,76	2,76	1,90	1,90	AP, BR, GT, QU, RO
Benrose	2,28	2,24	3,27	2,42	2,92	AP, BR, GH, GT, QU, RO
Steeledale/Electron/Tulisa Park	2,61	2,61	2,58	2,13	2,62	AP, BR, GH, GT, QU, RO
Aeroton	2,12	2,69	2,50	2,29	2,73	AP, BM, GT, QU, RO
Devland/Nancefield	-	-	-	-	-	AP
Cleveland/Heriotdale	2,49	2,49	1,41	1,66	1,79	AP, BR, GT, QU, RO
Newlands/Martindale	2,50	2,50	5,00	1,00	1,00	AP, GT, QU
Kew/Wynberg East	1,95	2,12	1,79	2,05	2,87	AP, BR, GT, MR, QU
Bramley View/Lombardy West	4,00	1,00	3,30	2,36	0,50	AP, GT, QU
Marlboro	3,77	3,77	0,00	1,00	1,00	AP, BR, GT, QU
Halfway House: hi-tech strip	2,97	4,60	5,10	5,39	5,53	AP, BR, CL, GT, MR, QU
Halfway House: Richards Drive	2,00	2,64	2,19	1,50	1,60	AP, BM, BR, CL, GT, MR, QU
Commercia	0,50	4,71	0,00	1,50	1,50	AP, BR, QU

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals as in 2013:1

	Area size leased in m²					Contributor codes
	250	500	1.000	2.500	5.000	
Kramerville/Eastgate Ext12 & Ext13	4,96	4,00	3,74	4,24	4,72	AP, BR, GH, GT, MR, QU
Centurion	0,00	0,00	1,50	0,00	4,00	BM, GT QU
Linbro Park	5,57	5,57	3,61	6,06	2,48	AP, BM, BR, GH, GT, MR, QU
Wesco Park/Eastgate Ext3, Ext11, Ext6, Ext8/Malboro North (New)	3,77	3,77	4,15	2,50	2,36	AP, GH, GT, MR, QU
City Deep	2,32	1,83	2,03	1,40	2,19	AP, BM, BR, GH, GT, QU, RO
North Riding	3,70	3,17	0,00	3,30	3,65	AP, BM, BR, GT
Samrand Centurion	0,00	0,00	2,45	1,25	2,05	AP, BR, GT, QU
Barbeque Downs	4,75	1,25	-	-	-	AP, BR
Selby Ext 12/13/15/19/20/24/City West	2,87	2,87	2,12	1,50	2,77	AP, BR, GT, QU, RO
Selby Ext 5/10/14/18	3,30	3,30	2,62	2,87	2,05	AP, BR, QU, RO
Selby Ext 11	4,08	4,08	3,30	2,94	2,05	AP, BR, QU, RO
Selby Ext 3/4/6	2,36	1,41	0,94	0,82	1,25	AP, BR, QU, RO
Denver (Old)	3,60	3,14	3,44	4,45	5,15	AP, BR, GH, GT, QU, RO
Denver (New)	2,64	2,69	2,82	2,76	2,37	AP, BM, BR, GH, QU, RO
Kyalami Business Park	4,35	4,51	2,80	3,22	2,69	AP, BR, CL, GT, MR, QU
Reuven	3,08	3,19	3,54	2,59	3,03	AP, GT, QU, RO
Selby (Old)/Selby Ext2/Park Central	2,36	2,05	1,41	2,16	1,25	AP, QU, RO
Robertsham	2,59	2,95	3,64	3,50	4,15	AP, GT, QU, RO
Fordsburg/Mayfair	-	-	-	-	-	AP
West Rand						
Lea Glen	0,94	0,94	1,89	2,05	3,30	AP, QU, RO
Honeydew X19, 20, 21 & 22	4,08	2,05	1,41	0,94	0,94	AP, GH, QU
Stormill	3,54	3,54	3,54	3,70	3,67	AP, GT, QU, RO

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals as in 2013:1

	Area size leased in m²					Contributor codes
	250	500	1.000	2.500	5.000	
Chamdor	0,50	2,00	1,00	0,00	1,00	AP, QU
Factoria	0,50	1,00	0,00	0,00	1,00	AP, QU
Randfontein: Delporton/Aureus	-	-	-	-	-	AP
Boltonia	-	-	-	-	-	AP
Roodepoort: Technikon/Manufacta	-	-	-	-	-	AP
Industria North	0,00	0,00	1,75	0,00	0,25	AP, QU
Robertville	1,09	1,00	1,09	2,05	2,95	AP, BM, QU, RO
Laserpark	2,50	2,17	2,05	0,87	1,41	AP, BM, GH, GT
East Rand						
Elandsfontein	2,92	2,64	2,76	2,64	3,78	AP, BM, BR, GH, GT, QU, RO
Tunney/Greenhills	1,18	1,15	3,83	3,31	3,46	AP, BR, GH, GT, QU, RO
Henville	3,74	2,76	3,14	3,93	3,77	AP, BR, GH, GT, RO
Meadowbrook/Wilbart	2,23	3,26	2,14	1,43	2,64	AP, BM, GH, GT, QU, RO
Sunnyrock	2,99	1,60	1,67	2,56	1,33	AP, BR, GH, QU, RO
Rustivia/Activia Park	2,42	3,48	3,85	2,91	3,13	AP, BR, GH, GT, QU, RO
Eastleigh	2,64	2,64	3,83	3,58	4,08	AP, BR, GH, GT, QU, RO
Sebenza Ext 14	2,36	2,36	2,61	1,80	2,09	AP, BR, GH, QU, RO
Spartan Ext 16 (Sebenza Link) + Ext1,3,7	2,58	1,26	1,74	1,62	1,92	AP, BR, GH, QU, RO
Isando	2,58	2,79	2,79	2,43	2,94	AP, BR, GH, GT, QU, RO
Isando 3	2,12	2,24	1,94	3,37	4,07	AP, BR, GH, QU, RO
Jet Park	1,96	1,80	2,19	1,97	3,13	AP, BR, GH, GT, QU, RO
Alrode & Xs	3,85	3,66	4,30	4,08	4,47	AP, BR, GH, QU, RO
Alrode South	3,44	3,26	3,58	3,10	3,26	AP, BR, GH, GT, QU, RO
Alberton	4,15	4,15	2,36	0,00	0,00	AP, BR, GH, GT

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals as in 2013:1

	Area size leased in m²					Contributor codes
	250	500	1.000	2.500	5.000	
Aeroport/Spartan Ext 2	2,45	2,24	1,96	2,23	0,87	AP, BR, GH, GT, QU, RO
Delville	0,00	0,47	0,94	1,43	2,48	AP, BR, RO
Roodekop	5,07	5,00	2,17	1,73	1,92	AP, BR, GH, GT, QU
Wadeville: Industrial zoning	3,20	4,10	3,55	3,20	3,16	AP, BM, BR, GH, GT, QU, RO
Route 24/Meadowdale	0,87	0,98	2,92	3,74	3,60	AP, BR, GH, GT, QU, RO
Germiston S/Industries E	2,35	2,35	3,93	3,72	3,20	AP, BR, GT, QU, RO
Driehoek/Industries W	1,30	1,50	0,22	0,87	1,66	AP, BR, GT, QU, RO
Knights	2,62	2,62	3,03	3,64	2,62	AP, BR, QU, RO
Spartan Proper	2,05	0,87	1,30	0,87	0,83	AP, BR, GH, QU, RO
Founders View	2,95	2,49	2,18	1,73	1,09	AP, BR, GT, QU, RO
Longmeadow	2,69	1,74	1,91	2,42	2,69	AP, BR, BM, GH, GT, QU, RO
Pomona/Kempton Park	1,41	0,87	2,17	2,24	2,27	AP, BM, BR, QU, RO
Far East Rand						
Boksburg North & South	0,80	1,26	1,90	1,96	0,80	AP, BM, BR, GH, GT, QU, RO
Benoni	2,05	2,05	2,05	2,36	1,00	AP, GH, QU, RO
New Era/Vulcania	1,00	1,00	2,50	2,50	2,50	AP, GH
Nuffield	-	-	-	-	-	AP
Fulcrum	-	-	-	-	-	AP
Apex	1,00	1,00	2,50	1,00	0,00	AP, GH, GT
Labore Brakpan	-	-	-	-	-	AP
Morehill Ext 8 Benoni	-	-	-	-	-	AP, QU
Pretoria						
Mitchell St	-	-	4,00	-	-	AI, AP

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals as in 2013:1

	Area size leased in m²					Contributor codes
	250	500	1.000	2.500	5.000	
Pretoria Industrial Township	-	-	5,00	-	-	AI, AP
Koedoespoort	1,50	-	-	-	-	AI, AP
Waltloo/Despatch	-	-	2,00	1,00	-	AI, AP
Silverton/Silvertondale	11,00	-	5,00	2,50	-	AI, AP
Samcor Park	-	-	-	3,50	-	AI, AP
Sunderland Ridge	-	-	-	5,00	-	AI, AP
Hermanstad	-	-	10,00	-	-	AI, AP
Kirkney	-	5,00	-	-	-	AI, AP
Hennopspark X15 & X7	-	-	2,50	-	-	AI, AP
Gateway	-	-	5,00	0,50	-	AI, AP
Lyttleton Manor X4/x6	-	15,00	-	-	-	AI, AP
Pretoria North	-	2,50	-	-	-	AI, AP
Silvertondale X1	-	-	6,50	-	-	AI, AP
Brits	-	-	-	-	-	AI, AP
Klerksoord	-	-	0,00	-	-	AI, AP
Rosslyn	-	-	2,50	1,50	1,00	AI, AP
Polokwane						
Lebowakgomo	-	-	-	-	-	ES, MO
Superbia	2,50	0,00	1,00	1,50	-	ES, MO
Industria	1,50	1,00	1,50	1,25	-	ES, MO
Ladine	0,00	1,00	0,50	0,00	-	ES, MO

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals as in 2013:1

	Area size leased in m²					Contributor codes
	250	500	1.000	2.500	5.000	
Futura	0,50	0,00	0,00	1,00	-	ES, MO
Laboria	2,50	0,50	0,00	1,00	-	ES, MO
Magna Via	1,00	3,75	3,50	3,50	-	ES, MO
Seshego	-	-	-	-	-	ES, MO
Nelspruit						
Nelspruit East	-	-	-	-	-	HH, RZ
Nelspruit West	-	-	-	-	-	HH, RZ
Rocky's Drift	-	-	-	-	-	HH, RZ
Riverside Park	-	-	-	-	-	HH, RZ
Durban						
Springfield Park	2,49	1,30	1,79	2,59	0,87	ML, PC, PPI, QP
Mayville	3,77	2,36	1,41	1,41	2,05	ML, PC, PPI
Phoenix	2,50	2,50	1,50	1,00	1,00	ML, PC, PPI
North Coast Rd/Briardene	1,41	2,69	2,12	2,50	2,17	ML, PC, PPI, QP
Briardene Industrial Park	0,94	2,05	0,00	1,41	2,87	ML, PC, PPI, QP
Umgeni Rd/Stamford Hill	1,00	1,00	0,00	1,50	0,00	ML, PC, PPI
Umbilo/Sydney Rd/Gale St	1,50	0,00	1,50	1,00	1,50	ML, PC, PPI
Jacobs	1,89	2,87	2,05	2,05	1,79	ML, PC, PPI, QP
Mobeni	1,25	3,27	3,19	3,64	1,79	ML, PC, PPI, QP
Prospecton	1,50	0,00	0,00	0,00	1,50	ML, PC, PPI
Ithala Industrial Estate	1,00	0,00	0,50	0,50	0,50	PC, PPI
Pinetown Central	4,38	2,87	2,59	0,87	0,87	ML, PC, PPI, QP
New Germany	3,54	2,69	3,11	0,83	1,87	PC

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals as in 2013:1

	Area size leased in m²					Contributor codes
	250	500	1.000	2.500	5.000	
Isipingo	2,36	1,41	0,47	2,36	4,71	ML, PC, PPI
Rossburgh/South Coast Rd	4,71	4,71	2,36	1,41	4,32	ML, PC, PPI
Edwin Swales Drive	0,00	0,00	0,00	0,00	1,00	ML, PC, PPI
Glen Anil	1,00	1,00	1,00	1,00	2,00	ML, PC, PPI
Brickfield Rd	5,00	2,50	-	-	-	PPI
Verulam	-	-	-	-	-	PPI
Canelands	-	-	-	-	-	PPI
Tongaat	-	-	-	1,50	1,50	PC, PPI
New Westmead/Mahogany	2,45	1,41	3,27	3,03	2,05	ML, PC, PPI, QP
Westmead	2,36	2,05	2,50	2,95	1,66	ML, PC, PPI, QP
Mariann Park/Southmead	0,50	0,50	2,50	2,36	2,36	ML, PC, PPI
Maxmead	2,69	1,79	0,87	0,87	1,00	ML, PC, PPI, QP
Ringroad Industrial Park	-	-	-	-	-	PC
Avoca/Red Hill/Northgate	6,50	4,32	3,30	3,30	2,36	ML, PC, PPI
Falcon Park	3,50	3,50	4,50	2,00	2,00	PC, PPI
River Horse Valley Business Estate	0,00	0,00	1,41	1,41	0,94	ML, PC, PPI, QP
Mount Edgecombe	2,50	2,50	2,50	2,75	1,25	ML, PC, PPI
Umbogintwini/Southgate	5,00	2,50	5,00	-	-	PC, PPI
Southgate Industrial Park	2,50	0,00	2,50	0,00	1,50	ML, PPI
Umgeni Park	5,00	5,00	2,50	5,00	2,50	ML, PC, PPI, QP
Hammersdale	1,50	0,00	0,00	0,94	0,94	ML, PPI, QP
Cato Ridge	0,00	2,50	0,00	4,71	4,08	ML, PC, PPI, QP
Ladysmith						
Ezakheni/ Pieters	-	-	-	-	-	
Danskraal	-	-	-	-	-	

