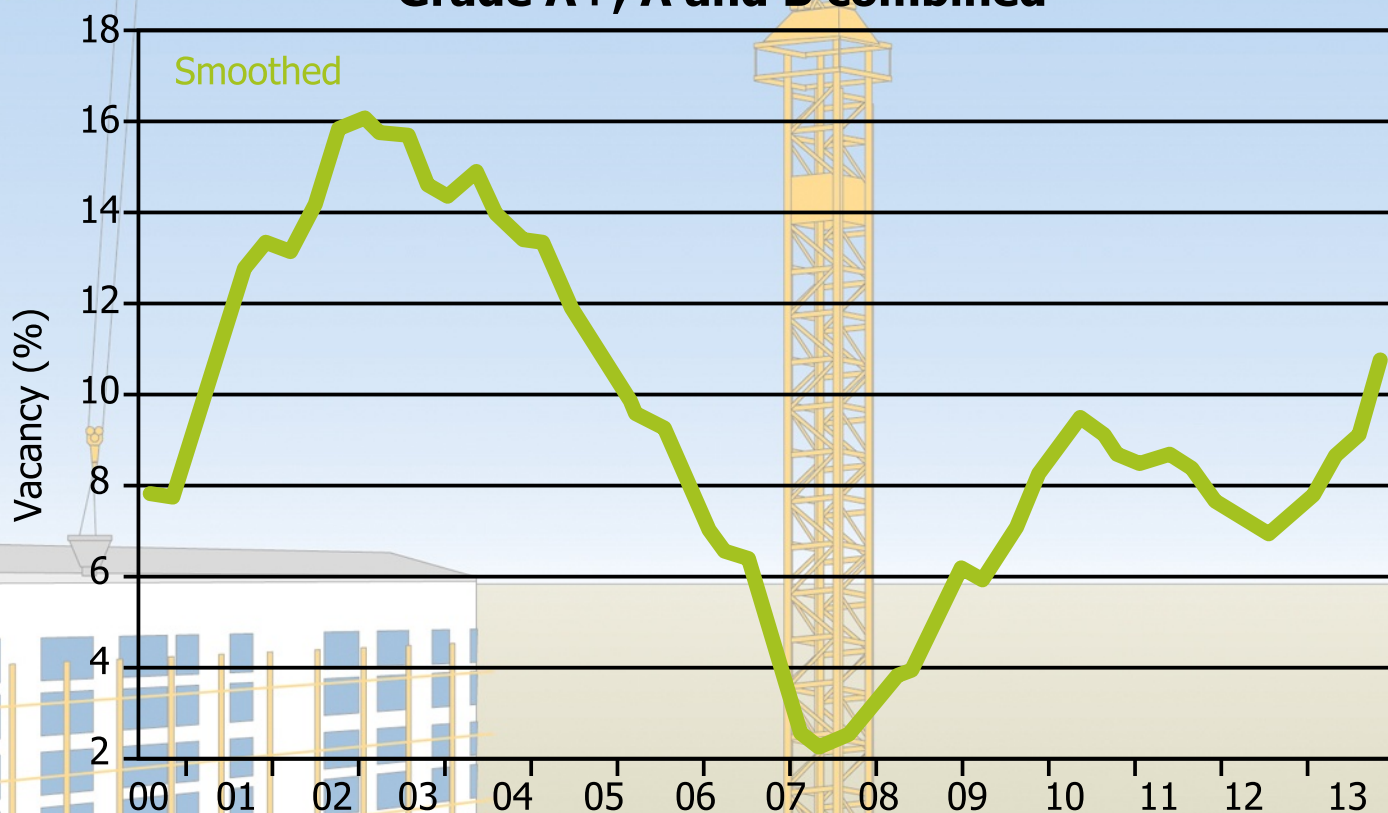


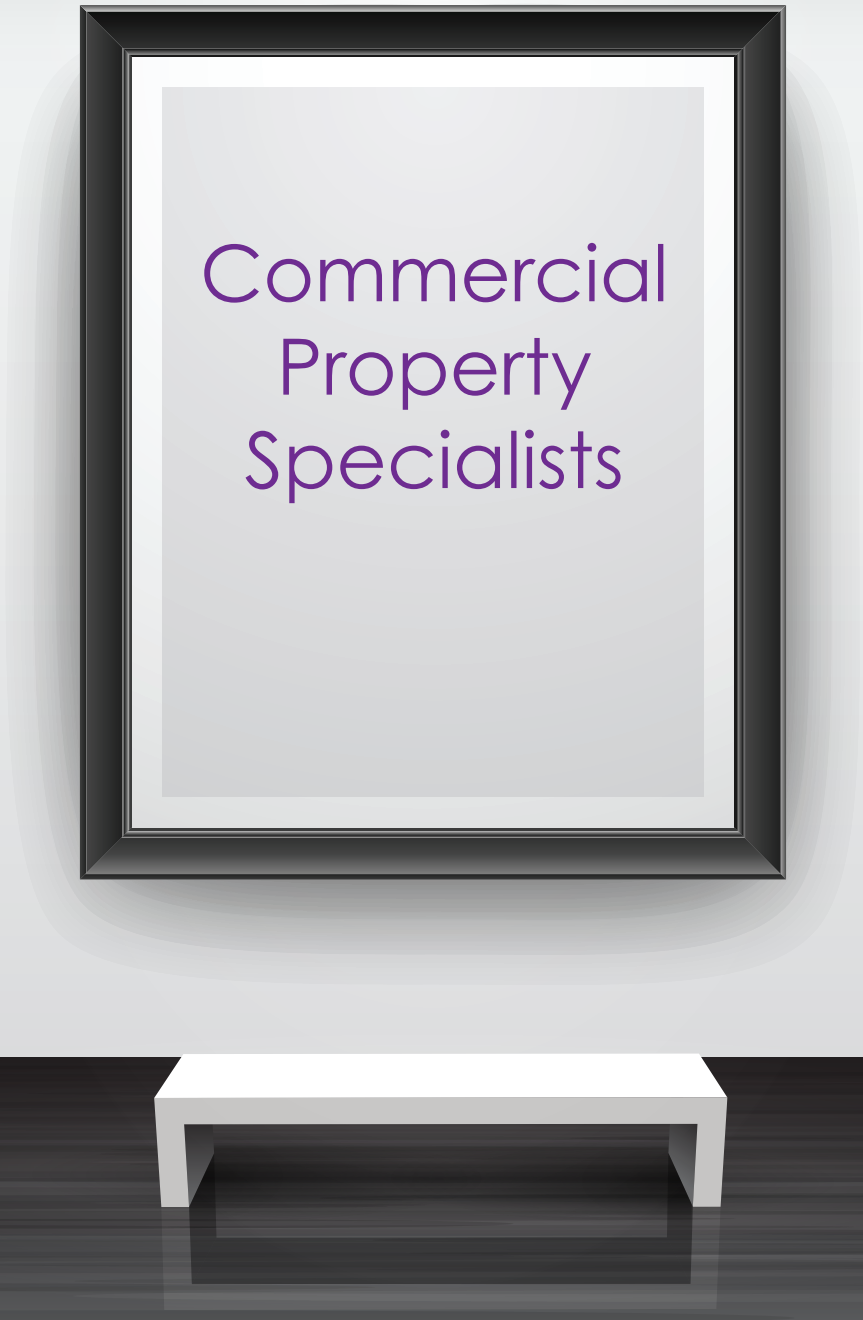
*Office vacancy rates in Sandton rising,
while more space is in the pipeline - p 39*

**Office vacancy rate: Sandton & Environs
Grade A+, A and B combined**



w w w . r o d e . c o . z a

*Office rental growth not too shabby • Industrial rentals in
Durban showing strong growth • An improvement in
building activity, but still below recent historic highs*

A large, dark-framed sign is mounted on a light gray wall. The sign has a white border and a light gray background. The text 'Commercial Property Specialists' is written in purple. A spotlight is positioned above the sign, casting a soft glow. Below the sign is a simple white bench.

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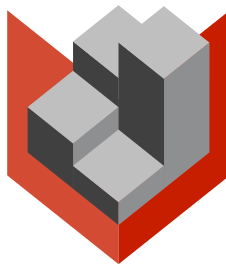
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on the South African Property Market

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Town and regional planning

Overview

As one of the largest independent property valuation firms in South Africa, *Rode & Associates* offers the property industry:

- **Real estate economics and research** – based on statistical models and regular countrywide surveys, which feed three research publications and over 5000 property time series covering more than two decades
- **Property valuation** – including residential, commercial, industrial, agricultural and specialised properties such as hotels, hospitals, dormitories, self-storage facilities, airports, and the like.
- **Property consultancy** – which includes forecasts, overviews, and expert analyses for corporates, government departments and private clients
- **Town and regional planning** – which covers land-use control, spatial planning and integrated development plans, and which holistically incorporates property demand and supply, social, economic, political and environmental factors.

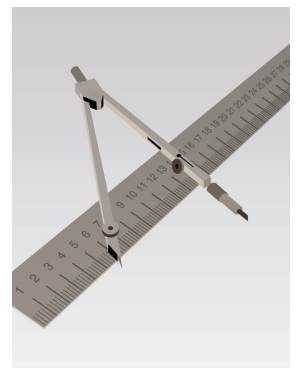


Based in Cape Town, *Rode* serves clients from all over South Africa and Namibia (Windhoek only).

[GROUNDBREAKING RESEARCH]

Over the years, *Rode's* research has led to groundbreaking property models and methodologies. This includes the regular, rigorous surveying of market rental levels and capitalization rates through the expert-panel method of polling to provide more uniform and realistic market valuations. Other breakthroughs include:

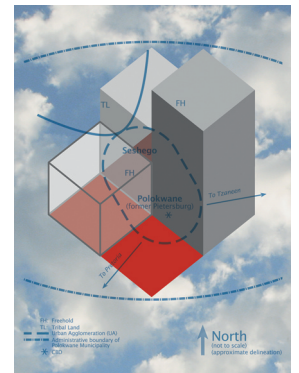
- A unique econometric model to forecast the South African real estate market
- The statistical determination of standard capitalization rates
- Property demand forecasts
- The estimation of market rentals in shopping centres and for industrial premises of various sizes
- Special methodologies to value income-producing properties
- The development of regression models to estimate the capitalization rates of office properties, industrial properties and shopping centres
- The application of multiple regression techniques to value houses Rode's Valuation Method – also known as the opportunity cash flow (OCF) method – to value income-producing properties
- A further refinement to the valuation of land with residential township potential using the direct-comparison method
- A further refinement to the valuation of bare dominiums.



RodePlan

RodePlan specialises in town and regional planning to foster pathways to facilitate 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)
- **Indicator development:** (land markets, land identification, -acquisition and -release)
- **Research:** (spatial planning and implementation, housing delivery programmes and projects)
- **Governmental integrated development planning (IDP):** (process and products), supported by a geographic information system (GIS).

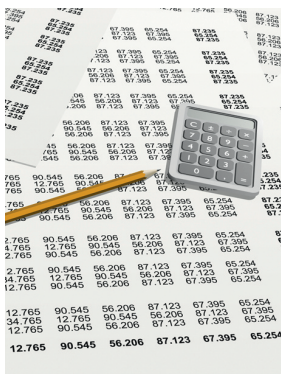


RodePlan focuses on town and development planning processes and products at macro, meso and micro level. *RodePlan* considers an in-depth understanding of the **social, economic, political and environmental elements** that underpin present-day society as fundamental to an SDF and to Housing Sector Plans in order for planning and implementation 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 e.g. Engen Petroleum Limited, Urban LandMark, Gauteng Provincial Government Department of Economic and Development Planning, Cape Winelands District Municipality, Bergrivier Municipality, Umoya Energy (Proprietary) Limited, G7 Renewable Energies (Pty) Ltd, Plan 8 (Pty) Ltd, South Africa Mainstream Renewable Power Developments (Pty) Ltd, Solairedirect (SA), Ignite Advisory Services (Pty) Ltd and Aurecon.

Recent appointments include: To obtain land-use rights for more than 10 renewable energy facilities in the Western-, Eastern- and Northern Cape and for all provincially operated borrow pits in the Western Cape.

Rode Valuations



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 hotels, hospitals, bare dominiums, airports, etc.

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.

[SHOPPING CENTRES]

In the retail field, *Rode* is considered South Africa's premier shopping-centre valuer due to the firm's technique of calculating market rentals and standard capitalization rates. The firm regresses actual rental rates of recently signed leases against their floor area size to determine the relationship between the market-rental rate and floor area. The latter is a useful tool which landlords can employ to their advantage when negotiating renewals.

[FARM VALUATIONS]

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

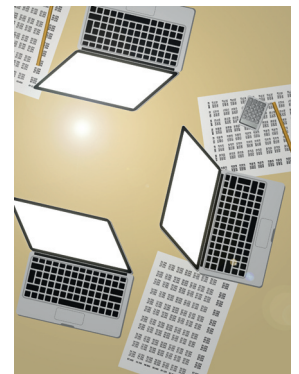
[SPECIALIST PROPERTIES]

Rode Valuations has done pioneering research on a number of specialist-property typologies, and we regard ourselves as leading valuers with respect to hospitals, self-storage facilities, hotels, retirement villages, bare dominiums (leased fee estates in American parlance) and airports.

Rode Consult

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
- Development of a comprehensive policy framework for the identification and release of land for human settlements
- Analysing the property market in Bloemfontein and other Free State towns
- Acting as expert witness in arbitration and litigation
- Consulting for spatial and development planners and economists.



Rode Publications

[RODE'S REPORT ON THE SOUTH AFRICAN PROPERTY MARKET]



Rode's 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 vacancies, building cost and the property cycle. 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 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 SALES]

This is an online database that analyses and *reports on actual commercial and industrial property sales, as well as vacant land sales*. It is specifically designed with a view to assist anyone who has to determine the capitalization rates of income-producing non-residential properties, or the market value of vacant land. It is meant to be complementary to *Rode's Report*, of which the quarterly surveys are opinion-based.

[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 biennially
- Price on enquiry



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Sanett Uys, marketing manager, *Colliers International (SA)*: "The work Konrad did for us has been outstanding! His customer services are great and his creativity exceptional. He is willing to think out of the box and come up with new ideas ..."

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DV	Dan Viljoen Estates	0116832345
DW	Divaris Property Brokers	0215311551
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EB	Era Sun Kuruman	0537123503
ED	Edric Trust	0514489431
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EH	Ermelo Homenet	0178192880
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JL	Just Letting City Bowl	0214233344
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JL	Just Letting Uitenhage	0419924316
JL	Just Letting	0145928100
JP	John Price Estates	0415833903
KB	Key Properties	0123484800
KE	Keydom Real Estate	0132826187
KI	Kitchings Agencies	0419229870
LA	Landlords "We do Rentals"	0219751770
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LZ	Life Residential	0214243969
MAS	Massyn Acquisitions	0123452576
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MI	Platinum Global	0514474711
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MO	Moolman Group of Companies	0152914700
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MR	Marder Properties	0114531220
MUL	Multi Properties	0448746707
MW	Mc William Murray Realty	0312674800
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QV	Boyd Valuations	0861111789
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REW	Real Estate @ Work	0836328011
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RO	Reef Property Consultants	0116821827
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SO	Stockland Property Group	0835565564
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TR	Trafalgar Property Services	0112145200
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TR	Trafalgar Property & Financial Services	0313017017
TR	Trafalgar Property Services Southern Suburbs	0214105500
WK	Wakefields Property Management (Pty) Ltd	0312047400
ZB	Sotheby's International Realty PE	0413630168
ZC	SBI Properties	0114851087
ZE	Zenith Properties	0562123207
ZZ	Broll	0214197373



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CONSTRAINED BY FUNDING CHALLENGES?

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Email: immaculates@gpf.org.za
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GAUTENG PROVINCE
HUMAN SETTLEMENTS
REPUBLIC OF SOUTH AFRICA



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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. Nicole Maythem, who manages the surveys and compiles the annexures and Lynette Smit and Juwayra Januarie 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 first issue of ***Rode's Report on the South African Property Market (RR)*** for 2014, which reports on surveys conducted in the fourth 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.

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.

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.

Happy reading!

Sincerely



John S. Lottering
Editor

March 2014

A one-of-a-kind factory deserves the same kind of financing.

Efficient Engineering, a company specialising in steel fabrication, was started in 1968. Their hard work and vision kept them growing steadily, and more recently they achieved incredible growth. Since 2007, Efficient Engineering trebled in size. Naturally, they needed a new, bigger facility. And who better to turn to than FNB, Efficient Engineering's financial partner of

24 years? With the in-depth knowledge that we had acquired through our relationship with Efficient Engineering, we were able to tailor-make a financial solution that had their new factory up and running in no time. FNB looks forward to watching them grow even further. Which just goes to show that if your business is going far, we can help you get there.



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Chapter 1: State of the property market

State of the property market in quarter 4 of 2013

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

- Office rental growth not too shabby
- Industrial rentals in Durban showing strong growth
- An improvement in building activity, but still below recent historic highs

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 2013:4) with that collected a year earlier.

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

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

Office rentals

Despite office vacancy rates that stubbornly refuse to drop, the growth in market rentals in some of the country's top office nodes is not too shabby.

In the fourth quarter of 2013, nominal market rentals in Durban decentralized (+5%) showed the strongest growth. Cape Town and Pretoria decentralized recorded growth of 4% while in Johannesburg decentralized, rentals were up by about 3%. Over the same period, we estimate building-cost inflation — overall tender price inflation — to have shown growth of about 6%, which is roughly in line with the 7% growth in building-input prices. Nonetheless, the estimated 6% growth in building costs implies that, at the regional level, rentals were unable to show growth in *real* terms.

However, looking at decentralized averaged-rental growth often hides what's happening within the individual office nodes. A closer look within Johannesburg decentralized reveals nominal growth of 8% in the Sandton CBD. The strong rental growth in Sandton might, however, not be sustained in light of the node's high vacancy rate and the huge amount of additional office space that is in the pipeline. Other office nodes that showed decent inflation-beating growth in rentals were Menlyn (+12%), Century City (+10%), Brooklyn (+8%) and Illovo (+7%).

Industrial market

Growth in industrial rentals in Durban has been heating up, so much so that in recent quarters this city has been showing the strongest growth amongst the major industrial regions.

During the fourth quarter of 2013, prime industrial rentals in Durban were up by an impressive yearly rate of 9%. As for rental growth in the country's other major industrial conurbations, rentals on the East Rand were able to show growth of 5%. In the Central Witwatersrand and the Cape Peninsula, rental growth of 2% was recorded, while in Port Elizabeth rentals were unable to show any growth. We estimate building costs — overall tender prices — to have shown yearly growth of about 6% during the fourth quarter of 2013. This is roughly in line with the 7% growth in building-input prices. Thus, the estimated 6% growth in building costs implies that Durban was the only industrial conurbation which saw real growth in market rentals.

For now, conditions in the manufacturing sector remain challenging. This naturally places a lid on the demand for industrial space and might keep rentals growing at moderate rates. Naturally, the weak rand (not to mention its potential to weaken even further) will make S.A. goods internationally more competitive – but only for the time being, until inflation catches up.

Flat rentals

During the fourth quarter of 2013, rentals of townhouses were able to show the best yearly growth of roughly 5%, albeit from a low base. This was followed by flats and houses, whose rentals were up by about 3% on a national basis.