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals as in 2013:1

	Area size leased in m²					Contributor codes
	250	**500**	**1.000**	**2.500**	**5.000**	
Nambiti	-	-	-	-	-	
Colenso	-	-	-	-	-	
Cape Peninsula						
Viking Place	2,23	2,00	3,77	0,50	1,50	BZ, DN, DW, GB
Glosderry	0,50	2,94	0,00	-	-	DW, GB, PL
Paarden Eiland/Metro	4,00	2,50	1,50	0,00	0,00	AN, GB
Montague Gardens	3,56	2,76	2,12	2,36	2,94	AN , DN, DW, GB, PL
Marconi Beam	2,17	0,00	0,00	0,50	4,00	AN, DN, GB, PL
Killarney Gardens	2,05	2,16	1,00	2,00	0,50	AN, GB, PL
Racing Park	0,00	0,00	1,89	1,89	3,00	AN, DN, GB, PL
Atlantis	-	-	-	-	-	GB
Woodstock/Salt River/Observatory	1,50	0,00	-	-	-	GB, PL
Athlone 1 & 2	-	-	-	-	-	GB
Landsdowne Nerissa	-	-	-	-	-	GB
Sand Industria	-	-	-	-	-	GB
Ottery Hillstar	-	-	-	-	-	GB
Ottery Sunset	-	-	-	-	-	GB
Diep River	-	-	-	-	-	GB
Elfindale	-	-	-	-	-	GB
Monwood/Philippi East	-	-	-	-	-	GB
Retreat/Steenberg	-	-	-	-	-	GB
Capricon Park	-	-	-	-	-	GB

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals as in 2013:1

	Area size leased in m²					Contributor codes
	250	500	1.000	2.500	5.000	
Maitland	1,96	3,43	3,28	2,05	0,00	AN, DN, DW, GB, GY, PL
Ndabeni	0,00	0,47	0,00	0,82	1,25	AN, DW, GB, GY
Airport	1,41	2,83	1,41	2,83	2,50	AN, DW, GB, GY
Epping 1 & 2	1,94	1,09	0,43	1,02	1,17	AN, BZ, DN, GB, GY
WP Park	1,50	1,48	0,82	1,00	1,00	AN, BZ, DN, GB, GY
Elsies River (excl. Central Park)	3,20	4,39	3,96	0,00	0,00	AN, BZ, DN, GB, GY
Parow Beaconvale	3,42	4,56	5,25	5,72	6,13	AN, DN, GB, GY
Tygerberg Business Park	3,77	4,66	5,40	6,40	5,48	AN, DN, GB, GY
Parow Industria	4,50	6,52	5,22	5,89	5,68	AN, DN, GB, GY
Parow East	1,50	0,00	1,00	1,50	-	DN, GB
Bellville Oakdale	-	-	-	-	-	DN
Bellville Stikland/Kaymor	1,89	2,87	3,30	4,24	3,30	AN, DN, GB
Bellville Triangle	2,36	1,89	1,63	1,70	2,45	AN, DN, GB
Bellville South/Sacks Circle	2,50	3,27	4,11	3,30	2,36	AN, DN, GB
Kraaifontein	2,00	3,00	2,50	2,94	2,50	AN, GB, PL
Brackenfell Industria	2,06	2,86	2,36	2,62	2,50	AN, DN, GB, PL
Everite Brackenfell	0,94	1,41	3,27	2,59	2,00	AN, DN, GB, PL
Kuils River	2,05	4,11	4,11	4,03	3,50	AN, DN, GB
Blackheath	3,50	4,50	4,00	5,50	5,00	AN, GB
Saxonburg Industrial Park	0,00	0,94	1,63	1,70	0,50	AN, DN, GB
Okavango	1,41	0,94	1,89	0,94	0,00	AN, DN, GB

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals as in 2013:1

	Area size leased in m²					Contributor codes
	250	500	1.000	2.500	5.000	
Firgrove	-	-	-	-	-	
The Interchange (Somerset West)	-	-	-	-	-	GB
Strand Halt	-	-	-	-	-	
Broadlands	-	-	-	-	-	GB
George						
George Central	-	-	-	-	-	GV
Tamsui Industria	-	-	-	-	-	GV
Pacaltsdorp Industria	-	-	-	-	-	GV
Port Elizabeth						
Deal Party	1,25	1,25	1,25	1,25	3,75	IPM, QV
North End	0,00	1,25	0,25	0,75	0,50	IPM, QV
Korsten/Neave/Sidwell/Sydenham	1,25	1,25	3,75	3,00	0,50	IPM, QV
South End Walmer	2,00	2,00	2,00	0,50	0,50	IPM, QV
Uitenhage: Volkswagen area/NMBLP	11,25	11,25	11,00	9,50	-	IPM, QV
Uitenhage: Hella/Kruisrivier	1,25	1,25	1,25	0,00	0,00	IPM, QV
Struandale	1,25	1,25	1,25	1,75	1,75	IPM, QV
Markman Township	2,50	2,50	2,50	1,25	1,25	IPM, QV
Perseverance	1,25	1,25	1,25	1,40	0,15	IPM, QV
Walmer	1,25	1,00	1,50	-	-	IPM, QV
Greenbushes	1,50	1,50	1,25	1,25	1,25	IPM, QV
Fairview	6,25	6,25	8,75	-	-	IPM, QV

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals as in 2013:1

	Area size leased in m²					Contributor codes
	250	500	1.000	2.500	5.000	
East London						
Arcadia	0,00	0,00	0,00	0,00	0,00	BG, DQ, ER, GO, GW, IP
Gately/Woodbrook	0,00	0,00	0,00	0,00	0,00	BG, DQ, ER, GO, GW, IP
Wilsonia	0,00	0,00	0,00	0,00	0,00	BG, DQ, ER, GO, GW, IP
Braelyn	0,00	0,00	0,00	0,00	0,00	BG, DQ, ER, GO, GW, IP
Northend	0,00	0,00	0,00	0,00	0,00	BG, DQ, ER, GO, GW, IP
Chiselhurst	0,00	0,00	0,00	0,00	0,00	BG, DQ, ER, GO, GW, IP
Bloemfontein						
Hilton	7,50	7,50	-	-	-	EK, NA
East End	2,05	2,36	2,36	-	-	CC, EK, NA
Harvey Road	-	-	-	-	-	EK
Old Industrial	2,36	0,94	1,50	-	-	CC, EK, NA
Hamilton: Mill St	-	-	-	-	-	EK
Hamilton: G Lubbe St	1,50	2,50	2,50	-	-	EK, NA
Estoir	4,00	1,00	1,50	-	-	CC, EK

Notes to the industrial rental tables

1. The rentals are the achievable or market rates for the quarter shown in the table heading, and apply to industrial and warehouse space for the area sizes indicated. The rentals are the averages of the rates as per our panels of experts in the various cities.

2. The rental rates assume gross leases, market escalation rates and leases of 3 to 5 years.

3. In terms of a gross lease, the tenant in a stand-alone building typically pays only for his refuse removal, water and electricity, as well as internal maintenance and increases in rates and taxes. He provides and pays for his own security. All other expenses are for the account of the landlord. In a park the tenant pays, in addition to his gross rental, his *pro rata* share of security costs, security lighting and landscaping.

4. The rental rates also apply to the office portion, where this is less than 10% of the total building area. For larger office portions, the office rental is, as a rule of thumb, about 150% of the industrial rental rate.

5. Prime space is space that is easily lettable because it satisfies each of the following prerequisites:
   a. • generally in a good condition;
   b. • satisfactory macro access (i.e. access to freeway);
   c. • satisfactory micro access (i.e. from street to building);
   d. • proper loading facilities;
   e. • eaves >4,0m (excluding micro/mini units);
   f. • on ground level;
   g. • adequate three-phase electrical power;
   h. • clear spans.

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

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

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

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

The scale should be interpreted as follows:

0 = no vacancy

1 = 'low–' vacancy;

2 = 'low' vacancy

3 = 'low^{+}' vacancy

4 = 'medium–' vacancy;

5 = 'medium' vacancy

6 = 'medium^{+}' vacancy

7 = 'high–' vacancy;

8 = 'high' vacancy

9 = 'high^{+}' vacancy

where: low = <10% vacancy;

medium = 10% - 20% vacancy;

high = >20% vacancy.

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

Table 7.4
Predominant market escalation rates (%) for industrial leases
Average as in quarter 2013:1

	5-year leases		
	Mean	SD	N
Central Witwatersrand	8,7	0,4	10
West Rand	8,9	1,1	7
East Rand	9,1	1,0	9
Far East Rand	8,8	1,2	6
Pretoria	8,7	0,9	3
Polokwane	8,2	0,2	2
Nelspruit	8,0	-	1
Durban	9,0	0,3	4
Cape Peninsula	8,2	0,4	5
George	7,0	-	1
Port Elizabeth	8,0	-	1
East London	8,0	-	1
Bloemfontein	8,5	0,5	2

Notes:

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

Table 7.5
Indicative operating expenses for industrial buildings
As in quarter 2013:1 in rands per m² per month

	Stand-alone			Park		
	R/m²	SD	N	R/m²	SD	N
Central Witwatersrand	5,29	1,39	7	7,43	3,36	7
West Rand	3,55	0,56	5	6,10	3,17	5
East Rand	5,00	1,03	8	7,31	2,30	8
Far East Rand	3,75	0,32	5	5,80	2,25	5
Pretoria	3,50	0,50	2	9,30	0,70	2
Polokwane	6,50	0,50	2	8,00	0,00	2
Nelspruit	8,50	-	1	12,00	-	1
Durban	11,62	3,73	4	15,67	5,19	3
Cape Peninsula	6,12	1,02	4	8,40	2,03	5
George	2,88	-	1	6,18	-	1
Port Elizabeth	5,00	-	1	6,00	-	1
Bloemfontein	3,25	3,25	2	3,25	3,25	2

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

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

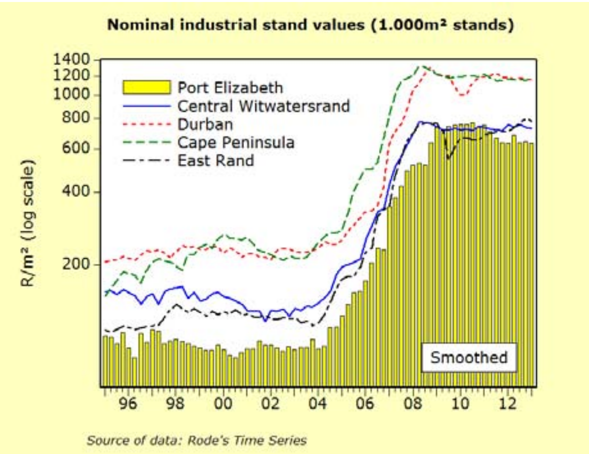
park buildings: as above, plus security, security lighting, landscaping and management.

Chapter 8: Industrial stand values

Little movement in stand values

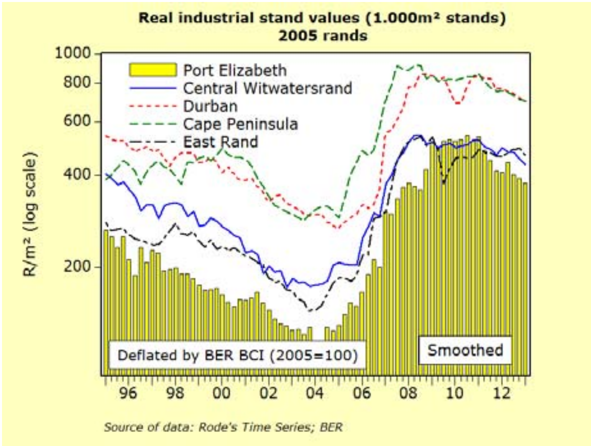
Written by John S. Lottering

There continues to be little growth in stand values, which should be expected given the lacklustre performance of industrial rentals.



In the first quarter of 2013, stands on the Central Witwatersrand (-4%) and in Durban (-2%) were down somewhat, while in the Cape Peninsula and Port Elizabeth they remained at roughly their previous-year levels. The East Rand was the outlier amongst the major industrial conurbations, with stand values here showing growth of 10%. Given that building costs are expected to have shown growth of roughly 9%, implies that it was only on the East Rand that stand values were able to show growth in *real* terms.

Since industrial stand values tend to track rentals, a recovery in stand values can only be expected on the back of a sustained recovery in rentals. At the moment, weaknesses in the retail and in particular the manufacturing sectors do not augur well for industrial rentals and, hence, stand values.