Regionally, flat rentals in Cape Town were the best performer as rentals here showed growth of 8%. However, the rental performances in Johannesburg, Pretoria and Durban were not as impressive, with modest flat rental growth of around the 2% mark. As a reference point, during the fourth quarter of 2013, consumer prices (excluding owners' equivalent rent) showed growth of just below 6%.

For now, lacklustre economic activity and the damper it places on the growth in employment will most likely continue to be unsupportive of households' financial position. The outcome of this will be continued modest growth in residential rentals.

The house market

Notwithstanding differences in growth trends, the main house price indices are for now at least in agreement on the rate at which house prices are appreciating.

According to the Absa index, the yearly growth in national house prices has in recent months been losing some of its momentum, while according to the FNB index it has heated up slightly. Both indices were, however, in agreement that in February 2014, national house prices were up by a yearly rate of roughly 8%.

Nonetheless, there remain headwinds that are likely to place a damper on the growth in house prices. Consider here:

- Still-high household debt-to-disposable income levels. Although credit-risk profiles did improve slightly during the fourth quarter of 2014, the debt-to-disposable income ratio remains uncomfortably high at 74%.
- Slumping consumer confidence levels, which might affect the willingness of households to make substantial financial commitments such as buying a house.
- The continued rise in property running costs such as property taxes and electricity, which naturally undermine the effective demand for housing ownership.
- Lacklustre economic growth and its damper on growth in employment and disposable income.■

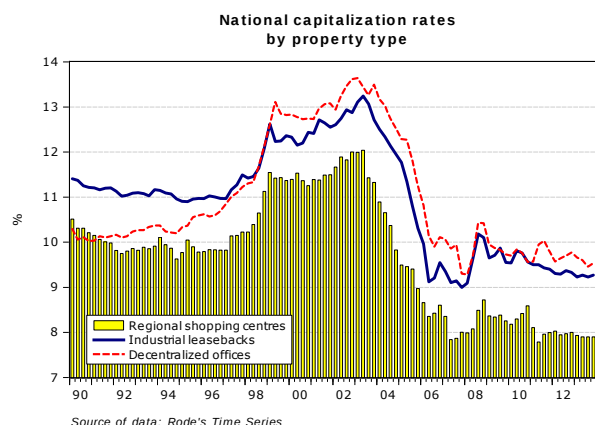
Chapter 2: Capitalization rates

Office property capitalization rates firming ever so slightly

Written by John S. Lottering

Despite the weakness in non-residential property fundamentals, capitalization rates have in recent years been able to move marginally south and sideways.

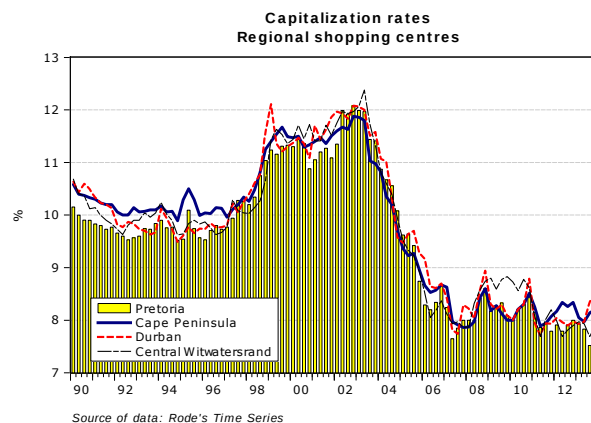
For now, however, a risk to the capitalization-rate outlook is the possibility of a rising (weakening) trend in the income yields of listed funds, should yields on long bonds increase. Consider here the possible effect that a slumping rand (through its effect on inflation expectations) and the US Fed's tapering of its QE programme might have on SA long-bond yields. Thus, an increasing trend in the income yields of listed property might result in the funds becoming less aggressive in the prices they are prepared to pay for directly-held property, considering the potential for earnings dilution.



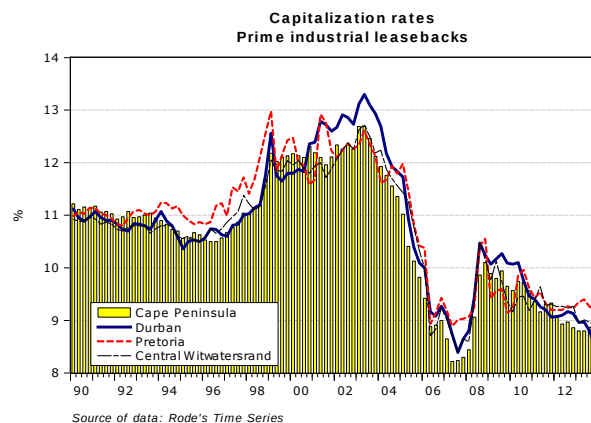
Shopping centres

As for shopping centre capitalization rates, regional centres' income yields in the major

metropolitan areas remained at about their previous-quarter levels. In the fourth quarter of 2013, investors in regional shopping centres required a forward *net* income return of between 7,% and 8,2% to induce them into buying or selling regional centres. Our respondents were of the opinion that investors interested in buying or selling community and neighbourhood centres were willing to do so at average forward *net* income yields of roughly 9% and 10% respectively.



Prime industrial leasebacks

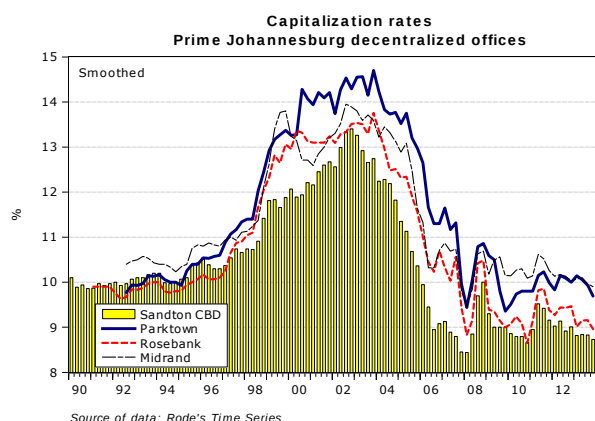


Capitalization rates on industrial leasebacks in Durban were marginally lower than what they were in the previous quarter. Here, capitalization rates on prime industrial property with a leaseback covenant averaged 8,4%, with a standard deviation of 0,6%, which, as the reader might know, means that investors are (statistically) likely to buy or sell at anything from 7,8% to 9%. In the other major industrial conurbation, prime industrial leaseback capitalization rates stood at about 9%.

Prime offices

Johannesburg decentralized

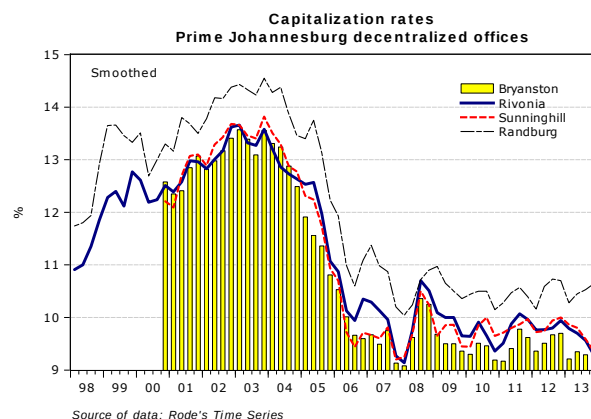
In recent quarters, office property capitalization rates have been able to firm, ever so slightly. Again, a possible explanation for this might have been the general decline in the income yields of listed funds in recent years. This, naturally, enabled these funds to buy up quality office property at lower capitalization rates without being too concerned that their earnings might be diluted. Still, one of the biggest risks to the office property capitalization rate outlook remains office property vacancy rates that are finding it hard to drop on the back of weak demand for office space (see [Chapter 6](#)).



As for office capitalization rates in Johannesburg decentralized, the Sandton CBD (8,7%) once again recorded the lowest grade-A multi-tenanted capitalization rate. The lower perceived risk associated with expected income streams and the expected higher growth in *net* income of owning a property in Sandton, compared to other Johannesburg office nodes, might explain

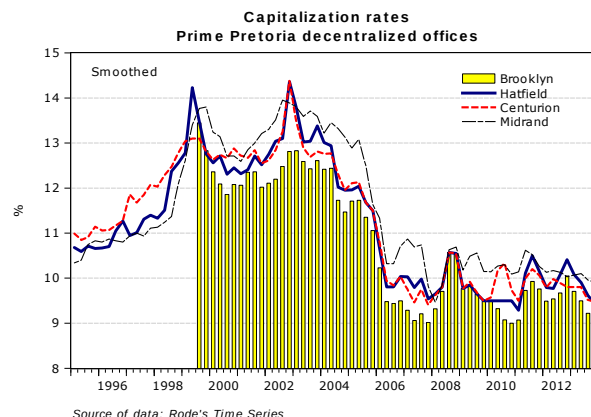
the Sandton CBD's lower capitalization rate. In recent quarters, however, office vacancy rates have been ticking up in Sandton. At the same time, huge amounts of new office space are committed to being developed (see [Chapter 6](#)). Should investors view these as being unfavourable to expected income streams, the outcome might be upward pressure on capitalization rates in Sandton.

In the other Johannesburg decentralized office nodes, capitalization rates on grade-A multi-tenanted property ranged between 9% and 10,7%.



Pretoria decentralized

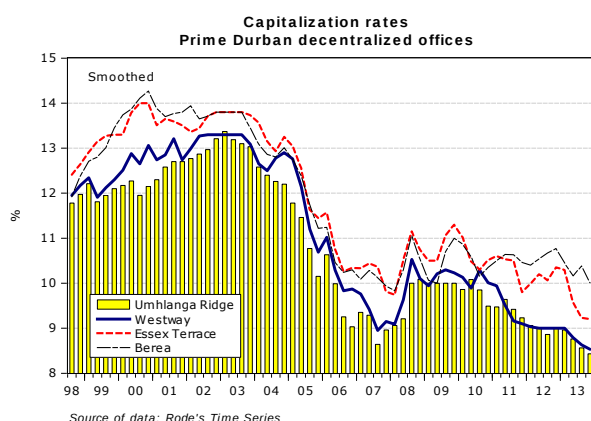
During the reporting quarter, capitalization rates in popular Pretoria decentralized office nodes such as Centurion, Hatfield, Brooklyn and Midrand again varied between 9% and 10%.



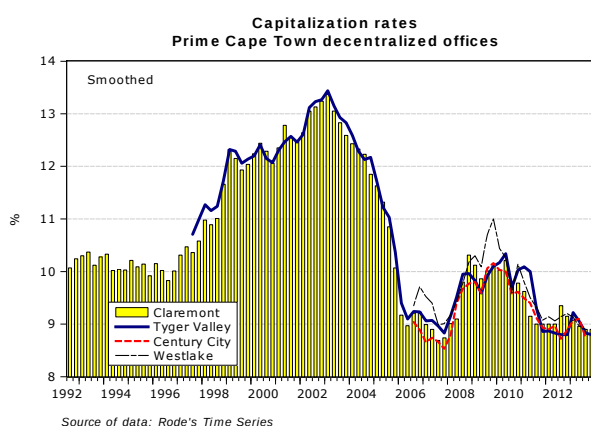
Durban decentralized

In Durban decentralized, the grade-A multi-tenanted office capitalization rates

ranged between as low as 8,4% in La Lucia / Umhlanga Ridge to as high as 10,5% in Berea. Berea's higher capitalization rate might be related to it having a higher vacancy rate relative to the other Durban decentralized office nodes. Berea has become unfashionable.

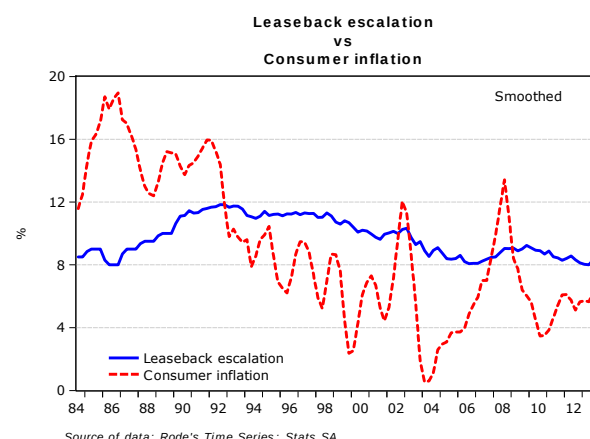


Cape Town decentralized



In the fourth quarter of 2013, our respondents were of the opinion that investors required a minimum *net* income return of just below 9% to buy or sell grade-A multi-tenanted property in Cape Town decentralized office nodes such as Tyger Valley, Century City, Westlake and Claremont.

Leaseback escalation rates



In the fourth quarter of 2013, the average leaseback escalation rate was 8,2% (see **Table 2.1**). As the reader might know by now, the escalation rate is an attempt by the market to forecast the average growth in market rentals until the expiry of the lease.

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

Table 2.1
Prime industrial leaseback escalation rates
Quarter 2013:4

Mean	SD	N	Change: 2013:4 less 2013:3	Broker-contributor codes
8,2	0,7	12	-0,2	AI, BW, CC, EK, EQV, HS, IPM, MW, PC, QU TH, ZC

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. xiv.

Table 2.2
Survey of capitalization rates (%)
Office buildings
Means for quarter 2013:4

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

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 2013:4 less quarter 2013:3

Best location	Grade A: multi	Grade A: leaseback	Grade B: multi	Grade C: multi	Broker & owner contributors
Johannesburg CBD	0,2	0,0	0,0	0,1	QU, RD, REW, TH
Braamfontein	0,3	0,0	0,0	0,0	QU, RD, REW, TH
Parktown	0,0	-0,1	0,0	0,0	QU, RD, TH
Rosebank	0,0	0,0	0,0	0,0	QU, RD, TH
Sandton CBD	0,0	0,0	0,0	0,0	QU, RD, TH
Rivonia	0,0	0,0	0,0	0,0	QU, RD, TH
Bryanston	0,0	-0,1	0,0	-0,5	QU, RD, TH
Sunninghill	0,0	-0,4	0,0	-0,3	QU, RD, TH
Randburg Ferndale	0,2	0,0	0,0	0,0	QU, REW, TH
Midrand	0,0	0,0	0,0	-0,6	QU, TH
Germiston CBD	0,0	0,0	0,0	0,0	TH
Pretoria CBD	-0,4	-0,9	-0,1	-0,2	AI, MAS, QU, RD, TH
Hatfield	-0,2	-0,3	0,2	0,3	AI, QU, RD, TH
Brooklyn	-0,2	-0,3	0,0	0,2	AI, QU, RD, TH
Centurion	0,2	-0,3	0,1	0,0	AI, QU, RD, TH
Menlyn/Lynnwood	-0,2	-0,3	0,0	0,2	AI, QU, TH
Vaal Triangle	0,0	0,0	0,0	0,0	QU, TH
Nelspruit	-0,0	0,0	-0,1	0,0	QU, TH
Polokwane	-0,3	0,2	-0,1	0,3	QU, TH
Durban CBD	-0,2	0,0	0,0	0,1	MW, PPI, QP, QU, TH
Berea	-0,6	0,0	0,1	-0,0	PPI, QP, QU, TH
Essex Terrace	0,0	0,0	0,1	0,0	PPI, QP, QU
Westway	-0,1	-0,1	0,2	0,0	MW, PPI, QP, QU
La Lucia Ridge	-0,1	-0,1	-0,2	-0,1	MW, PPI, QP, QU, REW, TH
Pietermaritzburg	0,0	1,0	0,1	0,2	PPI, QU, TH
Cape Town CBD	-0,2	0,0	-0,1	-0,8	GB, HP, QU, REW, TH
Bellville CBD	-	0,0	0,0	0,0	QU
Bellville Tyger Valley	0,0	0,0	0,0	-	QU
Century City	-0,1	0,0	0,0	-	HP, QU, REW
Westlake	0,0	0,0	0,0	-	HP, QU
Claremont	0,0	0,0	0,0	-	QU
Port Elizabeth	0,1	-0,1	0,2	-0,2	HS, IPM, QU, QV, TH
East London	0,2	0,0	1,0	-	QU
Bloemfontein CBD	-0,0	0,1	-0,0	-0,1	BW, CC, CN, EK, JH, 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 2013:4

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

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 2013:4 less quarter 2013:3

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

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

Table 2.6
Survey of capitalization rates (%): shopping centres
Means for quarter 2013:4

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

n = Number of respondents

— = Not available

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

Table 2.6 (continued)
Survey of capitalization rates (%): shopping centres
Means for quarter 2013:4

Best location	Neighbourhood			Local convenience			Retail warehouse		
	Mean	SD	n	Mean	SD	n	Mean	SD	n
Witwatersrand	9,7	0,2	2	10,6	0,1	2	9,5	0,0	2
Pretoria	10,2	0,8	4	11,0	0,6	4	9,8	0,4	4
Vaal Triangle	10,0	0,0	2	10,8	0,1	2	9,9	0,1	2
Nelspruit	9,9	0,0	2	10,8	0,0	2	9,9	0,1	2
Polokwane	10,1	0,2	2	10,9	0,1	2	9,9	0,1	2
Durban	9,8	0,1	2	10,6	0,1	2	9,7	0,1	2
Pietermaritzburg	10,2	0,2	2	10,9	0,1	2	9,9	0,1	2
Cape Town	9,0	0,4	3	9,5	0,8	3	9,1	0,4	3
Port Elizabeth	10,1	0,5	5	10,7	0,6	5	9,9	0,2	5
East London	10,2	-	1	11,2	-	1	10,8	-	1
Bloemfontein	10,0	0,0	6	10,8	0,3	6	10,8	0,7	5
Platteland	10,2	-	1	11,0	-	1	10,5	-	1
Townships	10,2	0,1	2	10,7	0,2	2	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 2013:4 less quarter 2013:3

Best location	Super regional	Regional	Community	Broker & owner contributors
Witwatersrand	-0,3	-0,2	0,0	QU, REW, TH
Pretoria	-0,2	-0,2	0,3	AI, MAS, QU, TH
Vaal Triangle	0,0	0,0	0,0	QU, TH
Nelspruit	-0,1	-0,0	0,2	QU, TH
Polokwane	0,0	0,0	0,0	QU, TH
Durban	1,6	0,0	0,0	PPI, QU, TH
Pietermaritzburg	0,0	-0,1	0,0	QU, TH
Cape Town	0,2	0,1	0,1	GB, QU, TH
Port Elizabeth	0,0	-0,3	0,2	IPM, QU, QV, REW, TH
East London	-	-	0,0	QU
Bloemfontein	0,0	0,2	-0,1	BW, CC, CN, EK, QU, TH
Platteland	-	-	0,0	QU
Townships	-	-	0,0	QU, TH

Table 2.7 (continued)
Change in capitalization rates (% points): shopping centres
Means for quarter 2013:4 less quarter 2013:3

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

Table 2.8
Survey of capitalization rates (%) : street-front shops
Means for quarter 2013:4

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

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 2013:4 less quarter 2013:3

Best location	Metro CBD	Decentralised	Broker & owner contributors
Witwatersrand	0,0	0,0	QU, TH
Pretoria	-1,2	-0,2	AI, QU, TH
Vaal Triangle	0,0	0,0	QU, TH
Nelspruit	0,0	-0,1	QU, TH
Polokwane	0,3	0,0	QU, TH
Durban	1,1	0,0	PPI, QU, TH
Pietermaritzburg	0,0	0,0	QU, TH
Cape Town	-0,3	-0,3	GB, QU, TH
Port Elizabeth	0,1	-0,2	HS, IPM, QU, QV, TH
East London	0,0	0,0	QU
Bloemfontein	0,1	0,1	BW, CN, EK, QU, TH

Chapter 3: Capitalization-rate equations

How to estimate capitalization rates – anywhere

Updated by John S. Lottering

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

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

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

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

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

Office-building equation

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

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

The updated equation is:

$$\text{office capitalization rate \%} = 14,169 - (0,0415 * \text{gross rental})$$

where

gross rental = the gross market rental rate per rentable m² per month for grades A, B or C office buildings in quarter 2013:4.