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

This concludes our chapter on industrial stand values. ■

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

Table 8.1
Mean market values for serviced and level industrial stands in quarter 2013:1
(R/m² excl VAT)

	Area size in m²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Central Witwatersrand								
Cambridge Park	1.375	1.300	1.300	900	0,0	8,373	-0,050	-0,94
Wynberg Proper	867	867	867	867	1,5	6,765	0,000	-
Strijdom Park	1.000	1.000	975	938	1,4	7,111	-0,007	-0,99
Kya Sand	700	700	669	625	2,6	6,909	-0,009	-0,99
Clayville/Olifantsfontein	433	400	383	417	4,7	6,181	-0,001	-0,13
Chloorkop	575	575	550	527	6,0	6,640	-0,006	-0,99
Amalgam	750	750	713	713	1,7	6,811	-0,005	-0,86
Crown Mines	875	875	900	800	1,7	6,996	-0,008	-0,76
Industria	468	468	475	450	2,6	6,238	-0,002	-0,72
Booysens/Booysens Reserve/Ophirton	667	650	650	617	2,1	6,706	-0,005	-0,95
Village Main/Village Deep/New Centre	500	492	483	483	0,5	6,316	-0,002	-0,82
Benrose	600	600	600	600	0,5	6,397	0,000	-
Steeledale/Electron/Tulisa Park	608	608	602	590	0,7	6,506	-0,002	-0,99
Aeroton	675	675	650	650	2,0	6,655	-0,003	-0,86
Devland/Nancefield	450	400	350	300	2,0	7,301	-0,015	-0,96
Cleveland/Heriotdale	572	572	563	550	0,8	6,470	-0,003	-0,99
Newlands/Martindale	400	350	300	300	2,0	6,869	-0,010	-0,82
Kew/Wynberg East	750	750	725	575	2,0	7,389	-0,020	-0,96
Bramley View/Lombardy West	350	350	325	325	1,5	6,134	-0,003	-0,86
Marlboro	288	275	250	225	2,5	6,409	-0,007	-0,99
Halfway House: hi-tech strip	713	700	750	763	1,2	6,306	0,007	0,90
Halfway House: Richards Drive	733	725	717	688	0,5	6,782	-0,005	-0,99
Commercia	550	525	525	500	1,0	6,551	-0,005	-0,91
Kramerville/Eastgate Ext12 & Ext13	1.167	1.167	1.167	1.167	3,0	7,062	0,000	-

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2013:1
(R/m² excl VAT)

	Area size in m²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Centurion	1.000	1.000	800	800	3,0	7,739	-0,024	-0,86
Linbro Park	1.000	1.000	963	917	1,7	7,185	-0,010	-0,99
Wesco Park/Eastgate Ext3, Ext11, Ext6, Ext8/Malboro North (New)	1.000	1.000	1.000	1.000	0,5	6,908	0,000	-
City Deep	790	775	790	771	1,6	6,712	-0,001	-0,56
North Riding	817	825	800	717	2,0	7,102	-0,012	-0,96
Samrand Centurion	775	775	800	750	1,0	6,714	-0,003	-0,51
Barbeque Downs	925	925	825	800	1,0	7,341	-0,015	-0,93
Selby Ext 12/13/15/19/20/24/City West	933	867	817	767	1,0	7,403	-0,016	-0,94
Selby Ext 5/10/14/18	550	550	500	500	1,0	6,665	-0,006	-0,86
Selby Ext 11	717	600	567	500	1,0	7,538	-0,020	-0,89
Selby Ext 3/4/6	725	550	500	500	1,0	7,569	-0,019	-0,70
Denver (Old)	445	445	400	375	1,8	6,674	-0,008	-0,97
Denver (New)	696	696	686	672	1,8	6,656	-0,003	-0,99
Kyalami Business Park	1.000	1.000	950	850	0,0	7,407	-0,017	-0,99
Reuven	625	600	675	675	1,0	6,092	0,007	0,80
Selby (Old)/Selby Ext2/Park Central	875	875	825	775	1,2	7,167	-0,012	-0,99
Robertsham	850	738	800	775	0,0	6,853	-0,003	-0,27
Fordsburg/Mayfair	650	650	650	650	1,0	6,477	0,000	-
Central Witwatersrand	**735**	**715**	**708**	**675**	**1,6**			
West Rand								
Lea Glen	667	667	652	600	1,3	6,815	-0,008	-0,97
Honeydew X19, 20, 21 & 22	1.083	917	1000	900	1,3	7,335	-0,013	-0,62
Stormill	750	750	750	735	2,8	6,676	-0,002	-0,91
Chamdor	350	350	350	350	2,0	5,858	0,000	-
Factoria	350	350	350	350	0,0	5,858	0,000	-

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2013:1
(R/m² excl VAT)

	Area size in m²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Randfontein: Delporton/Aureus	350	300	200	200	3,0	7,718	-0,016	-0,85
Boltonia	350	350	350	350	0,0	5,858	0,000	-
Roodepoort: Technikon/Manufacta	350	350	350	350	0,0	5,858	0,000	-
Industria North	500	500	400	350	1,0	7,416	-0,018	-0,96
Robertville	716	725	716	716	0,3	6,591	0,000	-0,41
Laserpark	900	883	683	680	2,0	7,814	-0,026	-0,87
West Rand	**695**	**668**	**638**	**612**	**1,3**			
East Rand								
Elandsfontein	900	900	850	750	1,3	7,362	-0,017	-0,99
Tunney/Greenhills	1.050	969	883	820	1,1	7,689	-0,023	-0,94
Henville	1.000	1.000	1.000	800	0,0	7,526	-0,022	-0,91
Meadowbrook/Wilbart	800	800	775	775	2,3	6,803	-0,003	-0,86
Sunnyrock	1.025	1.025	1.000	725	1,5	7,916	-0,034	-0,94
Rustivia/Activia Park	800	800	800	675	0,0	7,155	-0,014	-0,91
Eastleigh	775	775	775	775	2,0	6,653	0,000	-
Sebenza Ext 14	775	775	775	638	1,7	7,194	-0,015	-0,91
Spartan Ext 16 (Sebenza Link) + Ext1,3,7	825	825	733	588	1,5	7,769	-0,028	-0,99
Isando	900	838	875	783	1,3	7,109	-0,010	-0,81
Isando 3	900	838	825	800	1,0	7,107	-0,009	-0,84
Jet Park	1.133	933	975	875	0,9	7,611	-0,020	-0,75
Alrode & Xs	-	-	750	595	1,9	-	-0,031	-1,00
Alrode South	425	425	375	438	2,5	6,091	0,001	0,13
Alberton	450	450	450	450	2,0	6,109	0,000	-
Aeroport/Spartan Ext 2	913	863	825	817	1,0	7,138	-0,009	-0,84
Delville	463	458	425	388	0,8	6,692	-0,009	-1,00

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2013:1
(R/m² excl VAT)

	Area size in m²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Roodekop	425	425	475	442	2,0	5,840	0,002	0,41
Wadeville: Industrial zoning	600	588	604	471	2,8	7,032	-0,014	-0,88
Route 24/Meadowdale	950	900	950	925	1,0	6,852	0,000	-0,04
Germiston S/ Industries E	438	429	405	367	1,1	6,623	-0,008	-1,00
Driehoek/Industries W	600	600	575	557	1,5	6,645	-0,005	-0,98
Knights	420	420	390	375	1,0	6,425	-0,005	-0,96
Spartan Proper	775	775	738	683	0,0	7,049	-0,011	-0,99
Founders View	900	850	800	783	2,0	7,216	-0,012	-0,89
Longmeadow	1.000	1.067	1.133	980	1,9	6,938	-0,004	-0,25
Pomona/Kempton Park	850	850	850	818	1,4	6,851	-0,004	-0,91
East Rand	**770**	**750**	**729**	**679**	**1,5**			
Far East Rand								
Boksburg North & South	825	800	750	667	1,0	7,352	-0,017	-1,00
Benoni	750	650	500	450	0,0	8,214	-0,031	-0,91
New Era/Vulcania	350	350	380	350	2,0	5,780	0,000	0,08
Nuffield	450	400	350	300	3,0	7,301	-0,015	-0,96
Fulcrum	450	400	350	300	3,0	7,301	-0,015	-0,96
Apex	675	625	575	533	2,5	7,209	-0,014	-0,95
Labore Brakpan	350	300	300	200	2,0	7,332	-0,015	-0,95
Morehill Ext 8 Benoni	700	700	650	600	2,0	7,049	-0,012	-0,99
Far East Rand	**605**	**565**	**518**	**483**	**1,9**			
Pretoria								
Mitchell St	700	700	700	700	1,0	6,551	0,000	-
Pretoria Industrial Township	350	350	350	350	1,0	5,858	0,000	-
Koedoespoort	700	700	700	700	1,0	6,551	0,000	-
Waltloo/Despatch	500	500	500	400	2,0	6,833	-0,011	-0,91

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2013:1
(R/m² excl VAT)

	Area size in m²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Silverton/Silvertondale	650	700	600	600	2,0	6,883	-0,009	-0,73
Samcor Park	700	650	650	600	1,0	6,941	-0,009	-0,91
Sunderland Ridge	500	500	50	500	7,0	6,215	0,000	-
Hermanstad	500	500	500	450	3,0	5,991	0,000	-
Kirkney	400	400	350	350	5,0	5,858	0,000	-
Hennopspark X15 & X7	1.000	1.000	1.000	1.000	1,0	6,908	0,000	-
Gateway	1.100	1.100	1.100	1.100	1,0	6,908	0,000	-
Lyttleton Manor X4/x6	850	850	850	850	1,0	6,745	0,000	-
Pretoria North	600	650	600	500	2,0	5,991	0,000	-
Silvertondale X1	650	650	600	600	2,0	6,831	-0,009	-0,99
Brits	300	300	300	300	3,0	-	-	-
Klerksoord	350	350	350	350	3,0	5,991	0,000	-
Rosslyn	350	350	350	305	3,0	5,991	0,000	-
Pretoria	**600**	**614**	**562**	**568**	**2,3**			
Polokwane								
Lebowakgomo	-	-	-	-	-	-	-	-
Supebia	-	560	-	-	-	-	-	-
Industia	-	-	350	-	-	-	-	-
Ladine	-	495	-	-	-	-	-	-
Futura	-	350	320	-	-	-	-	-
Laboria	-	-	-	300	-	-	-	-
Magna Via	-	575	490	-	-	-	-	-
Seshego	-	-	-	-	-	-	-	-
Polokwane	**-**	**508**	**413**	**300**	**-**			
Nelspruit								
Nelspruit East	-	-	-	-	-			

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2013:1 (R/m² excl VAT)

	Area size in m²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Nelspruit West	-	-	-	-	-			
Rocky's Drift	600	600	550	500	1,0	6,985	-0,012	-0,99
Riverside Park	1.200	1.200	950	950	3,0	7,960	-0,031	-0,86
Nelspruit	**900**	**900**	**750**	**725**	**2,0**			
Durban								
Springfield Park	1.700	1.700	1.650	1.550	0,5	7,723	-0,017	-0,99
Mayville	2.000	2.000	1.800	1.200	3,0	9,117	-0,92	-0,89
Phoenix	1.800	1.300	950	750	3,5	10,058	-0,101	-0,89
North Coast Rd/Briardene	2.000	2.000	1.850	1.850	1,0	7,891	-0,018	-0,86
Briardene Industrial Park	2.500	-	1.850	1.850	1,0	-	-0,069	-0,83
Umgeni Rd/Stamford Hill	3.400	3.400	3.000	3.000	0,5	8,598	-0,049	-0,86
Umbilo/Sydney Rd/Gale St	2.000	1.900	1.500	1.000	1,5	9,721	-0,112	-1,00
Jacobs	2.200	2.000	1.500	1.300	1,5	9,381	-0,098	-0,94
Mobeni	2.200	2.000	1.750	1.650	1,5	8,573	-0,056	-0,91
Prospecton	2.200	2.000	1.750	1.650	1,7	8,573	-0,056	-0,91
Ithala Industrial Estate	1.800	1.700	1.500	1.300	1,5	8,488	-0,054	-0,99
Pinetown Central	1.500	1.433	1.133	1.125	3,0	8,311	-0,042	-0,87
New Germany	1.133	1.233	1.033	1.000	2,3	7,591	-0,021	-0,81
Isipingo	1.000	1.000	650	-	6,0			
Rossburgh/South Coast Rd	1.800	1.600	1.400	1.000	3,0	9,193	-0,084	-0,99
Edwin Swales Drive	1.400	1.400	1.000	1.000	1,0	8,497	-0,049	-0,86
Glen Anil	1.950	1.950	1.600	1.600	2,0	8,312	-0,043	-0,86
Brickfield Rd	1.450	1.450	1.300	1.000	2,0	8,413	-0,052	-0,99
Verulam	950	950	800	700	6,0	7,867	-0,030	-0,98
Canelands	950	950	800	700	3,0	7,867	-0,030	-0,98
Tongaat	950	950	800	500	6,0	8,799	-0,052	-0,99

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2013:1
(R/m² excl VAT)

	Area size in m²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
New Westmead/Mahogany	1.575	1.500	1.175	1.200	1,7	8,324	-0,042	-0,84
Westmead	1.300	1.367	1.500	1.050	1,7	7,698	-0,029	-0,63
Mariann Park/Southmead	933	933	833	833	3,7	7,261	-0,012	-0,86
Maxmead	1.250	1.333	1.400	1.250	2,5	7,117	-0,003	-0,15
Ringroad Industrial Park	-	-	-	-	0,0			
Avoca/Red Hill/Northgate	2.000	1.400	1.500	1.200	1,0	8,773	-0,064	-0,76
Falcon Park	1.300	1.150	1.100	900	2,0	8,170	-0,039	-0,96
River Horse Valley Business Estate	2.450	1.900	1.900	2.000	1,3	8,239	-0,028	-0,43
Mount Edgecombe	2.000	1.400	1.250	1.140	1,5	8,214	-0,074	-0,78
Umbogintwini/Southgate	1.550	1.250	800	650	1,0	10,072	-0,093	-0,91
Southgate Industrial Park	1.550	1.125	1.000	825	1,0	8,482	-0,065	-0,85
Umgeni Park	2.000	1.300	1.000	1.000	2,0	9,556	-0,087	-0,74
Hammersdale	350	300	250	250	5,0	6,887	-0,087	-0,82
Cato Ridge	500	500	483	483	6,0	6,341	-0,002	-0,86
Durban	**1.554**	**1.391**	**1.224**	**1.129**	**2,3**			
Ladysmith								
Ezakheni/Pieters	-	-	-	-	-			
Danskraal	-	-	-	-	-			
Nambiti	-	-	-	-	-			
Colenso	-	-	-	-	-			
Ladysmith	-	-	-	-	-			
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	0,0	7,313	0,000	-
Paarden Eiland/Metro	2.000	1.750	1.750	1.500	0,0	8,331	-0,046	-0,91
Montague Gardens	1.600	1.575	1.500	1.500	0,5	7,595	-0,011	-0,86

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2013:1
(R/m² excl VAT)

	Area size in m²				Vacancy grade	a	b	r
	1.000	**2.000**	**5.000**	**10.000**				
Marconi Beam	1.800	1.800	1.500	1.500	1,0	8,174	-0,037	-0,86
Killarney Gardens	1.450	1.100	1.250	1.100	1,3	7,785	-0,023	-0,57
Racing Park	1.050	1.000	1.000	850	4,0	7,518	-0,020	-0,95
Atlantis	-	-	-	-	-	-	-	-
Woodstock/Salt River/Observatory	2.000	1.800	1.800	1.800	1,0	7,840	-0,014	-0,58
Athlone 1 & 2	-	-	-	-	-	-	-	-
Landsdowne Nerissa	-	-	-	-	-	-	-	-
Sand Industria	-	-	-	-	-	-	-	-
Ottery Hillstar	1.000	1.000	1.000	-	1,0	-	0,000	-
Ottery Sunset	1.000	1.000	1.000	-	1,0	-	0,000	-
Diep River	1.000	1.000	1.000	-	1,0	-	0,000	-
Elfindale	1.000	1.000	1.000	-	1,0	-	0,000	-
Monwood/Philippi	450	450	450	300	9,0	7,233	-0,017	-0,91
Retreat/Steenberg	1.000	1.000	950	950	-	7,099	-0,006	-0,86
Capricon Park	700	700	700	-	7,0	-	0,000	-
Maitland	1.217	1.117	1.150	900	1,0	7,869	-0,031	-0,92
Ndabeni	1.875	1.475	1.400	1.150	0,8	8,821	-0,066	-0,88
Airport	1.283	1.258	1.250	1.200	3,0	7,340	-0,008	-0,97
Epping 1 & 2	1.075	1.017	1.083	983	1,5	7,139	-0,007	-0,61
WP Park	1.463	1.450	1.200	1.100	1,7	8,253	-0,043	-0,95
Elsies River (excl. Central Park)	800	775	700	683	1,7	7,203	-0,013	-0,92
Parow Beaconvale	1.200	1.125	1.000	950	2,2	7,817	-0,026	-0,93
Tygerberg Business Park	1.300	1.200	1.000	1.000	2,2	8,031	-0,032	-0,85
Parow Industria	1.125	1.113	963	950	2,2	7,626	-0,021	-0,89
Parow East	1.500	1.500	1.000	1.000	1,0	8,823	-0,061	-0,86
Bellville Oakdale	-	-	-	-	-			

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2013:1
(R/m² excl VAT)

	Area size in m²				Vacancy grade	a	b	r
	1.000	**2.000**	**5.000**	**10.000**				
Bellville Stikland/Kaymor	1.450	1.200	1.200	1.100	3,0	7,950	-0,029	-0,79
Bellville Triangle	925	925	1.000	1.000	-	6,539	0,009	0,89
Bellville South/Sacks Circle	1.000	1.000	900	850	-	7,459	-0,018	-0,96
Kraaifontein	900	875	738	725	2,0	7,550	-0,020	-0,89
Brackenfell Industria	1.000	1.000	900	875	2,0	7,378	-0,015	-0,93
Everite Brackenfell	1.200	1.200	1.000	1.000	1,0	7,769	-0,024	-0,86
Kuils River	875	85	725	675	1,0	4,286	0,016	0,19
Blackheath	650	725	500	425	3,3	8,063	-0,031	-0,90
Saxonburg Industrial Park	1.200	1.000	975	850	3,3	7,979	-0,031	-0,88
Okavango	1.100	1.100	1.050	950	1,0	7,454	-0,017	-0,99
Firgrove	-	-	-	-	-			
The Interchange (Somerset West)	-	-	-	-	-	-	-	-
Strand Halt	-	-	-	-	-	-	-	-
Broadlands	-	-	-	-	-			
Cape Peninsula	**1.198**	**1.127**	**1.056**	**989**	**2,0**			
George								
George Central	280	280	250	250	3,0	6,796	-0,009	-0,90
Tamsui Industria	420	400	380	380	8,0	6,295	-0,004	-0,58
Pacaltsdorp Industria	420	400	380	350	8,0	6,295	-0,004	-0,58
George	**373**	**360**	**337**	**327**	**6,3**			
Port Elizabeth								
Deal Party	800	675	500	500	2,0	8,188	-0,030	-0,84
North End	1.000	775	625	550	2,0	8,642	-0,043	-0,87
Korsten/Neave/Sidwell/Sydenham	1.000	750	600	600	2,0	8,392	-0,036	-0,78
South End Walmer	1.250	1.000	750	750	1,0	8,709	-0,048	-0,82
Uitenhage: Volkswagen area/NMBLP	400	350	275	275	5,0	7,085	-0,011	-0,79

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2013:1
(R/m² excl VAT)

	Area size in m²				Vacancy Grade	a	b	r
	1.000	2.000	5.000	10.000				
Uitenhage: Hella/Kruisrivier	200	150	123	88	9,0	7,400	-0,011	-0,97
Struandale	475	450	425	425	5,0	6,499	-0,005	-0,82
Markman Township	163	138	125	113	9,0	5,734	-0,003	-0,82
Perseverance	375	375	350	350	5,0	6,360	-0,005	-0,82
Walmer	1.125	1.000	800	675	1,0	8,303	-0,039	-0,90
Greenbushes	250	250	150	138	9,0	7,665	-0,014	-0,90
Fairview	650	650	575	550	1,0	7,952	-0,030	-0,92
Port Elizabeth	**624**	**540**	**428**	**403**	**4,2**			
Bloemfontein								
Hilton	320	300	280	160	1,0	7,723	-0,017	-0,98
East End	380	350	300	220	2,0	7,561	-0,017	-1,00
Harvey Road	-	-	-	-	-	-	-	-
Old Industrial	260	220	200	170	1,0	6,746	-0,009	-0,93
Hamilton: Mill St	220	200	200	100	1,0	7,531	-0,013	-0,94
Hamilton: G Lubbe St	200	180	150	60	2,0	8,756	-0,015	-0,99
Estoir	460	450	420	320	2,0	7,192	-0,016	-0,99
Bloemfontein	**306**	**283**	**258**	**172**	**1,5**			

Table 8.2
Standard deviation from mean market values for serviced and level industrial stands in quarter 2013:1
(R/m² excl VAT)

	Area size in m²				Contributors
	1.000	2.000	5.000	10.000	
Central Witwatersrand					
Cambridge Park	375,00	300,00	300,00	-	AP, QU
Wynberg Proper	94,28	94,28	102,74	124,72	AP, BR, GB, QU
Strijdom Park	0,00	0,00	43,30	64,95	AP, BM, BR, GB, QU
Kya Sand	61,24	61,24	20,73	22,36	AP, BM, BR, QU
Clayville/Olifantsfontein	23,57	61,24	62,36	23,57	AP, BR, MR, QU
Chloorkop	25,00	25,00	50,00	52,49	AP, BR, GT, QU
Amalgam	50,00	50,00	87,50	87,50	AP, QU, RO
Crown Mines	125,00	125,00	141,42	163,30	AP, CL RO, QU
Industria	32,50	32,50	25,00	0,00	AP, QU
Booysens/Booysens Reserve/Ophirton	23,57	40,82	40,82	84,98	AP, QU, RO
Village Main/Village Deep/New Centre	0,00	11,79	23,57	23,57	AP, BR, QU, RO
Benrose	50,00	50,00	50,00	50,00	AP, RO
Steeledale/Electron/Tulisa Park	11,79	11,79	18,41	17,32	AP, BR, QU, RO
Aeroton	25,00	25,00	50,00	40,82	AP, GT, QU, RO
Devland/Nancefield	-	-	-	-	AP
Cleveland/Heriotdale	57,20	57,20	47,67	40,82	AP, BR, QU, RO
Newlands/Martindale	-	-	-	-	AP
Kew/Wynberg East	250,00	250,00	275,00	225,00	AP, BR
Bramley View/Lombardy West	150,00	150,00	125,00	25,00	AP, QU
Marlboro	62,50	75,00	50,00	25,00	AP, QU
Halfway House: hi-tech strip	62,50	50,00	122,47	124,37	AP, BR, CL, QU

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands in quarter 2013:1
(R/m² excl VAT)

	Area size in m²				Contributors
	1.000	2.000	5.000	10.000	
Halfway House: Richards Drive	62,36	75,00	117,85	89,27	AP, BR, CL, QU
Commercia	50,00	25,00	25,00	0,00	AP, BR, QU
Kramerville/Eastgate Ext12 & Ext13	235,70	235,70	235,70	235,70	AP, BR, GB, QU
Centurion	0,00	0,00	0,00	40,82	AP, BR, GT
Linbro Park	0,00	0,00	41,46	76,43	AP, BM, BR, GB, QU
Wesco Park/Eastgate Ext3, Ext11, Ext6, Ext8/Malboro North (New)	0,00	0,00	0,00	0,00	AP, BR, QU
City Deep	37,42	25,00	37,42	61,94	AP, BM, BR, GB, QU, RO
North Riding	23,57	25,00	0,00	23,57	AP, BR, GB, QU
Samrand Centurion	75,00	75,00	50,00	93,54	AP, BR, GT, MR
Barbeque Downs	75,00	75,00	25,00	0,00	AP, BR
Selby Ext 12/13/15/19/20/24/City West	117,85	102,74	84,98	84,98	AP, BR, QU, RO
Selby Ext 5/10/14/18	50,00	50,00	0,00	0,00	AP, BR, RO
Selby Ext 11	102,74	81,65	94,28	0,00	AP, BR, QU, RO
Selby Ext 3/4/6	125,00	50,00	0,00	0,00	AP, BR, RO
Denver (Old)	65,76	65,76	40,82	54,01	AP, BR, GB, QU, RO
Denver (New)	55,35	55,35	58,17	50,36	AP, BR, GB, QU, RO
Kyalami Business Park	0,00	0,00	50,00	50,00	AP, BR, QU
Reuven	25,00	0,00	175,00	175,00	AP, QU, RO
Selby (Old)/Selby Ext2/Park Central	25,00	25,00	25,00	75,00	AP, QU, RO
Robertsham	50,00	112,50	0,00	25,00	AP, QU, RO
Fordsburg/Mayfair	-	-	-	-	AP

Table 8.2(continued)
Standard deviation from mean market values for serviced and level industrial stands in quarter 2013:1
(R/m² excl VAT)

	Area size in m²				Contributors
	1.000	**2.000**	**5.000**	**10.000**	
West Rand					
Lea Glen	47,14	47,14	67,41	40,82	AP, QU, RO
Honeydew X19, 20, 21 & 22	131,23	131,23	122,47	70,71	AP, BR, GB, QU
Stormill	40,82	40,82	40,82	35,00	AP, QU, RO
Chamdor	-	-	-	-	AP
Factoria	-	-	-	-	AP
Randfontein: Delporton/Aureus	-	-	-	-	AP
Boltonia	-	-	-	-	AP
Roodepoort: Technikon/Manufacta	-	-	-	-	AP
Industria North	-	-	-	-	AP
Robertville	23,57	20,41	23,57	23,57	AP, QU, RO
Laserpark	81,65	84,98	117,85	97,98	AP, BR, GB, GT, QU
East Rand					
Elandsfontein	0,00	0,00	50,00	111,80	AP, BM, BR, GB
Tunney/Greenhills	111,80	40,98	47,14	81,24	AP, BR, GB, GT, QU, RO
Henville	-	-	-	200,00	AP, BR
Meadowbrook/Wilbart	0,00	0,00	25,00	90,14	AP, BR, GB, QU, RO
Sunnyrock	75,00	75,00	100,00	75,00	AP, BR, GB
Rustivia/Activia Park	-	-	-	125,00	AP, BR
Eastleigh	25,00	25,00	25,00	25,00	AP, BR, QU
Sebenza Ext 14	25,00	25,00	25,00	89,27	AP, BR, GB, QU
Spartan Ext 16 (Sebenza Link) + Ext1,3,7	25,00	25,00	62,36	73,95	AP, BR, GB, RO, QU

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands in quarter 2013:1
(R/m² excl VAT)

	Area size in m²				Contributors
	1.000	**2.000**	**5.000**	**10.000**	
Isando	0,00	12,50	25,00	23,57	AP, BR, GB, QU, RO
Isando 3	0,00	12,50	25,00	0,00	AP, GB, QU
Jet Park	94,28	62,36	25,00	103,08	AP, BR, GB, QU, RO
Alrode & Xs	-	-	-	95,26	AP, BM, BR, GB, GT, QU
Alrode South	25,00	25,00	25,00	64,95	AP, BR, GB, GT, QU
Alberton	40,82	40,82	40,82	40,82	AP, BR, GB
Aeroport/Spartan Ext 2	87,50	37,50	25,00	23,57	AP, BR, QU
Delville	37,50	42,50	25,00	12,50	AP, RO
Roodekop	25,00	25,00	25,00	42,49	AP, QU
Wadeville: Industrial zoning	0,00	12,50	35,65	89,26	AP, BM, BR, GB, QU
Route 24/Meadowdale	50,00	100,00	50,00	75,00	AP, GB, QU
Germiston S/Industries E	51,04	52,32	32,40	23,57	AP, GB, QU, RO
Driehoek/Industries W	81,65	81,65	61,24	41,90	AP, BR, RO
Knights	30,00	30,00	10,00	25,00	AP, BR, RO
Spartan Proper	25,00	25,00	12,50	62,36	AP, QU
Founders View	100,00	50,00	0,00	23,57	AP, BR, QU
Longmeadow	0,00	94,28	94,28	74,83	AP, BM, BR, GB, GT, QU
Pomona/Kempton Park	0,00	0,00	0,00	20,60	AP, BR, GB, GT, QU
Far East Rand					
Boksburg North & South	175,00	150,00	100,00	62,36	AP, GB, GT
Benoni	-	-	-	-	AP
New Era/Vulcania	-	-	-	-	AP