The correlation coefficient $r = -0,79$. The standard error (SE) is 0,77 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 R28/m²/month to R156/m²/month

Example:

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

$$\text{office capitalization rate \%} = 14,169 - (0,0415 * 60) = 11,7\%$$

Industrial-property equation

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

The gross market rental rates are those applicable to 1 000-m² units. The source of the data is this issue of *Rode's Report*. The **industrial-regression equation**, which is based on 30 observations, includes all primary and secondary industrial cities.

The updated equation is:

$$\text{industrial capitalization rate \%} = 12,483 - (0,0677 * \text{gross rental})$$

where:

gross rental = the gross market rental per rentable m² per month as in quarter 2013:4 for stand-alone prime non-leaseback or prime industrial parks or stand-alone secondary industrial space of 1 000 m², located in primary and secondary industrial cities.

The correlation coefficient $r = -0,7$. The standard error (SE) is 0,4 and $n = 30$.

It is not advisable to use this function for gross market rental rates that fall much outside the range of R22/m²/month to R46/m²/month. Also, remember to use the rental rate applicable to a notional area of 1 000 m² (even if the actual floor area is completely different).

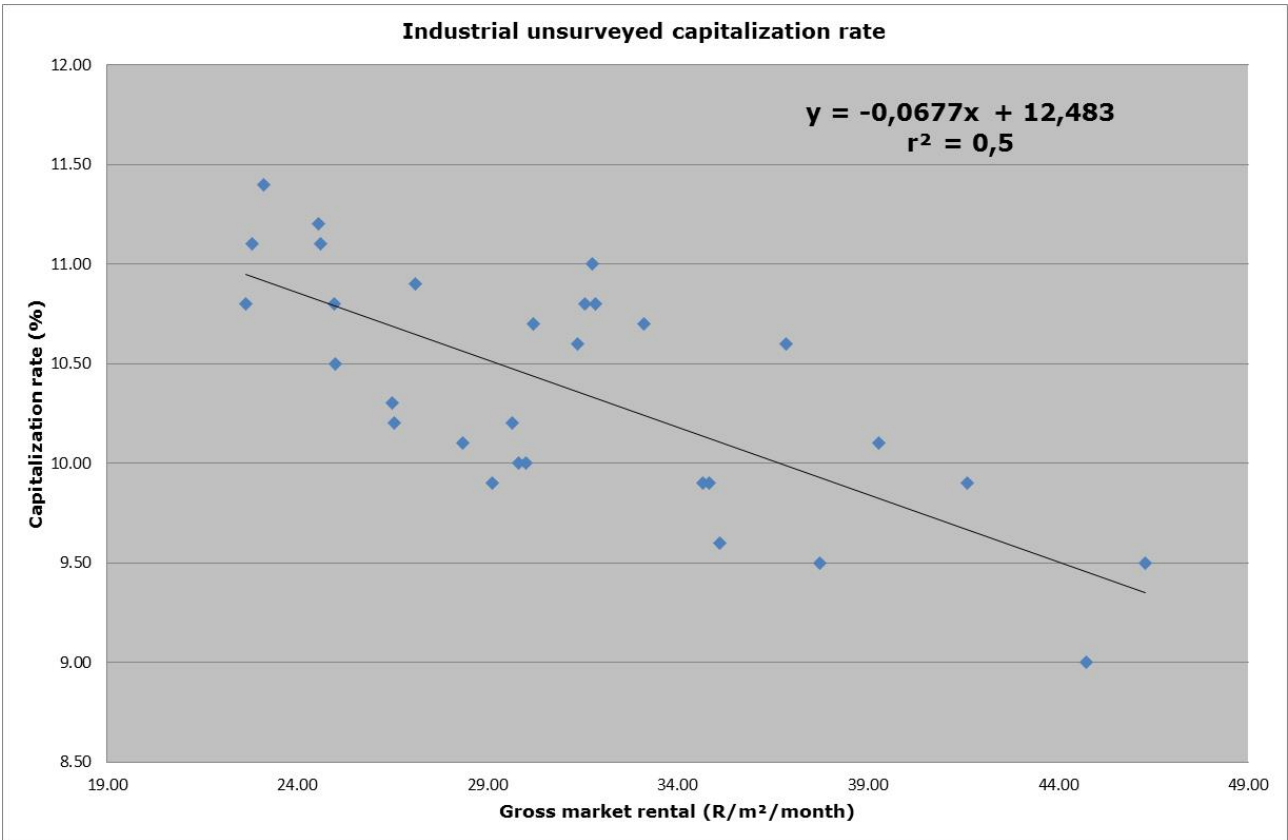
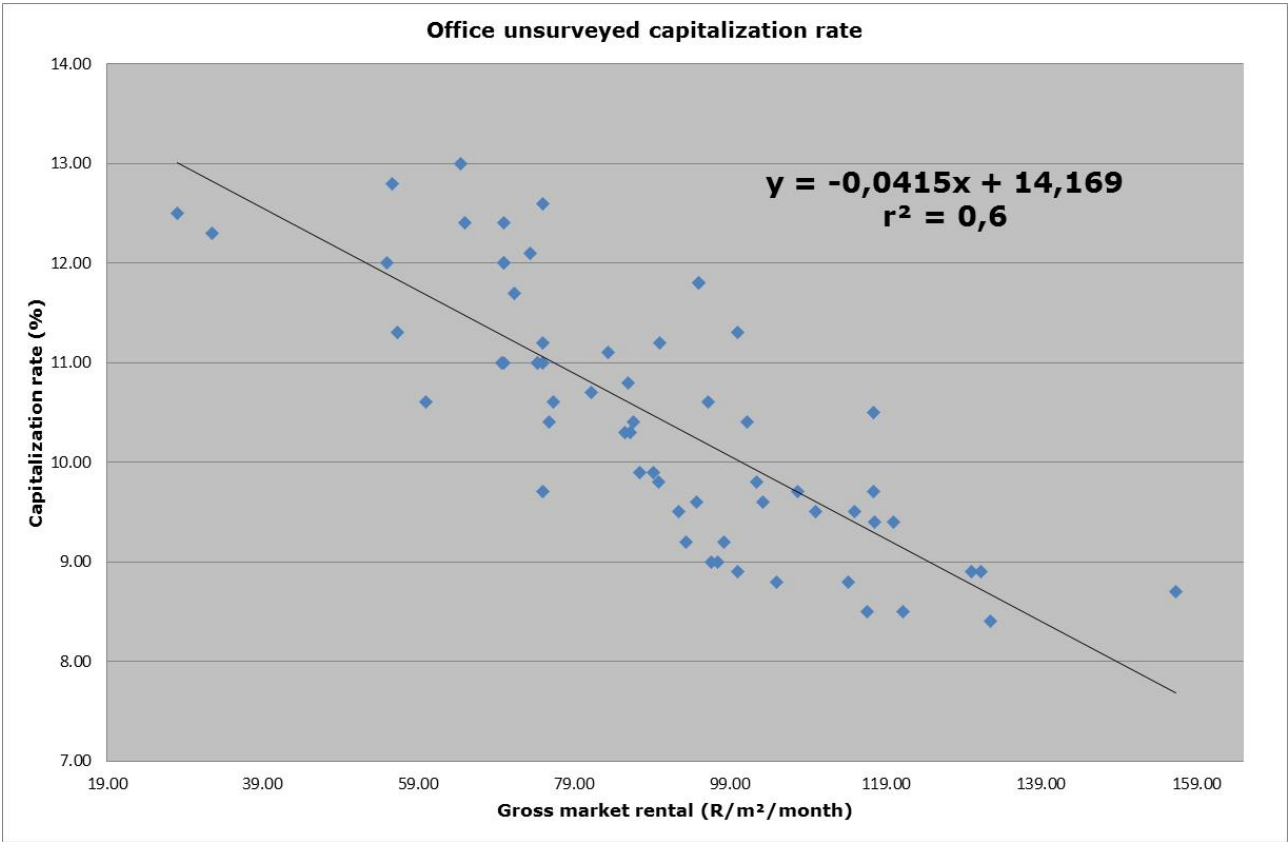
Example:

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

$$\text{industrial cap rate \%} = 12,483 - (0,0677 * 20) = 11,1\%.$$

Warning:

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

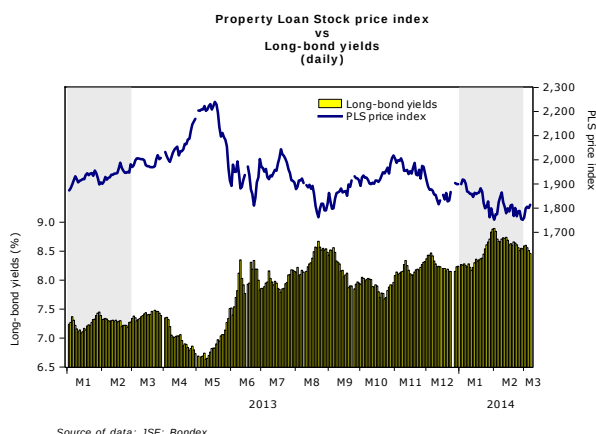


Chapter 4: Listed property

Listed property opening the year on a low

Written by John S. Lottering

Listed property opened 2014 on a low with prices still seemingly reeling from the effects of weaker and volatile capital markets.



Local government bonds and listed property stocks have been volatile since May 2013 when the U.S. Federal Reserve

announced that it might start tapering its monthly bond purchases – a process known as quantitative easing. The outcome of this announcement was a global sell-off in bonds and a concomitant weakening (rising) of S.A. long-bond yields. This, in turn, also meant a de-rating of S.A. listed property and a fall in prices. In fact, such has been the fall in prices that for the first two months of 2014, property-loan-stock (-6%) and property-unit-trust (-9%) prices were on average lower when compared with the first two months of 2013.

As for the performance of the S.A. listed property sector compared to its peers, **Table 4.1** shows that for the 12-month period ended February 2014, listed property was the second-worst performer — in terms of total returns — among the traditional asset classes.

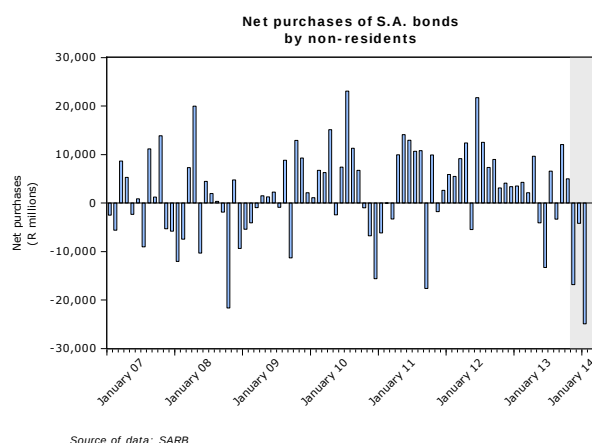
Table 4.1
Asset class performance
Total returns (including income yield and capital return)
February 2014

	month-to-date	12-month period
Equities	4,88%	22,08%
Bonds	2,44%	-0,97%
SA Listed Property	4,66%	-0,31%
Cash	0,41%	5,21%

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

Note the good correlation of listed property with bonds over the 12-month period.

For now, the biggest risk to the listed property sector remains weakness and volatility in capital markets. The better-than-expected job growth in the U.S. during February 2014 might naturally give the U.S. Fed good reason to continue to reduce its monthly bond purchases. This could in turn mean continued weakness and unpredictability in S.A. capital markets. Nonetheless, already ominous signs of faintness in S.A. capital markets must be the current loss of some of the appeal of S.A. bonds to international investors. Between November 2013 and January 2014, foreigners were *net* sellers of S.A. bonds.



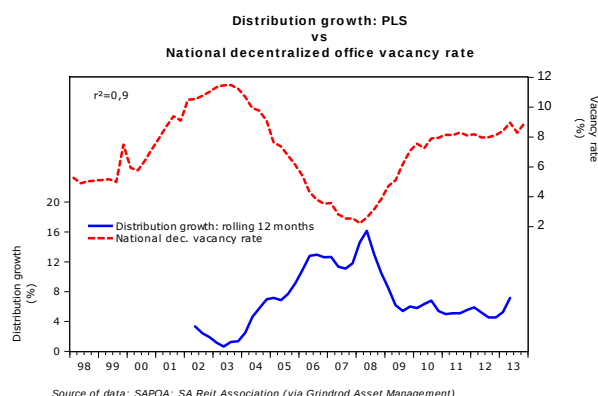
Regarding the outlook for the growth in listed property distributions, the short- to medium-term prospects for non-residential property fundamentals remain hesitant. The deterioration in consumers' credit health and the seemingly persistent slump in consumer confidence levels may continue to dampen the outlook for growth in retail sales volumes; not to mention the effect that rising petrol prices and interest rates might have on the shopping budgets of households. This would not bode well for retailer trading densities and rental growth.

As for industrial property, conditions in the manufacturing sector remain challenging. This naturally places a lid on the demand for industrial space and keeps

rentals growing at moderate rates. Naturally, the weak rand (not to mention its potential to weaken even further) will make S.A. goods internationally more competitive – but only for the time being, until inflation catches up.

Regarding office property, low levels of business confidence and cooling growth in output produced by the services sector is likely to dampen the demand for office space. The result of this will most likely continue to be office vacancy rates that steadfastly refuse to drop.

The graph which follows shows, for example, the very strong negative relationship between the growth in distributions of listed funds and national decentralized office vacancy rates.



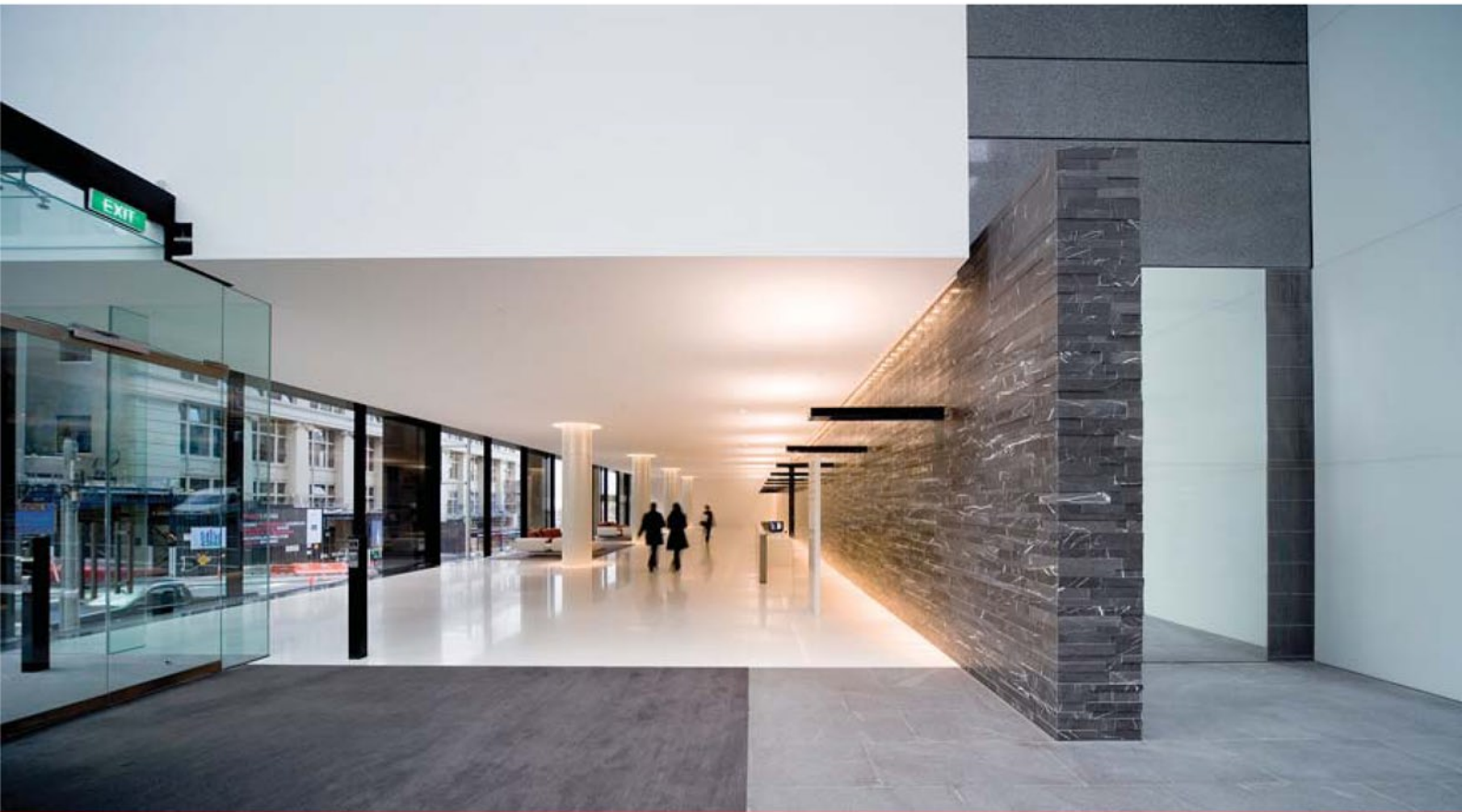
Of course, some listed property funds were during 2013 still able to report decent growth in distributions, that is, in excess of consumer inflation. One explanation for this is that funds are able to improve their cash flows by buying in directly-held property portfolios at cash-flow enhancing prices. This might, however, come to an end should listed-property yields follow long-bond yields north.

Read here the possible effect that a slumping rand (through its effect on inflation) and the U.S. Fed's tapering of its QE programme might have on S.A. long-bond yields (through waning foreign interest in S.A. bonds).

Table 4.2 shows the individual performance of listed property funds for different periods to the end of February 2014 (ex S.A. Reit Association).

This concludes our chapter on listed property.■

Table 4.2 Total return on listed property funds to February 2014 Individual stock performance		
	3-month performance to February 2014	12-month performance to February 2014
Acucap	-6,8%	-8,1%
Annuity	4,3%	0,6%
Arrowhead A	-01%	-2,8%
Arrowhead B	0,5%	-0,6%
Ascension A	9,5%	13,2%
Ascension B	4,1%	10,9%
Capital	-1,5%	-0,9%
Delpop	-9,2%	-0,1%
Dipula A	-3,3%	-1,0%
Dipula B	-5,9%	-18,3%
Emira	-6,0%	-0,8%
Fairvest	-8,6%	-4,3%
Fortress A	-0,4%	2,2%
Fortress B	11,1%	36,3%
Fountainhead	1,5%	-9,5%
Growthpoint	-2,2%	-8,9%
Hospitality A	-1,2%	1,6%
Hospitality B	-1,1%	27,0%
Hyprop	3,7%	13,0%
Investec Prop	-8,4%	-12,8%
Octodec	-14,9%	-3,5%
Premium	-9,4%	-6,7%
Rebosis	-7,9%	1,1%
Redefine	-2,2%	2,5%
Resilient	3,4%	12,2%
SA Corporate	-3,0%	3,0%
Sycom	-8,5%	-13,5%
Synergy A	14,1%	3,9%
Synergy B	13,1%	14,5%
Tower	-0,1%	
Vividend	0,6%	-2,0%
Vukile	-1,4%	-2,6%
Vunani Prop	-3,4%	1,4%
<i>*Cumulative growth over period. Total return includes income yield and capital return.</i> <i>Source: S.A. Reit Association (via Grindrod Asset Management)</i>		



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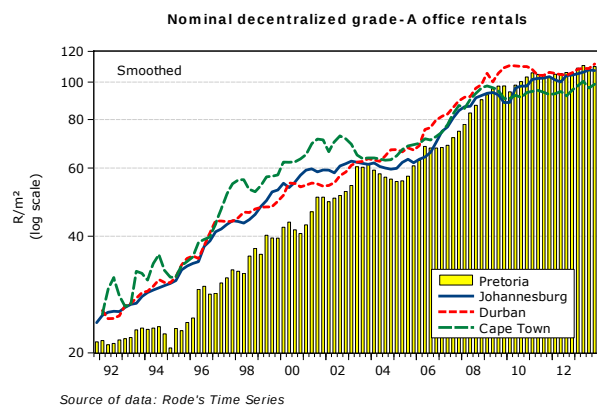
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Chapter 5: Office rentals

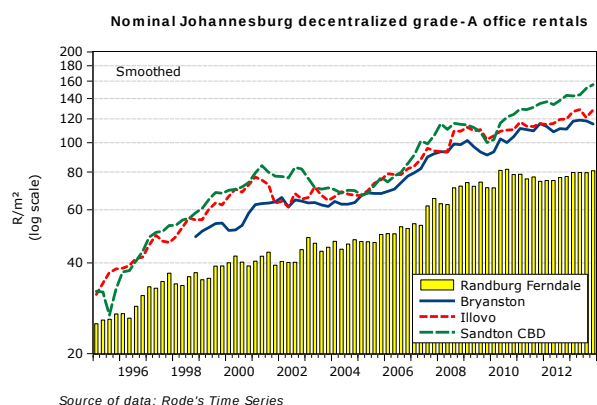
Rental growth not too shabby

Written by John S. Lottering

Despite office vacancy rates that stubbornly refuse to drop, the growth in market rentals in some of the country's top office nodes is not too shabby.

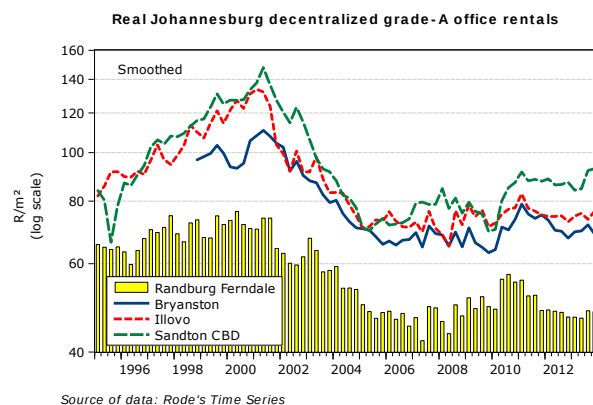


Starting off with the regional picture first: In the fourth quarter of 2013, nominal market rentals in Durban decentralized (+5%) showed the strongest growth. Cape Town and Pretoria decentralized recorded growth of 4% while in Johannesburg decentralized, rentals were up by about 3%. Over the same period, we estimate building-cost inflation — overall tender price inflation — to have shown growth of about 6%, which is roughly in line with the 7% growth in building-input prices.

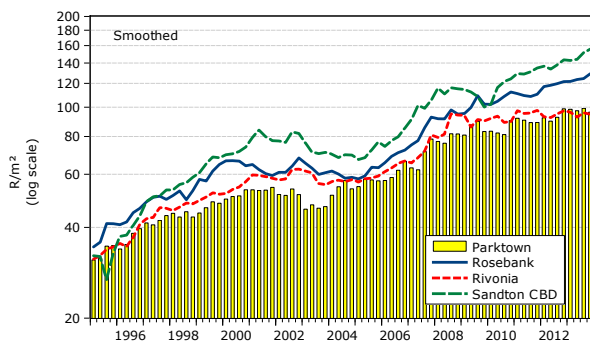


Nonetheless, the estimated 6% growth in building costs implies that at the regional level, rentals were unable to show growth in *real* terms. However, looking at decentralized averaged-rental growth often hides what's happening within the individual office nodes.

A closer look within Johannesburg decentralized reveals nominal growth of 8% in the Sandton CBD. The strong rental growth in Sandton might, however, not be sustained in light of the node's high vacancy rate and the huge amount of additional office space that is in the pipeline (see **Chapter 6**). The nodes of Illovo (+7%) and Rosebank (+6%) were also able to show decent growth in nominal rentals, which makes a bit more sense given the low office vacancy rates in these areas. Randburg Ferndale and Bryanston showed rental growth of roughly 4%, while in Parktown and Rivonia, rentals were down by about 3%. Interestingly, during the quarter under review Parktown and Rivonia were also two of the least rented-up nodes in Johannesburg decentralized, with vacancy rates of 11% and 19% respectively.

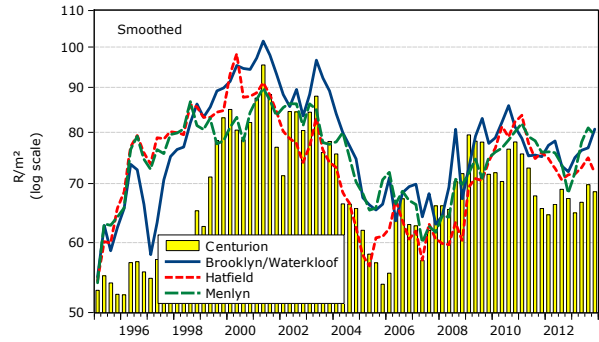


Nominal Johannesburg decentralized grade-A office rentals



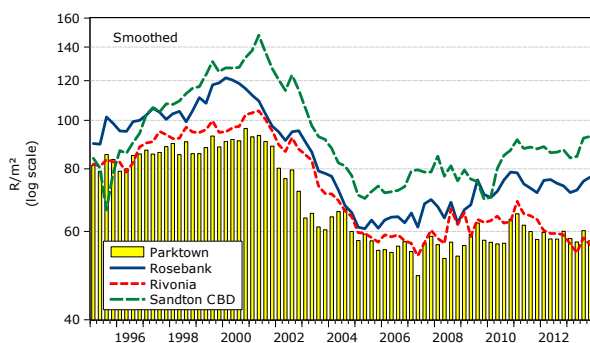
Source of data: Rode's Time Series

Real Pretoria decentralized grade-A office rentals



Source of data: Rode's Time Series

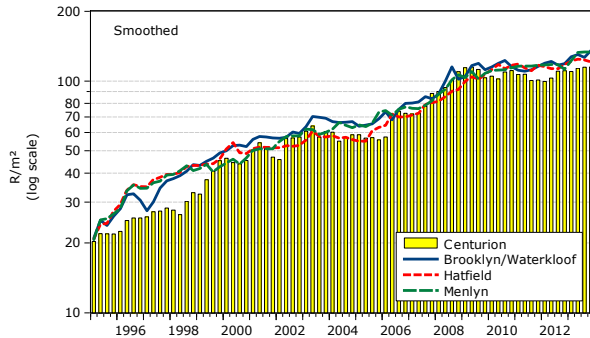
Real Johannesburg decentralized grade-A office rentals



Source of data: Rode's Time Series

In the reporting quarter, the prime office node of Menlyn (+12%) in Pretoria decentralized continued to show impressive growth. Menlyn was followed by Brooklyn, where rentals were up by 8%. In Centurion (+4%) and Hatfield (+2%), high office vacancy rates are placing a lid on the growth in market rentals.

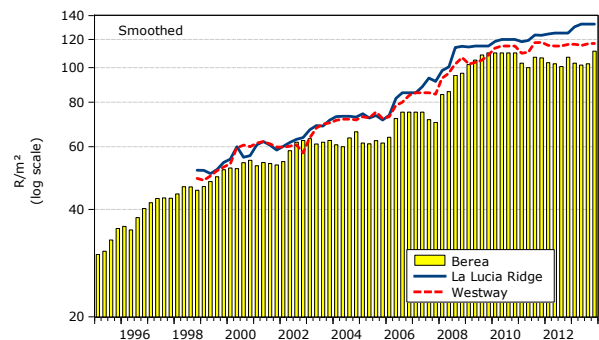
Nominal Pretoria decentralized grade-A office rentals



Source of data: Rode's Time Series

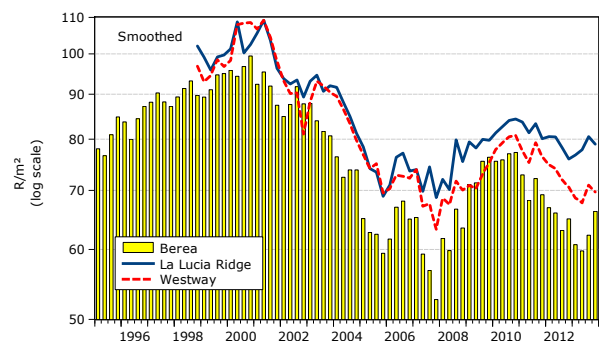
In greater Durban, nominal rentals in its premier office node of La Lucia / Umhlanga showed the strongest growth of 6%. This was followed by the Berea, where rentals were up by 4%. In Westway, rentals were only able to grow by 1%.

Nominal Durban decentralized grade-A office rentals



Source of data: Rode's Time Series

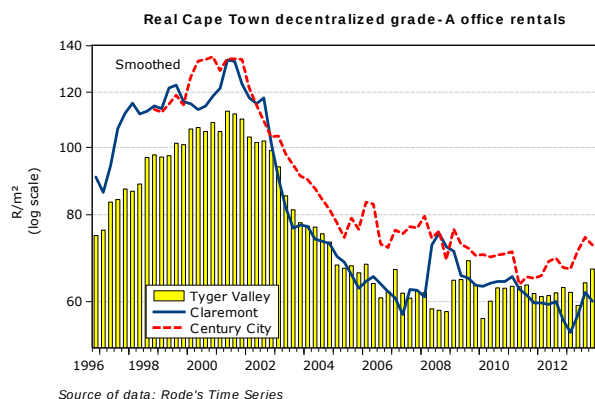
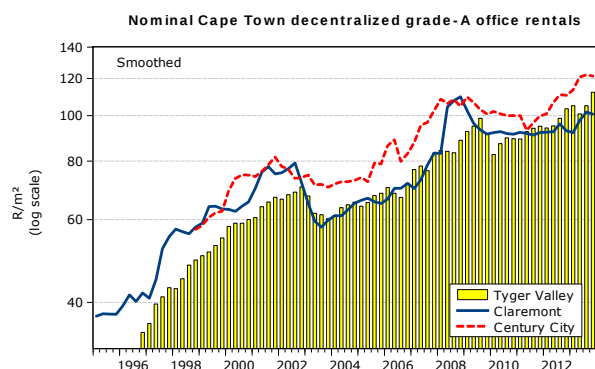
Real Durban decentralized grade-A office rentals



Source of data: Rode's Time Series

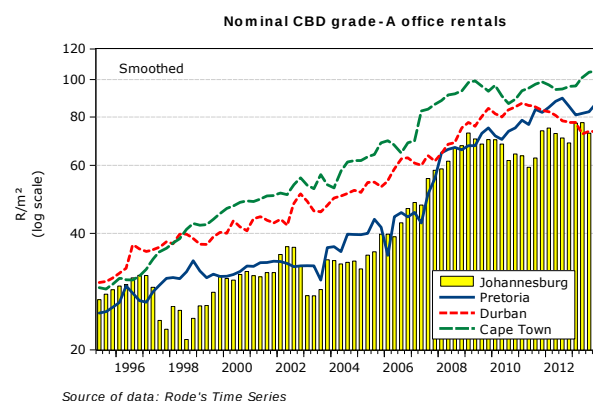
Century City's impressive rental run of recent quarters continued, with rentals in this

trendy Cape Town decentralized office node growing by 10%. After peaking at 17% in the fourth quarter of 2008, vacancy rates in Century City have been dropping and are currently standing at just below 6%. This, naturally, explains the impressive growth in market rentals. The rental performances of Tyger Valley and Claremont were not too shabby, either. In these two nodes market rentals were, during the reporting quarter, able to grow by about 8% on a year earlier.



In the reporting quarter, market rentals in the CBD of Cape Town (+10%) again

showed the strongest growth. This is amazing, considering that prime vacancy rates in the CBD of Cape Town are still standing at about 12% (see **Chapter 6**). Thus, a cooling in growth might still be on the cards. Over the same period, rentals in the Johannesburg CBD were up by 8%, while the CBD of Pretoria showed growth of 1%. The CBD of Durban (-5%) was the only CBD where rentals contracted.



Pioneer rentals

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

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. 25. An explanation of the codes can be found on p. xiv.

Table 5.1
Pioneer office rentals
Highest gross nominal market rental rate achieved
Rands per rentable m², gross leases (excl VAT)
During quarter 2013:4

	Pioneer	Normal Grade A	Difference %
Johannesburg dec.	210	106	97%
Pretoria dec.	175	110	58%
Durban dec.	170	113	50%
Cape Town CBD	160	105	52%
Cape Town dec.	139	100	38%

Table 5.2
Market rental rates for office buildings
Quarter 2013:4
Rands per rentable m² per month, gross leases (excl VAT)

	Grade A ⁺ mean	Grade A mean	Grade B mean	Grade C mean	Broker contributor codes
Johannesburg CBD	108,00	75,83	56,25	28,00	BR, QU, REW
Braamfontein	95,00	86,25	75,00	32,50	BM, BR, QU, REW
Sandton CBD	194,38	156,25	117,67	95,00	BM, BR, QU, REW
Dunkeld West	138,75	120,00	99,17	87,00	BM, BR, QU
Wierda Valley	155,83	105,75	99,50	87,00	BM, BR, MR, QU
Randburg Ferndale	92,75	81,17	71,38	64,50	AW, BR, NH, QU, REN
Rivonia	102,50	93,33	87,50	82,33	BC, BM, BR, QU
Rosebank	175,00	131,25	103,33	85,50	BM, BR, QU
Illovo	175,00	132,50	92,50	88,00	BM, BR, QU
Illovo Boulevard	150,00	133,33	110,00	95,00	BM, BR, QU
Chiselhurst	126,25	117,50	104,00	85,00	BM, BR, QU
Parktown	117,50	94,75	86,67	80,00	BM, BR, QU
Richmond/Milpark	-	84,50	77,50	70,25	BM, BR, QU
Bedfordview	162,50	108,33	90,00	87,50	BHP, BR, MEA, MR, QU
Bruma	140,00	104,17	80,50	70,00	BHP, MEA, QU, REN, RR
Meadowbrook	-	-	-	-	
Woodmead	124,17	105,83	87,50	80,00	AW, BM, BR, MR, QU
Sunninghill	103,75	99,00	84,00	76,50	BM, BR, QU
Bryanston/Epsom	147,33	114,00	95,00	87,50	AW, BM, BR, QU
Fourways	128,75	103,75	97,00	79,25	BM, BR, QU
Houghton	118,75	101,75	93,56	86,75	BR, QU
Melrose Arch	183,17	150,00	140,00	-	BM, BR, QU
Hydepark	128,75	105,00	93,00	78,33	BM, BR, QU
Eastgate/Kramerville	103,00	80,00	58,00	-	MR, QU
Ormonde	-	83,50	72,25	64,50	MR, QU
Midrand	121,25	89,25	76,38	73,38	AW, BM, BR, QU
Hendrik Potgieter Corridor	90,00	-	79,00	71,33	QU
Pretoria CBD	102,50	88,33	76,25	67,50	AI, BR, EV, MO
Lynnwood Glen	115,00	106,00	90,00	65,00	AI, BR
Lynnwood	126,33	98,50	81,50	73,00	AI, BR, EV, MO
Lynnwood Manor	130,00	100,00	80,00	-	BR
Lynnwood Ridge	161,00	127,50	114,50	87,50	BR, EV
Faerie Glen	112,50	105,00	92,50	-	AI, BR, EV
Val de Grace	-	-	75,00	-	BR, EV
Menlyn	158,33	133,33	110,00	-	AI, BR, EV
Menlo Park (Brooks St)	-	130,00	90,00	-	BR, EV
Brooklyn/Waterkloof	142,50	140,00	96,67	-	AI, BR
Nieuw Muckleneuk	199,00	136,50	115,00	-	BR, EV
Hatfield	133,50	120,00	96,25	95,00	AI, BR, ER, EV
Centurion	129,50	115,00	101,25	-	AI, BR, ER, EV
Highveld Technopark	115,00	112,50	90,00	-	AI, BR, ER, EV, MAS
Sunnyside	145,00	95,00	72,50	70,00	BR, EV
Arcadia	-	92,50	85,00	-	BR, EV
Murrayfield	-	-	72,00	-	BR
Nelspruit	142,50	122,50	95,00	75,00	HH, RZ
Polokwane	156,67	135,00	90,00	68,33	ES, MO, TG

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 2013:4

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

	Grade A⁺ mean	Grade A mean	Grade B mean	Grade C mean	Broker contributor codes
Bloemfontein CBD	117,50	107,67	83,33	65,00	BW, EK
Westdene	125,00	113,33	85,00	66,67	BW, CC, EK
Durban CBD	-	72,50	52,50	43,33	MW, PPI, QP
Durban Berea	-	117,50	100,00	75,00	MW, PPI, QP
Essex Terrace	115,00	98,33	86,00	70,00	MW, PPI, QP
Westway	135,00	116,67	102,50	-	MW, PPI, QP
La Lucia Ridge	165,00	132,50	117,50	90,00	MW, PPI, QP
Westville	125,00	103,33	90,00	78,33	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	-	-	-	52,50	IPM, QV
Greenacres : Parks	123,33	93,33	71,67	55,00	IPM, HS, QV,
Greenacres: Single	128,33	93,33	71,67	57,50	IPM, HS, QV
Walmer Park 1, 2 & 3	-	-	68,75	-	IPM, QV
South End	-	78,75	66,67	55,00	IPM, HS, QV
Humewood	125,00	90,00	67,50	-	IPM, HS, QV
Cape Road	125,83	94,17	71,67	55,00	IPM, HS, QV
East London	-	-	-	-	
East London dec.	-	-	-	-	
Cape Town CBD	146,67	105,00	75,00	60,00	AN, GB, HP, PL
Sea Point	125,00	95,00	75,00	60,00	GB
V&A Portswood Ridge	-	165,00	-	-	GB
Granger Bay	-	165,00	-	-	GB
Salt River	-	57,50	45,00	35,00	GB, DN
Woodstock	-	67,50	55,00	45,00	GB, DN
Observatory	-	60,00	52,50	40,00	GB, DN
Mowbray	-	75,00	-	-	GB
Kenilworth (Racecourse)	105,00	85,00	-	-	GB, PL
Rondebosch/Newlands	120,00	95,00	65,00	-	GB, PL
Wynberg	-	75,00	-	-	GB, PL
Westlake	111,67	91,67	-	-	GB, HP, PL
Tokai	122,50	87,50	-	-	GB, HP
Claremont Lower*	-	-	-	-	
Claremont Upper	125,00	100,00	-	-	GB, PL
Hout Bay	-	95,00	70,00	55,00	GB
Noordhoek (Sun Valley)	-	-	-	-	
Pinelands	75,00	65,00	50,00	40,00	GB
Athlone	-	-	-	-	
Milnerton	-	90,00	80,00	70,00	GB
Panorama	-	-	-	-	
Table View / Parklands	-	-	-	-	
Century City	145,00	121,25	97,50	-	AN, GB, HP, PL
Maitland	-	-	-	-	
Goodwood (N1 City)	95,00	90,00	-	-	GB
Tygerberg Hills	120,00	100,00	-	-	GB
Bellville CBD	-	-	-	-	DN
Tyger Valley area	120,00	114,17	92,50	75,00	DN, ER, GB
Durbanville	110,00	95,00	-	75,00	DN, ER, 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 2013:4