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands in quarter 2013:1
(R/m² excl VAT)

	Area size in m²				Contributors
	1.000	2.000	5.000	10.000	
Nuffield	-	-	-	-	AP
Fulcrum	-	-	-	-	AP
Apex	75,00	25,00	25,00	47,14	AP, GB, GT
Labore Brakpan	-	-	-	-	AP
Morehill Ext 8 Benoni	-	-	-	-	AP
Pretoria					
Mitchell St	-	-	-	-	AP
Pretoria Industrial Township	-	-	-	-	AP
Koedoespoort	-	-	-	-	AP
Waltloo/Despatch	-	-	-	-	AP
Silverton/Silvertondale	-	50,00	-	-	AP
Samcor Park	-	50,00	-	-	AP
Sunderland Ridge	-	-	-	-	AP
Hermanstad	-	-	-	-	AP
Kirkney	-	-	-	-	AP
Hennopspark X15 & X7	-	-	-	-	AP
Gateway	-	-	-	-	AI, AP
Lyttleton Manor X4/x6	-	-	-	-	AI, AP
Pretoria North	-	50,00	-	-	AI, AP
Silvertondale X1	-	0,00	-	-	AP
Brits	-	-	-	-	AP
Klerksoord	-	-	-	-	AI, AP

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands in quarter 2013:1
(R/m² excl VAT)

	Area size in m²				Contributors
	1.000	**2.000**	**5.000**	**10.000**	
Rosslyn	-	-	-	-	AP
Polokwane					
Lebowakgomo	-	-	-	-	ES
Superbia	-	-	-	-	ES
Industria	-	-	-	-	ES
Ladine	-	-	-	-	ES
Futura	-	-	-	-	ES, MO
Laboria	-	-	-	-	ES
Magna Via	-	-	-	-	ES, MO
Seshego	-	-	-	-	ES
Nelspruit					
Nelspruit East	-	-	-	-	HH, RZ
Nelspruit West	-	-	-	-	HH, RZ
Rocky's Drift	-	-	-	-	HH, RZ
Riverside Park	-	-	-	-	HH, RZ
Durban					
Springfield Park	81,65	81,65	50,00	50,00	ML, PC, PPI, QP
Mayville	-	-	-	-	PPI
Phoenix	-	-	50,00	250,00	PC, PPI
North Coast Rd/Briardene	300,00	300,00	150,00	150,00	PC, PPI
Briardene Industrial Park	-	-	150,00	150,00	PC, PPI
Umgeni Rd/Stamford Hill	-	-	-	-	PPI
Umbilo/Sydney Rd/Gale St	-	-	-	-	PPI

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands in quarter 2013:1
(R/m² excl VAT)

	Area size in m²				
	1.000	2.000	5.000	10.000	Contributors
Jacobs	-	-	-	-	PC, PPI
Mobeni	-	-	250,00	350,00	PC, PPI
Prospecton	-	-	250,00	350,00	PC, PPI
Ithala Industrial Estate	-	-	-	-	PPI
Pinetown Central	0,00	94,28	124,72	125,00	ML, PC, PPI, QP
Isipingo	94,28	47,14	47,14	0,00	PPI
Rossburgh/ South Coast Rd	-	-	-	-	PPI
Edwin Swales Drive	-	-	-	-	PPI
Glen Anil	-	-	-	-	PPI
Brickfield Rd	-	-	-	-	PPI
Verulam	-	-	-	-	PPI
Canelands	-	-	-	-	PPI
Tongaat	-	-	-	-	PPI
New Westmead/Mahogany	75,00	0,00	75,00	0,00	ML, PC, PPI
Westmead	200,00	188,56	0,00	50,00	ML, PC, PPI, QP
Mariann Park/Southmead	94,28	94,28	47,14	47,14	ML, PC, PPI, QP
Maxmead	250,00	235,70	141,42	250,00	ML, PC, PPI, QP
Ringroad Industrial Park	-	-	-	-	
Avoca/Red Hill/Northgate	-	400,00	-	-	PC, PPI
Falcon Park	-	150,00	100,00	-	PC, PPI
River Horse Valley Business Estate	50,00	100,00	100,00	0,00	ML, PC, PPI
Mount Edgecombe	-	100,00	50,00	140,00	PC, PPI
Umbogintwini/Southgate	-	-	-	-	PPI

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands in quarter 2013:1
(R/m² excl VAT)

	Area size in m²				Contributors
	1.000	2.000	5.000	10.000	
Southgate Industrial Park	-	125,00	200,00	175,00	PC, PPI
Umgeni Park	-	-	-	-	PPI
Hammersdale	-	50,00	0,00	0,00	ML, PC, PPI, QP
Cato Ridge	0,00	0,00	23,57	23,57	ML, PC, PPI, QP
Cape Peninsula					
Viking Place	0,00	0,00	0,00	0,00	GB, GY
Glosderry	-	-	-	-	GB
Paarden Eiland/Metro	500,00	250,00	250,00	-	DN, GB
Montague Gardens	81,65	82,92	0,00	0,00	AN, DN, GB, GY
Marconi Beam	-	-	-	-	GB
Killarney Gardens	50,00	100,00	250,00	100,00	AN, DN, GB
Racing Park	50,00	0,00	-	-	AN, DN, GB
Atlantis	-	-	-	-	
Woodstock/Salt River/Observatory	-	-	-	-	GB
Athlone 1 & 2	-	-	-	-	
Landsdowne Nerissa	-	-	-	-	
Sand Industria	-	-	-	-	
Ottery Hillstar	-	-	-	-	GB
Ottery Sunset	-	-	-	-	GB
Diep River	-	-	-	-	GB
Elfindale	-	-	-	-	GB
Monwood/Philippi	-	-	-	-	GB

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands in quarter 2013:1
(R/m² excl VAT)

	Area size in m²				Contributors
	1.000	2.000	5.000	10.000	
Retreat/ Steenberg	-	-	-	-	GB
Capricorn Park	-	-	-	-	GB
Maitland	23,57	84,98	50,00	100,00	AN, GB, QU
Ndabeni	125,00	25,00	0,00	50,00	GB, GY
Airport	62,36	42,49	35,36	0,00	AN, DN, GB, GY
Epping 1 & 2	75,00	84,98	84,98	23,57	AN, BZ, GB, GY
WP Park	37,50	50,00	0,00	0,00	AN, GB, GY
Elsies River (excl. Central Park)	81,65	61,24	81,65	62,36	AN, GB, GY
Parow Beaconvale	0,00	82,92	0,00	40,82	AN, DN, GB, GY
Tygerberg Business Park	81,65	0,00	0,00	0,00	AN, DN, GB, GY
Parow Industria	82,92	89,27	41,46	40,82	AN, DN, GB, GY
Parow East	-	-	-	-	GB
Bellville Oakdale	-	-	-	-	
Bellville Stikland/Kaymor	50,00	0,00	0,00	100,00	AN, DN, GB
Bellville Triangle	75,00	75,00	-	-	DN, GB
Bellville South/Sacks Circle	-	-	-	-	GB
Kraaifontein	0,00	25,00	12,50	25,00	AN, DN, GB
Brackenfell Industria	0,00	0,00	0,00	25,00	AN, DN, GB
Everite Brackenfell	0,00	0,00	0,00	0,00	AN, DN, GB
Kuils River	25,00	-	25,00	25,00	AN, GB
Blackheath	50,00	25,00	0,00	25,00	AN, DN, GB
Saxonburg Industrial Park	0,00	0,00	25,00	50,00	AN, DN, GB

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands in quarter 2013:1
(R/m² excl VAT)

	Area size in m²				Contributors
	1.000	**2.000**	**5.000**	**10.000**	
Okavango	100,00	100,00	150,00	50,00	AN, GB
Firgrove	-	-	-	-	
The Interchange (Somerset West)	-	-	-	-	
Strand Halt	-	-	-	-	
Broadlands	-	-	-	-	
George					
George Central	-	-	-	-	GV
Tamsui Industria	-	-	-	-	GV
Pacaltsdorp Industria	-	-	-	-	GV
Port Elizabeth					
Deal Party	1,25	1,25	1,25	1,25	IPM, QV
North End	0,00	1,25	0,25	0,75	IPM, QV
Korsten/Neave/Sidwell/Sydenham	1,25	1,25	3,75	3,00	IPM, QV
South End Walmer	2,00	2,00	2,00	0,50	IPM, QV
Uitenhage: Volkswagen area/NMBLP	11,25	11,25	11,00	9,50	IPM, QV
Uitenhage: Hella/Kruisrivier	1,25	1,25	1,25	0,00	IPM, QV
Struandale	1,25	1,25	1,25	1,75	IPM, QV
Markman Township	2,50	2,50	2,50	1,25	IPM, QV
Perseverance	1,25	1,25	1,25	1,40	IPM, QV
Walmer	1,25	1,00	1,50	-	IPM, QV
Greenbushes	1,50	1,50	1,25	1,25	IPM, QV
Fairview	6,25	6,25	8,75	-	IPM, QV

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands in quarter 2013:1
(R/m² excl VAT)

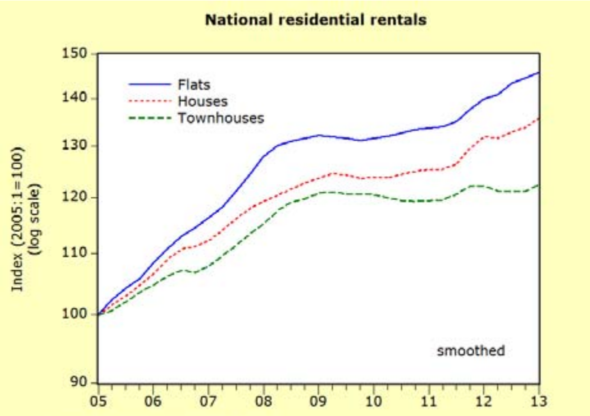
	Area size in m²				Contributors
	1.000	2.000	5.000	10.000	
Bloemfontein					
Hilton	-	-	-	-	EK
East End	-	-	-	-	EK
Harvey Road	-	-	-	-	EK
Old Industrial	-	-	-	-	EK
Hamilton: Mill St	-	-	-	-	EK
Hamilton: G Lubbe St	-	-	-	-	EK
Estoir	-	-	-	-	EK

Chapter 9: Flats market

Modest housing-rental growth

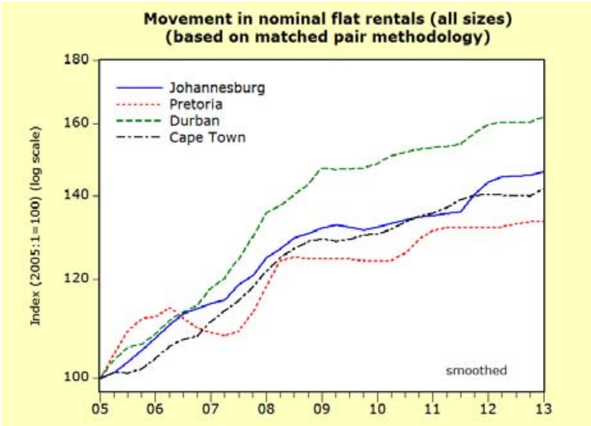
Written by John S. Lottering

In the first quarter of 2013, flat and house rentals were able to show modest growth of 4% and 3% respectively. Rentals on townhouses, however, remained at roughly the same levels they were a year ago. From this finding it is evident that townhouses are still oversupplied – a hang-over from the boom period.



Source of data: Rode's database

Regionally, flat rentals in Johannesburg achieved growth of about 2%, while in Pretoria, Durban and Cape Town, rentals were up by a measly 1%. Over the same period, consumer prices (excluding owners' equivalent rent) showed growth of just below 6%, implying that rentals on flats were not able to show *real* growth in any of these regions. Considering the heavy weight of residential rentals in the calculation of headline CPI (the sum of actual rentals and owners' equivalent rent), residential rental growth is quite important. However, the moderate to poor growth at present has an almost negligible effect on the overall metric of consumer prices.



Source of data: Stats SA, Rode

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

Income yields of flats

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

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

This 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. 112, of specific rental levels in the various suburbs for the various grades of flats.

Table 9.1 Gross-income yields (%): Flats Quarter 2013:1				
	Bachelor	**1-Bedroom**	**2-Bedroom**	**3-Bedroom**
Eastern Cape				
Port Elizabeth				
- Summerstrand / Humewood / South End	9,6%	5,4%	5,7%	6,5%
- Walmer	6,7%	5,5%	10,0%	11,8%
- Central / North End	14,2%	14,6%	12,4%	11,3%
- Newton Park	11,0%	12,5%	9,6%	9,8%
- Kabega	-	13,8%	11,6%	9,3%
- Algoa Park	-	15,4%	11,0%	10,2%
Queenstown				
- Queenstown Central (CBD)	6,0%	6,6%	8,0%	7,6%
- 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 2013:1				
	Bachelor	**1-Bedroom**	**2-Bedroom**	**3-Bedroom**
Alberton				
- Verwoerd Park	-	-	10,0%	10,6%
Benoni				
- Lakefield	-	-	9,7%	10,3%
- Westdene	-	-	9,2%	10,6%
- Farrarmere	-	-	10,2%	9,9%
- Morehill	-	-	9,6%	10,6%
- Rynfield	-	-	9,8%	10,7%
- Northmead	-	-	9,6%	10,3%
- Crystal Park	-	-	9,2%	10,7%
- Western Extension	-	-	8,4%	10,1%
- 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
Flat rentals: standard units
Average rands per month as at quarter 2013:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Johannesburg average	**R2.555**		**R3.306**		**R4.255**		**R5.078**		
City (incl. Joubert Park/Braamfontein/ Hillbrow/Berea/Parktown)	R2.600	R819	R2.850	R212	R3.750	R354	R4.750	R354	CI, CQ, TR
Yeoville/Bellevue/Highlands	-	-	-	-	-	-	-	-	
Jeppestown/Fordsburg/Malvern/ Kensington/Lorentzville	-	-	-	-	-	-	-	-	
North-Eastern Suburbs (incl. Kew/ Cyrildene/Fairmount/Waverley/ Lyndhurst/Bramley/Savoy)	-	-	-	-	-	-	-	-	
Maraisburg/Crosby/Brixton	-	-	-	-	-	-	-	-	
Meldene (Melville, Westdene, Auckland Park)	R3.617	R375	R4.250	R354	R5.000	R0	R6.250	R354	JL, RF, TR
Rosebank/Killarney/Illovo	-	-	-	-	-	-	-	-	
Greenside/Victory Park/ Emmarentia/ Linden/Parkview/ Parkhurst	R3.500	-	R4.500	-	R5.500	R0	R6.500	-	JL, TR
Randburg: Ferndale/Fontainebleau	R2.500	R283	R3.350	R495	R4.050	R636	R4.900	R1.273	BS, JL
Randburg & Suburbs	R2.500	R200	R3.083	R284	R3.567	R58	R4.850	R1.202	BS, JL, TR
Windsor: East/West	R2.250	R495	R3.150	R636	R4.150	R495	R4.750	R354	BS, JL
Craighall/Craighall Park	-	-	-	-	-	-	-	-	
Sandton: North & Far North (incl. Bryanston /Fourways/Lonehill/Douglasdale)	R2.800	-	R4.600	-	R6.000	-	R7.000	-	BS
Sandton: South to Central (incl. Sandown/Rivonia/Morningside/ Sunninghill/Kyalami)	-	-	-	-	-	-	-	-	

Table 9.2 (continued)
Flat rentals: standard units
Average rands per month as at quarter 2013:1

	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/ Turffontein/Kenilworth)	-	-	-	-	-	-	-	-	
New South (incl. Southdale/Mondeor/ Glenvista/Linmeyer)	R1.400	-	R1.750	-	R2.200	-	R2.900	-	DV
Germiston average	**R1.699**		**R2.115**		**R2.850**		**R2.811**		
Primrose	R1.830	-	R2.170	-	R2.670	-	R2.500	-	PH
Germiston C & S	R1.585	R445	R1.855	R488	R2.620	R1.245	R2.400	-	BA, PH
Germiston South - suburbs	R1.690	R297	R2.200	R0	R3.275	R318	R3.700	-	BA, PH
Elsburg	-	-	R2.260	-	R2.880	-	-	-	PH
Pretoria average	**R2.454**		**R2807**		**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

Table 9.2 (continued)
Flat rentals: standard units
Average rands per month as at quarter 2013:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
South-eastern suburbs (Elarduspark/ Wingate Park/Moreletapark/Pierre van Ryneveld/Waterkloof)	R3.250	R778	R3.700	R707	R4.650	R212	R5.200	R283	HK, TR
Sunnyside	R2.433	R252	R2.833	R586	R3.700	R436	R4.100	R265	CI, HK, TR
Arcadia	R2.500	R173	R2.933	R321	R3.700	R557	R4.067	R493	CI, HK, TR
Pretoria West	R2.400	R200	R2.800	R200	R3.633	R513	R4.067	R306	CI, HK, TR
Kwaggasrand/West Park	R2.300	R265	R2.617	R189	R3.217	R284	R4.033	R208	CI, HK, TR
Elandspoort/Danville	R2.250	R354	R2.550	R212	R3.133	R208	R3.900	R265	CI, HK, TR
Atteridgeville/Laudium	R1.950	R212	R2.250	R71	R2.700	R283	R3.300	R424	HK, TR
Centurion Average	**R3.396**		**R3.696**		**R4.730**		**R5.768**		
Pierre van Ryneveld	-	-	-	-	-	-	R4.900	-	ASA
Irene	-	-	-	-	-	-	-	-	
Kloofsig/ Lyttleton Manor/ Doringkloof/ Zwartkop	R3.525	R247	R3.775	R318	R4.525	R35	R6.075	R601	ASA, CB
Highveld and Extensions	R3.350	-	R3.750	-	R4.575	R106	R5.775	R35	ASA, CB
Clubviews/ Eldoraigne/ Wierda Park/ Cranebrook/ Bronberrick/ Rooihuiskraal North	R3.450	-	R3.800	-	R5.150	R495	R6.100	-	ASA, CB
Rooihuiskraal/ The Reeds	R3.350	-	R3.750	-	R5.025	R530	R6.325	R672	ASA, CB
Heuweloord	R3.350	-	R3.550	-	R4.550	-	R5.650	-	CB
Valhalla	R3.350	-	R3.550	-	R4.550	-	R5.550	-	CB
Durban average	**R2.830**		**R3.337**		**R4.148**		**R5.124**		
Upper highway: Kloof/Hillcrest	R3.000	-	R3.500	-	R4.000	-	R5.000	-	WK
Pinetown area/Queensburgh	R2.600	R141	R3.300	R283	R4.025	R318	R4.850	-	TR, WK

Table 9.2 (continued)
Flat rentals: standard units
Average rands per month as at quarter 2013:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Westville area	R2.500	-	R3.200	-	R4.200	-	R5.850	-	WK
Central City (incl. Lower Berea)	R2.775	R35	R3.100	R141	R4.200	R566	R5.500	-	TR, WK
Berea / Morningside / Glenwood	R2.925	R106	R3.500	R0	R4.625	R177	R5.500	-	TR, WK
South and North Beach	R2.950	R71	R3.450	R71	R4.625	R177	R5.750	-	TR, WK
Durban North/La Lucia/Umhlanga	-	-	-	-	-	-	-	-	
North (Dolphin) Coast/Ballito	-	-	-	-	-	-	-	-	
Montclaire/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/Amanzimtoti/Warner Beach area	R3.000	-	R3.500	-	R3.750	-	R4.500	-	TR, WK
Cape Town average	**R2.695**		**R3.283**		**R4174**		**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, SQ, TR
City Centre	R3.550	R354	R4.883	R952	R5.765	R332	R7.350	R212	SQ, TR
Waterfront	-	-	-	-	-	-	-	-	
Rondebosch/Rosebank/Claremont	R3.153	R67	R4.083	R126	R5.383	R202	R7.000	R500	PF, SQ, TR
Kenilworth/Wynberg/Plumstead	R2.883	R76	R3.350	R132	R4.300	R304	R5.500	-	PF, SQ, TR
Muizenberg/ Kalk Bay/ Fish Hoek	R2.850	R409	R3.450	R568	R3.850	R71	R5.200	-	SQ, TR
Hout Bay	R2.900	-	R3.725	R318	R4.775	R247	R5.800	-	EM
Milnerton/Sanddrift	R3.000	R100	R3.575	R150	R4.425	R150	R5.500	R0	LA, PF, RS, TR
Tableview/ Parklands	R2.867	R208	R3.233	R58	R4.538	R645	R4.800	R361	LA, PF, RS, TR
Blouberg/Melkbos	R2.950	R71	R3.425	R35	R4.325	R35	R5.383	R104	LA, TR

Table 9.2 (continued)
Flat rentals: standard units
Average rands per month as at quarter 2013:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Athlone	R2.000	-	R2.200	-	R2.800	-	R3.200	-	TR
Mitchell's Plain	R1.500	-	R1.800	-	R2.200	-	R2.800	-	TR
Pinelands	R3.000	R0	R3.500	R0	R4.400	R141	R5.400	R141	LA, TR
Brooklyn/Rugby/Maitland	R2.417	R76	R2.917	R144	R3.367	R189	R4.350	R212	LA, SQ, TR
Monte Vista/ Goodwood/ Parow/ Bellville Central	R2.600	R200	R3.060	R195	R3.800	R212	R4.433	R404	LA, SQ, TR
Tyger Valley area/ Durbanville	R2.525	R369	R3.000	R356	R4.000	R245	R4.825	R287	LA, PF, SF, TR
Brackenfell/ Kuils River	R2.225	R403	R2.760	R344	R3.590	R313	R4.400	R529	LA, PF, SF, TR
Somerset West	R1.867	R115	R2.267	R252	R3.067	R115	R4.067	R115	GE, 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	**R2.374**		**R2.624**		**R3.478**		**R4.280**		
Summerstrand/Humewood/South End	R3.100	R265	R3.600	R424	R4.933	R513	R6.233	R929	JP, ZB
Walmer	R2.900	R458	R2.600	R424	R4.150	R636	R6.400	-	JP, ZB
Central/North End	R2.250	-	R2.550	R354	R2.930	R99	R3.200	-	ZB
Newton Park	R2.800	R354	R2.850	R354	R3.800	-	R4.500	-	JP, ZB
Westering	R2.150	R71	R2.500	R141	R3.350	R636	R4.000	-	JP, ZB
Kabega	R2.050	R354	R2.400	R707	R3.100	R566	R3.950	R778	JP, ZB
Algoa Park	R1.700	R424	R2.100	R424	R2.600	R424	R2.900	-	JP, ZB
East London average	**R2.436**		**R2.636**		**R3.141**		**R3610**		
Southernwood/Quigney Beach/CBD	R2.650	-	R2.800	-	R3.350	-	R3900	-	TR
Berea	R2.800	-	R3.000	-	R3.650	-	R4000	-	TR
Amalinda	R2.400	-	R2.500	-	R2.950	-	R3250	-	TR
Gonubie Park	R2.150	-	R2.300	-	R2.700	-	R3350	-	TR

Table 9.2 (continued)
Flat rentals: standard units
Average rands per month as at quarter 2013:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Bloemfontein average	**R1.779**		**R2.360**		**R3008**		**R3.744**		
Bloemfontein	R1.675	R247	R2.300	R424	R2900	R141	R3.500	-	ED,MI
Westdene	R1.775	R35	R2.400	R141	R2950	R212	R4.000	R0	ED,EK,MI
Willows	R1.850	R87	R2.367	R321	R3133	R351	R3.625	R177	ED,EK,MI
Navalsig	R1.800	-	R2.333	R289	R2917	R401	R3.450	R636	ED,EK,MI
Arboretum	R1.800	-	R2.400	R566	R3150	R495	R4.200	R990	ED,MI

Table 9.3
Flat rentals: upmarket units
Average rands per month as at quarter 2013:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Johannesburg average	**R3.001**		**R4.298**		**R5.326**		**R6.045**		
North-Eastern Suburbs (incl. Kew/ Cyrildene/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 rands per month as at quarter 2013:1

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

Table 9.3 (continued)
Flat rentals: upmarket units
Average rands per month as at quarter 2013:1

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

Table 9.3 (continued)
Flat rentals: upmarket units
Average rands per month as at quarter 2013:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Bluff area/Durban South	R3.000	-	R3.800	-	R4.500	-	R5.000	-	WK
Durban South/Amanzimtoti/Warner Beach area	R3.250	-	R3.800	-	R4.500	-	R5.500	-	WK
Cape Town average	**R3.334**		**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, SQ, TR
City Centre	R4.500	R0	R5.700	R424	R8.075	R247	R9.000	-	SQ, TR
Waterfront	-	-	-	-	-	-	-	-	TR
Rondebosch/Rosebank/Claremont	R3.867	R709	R4.933	R737	R6.833	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	-	-	-	-	-	-	-	-	
Milnerton/Sanddrift	R3.500	R497	R4.050	R574	R4.975	R785	R6.500	R866	LA, PF, RS, TR
Tableview/Parklands	R3.375	R310	R4.067	R379	R4.863	R626	R5.967	R58	LA, PF, RS, TR
Blouberg/Melkbos	R3.667	R351	R4.400	R141	R5.850	R212	R7.350	R212	LA, PF, TR
Athlone	R2.200	-	R3.000	-	R3.500	-	R4.500	-	TR
Mitchell's Plain	R2.000	-	R2.800	-	R3.500	-	R4.500	-	TR
Pinelands	R3.650	R212	R4.500	R0	R6.000	R0	R7.750	R354	LA, TR
Brooklyn/Rugby/Maitland	R2.967	R58	R3.417	R144	R4.317	R318	R5.400	R173	LA, SQ, TR
MonteVista/Goodwood/Parow/Bellville Central	R3.075	R150	R3.500	R258	R4.600	R566	R5.425	R850	LA, SQ, TR
Tyger Valley area/Durbanville	R3.133	R115	R3.975	R386	R4.770	R239	R6.733	R1.328	LA, PF, SF, TR
Brackenfell/Kuils River	R2.550	R370	R3.020	R295	R3.900	R224	R4.667	R289	LA, PF, SF, TR

Table 9.3 (continued)
Flat rentals: upmarket units
Average rands per month as at quarter 2013:1

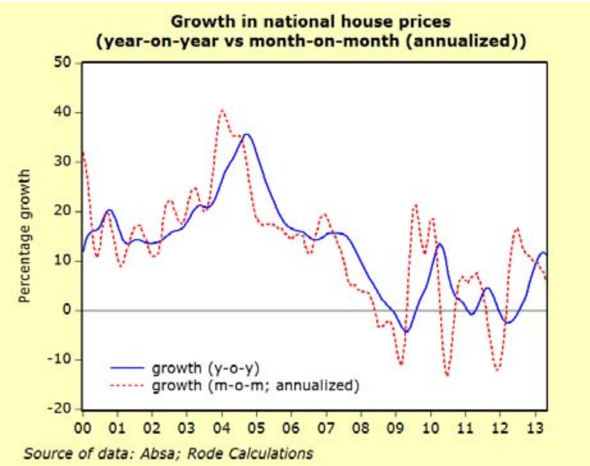
	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Somerset West	R2.533	R58	R3.567	R115	R4.533	R58	R6.167	R1.155	GE, LA, TR
Strand	R2.667	R289	R3.500	R0	R4.667	R289	R6.000	R866	GE, LA, TR
Gordon's Bay	R2.700	R265	R3.567	R115	R4.567	R115	R5.733	R252	GE, LA, 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	**R2.821**		**R3.060**		**R3.493**		**R3.945**		
Southernwood/Quigney Beach/CBD	R3.000	-	R3.400	-	R3.700	-	R4.200	-	TR
Berea	R3.250	-	R3.300	-	R3.650	-	R4.450	-	TR
Amalinda	R2.650	-	R2.950	-	R3.150	-	R3.600	-	TR
Gonubie Park	R2.450	-	R2.650	-	R3.500	-	R3.600	-	TR

Chapter 10: House market

House prices showing strong growth, but risk to outlook persists

Written by John S. Lottering

The growth in nominal house prices has in recent months been nothing short of impressive.