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

	Grade A⁺ mean	Grade A mean	Grade B mean	Grade C mean	Broker contributor codes
Airport	110,00	95,00	60,00	40,00	GB
Kuils River	-	90,00	80,00	60,00	ER
Somerset West Town	-	-	-	-	
Somerset West Mall	-	-	-	-	
area	-	-	-	-	
Strand	-	-	-	-	
Gordon's Bay	-	-	-	-	
George	-	-	-	-	

* 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 2013:4

	Grade A ⁺	Grade A	Grade B	Grade C
Johannesburg CBD	-	R7,17	R8,75	R8,00
Braamfontein	-	R7,40	R0,00	R7,50
Sandton CBD	R6,22	R1,25	R6,13	R0,00
Dunkeld West	R1,25	R8,16	R5,14	-
Wierda Valley	R3,12	R11,58	R6,01	R3,00
Randburg Ferndale	R9,75	R9,89	R3,63	R0,50
Rivonia	R5,40	R5,91	R8,85	R3,77
Rosebank	R5,00	R1,25	R4,71	R0,50
Illovo	R25,00	R2,50	R7,50	-
Illovo Boulevard	R0,00	R14,34	R5,00	-
Chiselhurst	R1,25	R16,20	R6,00	-
Parktown	R7,50	R2,75	R2,36	-
Richmond/Milpark	-	R5,50	R6,12	R4,75
Bedfordview	R2,50	R10,27	R7,07	R2,50
Bruma	-	R5,14	R4,27	R7,07
Meadowbrook	-	-	-	-
Woodmead	R10,47	R6,56	R7,50	R5,00
Sunninghill	R6,25	R8,29	R6,48	R1,50
Bryanston / Epsom Downs	R8,99	R4,00	R4,08	R2,50
Fourways	R1,25	R11,25	R3,00	R5,75
Houghton	R3,75	R4,25	R6,30	-
Melrose Arch	R1,31	-	-	-
Hydepark	R6,25	R15,00	R8,00	-
Eastgate/Kramerville	-	-	R2,00	-
Ormonde	-	R6,50	R2,75	R4,50
Midrand	R6,25	R0,75	R1,12	R1,62
Hendrik Potgieter Corridor	-	-	-	-
Pretoria CBD	R12,50	R2,36	R4,15	R2,50
Lynnwood Glen	R5,00	R9,42	R4,08	-
Lynnwood	R10,66	R11,50	R6,50	R7,00
Lynnwood Manor	-	-	-	-
Lynnwood Ridge	R9,00	R2,50	R0,50	R2,50
Faerie Glen	R2,50	R4,08	R2,50	-
Val de Grace	-	-	R10,00	-
Menlyn	R9,43	R2,36	R0,00	-
Menlo Park (Brooks St)	-	R30,00	-	-
Brooklyn/Waterkloof	R22,50	R10,00	R4,71	-
Nieuw Muckleneuk	-	R6,50	R5,00	-
Hatfield	R13,50	R4,08	R7,40	-
Centurion	R19,50	R8,16	R5,45	-
Highveld Technopark	R0,00	R7,50	R4,08	-
Sunnyside	-	-	R7,50	-
Arcadia	-	R7,50	-	-
Murrayfield	-	-	-	-
Nelspruit CBD	R2,50	R2,50	R0,00	R0,00
Polokwane	R4,71	R4,08	R0,00	R4,71
Bloemfontein CBD	R7,50	R7,13	R2,36	R4,08
Westdene	R0,00	R2,36	R0,00	R2,36
Durban CBD	-	R2,50	R2,50	R4,71
Durban Berea	-	-	R0,00	R10,00

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

Table 5.3 (continued)
Standard deviation of market rental rates for office buildings
Quarter 2013:4

	Grade A ⁺	Grade A	Grade B	Grade C
Essex Terrace	R20,00	R10,27	R8,29	R10,00
Westway	R7,07	R6,24	R2,50	-
La Lucia Ridge	R0,00	R2,50	R7,50	-
Westville	R5,00	R8,50	R8,16	R9,43
Pinetown	R7,50	R7,50	R12,50	R5,00
Hillcrest-Kloof (Upper Highway)	R10,00	R10,00	R10,00	R7,50
Port Elizabeth CBD	-	-	-	R10,00
Greenacres : Parks	R2,36	R4,71	R6,24	R4,08
Greenacres: Single	R4,71	R4,71	R6,24	R2,50
Walmer Park 1, 2 & 3	-	-	R3,75	-
South End	-	R1,25	R2,36	R0,00
Humewood	R0,00	R0,00	R2,50	-
Cape Road	R1,18	R4,25	R2,36	R0,00
Cape Town CBD	R10,27	R9,35	R10,00	R5,00
Sea Point	-	-	-	-
V&A Portsworld Ridge	-	-	-	-
Granger Bay	-	-	-	-
Salt River	-	R7,50	-	-
Woodstock	-	R12,50	R5,00	R5,00
Observatory	-	R5,00	R2,50	-
Mowbray	-	-	-	-
Kenilworth (Racecourse)	R5,00	R0,00	-	-
Rondebosch/Newlands	R0,00	R0,00	-	-
Wynberg	-	R0,00	-	-
Westlake	R2,36	R2,36	-	-
Tokai	R2,50	R7,50	-	-
Claremont Lower*	-	-	-	-
Claremont Upper	R5,00	R0,00	-	-
Hout Bay	-	-	-	-
Noordhoek (Sun Valley)	-	-	-	-
Pinelands	-	-	-	-
Athlone	-	-	-	-
Milnerton	-	-	-	-
Panorama	-	-	-	-
Table View / Parklands	-	-	-	-
Century City	R3,54	R5,45	R2,50	-
Maitland	-	-	-	-
Goodwood (N1 City)	-	-	-	-
Tygerberg Hills	-	-	-	-
Bellville CBD	-	-	-	-
Tyger Valley area	-	R27,71	R7,50	R0,00
Durbanville	-	-	-	-
Airport	-	-	-	-
Kuils River	-	-	-	-
Somerset West Town	-	-	-	-
Somerset West Mall area	-	-	-	-
Strand	-	-	-	-
Gordon's Bay	-	-	-	-
George	-	-	-	-

*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 2013:4

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

*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 2013:4

	Covered reserved parking				Under shade net	Open- air parking
	Gr A ⁺	Gr A	Gr B	Gr C		
Johannesburg CBD	750	712	562	412	300	250
Braamfontein	600	600	567	487	380	387
Sandton CBD	883	717	600	425	433	367
Dunkeld West	650	558	475	400	375	283
Wierda Valley	725	562	523	475	381	281
Randburg Ferndale	507	425	312	250	351	256
Rivonia	533	458	383	410	333	247
Rosebank	817	600	500	387	400	300
Illovo	725	600	467	425	392	323
Illovo Boulevard	687	633	560	480	433	333
Chisellhurst	637	573	515	462	373	265
Parktown	500	483	373	360	307	272
Richmond/Milpark	375	323	376	382	237	194
Bedfordview	580	532	447	413	352	277
Bruma	485	451	367	352	275	252
Meadowbrook	-	-	-	-	-	-
Woodmead	575	487	442	400	343	258
Sunninghill	526	486	426	383	333	258
Bryanston / Epsom Downs	600	494	416	368	343	262
Fourways	550	486	405	344	341	262
Houghton	600	500	427	325	365	267
Melrose Arch	850	800	-	-	-	-
Hyde Park	625	550	442	425	342	292
Eastgate/Kramerville	-	450	425	400	300	230
Ormonde	-	484	401	346	300	220
Midrand	477	442	350	378	305	225
Hendrik Potgieter Corridor	450	450	380	300	-	-
Pretoria CBD	575	550	465	400	415	450
Lynnwood Glen	500	453	377	170	350	260
Lynnwood	485	543	400	350	325	262
Lynnwood Manor	-	480	400	-	350	200
Lynnwood Ridge	650	550	475	260	425	385
Faerie Glen	475	484	427	-	310	258
Val de Grace	-	300	337	-	412	237
Menlyn	700	565	500	-	400	359
Menlo Park (Brooks St)	-	575	380	-	350	200
Brooklyn/Waterkloof	600	550	458	-	400	333
Nieuw Muckleneuk	650	550	500	-	400	325
Hatfield	575	560	465	-	410	335
Centurion	500	475	410	-	325	230
Highveld Technopark	490	440	377	-	240	198
Sunnyside	700	-	400	350	-	200
Arcadia	-	525	450	350	350	200
Murrayfield	-	-	-	-	-	-
Nelspruit	425	375	278	220	180	120
Polokwane	423	376	304	265	265	180
Bloemfontein CBD	325	325	243	210	215	130
Westdene	362	353	280	248	242	140

Table 5.5 (continued)
Market parking rentals
Monthly parking rands per bay per month (excl. VAT)
As in quarter 2013:4

	Covered reserved parking				Under shade net	Open-air parking
	Gr A ⁺	Gr A	Gr B	Gr C		
Durban CBD	900	750	662	500	500	400
Durban Berea	400	450	400	300	250	200
Essex Terrace	550	475	437	400	337	300
Westway	662	587	475	400	375	400
La Lucia Ridge	725	650	600	550	400	375
Westville	450	425	375	200	200	250
Pinetown	375	300	175	150	100	100
Hillcrest-Kloof (Upper Highway)	400	360	325	275	200	150
Port Elizabeth CBD	-	-	-	-	-	-
Greenacres : Parks	433	408	342	350	287	225
Greenacres: Single	433	342	362	350	262	217
Walmer Park 1, 2 & 3	400	375	275	250	225	200
South End	200	325	275	250	150	125
Humewood	400	350	275	-	-	250
Cape Road	433	383	342	300	225	225
Cape Town CBD	1.167	975	-	-	750	650
Sea Point	950	750	-	-	700	550
V&A Portswood Ridge	-	-	-	-	-	-
Granger Bay	1.660	1.200	-	-	-	800
Salt River	650	575	475	-	550	450
Woodstock	825	683	600	-	550	525
Observatory	650	600	550	-	600	550
Mowbray	700	775	-	-	-	575
Kenilworth (Racecourse)	-	500	-	-	400	-
Rondebosch/Newlands	1.000	850	-	-	-	375
Wynberg	600	-	-	-	-	-
Westlake	-	450	-	-	-	300
Tokai	650	-	-	-	550	450
Claremont Lower*	-	-	-	-	-	-
Claremont Upper	1.125	850	-	-	-	-
Hout Bay	-	-	-	-	-	-
Noordhoek (Sun Valley)	-	-	-	-	-	-
Pinelands	600	500	450	400	450	400
Athlone	-	-	-	-	-	-
Milnerton	-	450	450	300	300	200
Panorama	-	-	-	-	-	-
Table View / Parklands	-	-	-	-	-	-
Century City	867	850	750	-	575	475
Maitland	-	-	-	-	-	-
Goodwood (N1 City)	800	800	-	-	-	-
Tygerberg Hills	-	-	-	-	-	300
Bellville CBD	500	400	700	-	120	300
Tyger Valley area	750	675	-	-	150	-
Durbanville	-	-	-	-	-	-
Airport	-	-	-	-	-	-
Kuils River	-	-	-	-	-	-

Table 5.5 (continued)
Market parking rentals
 Monthly parking rands per bay per month (excl. VAT)
 As in quarter 2013:4

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

*Claremont Lower: east of Main Road

Table 5.6
Office rental escalation rates on new leases (%)
 Average escalation rate on net rentals for quarter 2013:4

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

*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 2013:4

	Mean	SD	n
Johannesburg CBD	R19,00	R1,00	2
Braamfontein	R24,33	R7,59	3
Sandton	R29,17	R3,12	3
Dunkeld West	R27,50	R2,50	2
Wierda Valley	R28,75	R1,25	2
Randburg Ferndale	R19,00	R1,00	2
Rivonia	R24,00	R6,00	2
Rosebank	R30,25	R2,25	2
Illovo	R26,25	R3,75	2
Illovo Boulevard	R30,00	R5,00	2
Chiselhurst	R27,50	R2,50	2
Parktown	R26,25	R3,75	2
Richmond/Milpark	R22,50	R2,50	2
Bedfordview	R22,33	R1,70	3
Bruma	R18,33	R2,36	3
Meadowbrook	-	-	-
Woodmead	R23,75	R1,25	2
Sunninghill	R19,00	R1,00	2
Bryanston/Epsom	R19,50	R0,50	2
Fourways	R19,00	R1,00	2
Houghton	R25,00	R5,00	2
Melrose Arch	R30,00	R5,00	2
Hydepark	R20,00	-	1
Eastgate/Kramerville	-	-	-
Ormonde	-	-	-
Midrand	R18,25	R3,25	2
Hendrik Potgieter Corridor	-	-	-
Pretoria CBD	R17,33	R3,09	3
Lynnwood Glen	R12,00	R0,00	2
Lynnwood	R19,00	R2,94	3
Lynnwood Manor	R12,00	-	1
Lynnwood Ridge	R15,00	-	1
Faerie Glen	R13,50	R1,50	2
Val de Grace	R15,00	-	1
Menlyn	R22,50	R2,50	2
Menlo Park (Brooks St)	R12,00	-	1
Brooklyn/Waterkloof	R19,00	R4,00	2
Nieuw Muckleneuk	R23,00	-	1
Hatfield	R14,33	R2,62	3
Centurion	R16,00	R3,00	4
Highveld Technopark	R17,50	R2,50	2
Sunnyside	R15,00	-	1
Arcadia	R12,00	-	1
Murrayfield	R12,00	-	1

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

Table 5.7 (continued)
Typical gross outgoings for prime office buildings
As reported by brokers
R/rentable m² per month: quarter 2013:4

	Mean	SD	n
Nelspruit	R18,00	R0,00	2
Polokwane	R21,00	R2,16	3
Bloemfontein CBD	R5,67	R0,94	3
Westdene	R6,33	R0,47	3
Durban CBD	-	-	-
Durban Berea	-	-	-
Essex Terrace	-	-	-
Westway	-	-	-
La Lucia Ridge	-	-	-
Westville	-	-	-
Pinetown	-	-	-
Hillcrest-Kloof (Upper Highway)	-	-	-
Port Elizabeth CBD	-	-	-
Greenacres : Parks	-	-	-
Greenacres: Single	-	-	-
Walmer Park 1, 2 & 3	-	-	-
South End	-	-	-
Humewood	-	-	-
Cape Road	-	-	-
Cape Town CBD	R26,00	-	1
Sea Point	-	-	-
V&A Portswood Ridge	-	-	-
Granger Bay	-	-	-
Salt River	-	-	-
Woodstock	-	-	-
Observatory	-	-	-
Mowbray	-	-	-
Kenilworth (Racecourse)	-	-	-
Rondebosch/Newlands	-	-	-
Wynberg	-	-	-
Westlake	R32,50	R2,50	2
Tokai	R34,00	R4,00	2
Claremont Lower*	-	-	-
Claremont Upper	-	-	-
Hout Bay	-	-	-
Noordhoek (Sun Valley)	-	-	-
Pinelands	R39,00	-	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 2013:4

	Mean	SD	n
Milnerton	-	-	-
Panorama	-	-	-
Table View / Parklands	-	-	-
Century City	R40,00	-	1
Maitland	-	-	-
Goodwood (N1 City)	-	-	-
Tygerberg Hills	-	-	-
Bellville CBD	R10,00	-	1
Tyger Valley area	R15,00	-	1
Durbanville	-	-	-
Airport	-	-	-
Kuils River	-	-	-
Somerset West Town	-	-	-
Somerset West Mall area	-	-	-
Strand	-	-	-
Gordon's Bay	-	-	-
George	-	-	-

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

Table 5.8
Escalation rates on operating costs (%)

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

*Claremont Lower: east of Main Road

Chapter 6: Office demand and vacancies

Vacancy rates in Sandton rising, while more space is in the pipeline

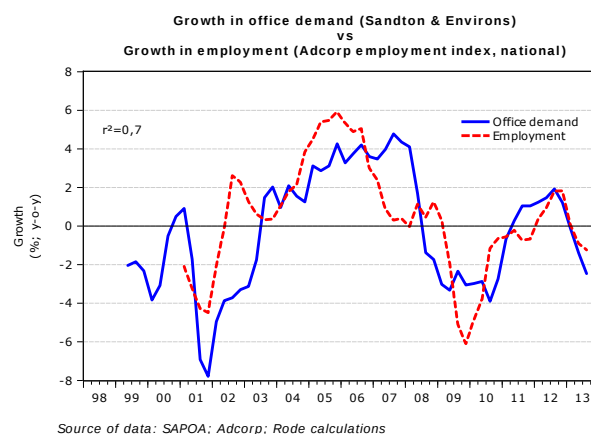
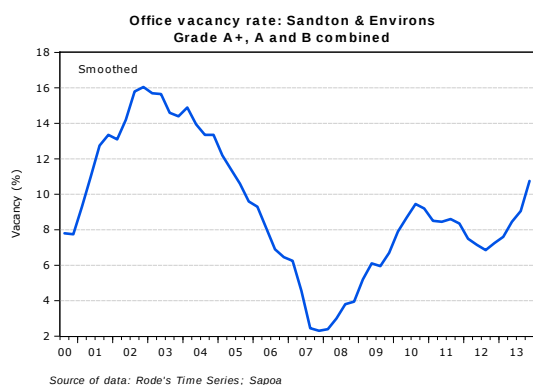
Written by John S. Lottering

Office vacancy rates in Sandton, the country's largest decentralized office node, are heading in the wrong direction. Despite this, significantly more office space is in the pipeline, which will result in even more upward pressure on vacancy rates.

As the corresponding graph shows, vacancy rates for existing office buildings in Sandton & Environs¹ have been edging north since the fourth quarter of 2012. This has happened to such an extent, that by

the fourth quarter of 2013, the combined vacancy rate for grades A⁺, A and B buildings stood at 13% (unsmoothed). Grade A properties were the least rented up, with their vacancy rate of about 16%, followed by grade A⁺ (11%) and grade B (7%).