Since the third quarter of 2012, the yearly growth in national house prices has been heating up to such an extent that in May 2013, nominal house prices (as per Absa) were up by an impressive 11%. Naturally, the sustainability of the current strong growth in prices has to be questioned, especially when key drivers of demand for housing continue to struggle.

Apropos of this, other house-price indices show contradictory (much lower) trends in prices, and one should never forget that banks' price indices reflect the experience of each individual bank. So, if a bank were to change its lending policy[1], this would affect the index. The jury is therefore out on the veracity of this sudden spurt in prices.

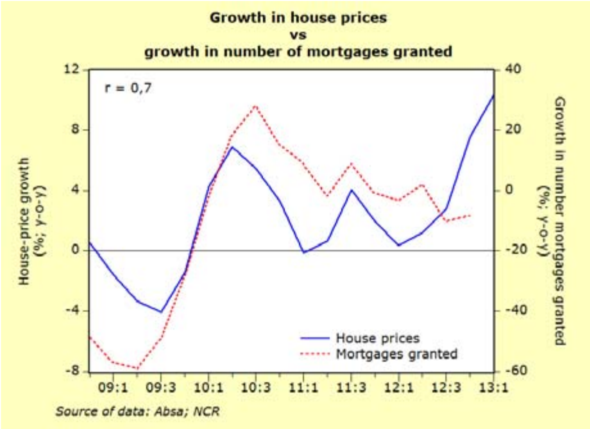
An important driver of house prices is economic activity; hence, the current cooling in economic growth must be a damper on prospects for house prices. In the first quarter of 2013, *real* GDP slowed to a yearly growth rate of just below 2%. Weak economic growth implies the possibility of weak prospects for employment and growth in disposable income. In fact, in recent months, the number of people employed on a full-time and permanent basis has been contracting. According to Adcorp, in May 2013 the number of full-time and permanent workers was down by 2%, when compared to the same month a year earlier. The yearly growth in nominal household disposable income has also been losing some of its vigour. In the first quarter of 2013, disposable income showed yearly growth of 7%; this is compared to a year ago when it was growing at an unsustainable and mind-boggling rate of almost 13%.

Closer to the housing market, is the performance of new mortgages granted. According to the NCR[2] both the nominal rand value and the number of new mortgages granted *contracted* in the final quarter of 2012. The graph which follows shows how the growth in the nominal value of mortgages granted has been cooling

[1] For example, switching to higher-income groups.

[2] National Credit Regulator

since the end of 2010 and how, since the end of 2012, it has actually been contracting. This does not augur well for house-price growth prospects.



A look at the performance of house prices in the larger regional areas across the country shows that in most regions house prices are still growing at rates below the rate of building-cost inflation (see **Table 10.1**). Interesting from the table is that the house-price growth is currently lower in the larger and economically stronger regions.

Table 10.1

Nominal house-price growth by city (ex Absa)(%; year-on-year)

	2012:2	2012:3	2012:4	2013:1
Durban	-4,6	-6,5	8,8	24,7
Port Elizabeth	-1,6	6,5	9,7	6,9
East Rand	-0,6	-2,7	-3,2	2,9
Johannesburg Central & South	-8,8	1,5	2,6	2,6
Johannesburg North & West	-0,1	1,6	1,4	4,2
Greater Johannesburg	-3,9	-2,6	-1,6	3,7
Pretoria	-3,2	1,1	5,8	7,3
Bloemfontein	-6,9	0,0	11,5	11,9
Cape Town	7,7	3,7	1,6	4,4
Building-cost inflation	**5,8**	**7,4**	**6,1 9,0**	
Source: Absa				

Residential income yields

Tables 10.2 and **10.3** summarize the gross-income yields on houses and townhouses. As a rule of thumb, to convert gross income yields to net, deduct 1½ percentage points from gross. This deduction takes into account operating expenses such as insurance and maintenance, as well as assessment rates. Net-income yields are the residential-property equivalent of non-residential property's capitalization rates.

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

Table 10.2
Gross-income yields (%) of houses by price class
Quarter 2013:1

	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%
- Aloevale	6,0%	6,5%	6,0%
- Ezibeleni	7,2%	4,8%	5,6%
- South and South West Extensions	4,0%	4,8%	5,6%
- Mlungisi Extension	3,2%	5,4%	5,3%
Uitenhage			
- Uitenhage	7,7%	6,8%	6,0%
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 10.2 (continued)
Gross-income yields (%) of houses by price class
Quarter 2013:1

	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 / Lyttelton 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 10.3
Gross-income yields (%) of townhouses by price class
Quarter 2013:1

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

Table 10.3 (continued)
Gross-income yields (%) of townhouses by price class
Quarter 2013:1

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

Chapter 11: Building activity and building costs

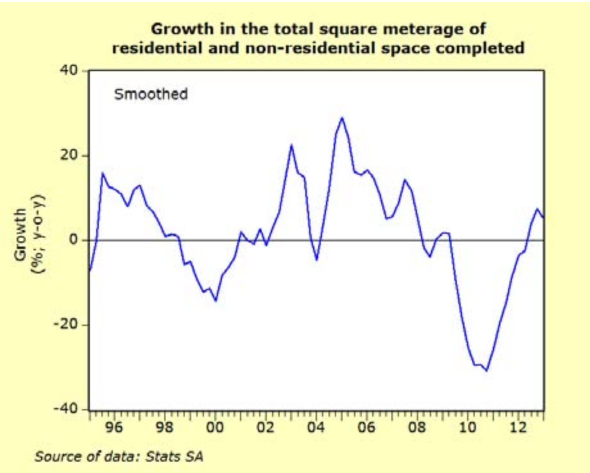
Building activity showing some signs of life

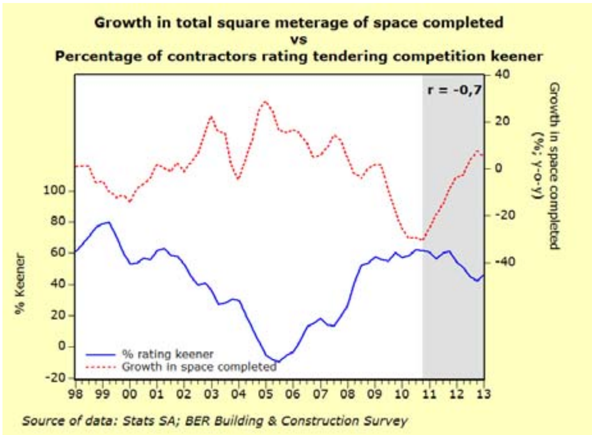
Written by John S. Lottering

Stakeholders in the building-construction industry would be pleased by the apparent return to life of the amount of building space being completed.

Since the third quarter of 2012, building activity — as measured by the total square meterage of residential and non-residential space completed — has been able show yearly growth again. This comes after three years of shrinking building activity. In the first quarter of 2013, total building activity was up by about 5%. More interesting, however, is the breakdown into the various property types (see **Tables 11.1** and **11.2**). The tables show very strong growth (+77%) in the supply of new office space, which is disconcerting given the weak growth in the demand for office space of recent years (see **Chapter 6**).

Nonetheless, the square meterage of industrial space completed was up by 18%, while shopping space completed (-28%) continued to contract. On the residential side, new *flat and townhouse* space showed growth of 9%, *houses smaller than 80 m²* showed growth of 8%, while the new supply of *houses larger than 80 m²* contracted by 2%. But, the amount of space completed was on average still as much as 50% lower than the peak levels achieved during the recent building-boom years. This might explain why roughly half the contactors surveyed by the BER, are currently reporting that tendering competition is keener when asked to compare it to a year ago. However, as the corresponding graph shows, as building activity has started to dig itself out of its grave, the degree of competition in tendering has also been easing up slightly.



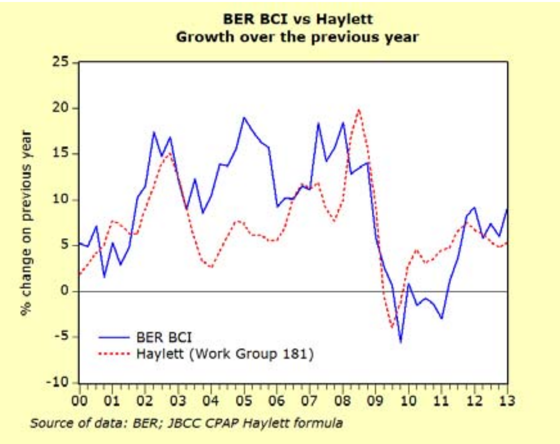


Now might still be too early to expect a sustained and strong recovery in building activity, especially when considering what has been happening with cement sales. The growth in cement sales — a forerunner of future building activity — has already started to decelerate. The graph which follows shows how turning points in the growth of cement sales tend to lead turning points in the growth of building activity by almost as much as a year.

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 2013 (% change on a year earlier)				
Completed	77,2	-28,0	18,2	14,8
Plans passed	45,3	62,0	10,0	28,7
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 80m²	Larger than 80m²		
12 months ended March 2013 (% change on a year earlier)				
Completed	7,5	-2,0	8,8	2,2
Plans passed	-13,2	3,5	19,5	4,2
Source of data: Stats SA				

As far as building-cost inflation goes, the BER BCI – which measures building-input costs plus the profit margins of contractors – posted growth of about 9% in the reporting quarter. The Haylett Index, which only measures building-input costs, showed growth of 5% over the same period. Of course, the difference between these two indices represents the extent to which contractors stretched their profit margins.■



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

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

Annexures

Glossary of property and related terms and abbreviations

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

Besa: Bond Exchange of South Africa.

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

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

Bulk: The market value of office and shopping-centre land is generally expressed as the value per **bulk** square metre. Bulk square metres refer to the gross building area (GBA) of a building. According to *The Sapoa 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*7*8); and so forth. See also **arithmetic mean** and **median**.

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

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

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

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

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

Industrial-building grades:

- **Prime**: 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 lettability through increasing the size of the potential tenant pool.

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

Comparative grading of industrial and office space	
Industrial	**Offices**
Prime $^{+}$	A
Prime	B
Prime $^{-}$	C
Secondary	D

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

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

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

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

JSE: JSE Securities Exchange South Africa.

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

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

Lessor: One who rents space to another under a lease. A landlord. See also **lessee**.

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

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

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

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

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

Metro: Metropolitan.

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

n: Number of respondents.

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

NNN lease: Also known as a triple-net lease. A fully repairing and insuring

lease (tenant pays all operating costs). The commonest example is a Leaseback.

Office building grades defined by quality of finishes and facilities:

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

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

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

Office stock: Total rentable office space.

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

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

Operating costs: See **outgoings**.

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

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

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

The following items are excluded:

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

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

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

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

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

Rental:

- **Basic rental** (**base rental** in the USA): A set amount used as a minimum rent in a lease which also employs a percentage of turnover or other allocation for additional rent.

- **Gross rental**: The *total* rental payable by the tenant, *excluding* **VAT**, the tenant's own electricity and water charges, but *including* other operating costs recovered by the landlord (if any), as well as promotion expenses payable by the tenant in the case of shopping centres. See also **rental**, **net**.

- **Net rental**: The amount payable by the tenant, excluding **VAT** and excluding operating costs recovered by the landlord (if any). See also **rental**, **gross**.

- **Nominal rental**: This has a dual meaning:
  - o Firstly, it refers to rentals where the analyst or valuer assumes no incentives like a **rent-free period**, free relocation, cash upfront, or balance-of-installation allowance. It also excludes amortisation of tenant-installation costs.
  - o Secondly, it can also mean actual rental values (i.e. not deflated). See also **rental**, **real**.

- **Pioneer rental**: The highest rental actually achieved – and could be a once-off outlier deal; hence "pioneer" is not "market". The difference between pioneer and the highest market rentals may be used as a blunt tool to gauge the prospects for market rental growth in the short term. If the differential is positive, it is an indication of growth prospects in the node. If the differential is negative, it is an indication that landlords are finding it difficult to find new tenants at the going market rental rate.

- **Real rental**: Deflated rental, typically observations (values) over time (a **time series**) from which the relevant inflation has been removed. See also **rental**, **nominal**.

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

Required rate: see **hurdle rate.**

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

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

Sapoa: South African Property Owners Association.