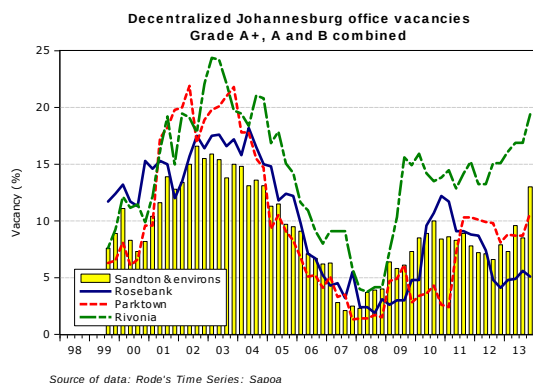
The second graph shows that one explanation for the uptick in vacancy rates might be the weakness in the demand for office space. Evident from the graph is how in recent quarters the growth in office demand in Sandton has been following the growth in employment (nationally) south.



¹ SAPOA, in its quarterly *Office Vacancy Survey* defines Sandton & Environs as Sandton CBD and adjacent office nodes including Wierda Valley, Benmore and Sandown. The offices along Katherine Road, as one travels towards the M1 highway, are also included.

Worrisome, therefore, must be that more space is expected to come on stream in the near future. According to SAPOA, roughly 180.000 m² of new space is in the pipeline — of which roughly 76% was still unlet in the fourth quarter of 2013.

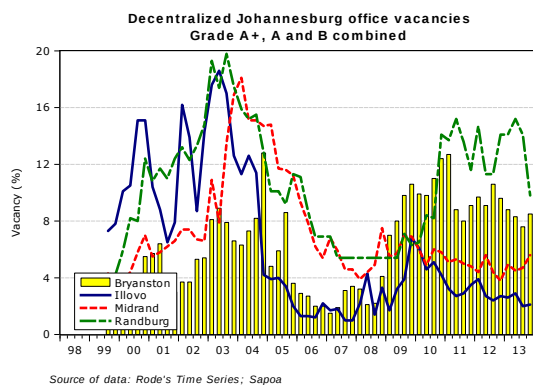
Considering the robust relationship between employment and office demand, one can expect the prevailing uncertain economic conditions and low levels of business sentiment to continue to weaken the demand for office space. This is so because



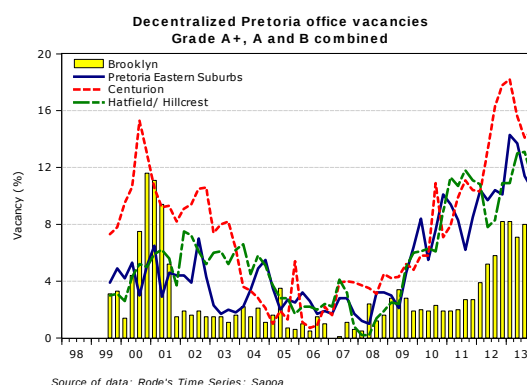
businesses are unlikely to hire new employees during uncertain economic times or while confidence levels are low. Of course, the outcome of this might be more upward pressure on office vacancy rates in Sandton as new office stock comes online.

As for other nodes in Johannesburg decentralized, Illovo (2%), Rosebank (5%) and Midrand (6%) all recorded low vacancy rates. As the corresponding graph shows, the general vacancy rate trend in these nodes has been south in recent years.

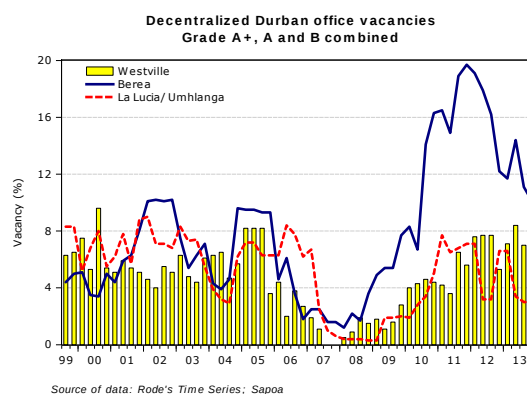
Despite dropping in recent quarters, the vacancy rate in Randburg still stood at 10%. During the reporting quarter, nodes such as Parktown (11%), Fourways (14%) and Rivonia (19%) also showed double-digit vacancy rates.



As for Pretoria decentralized, during the reporting quarter the nodes of Lynwood and Brooklyn recorded the lowest vacancy rates of 5% and 6% respectively. Centurion was on the other side of the spectrum with its vacancy rate of 15%. Therefore, worrying for the vacancy outlook in Centurion must be the 113.000 m² of new space that's in the pipeline. During the reporting quarter, 92% of this space was still unlet. Centurion's popularity amongst developers must be attributed to its having (like Sandton CBD) a Gautrain station.

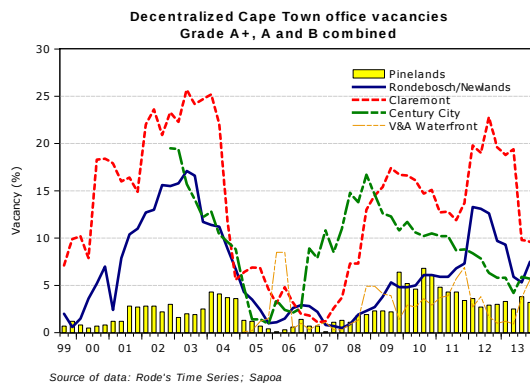


Durban's foremost office node, namely La Lucia / Umhlanga, was virtually fully let with its vacancy rate of 3%. This was in contrast to the Berea node, with its vacancy rate of 13%.

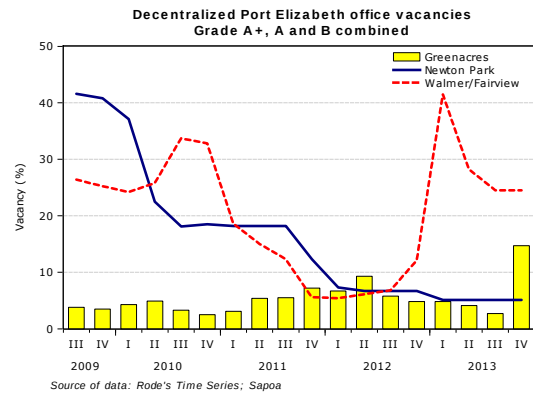


The V&A Waterfront (7%) and Rondebosch/Newlands (6%) were the only Cape Town decentralized office nodes where vacancy rates increased somewhat when compared to the previous quarter. In

Pinelands (3%), Century City (6%) and Claremont (10%) vacancy rates remained at roughly their previous-quarter levels. Despite Claremont being the least-occupied node in Cape Town decentralized, its vacancy rate has dropped impressively from its most recent high of 23% recorded in the third quarter of 2012 (see graph).



As for Port Elizabeth decentralized, during the reporting quarter vacancy rates in Greenacres jumped to 15% from 3% in the previous quarter. Vacancy rates in Newton Park (5%) and Walmer/Fairview (25%), however, showed no movement.



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

Table 6.1
Committed new office developments
As in 2013:4

	Total rentable area m ²	Area still available for leasing m ²	% unlet	As % of existing stock
Johannesburg & Environs				
Bryanston / Epsom Downs	21.882	16.845	77%	4%
Constantia Kloof	23.617	981	4%	8%
Cresta/Blackheath to Randpark	27.200	27.200	100%	17%
Fourways	10.800	5.663	52%	7%
Greenstone/Edenvale/Modderfontein	6.845	6.845	100%	10%
Houghton/Killarney	3.672	3.672	100%	3%
Hyde Park / Dunkeld	5.200	5.200	100%	5%
Melrose/Waverley	24.000	-	0%	16%
Midrand	7.384	5.946	81%	1%
Newtown	30.000	-	0%	25%
Randburg	32.000	-	-	8%
Rivonia	11.579	4.579	40%	4%
Rosebank	83.294	4.794	6%	28%
Sandton & Environs	176.000	134.000	76%	12%
Sunninghill	6.300	6.300	100%	19%
Woodmead	26.000	-	0%	7%
Cape Town & Environs				
CBD Cape Town	69.000	37.000	54%	7%
Bellville	13.500	2.500	19%	2%
Century City	8.832	381	4%	3%
Claremont	-	-	0%	0%
V&A Waterfront	-	-	0%	0%
Durban & Environs				
Hillcrest/Gillits	400	400	100%	1%
Westville	14.000	10.000	71%	7%
Pretoria & Environs				
Brooklyn / Nieuw Muckleneuk / Groenkloof/Waterkloof	6.960	6.960	100%	2%
Centurion	113.100	104.100	92%	27%
Hatfield/Hillcrest				
Lynnwood / Menlo Park / Persequor Park / Hazel Wood	600	600	100%	0%
Pretoria Eastern Suburbs/Route 21	14.886	7.011	47%	4%
Port Elizabeth & Environs				
Greenacres	2.000	2.000	100%	3%
Walmer/Fairview	7.965	7.965	100%	31%
Total	747.016	400.942	54 %	8 %

Source: SAPOA

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

	December 2012	March 2013	June 2013	September 2013	December 2013
Johannesburg					
Bedfordview					
Grade A ⁺	-	-	-	-	-
Grade A	9,8	14,4	14,1	11,8	10,6
Grade B	18,5	17,4	17,9	17,2	17,2
Total	12,8	15,4	15,4	13,7	12,9
Braamfontein					
Grade A ⁺	-	-	-	-	-
Grade A	19,9	16,5	18,4	15,7	17,9
Grade B	16,3	17,8	14,7	15,5	13,4
Total	18,3	17,1	16,9	15,7	16,0
Bryanston / Epsom Downs					
Grade A ⁺	0,0	0,0	0,0	-	-
Grade A	9,5	8,8	8,4	7,5	8,7
Grade B	17,5	15,2	12,8	9,2	6,8
Total	9,6	8,8	8,3	7,6	8,5
Bruma					
Grade A ⁺	-	-	-	-	-
Grade A	6,1	7,5	4,7	4,7	15,4
Grade B	15,6	19,1	21,0	21,0	35,6
Total	11,9	14,7	14,7	14,7	27,9
CBD Johannesburg					
Grade A ⁺	0,0	0,0	0,0	0,0	0,0
Grade A	11,2	0,0	1,0	0,0	0,0
Grade B	20,9	25,4	19,5	24,5	21,6
Total	15,6	14,7	11,1	14,5	11,4
Constantia Kloof Basin					
Grade A ⁺	-	-	-	-	-
Grade A	6,9	3,7	4,3	3,8	4,7
Grade B	13,1	7,3	8,6	9,4	8,7
Total	7,3	3,9	4,6	4,2	4,9
Fourways					
Grade A ⁺	-	-	-	-	0,0
Grade A	11,0	14,5	15,1	17,2	15,6
Grade B	0,0	0,0	0,0	0,0	0,0
Total	10,6	13,9	14,4	16,5	14,0
Houghton/Killarney					
Grade A ⁺	-	-	-	-	-
Grade A	7,9	3,9	3,5	3,5	1,9
Grade B	3,4	0,9	0,8	0,8	-
Total	6,7	3,2	2,8	2,8	1,9
Hyde Park / Dunkeld					
Grade A ⁺	-	-	-	-	-
Grade A	10,6	24,4	41,3	24,6	28,3
Grade B	8,0	9,4	9,0	9,3	13,2
Total	8,8	13,5	19,0	14,7	18,6
<i>Source of data: Sapoa</i>					

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

	December 2012	March 2013	June 2013	September 2013	December 2013
Illovo					
Grade A ⁺	0,0	0,0	0,0	0,0	0,0
Grade A	1,7	1,6	2,7	1,4	1,6
Grade B	8,3	7,9	5,2	6,2	5,5
Total	2,7	2,6	2,9	2,0	2,1
Melrose/Waverley					
Grade A ⁺	0,5	2,1	1,1	3,2	3,2
Grade A	6,2	2,1	2,1	1,8	1,2
Grade B	4,2	12,7	14,2	2,1	3,2
Total	2,2	3,6	3,1	2,7	2,7
Midrand					
Grade A ⁺	0,0	1,3	1,4	1,8	1,8
Grade A	1,9	4,3	7,3	6,7	6,8
Grade B	8,3	8,1	4,3	5,1	7,3
Total	3,8	4,9	4,5	4,7	5,6
Milpark					
Grade A ⁺	-	-	-	-	-
Grade A	0,0	0,0	0,0	0,0	0,0
Grade B	4,6	7,4	7,6	7,1	7,3
Total	3,9	6,4	6,5	6,2	6,3
Morningside					
Grade A ⁺	-	-	-	-	-
Grade A	7,6	10,1	7,7	7,7	4,9
Grade B	-	-	-	-	-
Total	7,6	10,1	7,7	7,7	4,9
Parktown					
Grade A ⁺	-	-	-	-	-
Grade A	3,5	6,2	3,4	3,4	3,7
Grade B	10,5	10,2	11,6	11,6	14,3
Total	8,1	8,8	8,7	8,7	10,7
Randburg					
Grade A ⁺	-	-	-	-	-
Grade A	6,3	6,3	19,5	5,4	7,9
Grade B	15,1	15,1	14,6	15,3	10,1
Total	14,1	14,1	15,2	14,1	9,8
Rivonia					
Grade A ⁺	-	-	-	-	-
Grade A	9,9	12,4	18,2	18,2	18,3
Grade B	17,4	17,7	16,3	16,3	19,8
Total	15,1	16,1	16,9	16,9	19,4
Rosebank					
Grade A ⁺	-	-	-	-	-
Grade A	5,1	4,4	6,6	7,8	6,2
Grade B	3,1	5,1	3,3	3,7	4,1
Total	4,1	4,8	4,9	5,6	5,1
Sandton & Environs					
Grade A ⁺	0,9	0,9	4,5	2,6	10,6
Grade A	8,9	7,5	11,3	9,5	15,9
Grade B	9,8	9,7	9,0	12,3	7,0
Total	7,9	7,3	9,6	8,5	13,0

Source of data: Sapoa

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

	December 2012	March 2013	June 2013	September 2013	December 2013
Sunninghill					
Grade A ⁺	-	-	-	-	-
Grade A	7,5	10,0	10,1	9,9	9,9
Grade B	-	-	-	-	-
Total	7,5	10,0	10,1	9,9	9,9
Woodmead					
Grade A ⁺	-	-	-	-	-
Grade A	5,8	5,8	8,3	6,7	6,6
Grade B	27,5	33,7	33,7	28,4	28,4
Total	6,9	7,1	9,5	7,8	7,6
Cresta/Blackheath to Randpark					
Grade A ⁺	0,0	0,0	0,0	0,0	0,0
Grade A	7,7	6,9	6,9	6,8	5,8
Grade B	25,9	27,5	31,8	24,7	19,3
Total	8,2	8,3	9,2	7,6	6,1
Greetone/Edenvale/ Modderfontein					
Grade A ⁺	-	-	-	-	-
Grade A	2,8	6,7	1,7	1,7	4,9
Grade B	62,3	40,7	48,1	43,2	46,0
Total	19,9	15,8	14,6	13,0	15,9
Newtown					
Grade A ⁺	-	-	-	-	-
Grade A	-	-	0,0	0,0	0,0
Grade B	-	-	44,2	44,5	42,5
Total	-	-	20,0	20,1	19,2
Cape Town					
Bellville (incl. Tyger V)					
Grade A ⁺	-	-	-	-	-
Grade A	5,7	5,5	5,6	6,9	7,5
Grade B	13,5	10,6	10,5	13,1	12,5
Total	8,0	7,0	7,0	8,7	8,9
CBD Cape Town					
Grade A ⁺	0,0	0,0	0,0	0,0	0,0
Grade A	13,5	9,5	12,3	11,3	10,6
Grade B	7,9	11,1	11,7	13,7	13,7
Total	11,1	10,3	11,8	12,5	12,3
Century City					
Grade A ⁺	0,0	0,0	0,0	0,0	0,0
Grade A	5,4	5,6	3,9	5,9	5,7
Grade B	10,5	8,7	7,4	7,4	7,4
Total	5,8	5,8	4,2	5,9	5,7
Claremont					
Grade A ⁺	-	-	-	-	-
Grade A	15,4	14,2	14,7	4,3	3,8
Grade B	24,8	24,7	25,2	16,7	16,8
Total	19,6	18,8	19,4	9,8	9,6

Source of data: Sapoa

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

	December 2012	March 2013	June 2013	September 2013	December 2013
Cape Town					
Pinelands					
Grade A+	-	-	-	-	-
Grade A	3,1	3,3	2,5	3,9	3,2
Grade B	2,4	3,0	3,0	3,8	3,2
Total	3,0	3,3	2,5	3,8	3,2
Rondebosch/Newlands					
Grade A+	-	-	-	-	-
Grade A	13,0	11,8	6,9	6,2	9,7
Grade B	1,4	3,2	3,5	3,2	1,9
Total	9,7	9,3	5,9	5,3	7,5
V&A Waterfront					
Grade A+	0,0	0,0	0,0	0,0	0,0
Grade A	1,1	1,6	1,6	1,8	6,0
Grade B	5,8	5,8	1,8	35,4	33,6
Total	1,0	1,2	0,9	3,7	5,6
Durban					
Berea					
Grade A+	-	-	-	-	-
Grade A	9,8	9,9	15,6	8,1	7,3
Grade B	14,4	13,1	13,1	14,8	13,5
Total	12,2	11,7	14,4	11,1	10,1
Ballito					
Grade A+	0,0	0,0	0,0	0,0	0,0
Grade A	19,0	14,4	15,2	19,2	14,6
Grade B	13,0	14,1	10,0	7,4	8,4
Total	14,3	12,5	12,0	13,8	11,3
Hillcrest/Gillits					
Grade A+	6,0	10,0	10,0	9,9	9,9
Grade A	6,6	4,3	3,1	2,6	0,2
Grade B	3,7	1,5	3,3	4,3	3,7
Total	5,6	4,6	4,4	4,4	2,9
CBD Durban					
Grade A+	-	-	-	-	-
Grade A	20,6	20,6	20,6	20,5	20,1
Grade B	12,8	12,5	12,5	12,6	12,8
Total	16,2	16,1	16,1	16,0	16,0
Umhlanga / La Lucia					
Grade A+	2,1	2,1	2,1	2,1	2,1
Grade A	7,2	7,2	3,5	3,0	3,0
Grade B	2,0	2,0	2,8	3,3	3,3
Total	6,6	6,6	3,4	3,0	3,0
Westville					
Grade A+	-	-	-	-	-
Grade A	4,2	4,9	6,5	3,5	5,2
Grade B	6,3	8,8	9,9	9,8	7,1
Total	5,3	7,1	8,4	7,0	6,3
<i>Source of data: Sapoa</i>					

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

	December 2012	March 2013	June 2013	September 2013	December 2013
Pretoria					
Arcadia					
Grade A ⁺	-	-	-	-	-
Grade A	7,9	7,9	10,9	10,9	11,2
Grade B	3,7	3,7	0,0	1,5	3,5
Total	6,6	6,6	7,6	8,1	8,4
Brooklyn					
Grade A ⁺	-	-	-	-	-
Grade A	8,7	8,7	7,4	8,0	6,5
Grade B	6,2	6,2	5,9	7,8	4,6
Total	8,2	8,2	7,1	8,0	6,1
CBD Pretoria					
Grade A ⁺	-	-	-	-	-
Grade A	1,8	1,8	1,8	1,8	1,8
Grade B	11,2	10,4	9,4	9,4	8,9
Total	8,9	8,3	7,6	7,6	7,2
Centurion					
Grade A ⁺	-	-	-	-	-
Grade A	13,6	13,6	7,5	8,0	8,3
Grade B	21,9	22,6	23,3	20,0	21,1
Total	17,8	18,2	15,6	14,1	14,6
Hatfield/Hillcrest					
Grade A ⁺	-	-	-	-	-
Grade A	6,4	6,4	13,2	11,7	12,1
Grade B	14,0	14,0	12,8	14,3	10,7
Total	10,9	10,9	13,0	13,1	11,3
Highveld Technopark					
Grade A ⁺	-	-	-	-	-
Grade A	4,9	4,9	13,1	5,2	5,0
Grade B	11,4	11,4	8,0	10,3	15,0
Total	6,7	6,7	11,7	6,5	7,7
Menlyn					
Grade A ⁺	-	-	-	-	-
Grade A	13,3	9,2	9,5	6,9	5,5
Grade B	12,5	7,9	9,1	11,4	8,7
Total	13,1	8,9	9,4	8,1	6,3
Pretoria Eastern Suburbs					
Grade A ⁺	-	-	-	-	-
Grade A	8,4	15,8	14,9	10,9	9,7
Grade B	12,6	11,9	11,8	12,2	11,9
Total	10,1	14,3	13,7	11,4	10,5
Lynnwood					
Grade A ⁺	0,0	0,0	0,0	0,0	0,0
Grade A	2,5	4,1	5,7	4,8	7,9
Grade B	6,9	10,9	9,5	10,8	5,4
Total	4,4	7,1	6,9	7,3	5,4
<i>Source of data: Sapoa</i>					

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

	December 2012	March 2013	June 2013	September 2013	December 2013
Port Elizabeth					
Greenacres					
Grade A+	0,0	0,0	0,0	0,0	0,0
Grade A	0,0	0,0	0,0	0,0	1,7
Grade B	6,2	6,2	5,1	3,3	18,1
Total	4,8	4,8	4,1	2,7	14,7
Newton Park					
Grade A+	6,6	4,8	4,8	4,8	4,8
Grade A	0,0	0,0	0,0	0,0	0,0
Grade B	11,3	11,3	11,3	11,3	11,3
Total	6,7	5,1	5,1	5,1	5,1
Central / Park Drive					
Grade A+	-	-	-	-	-
Grade A	-	-	-	-	-
Grade B	22,4	21,8	22,4	19,3	30,6
Total	22,4	21,8	22,4	19,3	30,6
Walmer/Fairview					
Grade A+	-	-	-	-	-
Grade A	0,7	41,9	25,5	25,5	25,5
Grade B	36,3	39,8	38,1	20,8	20,8
Total	12,1	41,5	28,2	24,5	24,5
Johannesburg					
Johannesburg central					
Grade A+	0,0	0,0	0,0	0,0	0,0
Grade A	13,1	4,6	6,0	4,4	5,0
Grade B	20,0	24,1	18,6	23,1	20,0
Total	16,2	15,2	12,4	14,7	12,4
Johannesburg decentralized					
Grade A+	0,4	1,0	2,5	2,1	6,3
Grade A	6,8	7,0	8,5	7,5	8,9
Grade B	10,8	10,9	11,4	11,6	11,5
Total	7,7	7,9	8,8	8,2	9,4
Pretoria decentralized					
Grade A+	0,0	0,0	0,0	0,0	0,0
Grade A	8,6	9,2	10,8	8,1	7,7
Grade B	13,0	13,1	12,3	12,7	11,8
Total	10,2	10,6	11,2	9,7	9,2
Durban decentralized					
Grade A+	3,1	4,7	4,7	4,6	4,6
Grade A	7,1	7,1	5,9	4,3	4,3
Grade B	7,2	8,5	9,2	9,4	7,6
Total	7,0	7,5	6,9	5,9	5,3
Cape Town decentralized					
Grade A+	0,0	0,0	0,0	0,0	0,0
Grade A	6,0	5,9	5,0	5,6	6,0
Grade B	12,9	11,3	11,2	11,9	11,5
Total	7,3	6,9	6,2	6,8	7,0
Source of data: Sapoa					

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

	December 2012	March 2013	June 2013	September 2013	December 2013
National summaries					
National decentralised					
Grade A ⁺	0,6	1,1	2,3	2,0	5,7
Grade A	7,1	7,4	8,4	7,2	8,0
Grade B	11,3	11,4	11,4	11,7	11,5
Total	8,1	8,4	9,0	8,3	8,9
National CBDs					
Grade A ⁺	0,0	0,0	0,0	0,0	0,0
Grade A	13,7	7,5	9,3	7,9	8,1
Grade B	15,5	17,8	14,6	17,9	15,7
Total	15,1	14,1	13,3	14,8	13,5
<i>Source of data: Sapoa</i>					

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

	December 2012	March 2013	June 2013	September 2013	December 2013
Johannesburg					
Bedfordview					
Grade A ⁺					
Grade A	133.427	136.087	135.537	134.857	133.204
Grade B	69.974	69.794	69.794	69.794	69.794
Total	203.401	205.881	205.331	204.651	202.998
Braamfontein					
Grade A ⁺					
Grade A	226.121	226.121	226.121	226.121	226.121
Grade B	170.988	170.988	163.438	163.438	163.438
Total	397.109	397.109	389.559	389.559	389.559
Bryanston / Epsom Downs					
Grade A ⁺	23.138	23.138	23.138		
Grade A	474.593	476.306	478.806	517.859	532.749
Grade B	30.578	30.579	30.578	30.578	35.361
Total	528.309	530.023	532.522	548.437	568.110
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	780.976	593.866	550.166	588.166	588.166
Grade B	713.610	852.296	691.349	882.798	680.410
Total	1.518. 586	1.470. 162	1.265. 515	1.494. 964	1.292. 576
Constantia Kloof Basin					
Grade A ⁺					
Grade A	289.178	289.178	289.178	289.178	289.178
Grade B	22.193	22.193	21.743	21.743	21.743
Total	311.371	311.371	310.921	310.921	310.921
Fourways					
Grade A ⁺					
Grade A	146.289	143.083	144.526	144.526	144.526
Grade B	6.500	6.501	6.500	6.500	6.500
Total	152.789	149.584	151.026	151.026	161.026
Houghton/Killarney					
Grade A ⁺					
Grade A	83.398	100.398	83.398	83.398	105.008
Grade B	29.200	29.201	31.700	31.700	
Total	112.598	129.599	115.098	115.098	105.008
Source of data: Sapoa					

Table 6.3 (continued) Sapoa office stock (m²) Grades A⁺, A & B					
	December 2012	March 2013	June 2013	September 2013	December 2013
Hyde Park / Dunkeld					
Grade A ⁺					
Grade A	24.937	24.937	29.937	36.170	37.570
Grade B	65.589	65.589	66.178	66.178	66.178
Total	90.526	90.526	96.115	102.348	103.748
Illovo					
Grade A ⁺	7.500	7.500	10.300	10.300	10.300
Grade A	136.655	136.655	164.655	164.655	164.655
Grade B	27.164	27.164	27.164	27.164	27.164
Total	171.319	171.319	202.119	202.119	202.119
Melrose/Waverley					
Grade A ⁺	92.000	92.000	92.000	92.000	92.000
Grade A	28.878	28.878	28.878	33.878	33.878
Grade B	19.697	19.697	19.697	19.697	19.697
Total	140.575	140.575	140.575	145.575	145.575
Midrand					
Grade A ⁺	167.404	167.404	167.404	167.404	167.404
Grade A	188.774	193.733	193.733	193.733	221.046
Grade B	224.483	224.484	224.483	224.483	236.992
Total	580.661	585.621	585.620	585.620	625.442
Milpark					
Grade A ⁺					
Grade A	27.900	27.900	27.900	27.900	27.900
Grade B	175.526	175.526	175.526	175.526	175.526
Total	203.426	203.426	203.426	203.426	203.426
Morningside					
Grade A ⁺					
Grade A	80.256	80.257	80.256	80.256	66.056
Grade B					
Total	80.256	80.257	80.256	80.256	66.056
Parktown					
Grade A ⁺					
Grade A	114.776	122.176	122.176	122.176	116.791
Grade B	217.880	217.881	217.880	217.880	223.265
Total	332.656	340.057	340.056	340.056	340.056
Randburg					
Grade A ⁺					
Grade A	45.167	45.167	52.167	52.167	52.167
Grade B	351.560	351.560	351.560	347.060	338.769
Total	396.727	396.727	403.727	399.227	390.936
<i>Source of data: Sapoa</i>					

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

	December 2012	March 2013	June 2013	September 2013	December 2013
Rivonia					
Grade A ⁺					
Grade A	83.391	83.391	83.391	83.391	83.391
Grade B	191.851	191.851	191.851	191.851	191.851
Total	275.242	275.242	275.242	275.242	275.242
Rosebank					
Grade A ⁺					
Grade A	126.297	132.673	132.673	132.673	132.673
Grade B	144.949	144.949	144.949	144.949	151.612
Total	271.246	277.622	277.622	277.622	284.285
Sandton & Environs					
Grade A ⁺	229.332	229.332	286.332	329.921	381.421
Grade A	715.588	715.588	930.213	928.172	843.546
Grade B	510.487	543.487	291.463	286.615	252.909
Total	1.455.407	1.488.407	1.508.008	1.544.708	1.477.876
Sunninghill					
Grade A ⁺					
Grade A	348.648	348.825	348.825	346.059	341.415
Grade B					
Total	348.648	348.825	348.825	346.059	341.415
Woodmead					
Grade A ⁺					
Grade A	345.499	356.299	356.299	356.299	356.299
Grade B	17.800	17.801	17.800	17.800	17.800
Total	363.299	374.100	374.099	374.099	374.099
Cresta/Blackheath to Randpark					
Grade A ⁺	75.000	75.000	75.000	75.000	75.000
Grade A	57.899	57.899	57.899	51.999	51.999
Grade B	36.511	36.330	36.330	36.330	36.330
Total	169.410	169.229	169.229	163.329	163.329
Greenstone /Edenvale/ Modderfontein					
Grade A ⁺					
Grade A	50.508	50.508	50.508	51.908	52.655
Grade B	20.367	18.367	19.367	19.367	19.367
Total	70.875	68.875	69.875	71.275	72.022
Newtown					
Grade A ⁺					
Grade A			61.859	61.859	61.859
Grade B			50.900	50.900	50.900
Total			112.759	112.759	112.759

Source of data: Sapoa

Table 6.3 (continued) Sapoa office stock (m²) Grades A⁺, A & B					
	December 2012	March 2013	June 2013	September 2013	December 2013
Cape Town					
Bellville (incl. Tyger V)					
Grade A ⁺					
Grade A	352.772	352.772	377.772	378.638	378.638
Grade B	151.948	148.148	148.148	148.148	148.148
Total	504.720	500.920	525.920	526.786	526.786
CBD Cape Town					
Grade A ⁺	12.500	12.500	12.500	12.500	12.500
Grade A	470.341	308.668	318.668	318.668	318.668
Grade B	300.834	472.507	477.507	473.861	473.861
Total	783.675	793.675	808.675	805.029	805.029
Century City					
Grade A ⁺	70.00	7.000	7.000	7.000	7.000
Grade A	213.227	213.227	213.227	222.867	230.312
Grade B	28.981	28.969	28.969	28.969	28.969
Total	249.208	249.196	249.196	258.836	266.281
Claremont					
Grade A ⁺					
Grade A	58.036	58.036	58.036	58.036	58.036
Grade B	46.586	46.586	46.586	46.586	46.586
Total	104.622	104.622	104.622	104.622	104.622
Pinelands					
Grade A ⁺					
Grade A	208.468	208.468	208.468	208.468	208.468
Grade B	19.957	19.957	19.957	19.957	19.957
Total	228.425	228.425	228.425	228.425	228.425
Rondebosch/Newlands					
Grade A ⁺					
Grade A	70.254	70.254	70.254	70.254	70.254
Grade B	28.077	28.077	28.077	28.077	28.077
Total	98.331	98.331	98.331	98.331	98.331
V&A Waterfront					
Grade A ⁺	34.500	34.500	34.500	34.500	34.500
Grade A	39.071	39.071	39.071	39.071	39.071
Grade B	6.298	6.298	6.298	6.298	6.298
Total	79.869	79.869	79.869	79.869	79.869
<i>Source of data: Sapoa</i>					

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

	December 2012	March 2013	June 2013	September 2013	December 2013
Durban					
Berea					
Grade A ⁺					
Grade A	29.899	30.979	38.979	39.999	39.999
Grade B	33.397	38.045	38.045	33.397	33.303
Total	63.296	69.024	77.024	73.396	73.302
Ballito					
Grade A ⁺	3.632	3.632	3.632	3.632	3.632
Grade A	12.406	18.146	18.101	18.141	18.441
Grade B	5.631	7.176	7.496	7.496	7.496
Total	21.669	28.954	29.229	29.269	29.569
Hillcrest/Gillits					
Grade A ⁺					
Grade A	5.467	5.467	5.467	5.467	5.467
Grade B	16.548	16.548	16.548	16.548	16.548
Total	8.689	7.638	7.638	6.402	6.402
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	239.710	239.710	239.710	239.710	239.710
Grade B	28.652	28.652	28.652	28.652	28.652
Total	273.068	273.068	273.068	273.068	273.068
Westville					
Grade A ⁺					
Grade A	85.298	84.852	84.894	84.894	84.394
Grade B	101.657	104.084	104.084	105.305	105.492
Total	186.955	188.936	188.978	190.199	189.886
Arcadia					
Grade A ⁺					
Grade A	173.639	173.639	173.639	173.639	156.526
Grade B	74.870	74.870	74.870	74.870	92.783
Total	248.509	248.509	248.509	248.509	249.309
Brooklyn					
Grade A ⁺					
Grade A	171.632	171.632	180.357	181.702	182.602
Grade B	53.021	53.021	53.021	53.555	53.555
Total	224.653	224.653	233.378	235.257	236.157
<i>Source of data: Sapoa</i>					

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

	December 2012	March 2013	June 2013	September 2013	December 2013
Pretoria					
CBD Pretoria					
Grade A ⁺					
Grade A	97.467	97.467	97.467	97.467	97.467
Grade B	297.790	297.790	297.790	297.790	303.790
Total	395.257	395.257	395.257	395.257	401.257
Centurion					
Grade A ⁺					
Grade A	201.950	201.950	202.649	203.849	215.983
Grade B	209.420	209.420	210.072	210.073	209.335
Total	411.370	411.370	412.721	413.922	425.318
Hatfield/Hillcrest					
Grade A ⁺					
Grade A	106.036	106.036	107.582	122.082	119.636
Grade B	153.984	153.984	153.984	153.984	156.484
Total	260.020	260.020	261.566	276.066	276.120
Highveld Technopark					
Grade A ⁺					
Grade A	324.946	324.946	323.568	323.568	332.068
Grade B	120.644	120.644	119.230	120.535	122.489
Total	445.590	445.590	442.798	444.103	454.557
Menlyn					
Grade A ⁺					
Grade A	208.258	246.126	246.126	235.440	246.704
Grade B	78.387	78.386	78.386	89.786	89.896
Total	286.645	324.512	324.512	325.226	336.600
Pretoria Eastern Suburbs					
Grade A ⁺					
Grade A	202.922	215.707	216.000	220.793	219.743
Grade B	139.799	139.800	138.199	138.349	138.349
Total	342.721	355.507	354.199	359.142	358.092
Lynnwood					
Grade A ⁺	30.400	30.400	30.400	30.400	30.400
Grade A	74.090	72.590	72.758	70.819	70.030
Grade B	113.692	112.992	112.992	113.333	115.333
Total	218.182	215.982	216.150	214.552	215.763
<i>Source of data: Sapoa</i>					

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

	December 2012	March 2013	June 2013	September 2013	December 2013
Port Elizabeth					
Greenacres					
Grade A ⁺	3.545	3.545	3.545	3.545	3.545
Grade A	10.953	10.953	9.753	9.753	10.953
Grade B	51.856	51.856	53.056	53.056	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	8.541	8.542	8.541	8.541	8.542
Total	8.541	8.542	8.541	8.541	8.542
Walmer/Fairview					
Grade A ⁺					
Grade A	11.707	20.007	20.007	20.007	20.007
Grade B	5.471	5.472	5.471	5.471	5.471
Total	17.178	25.479	25.478	25.478	25.478
Johannesburg					
Johannesburg central					
Grade A ⁺	24.000	24.000	24.000	24.000	24.000
Grade A	1.007.097	819.987	776.287	814.287	814.287
Grade B	884.598	1.023.284	854.787	1.046.236	843.848
Total	1.915.695	1.867.271	1.655.074	1.884.523	1.682.135
<i>Source of data: Sapoa</i>					

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

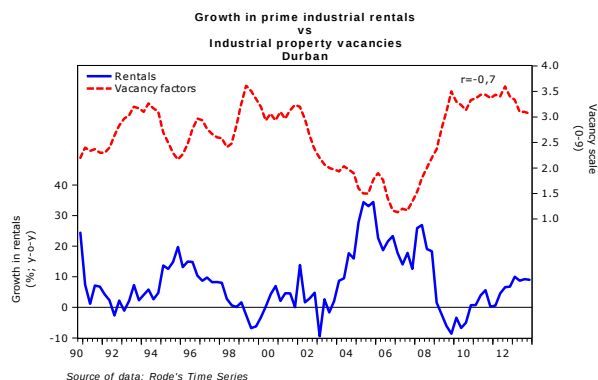
	December 2012	March 2013	June 2013	September 2013	December 2013
Decentralized					
Johannesburg de- centralized					
Grade A ⁺	594.374	594.374	654.174	674.625	736.125
Grade A	3.761.843	3.809.723	4.112.599	4.152.898	4.108.350
Grade B	2.387.755	2.418.400	2.213.359	2.204.011	2.159.654
Total	6.743.972	6.822.497	6.980.132	7.031.534	7.004.129
Pretoria decentralized					
Grade A ⁺	30.400	30.400	30.400	30.400	30.400
Grade A	1.463.473	1.512.626	1.522.679	1.531.892	1.543.292
Grade B	943.817	943.117	940.754	954.485	978.224
Total	2.437.690	2.486.143	2.493.833	2.516.777	2.551.916
Durban decentralized					
Grade A ⁺	13.805	13.805	13.805	13.805	13.805
Grade A	383.861	390.235	398.232	399.292	399.092
Grade B	178.026	185.595	185.915	181.252	181.345
Total	575.692	589.635	597.952	594.349	594.242
Cape Town decentralized					
Grade A ⁺	41.500	41.500	41.500	41.500	41.500
Grade A	941.828	941.828	966.828	977.334	984.779
Grade B	281.847	278.035	278.035	278.035	278.035
Total	1.265.175	1.261.363	1.286.363	1.296.869	1.304.314
<i>Source of data: Sapoa</i>					

Chapter 7: Industrial rentals and vacancies

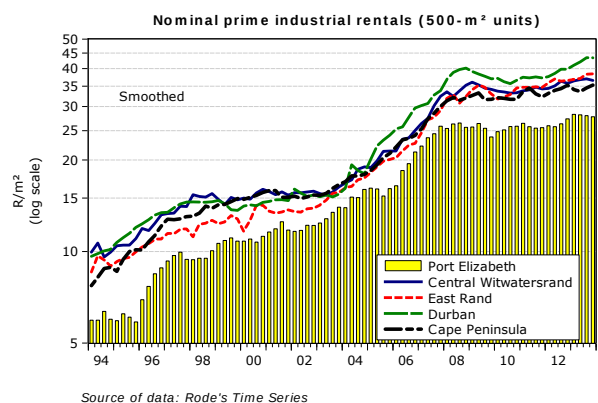
Industrial rentals in Durban showing strong growth

Written by John S. Lottering

Growth in industrial rentals in Durban has been heating up, so much so that in recent quarters it has been showing the strongest growth amongst the major industrial regions.