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

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

Shopping centre configurations:

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

Shopping centre types:

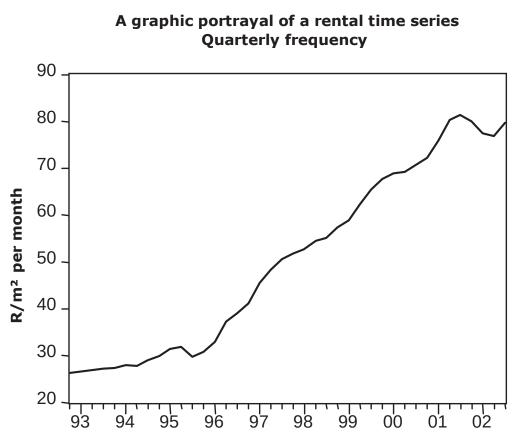
- Super regional: More than 100.000 rentable m² of shop space; substantial comparison-shopping; principal tenants are three or more major department stores; more than 250 shops. Examples are: Eastgate and Sandton City (Johannesburg); Menlyn Park (Pretoria); Gateway (Durban metro); Canal Walk (Cape metro).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

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

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

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

Time series



A set of observations for the same variable at different times (see graph). The intervals or frequenci es 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 Sh opping 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 tabl es. (All references below are to the industrial rental tables. Howeve r, they also apply *mutatis mutandis* to the i ndustrial 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 cal culated 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 calcu late. ln X = the natural log of the applicable floor area in m² for whi ch 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 urve, 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.

<u>An example:</u>

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 m².

Step 1:
Calculate the natural log of X, viz. the floor area for which you want to i nterpolate 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:
ln Y = 3,8855 — (0,2263(6,6201))
= 3,8855 — 1,4981
= 2,3874

Step 2:
In order to cal culate Y, get the exponential of ln Y (viz. of 2,3874) by using the e^x key on your financial calculator. The answer i s R10,89 per m².■

Approximate building cost rates as at July 2013

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

The following, unless otherwise stated, is a list of approximate building cost rates per m² of construction area for various building types in the Gauteng region. The rates represent the average expected building cost rates for 2013. It is stressed that these rates are purely of an indicative nature and shoul d be used wi th 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 Meas uring Floor Areas in Bu ildings, First E dition' (effective from 1st August 2005), published by the South African Property Owners Association (SAPOA).

It is recommended that a quanti ty 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 serv ices, e.g. air-conditioning, electrical, etc. but exclude costs of site infrastructure de velopment, parking, any future escalation, professional fees and VAT.

Offices

1.	Low-rise office park de velopment with standard specification	/m²	R5.800 – R7.100
2.	Low-rise prestigious office park development	/m²	R7.500 – R11.200
3.	High-rise tower block with standard specification	/m²	R8.300 – R11.200
4.	High-rise prestigious tower block	/m²	R11.200 – R14.000

Note: Office rates exclude parking and include a ppropriate 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	/m²	R400 – R500
2.	Structured parking	/m²	R3.100 – R4.000
3.	Parking in semi-basement	/m²	R3.100 – R4.200
4.	Parking in basement	/m²	R3.400 – R5.100

Retail

1.	Local Convenience centre (not exceeding 5.000m²)	/m²	R5.800– R7.600
2.	Neighbourhood centres (5.000 – 12.000m²)		
3.	Community centres (12.000 – 25.000m²)	/m²	R6.300– R8.100
3.		/m²	R6.900 – R8.800
4.	Minor regional centres (25.000 – 50.000m²)	/m²	R7.600 – R9.400
5.	Regional centres(50.000 – 100.000m²)	/m²	R8.100 – R9.900
6.	Super regional centres (exceeding 100.000m²)	/m²	R8.500 – R11.000

Note: The above rates include the cost of tena nt 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	/m²	R2.800 – R4.200
1.2	Steel frame, brickwork to ceiling, steel cladding above and roof sheeting	/m²	R3.400 – R4.700
1.3	Administration offices, ablution and change room block	/m²	R5.400 – R6.800
1.4	Cold storage facilities	/m²	R10.000 – R14.300

Residential

1.	Site services to low cost housing stand (250 – 350m²)	/no	R24.900 – R38.100
2.	RDP housing	/m²	R1.400 – R1.600
3.	Low-cost housing	/m²	R2.200 – R3.600

4.	Simple low-rise apartment block	/m²	R5.300 – R7.400
5.	Duplex townhouse — Economic	/m²	R5.300 – R7.500
6.	Prestige apartment block	/m²	R10.100 – R15.700
7.	Private dwelling houses:		
	• Economic	/m²	R3.800
	• Standard	/m²	R5.200
	• Middle Class	/m²	R6.100
	• Luxury	/m²	R8.800
	• Exclusive	/m²	R13.000
	• Exceptional ('Super luxury')	/m²	R20.100 – R40.300
8.	Outbuildings	/m²	R2.200 – R3.800
9.	Carport (shaded):		
	• Single	/no	R3.300
	• Double	/no	R6.300
10.	Carport (covered):		
	• Single	/no	R5.100
	• Double	/no	R9.300
11.	Swimming pool		
	• Not exceeding 50kl	/no	R67.800
	• Exceeding 50kl and not exceeding 100kl	/no	R67.800 – R112.000
12.	Tennis court		
	• Standard	/no	R242.000
	• Floodlit	/no	R315.000

Hotels

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

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

Studios

1.	Studios: dancing, art exhibitions, etc.	/m²	R10.000 – R14.300

Conference Centres

1.	Conference centre to international standards	/m²	R18.000 – R23.300

Retirement Centres

1.	Dwelling house		
	• middle class	/m²	R5.900
	• luxury	/m²	R8.300
2.	Apartment block		
	• middle class	/m²	R6.100
	• luxury	/m²	R9.500
3.	Community centre		
	• middle class	/m²	R8.000
	• luxury	/m²	R11.800
4.	Frail care	/m²	R9.500

Schools			
1.	Primary school	/m²	R5.100 – R6.400
2.	Secondary school	/m²	R5.400 – R7.100
Stadiums			
1.	Stadiums to PSL standards	/seat	R24.400 – R38.200
2.	Stadiums to FIFA standards	/seat	R56.200 – R75.300
3.	Stadium pitch to FIFA standards		R15.900.000 – R19.080.000
Prisons			
1.	1 000 Inmate prison	/inmate	R424.000 – R451.000
2.	Mid-scale	/inmate	R451.000 – R504.000
3.	Luxury	/inmate	R673.000 – R901.000

Building services

The following rates are for building services (mec hanical 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, sh ading, extent and type of glazing, external wall and roof construction, etc.

Electrical installation			
1.	Office buildings — standard installation	/m²	R375 – R625
2.	Office buildings — sophisticated installation	/m²	R500 – R850
3.	Office buildings – UPS, substations, standby generators	/m²	R275 – R375
4.	Residential	/m²	R400 – R625
5.	Shopping centres	/m²	R600 – R750
6.	Hotels	/m²	R750 – R950
7.	Hospitals	/m²	R900 – R1.175

Building services

Electronic installation			
1.	Offices - standard installation	/m²	R400 – R500
2.	Offices – sophisticated installation	/m²	R500 – R650
3.	Residential	/m²	R220 – R300
4.	Shopping centres	/m²	R475 – R650
5.	Hotels	/m²	R425 – R550
6.	Hospitals	/m²	R425 – R575
Fire protection installation (offices)			
1.	Sprinkler system, including hydrants and hose reels (excluding void sprinkler)	/m²	R160 – R260
Air-conditioning installation			
1.	Ventilation to parking/services areas	/m²	R200 – R350
2.	Office buildings: console units	/m²	R500 – R750

3.	Office buildings: console/split units	/m²	R500 – R800
4.	Office buildings: package units	/m²	R800 – R1.050
5.	Office buildings: central plant	/m²	R1.000 – R1.500
6.	Office buildings: Variable Refrigerant Flow (VRF)	/m²	R850 – R1.500
7.	Residential: split units	/m²	R800 – R1.300
8.	Shopping centres: split units	/m²	R750 – R850
9.	Shopping centres: package units	/m²	R800 – R950
10.	Shopping centres: evaporative cooling	/m²	R400 – R800
11.	Hotels: public areas	/m²	R1.200 – R2.000
12.	Hospitals: split units to wards	/m²	R1.500 – R1.700
13.	Hotels: console units	/key	R14.000 – R18.500
14.	Hotels: split units	/key	R20.000 – R30.000
15.	Hotels: central plants	/key	R40.000 – R60.000
16.	Hospitals: operating theatres	/theatre	R250.000 - R750.000

Notes

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

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

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

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

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

Work group 180 (February 1991 = 100)

Forecast from: March 2013 Forecast date: March 2013

	2011		2012		2013		2014		2015		2016		2017	
Month	**Index**	**% ch**	**Index**	**% ch**	**Index**	**% ch**	**Index**	**% ch**	**Index**	**% ch**	**Index**	**% ch**	**Index**	**% ch**
Jan	397,7	3,6	422,9	6,3	447,3	5,8	489,3	9,4	531,4	8,6	566,6	6,6	592,2	4,5
Feb	401,3	4,1	427,3	6,5	450,0	5,3	493,9	9,7	535,9	8,5	569,6	6,3	594,7	4,4
Mar	406,5	5,0	429,5	5,7	453,1	5,5	498,1	9,9	539,6	8,3	572,3	6,1	597,0	4,3
Apr	407,4	5,0	431,1	5,8	457,0	6,0	503,0	10,1	543,7	8,1	574,0	5,6	598,4	4,2
May	407,5	4,2	432,7	6,2	459,4	6,2	506,5	10,3	546,9	8,0	576,0	5,3	600,8	4,3
Jun	409,5	4,4	434,2	6,0	462,9	6,6	509,5	10,1	547,8	7,5	578,0	5,5	603,6	4,4
Jul	413,4	5,6	436,9	5,7	466,0	6,7	511,7	9,8	549,0	7,3	578,3	5,3	605,0	4,6
Aug	414,2	5,9	436,9	5,5	472,3	8,1	517,6	9,6	552,1	6,7	579,8	5,0	606,4	4,6
Sep	415,9	6,2	438,2	5,4	476,4	8,7	520,5	9,3	555,5	6,7	581,9	4,8	609,0	4,6
Oct	417,3	6,3	439,5	5,3	479,5	9,1	522,5	9,0	558,4	6,9	584,4	4,7	612,3	4,8
Nov	419,2	6,5	441,4	5,3	482,8	9,4	525,9	8,9	560,9	6,6	586,8	4,6	614,9	4,8
Dec	420,7	6,6	442,9	5,3	484,3	9,3	527,6	8,9	562,0	6,5	587,9	4,6	616,0	4,8
Avg.	**410,9**	**5,3**	**434,5**	**5,7**	**465,9**	**7,2**	**510,5**	**9,6**	**548,6**	**7,5**	**578,0**	**5,4**	**604,2**	**4,5**

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

Source:

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

Absa home building-cost index

2000 = 100

Quarter	Index	% change on previous year	Quarter	Index	% change on previous year
1997:3	74,0	8,4%	**2005:2**	192,1	12,9%
1997:4	77,1	11,9%	**2005:3**	198,2	13,0%
1998:1	79,7	14,8%	**2005:4**	204,3	13,3%
1998:2	82,3	15,8%	**2006:1**	208,4	12,2%
1998:3	83,5	12,8%	**2006:2**	211,6	10,1%
1998:4	84,0	9,1%	**2006:3**	219,7	10,8%
1999:1	84,2	5,7%	**2006:4**	227,1	11,2%
1999:2	86,6	5,2%	**2007:1**	230,8	10,8%
1999:3	89,4	7,1%	**2007:2**	236,7	11,9%
1999:4	92,2	9,7%	**2007:3**	240,0	9,2%
2000:1	96,1	14,1%	**2007:4**	244,9	7,8%
2000:2	99,4	14,8%	**2008:1**	253,4	9,8%
2000:3	101,5	13,5%	**2008:2**	256,2	8,2%
2000:4	103,0	11,7%	**2008:3**	258,7	7,8%
2001:1	105,3	9,5%	**2008:4**	261,8	6,9%
2001:2	107,5	8,1%	**2009:1**	264,2	4,2%
2001:3	111,4	9,7%	**2009:2**	273,1	6,6%
2001:4	116,0	12,6%	**2009:3**	277,5	7,3%
2002:1	118,9	13,0%	**2009:4**	277,7	6,1%
2002:2	122,1	13,6%	**2010:1**	286,9	8,6%
2002:3	126,7	13,8%	**2010:2**	294,2	7,7%
2002:4	131,8	13,7%	**2010:3**	295,8	6,6%
2003:1	137,3	15,5%	**2010:4**	302,1	8,8%
2003:2	143,1	17,2%	**2011:1**	303,1	5,6%
2003:3	149,0	17,6%	**2011:2**	302,1	2,7%
2003:4	156,4	18,7%	**2011:3**	312,2	5,5%
2004:1	163,8	19,3%	**2011:4**	318,9	5,6%
2004:2	170,2	18,9%	**2012:1**	320,0	5,6%
2004:3	175,3	17,6%	**2012:2**	323,5	7,1%
2004:4	180,2	15,2%	**2012:3**	326,0	4,4%
2005:1	185,8	13,4%	**2012:4**	325,8	2,2%

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
2007	113,9	132,8	122,9	138,4	**127,0**
% ch	10,6	21,6	11,2	17,6	**15,3**
2008	135,4	147,0	141,2	157,5	**145,3**
% ch	18,9	10,6	14,9	13,8	**14,4**
2009	138,7	151,0	140,9	145,6	**144,0**
% ch	2,4	2,7	-0,2	-7,6	**-0,9**
2010	145,7	144,8	142,0	142,4	**143,7**
%ch	5,1	-4,1	0,8	-2,2	**-0,2**
2011	140,8	149,2	147,8	156,7	**148,6**
%ch	-3,4	3,0	4,1	10,0	**3,4**
2012	153,3	156,1	160,5	164,6	**158,6**
%ch	8,9	4,6	8,6	5,0	**6,7**
2013	169,8				
%ch	10,8				

Source:
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The last few months are always subject to change,

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

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

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.