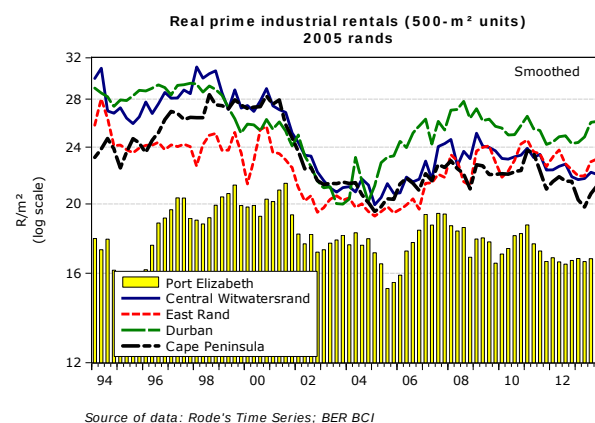


During the fourth quarter of 2013, prime industrial rentals in Durban were up by an impressive yearly rate of 9%. The accompanying graph shows the fairly robust ($r=-0,7$) inverse relationship between growth in industrial rentals and vacancies in Durban.



An explanation for the acceleration in the growth in rentals must, therefore, be that vacancies have been edging south in recent quarters. As for rental growth in the country's other major industrial conurbations, rentals on the East Rand were able to show growth of 5%. In the Central Witwatersrand and the Cape Peninsula, rental growth of 2% was recorded, while in Port Elizabeth rentals were unable to show any growth.

We estimate building costs — overall tender prices — to have shown yearly growth of about 6% during the fourth quarter of 2013. This is roughly in line with the 7% growth in building-input prices. Thus, the estimated 6% growth in building costs implies that Durban was the only industrial conurbation which saw *real* growth in market rentals.



For now, conditions in the manufacturing sector remain challenging. This naturally places a lid on the demand for industrial

space and keeps rentals growing at moderate rates. Naturally, the weak rand — not to mention its potential to weaken even further — might make SA goods more internationally competitive. Having said that, a weak rand will in the long run increase production input costs, and thereby eventually erase the competitive advantage of a weak currency. According to a survey by the Manufacturing Circle, 80% of manufacturers in SA procure only 40% of their input requirements (purchases of goods, services and raw materials) in SA.

In **Table 7.1** we examine pioneer industrial rentals, which provide a quick-and-dirty prognosis for the short-term direction of industrial rentals. Often, pioneer rental levels represent leases signed on newly erected pre-let buildings, and these of course reflect today's building costs (in contrast to

market rentals), as developers naturally expect a fair return on their development costs.

The remainder of this chapter includes:

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

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

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

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

Readers are reminded that the vacancy figures in the graph above are not actual vacancy percentages, but rather graduations on a 0-9 vacancy scale. For more information, see the notes to the industrial tables on p.81. 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 2013:4
Highest gross rental rates achieved (1000-m² units)
Rands per rentable square m² (excl VAT)

	Pioneer	Normal prime	Difference (%)
Central Witwatersrand	65	35	84%
West Rand	53	31	68%
East Rand	60	37	59%
Durban	64	42	50%
Cape Peninsula	65	33	94%
Bloemfontein	55	30	82%

Table 7.2
Mean prime industrial market rentals as in quarter 2013:4
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Central Witwatersrand									
Cambridge Park	50,00	49,44	50,00	47,33	47,33	1,5	4,033	-0,021	-0,88
Wynberg Proper	36,25	34,33	32,67	30,00	28,33	2,5	4,051	-0,083	-1,00
Strijdom Park	47,33	44,00	43,00	40,00	39,00	3,0	4,195	-0,063	-0,99
Kya Sand	38,00	37,00	35,00	35,00	36,00	4,0	3,736	-0,021	-0,71
Clayville/Olifantsfontein	40,00	37,50	37,00	34,50	35,00	2,3	3,928	-0,046	-0,94
Chloorkop	38,33	37,50	34,00	32,50	32,67	2,3	3,978	-0,061	-0,94
Amalgam	34,50	34,33	33,33	31,00	30,00	2,5	3,839	-0,051	-0,97
Crown Mines	38,75	43,33	41,67	39,00	35,50	3,0	3,946	-0,038	-0,60
Industria	33,33	31,00	30,00	28,50	30,00	2,7	3,688	-0,039	-0,81
Booyensens/Booyens	30,25	27,00	26,00	25,67	26,33	3,0	3,591	-0,042	-0,77
Reserve/Ophirton									
Village Main/Village Deep/New Centre	28,25	27,00	25,67	24,33	24,50	2,8	3,612	-0,051	-0,96
Benrose	33,75	31,00	28,33	28,00	29,00	2,6	3,765	-0,052	-0,81
Steeledale/Electron/Tulisa Park	33,75	32,33	31,00	28,33	28,00	2,0	3,889	-0,067	-0,99
Aeroton	37,75	36,00	35,33	33,67	32,67	1,5	3,884	-0,047	-0,99
Devland/Nancefield	25,50	23,50	23,50	22,00	21,00	3,0	3,556	-0,060	-0,97
Cleveland/Heriotdale	33,00	33,00	31,00	28,00	27,67	2,0	3,897	-0,069	-0,96
Newlands/Martindale	28,00	26,50	23,50	22,00	23,33	2,7	3,706	-0,072	-0,87
Kew/Wynberg East	28,67	27,67	26,33	23,00	22,67	3,7	3,849	-0,087	-0,98
Bramley View/Lombardy West	28,00	26,33	24,00	22,33	22,33	4,7	3,765	-0,081	-0,97
Marlboro	22,75	22,75	21,25	20,38	20,25	4,2	3,382	-0,045	-0,96
Halfway House: hi-tech strip	45,33	45,33	45,00	41,67	41,67	2,2	4,017	-0,034	-0,91
Halfway House: Richards Drive	43,50	43,50	42,50	41,50	40,75	2,5	3,910	-0,024	-0,98
Commercialia	41,50	38,50	36,50	33,50	33,50	1,8	4,122	-0,075	-0,97
Kramerville/Eastgate Ext12 & Ext13	55,00	55,00	52,67	49,00	49,00	2,0	4,275	-0,046	-0,96
Centurion	45,00	45,00	47,67	45,67	45,00	1,8	3,813	0,001	0,06

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2013:4
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Linbro Park	59,33	58,00	56,33	53,00	48,67	1,9	4,455	-0,064	-0,97
Wesco Park/Eastgate Ext3, Ext11, Ext6, Ext8/Malboro North (New)	49,33	49,33	46,67	46,67	46,67	2,1	4,016	-0,022	-0,86
City Deep	40,00	40,00	37,33	37,12	35,00	1,4	3,946	-0,045	-0,95
North Riding	44,00	45,00	40,00	40,00	40,00	2,5	4,013	-0,040	-0,82
Samrand Centurion	45,00	45,00	43,50	43,50	40,00	1,5	4,016	-0,035	-0,88
Barbeque Downs	53,00	50,50	49,00	46,50	45,00	1,5	4,263	-0,054	-1,00
Selby Ext 12/13/15/19/20/24/City West	36,00	36,00	35,75	33,25	32,25	2,2	3,825	-0,040	-0,93
Selby Ext 5/10/14/18	33,00	33,00	32,67	30,67	30,00	2,3	3,708	-0,035	-0,94
Selby Ext 11	33,00	33,00	33,00	29,67	29,67	2,0	3,756	-0,043	-0,89
Selby Ext 3/4/6	32,33	31,00	30,67	28,00	27,67	2,2	3,781	-0,055	-0,97
Denver (Old)	23,00	23,00	20,00	19,67	18,33	2,4	3,589	-0,080	-0,95
Denver (New)	35,33	35,17	33,83	33,33	31,17	1,0	3,798	-0,040	-0,95
Kyalami Business Park	52,33	51,67	50,00	47,67	47,67	2,0	4,156	-0,035	-0,97
Reuven	32,50	31,25	31,25	28,75	27,50	2,2	3,796	-0,055	-0,97
Selby (Old)/Selby Ext2/Park Central	31,67	31,00	29,33	27,33	26,00	1,8	3,848	-0,069	-0,99
Robertsham	33,00	32,50	33,33	30,33	30,33	2,4	3,688	-0,032	-0,84
Fordsburg/Mayfair	28,00	28,00	25,50	22,00	20,00	1,5	4,047	-0,121	-0,97
Central Witwatersrand	36,97	36,35	35,30	33,26	32,43	2,4			
West Rand									
Lea Glen	33,50	32,50	30,00	29,50	27,00	2,0	3,897	-0,069	-0,97
Honeydew X19, 20, 21 & 22	48,50	46,00	45,00	43,00	41,00	2,5	4,169	-0,053	-0,99
Stormill	37,00	37,00	35,00	35,00	33,00	4,0	3,825	-0,037	-0,94
Chamdor	27,00	27,00	23,50	22,50	20,33	1,8	3,863	-0,098	-0,97
Factoria	26,50	26,50	23,50	22,50	20,00	1,5	3,831	-0,095	-0,97
Randfontein: Delporton/ Aureus	25,00	24,50	22,00	20,00	20,00	3,0	3,700	-0,086	-0,97
Boltonia	25,00	25,00	25,00	22,00	20,00	0,0	3,686	-0,077	-0,91

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2013:4
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Roodepoort: Technikon/Manufacta	29,00	27,00	27,00	24,00	22,50	2,0	3,830	-0,083	-0,98
Industria North	30,00	30,00	28,25	25,00	21,75	2,0	4,055	-0,110	-0,95
Robertville	35,33	33,67	32,33	31,33	30,67	2,3	3,810	-0,046	-0,98
Laserpark	48,00	46,67	45,17	43,33	40,67	3,0	4,173	-0,053	-0,99
West Rand	34,26	33,35	31,57	29,96	27,73	2,3			
East Rand									
Elandfontein	35,40	35,00	35,20	34,60	34,60	2,6	3,608	-0,008	-0,90
Tunney/Greenhills	46,67	45,83	44,67	43,50	42,00	2,5	4,038	-0,035	-0,99
Henville	42,50	41,25	41,00	40,00	40,00	1,8	3,852	-0,020	-0,95
Meadowbrook/Wilbart	39,20	38,80	38,50	37,20	36,60	2,2	3,806	-0,024	-0,98
Sunnyrock	45,00	44,80	43,60	40,60	39,60	2,1	4,083	-0,047	-0,97
Rustivia/Activia Park	37,20	37,20	36,00	35,10	34,00	2,0	3,800	-0,031	-0,98
Eastleigh	36,20	35,20	34,80	33,40	31,40	2,3	3,842	-0,044	-0,97
Sebenza Ext 14	35,20	35,00	34,00	33,00	30,90	2,4	3,809	-0,042	-0,95
Spartan Ext 16 (Sebenza Link) + Ext 1,3,7	36,20	35,90	35,00	34,20	34,00	2,4	3,717	-0,023	-0,98
Isando	36,67	36,50	36,50	38,50	36,83	7,2	3,549	0,009	0,47
Isando 3	37,67	37,67	37,33	35,17	34,83	2,8	3,809	-0,030	-0,93
Jet Park	39,83	39,83	39,33	38,50	38,33	2,7	3,771	-0,015	-0,97
Alrode & Xs	35,33	33,67	32,67	30,67	29,67	2,5	3,884	-0,058	-1,00
Alrode South	34,00	31,67	30,67	30,00	29,00	2,7	3,774	-0,048	-0,96
Alberton	36,83	36,67	35,67	33,90	29,33	3,0	4,030	-0,071	-0,90
Aeroporto/ Spartan Ext 2	44,00	43,83	43,00	42,50	41,33	2,2	3,903	-0,021	-0,97
Delville	28,50	28,50	29,50	28,50	28,00	1,5	3,389	-0,005	-0,33
Roodekop	29,67	26,50	26,00	26,00	26,00	2,1	3,542	-0,036	-0,76
Wadeville: Industrial zoning	32,00	32,50	31,25	30,25	29,75	2,5	3,640	-0,029	-0,94
Route 24/ Meadowdale	41,80	41,80	41,00	39,40	39,00	2,2	3,888	-0,026	-0,97

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2013:4
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Germiston S/ Industries E	28,00	27,75	28,50	27,75	27,00	1,6	3,394	-0,010	-0,61
Driehoek/ Industries W	32,50	32,00	30,00	29,00	27,00	4,2	3,833	-0,062	-0,98
Knights	25,00	25,00	24,00	23,00	20,00	3,5	3,638	-0,070	-0,91
Spartan Proper	35,60	35,00	34,40	32,40	31,80	2,0	3,802	-0,040	-0,98
Founders View	45,00	45,00	44,50	41,75	41,50	2,0	3,996	-0,032	-0,93
Longmeadow	54,80	54,80	54,20	52,80	52,00	1,9	4,116	-0,019	-0,96
Pomona/ Kempton park	45,50	45,00	45,00	44,25	43,50	2,5	3,897	-0,014	-0,96
EastRand	38,67	38,34	37,74	36,63	35,66	2,6			
Far East Rand									
Boksburg North & East	35,25	34,75	33,75	31,75	31,00	2,5	3,827	-0,046	-0,99
Benoni South	34,25	33,50	31,75	30,50	29,00	2,5	3,850	-0,056	-0,99
New Era/ Vulcania	27,50	25,83	25,00	25,00	25,00	1,5	3,445	-0,029	-0,83
Nuffield	29,00	29,00	26,50	25,00	25,00	0,5	3,701	-0,059	-0,95
Fulcrum	25,25	25,25	25,25	23,00	23,00	1,0	3,456	-0,038	-0,89
Apex	34,67	34,67	34,00	31,00	31,00	2,8	3,812	-0,045	-0,93
La Boré Brakpan	25,00	24,00	24,00	21,00	20,00	2,5	3,664	-0,077	-0,96
Morehill Ext 8 Benoni	35,50	35,50	35,00	33,00	30,00	1,5	3,899	-0,054	-0,91
Far East Rand	31,55	31,00	30,02	28,00	27,37	2,0			
Pretoria									
Mitchell St	40,00	40,00	35,00	35,00	33,00	4,0	4,069	-0,067	-0,93
Pretoria Industrial Township	30,00	30,00	28,00	22,00	20,00	3,0	4,291	-0,150	-0,95
Koedoespoort	30,00	27,50	33,00	30,00	30,00	3,0	3,331	0,010	0,19
Waltloo/ Despatch	35,00	32,50	35,00	30,00	30,00	2,0	3,846	-0,052	-0,82
Silverton/Silvertondale	41,50	39,33	36,50	35,00	35,00	2,0	4,040	-0,060	-0,95
Samcor Park	35,00	35,00	35,00	35,00	35,00	2,0	3,555	0,000	-
Sunderland Ridge	45,00	45,00	40,00	40,00	40,00	2,0	4,057	-0,046	-0,86
Hermanstad	35,00	35,00	33,00	30,00	30,00	2,0	3,913	-0,062	-0,96

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2013:4
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Kirkney	30,00	30,00	25,00	25,00	22,00	2,0	3,998	-0,105	-0,94
Hennopspark X15 & X7	50,00	50,00	50,00	45,00	45,00	2,0	4,169	-0,043	-0,89
Gateway	50,00	52,50	50,00	45,00	44,50	1,0	4,243	-0,052	-0,87
Lyttleton Manor X4/X6	45,00	45,00	40,00	35,00	30,00	2,0	4,635	-0,140	-0,97
Pretoria North	30,00	30,00	25,00	25,00	22,00	1,0	3,998	-0,105	-0,94
Silvertondale X1	38,00	38,00	38,00	35,00	35,00	3,0	3,838	-0,033	-0,89
Brits	25,00	25,00	22,00	22,00	20,00	3,0	3,647	-0,075	-0,94
Klerksoord	25,00	25,00	25,00	22,00	20,00	2,0	3,686	-0,077	-0,91
Rosslyn	25,00	25,00	25,00	22,00	19,50	2,0	3,728	-0,083	-0,90
Pretoria	36,48	36,18	34,84	31,58	30,26	2,2			
Polokwane									
Lebowakgomo	-	-	-	-	-	-	-	-	-
Superbia	47,50	33,50	26,50	19,00	-	2,5	-	-	-
Industria	40,00	33,50	30,00	21,00	-	2,5	-	-	-
Ladine	45,00	35,00	29,00	21,00	-	2,5	-	-	-
Futura	36,50	34,00	28,50	19,00	-	2,5	-	-	-
Laboria	45,00	35,00	25,00	20,00	-	2,5	-	-	-
Magna Via	43,00	42,50	37,50	29,00	-	2,0	-	-	-
Seshego	-	-	-	-	-	-	-	-	-
Polokwane	42,64	35,64	29,82	21,64	-	2,4			
Nelspruit									
Nelspruit East	43,50	39,00	37,50	35,50	31,50	2,5	4,293	-0,097	-0,98
Nelspruit West	43,50	40,50	39,00	35,00	35,00	2,0	4,187	-0,077	-0,98
Rocky's Drift	39,50	37,50	37,50	34,50	30,00	3,5	4,159	-0,084	-0,93
Riverside Park	60,00	56,50	52,50	52,50	42,50	3,0	4,655	-0,099	-0,92
Nelspruit	46,62	43,38	41,62	39,38	34,75	2,8			

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2013:4
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Durban									
Springfield Park	45,00	44,25	45,00	43,50	41,75	2,2	3,937	-0,022	-0,86
Mayville	38,33	38,33	37,00	36,00	33,00	2,3	3,930	-0,048	-0,93
Phoenix	37,50	37,50	38,50	40,00	40,00	2,3	3,475	0,026	0,96
North Coast Rd / Briardene	46,67	47,50	46,25	44,25	43,00	2,8	4,037	-0,031	-0,92
Briardene Industrial Park	53,33	52,00	49,00	47,00	45,75	2,0	4,273	-0,054	-0,99
Umgeni Rd/ Stamford Hill	40,00	40,00	39,00	37,50	38,33	2,7	3,802	-0,020	-0,86
Umbilo/ Sydney Rd/ Gale St	40,33	38,67	38,67	39,33	38,33	3,3	3,739	-0,011	-0,63
Jacobs	42,33	43,00	43,75	43,00	40,75	2,8	3,823	-0,010	-0,46
Mobeni	43,00	43,50	43,50	43,00	40,75	2,5	3,866	-0,016	-0,70
Prospecton	45,00	45,00	45,00	45,00	41,67	3,3	3,932	-0,020	-0,71
Ithala Industrial Estate	39,00	38,00	37,50	36,50	36,50	2,0	3,783	-0,023	-0,97
Pinetown Central	46,50	44,75	42,75	43,00	42,25	4,0	3,989	-0,030	-0,91
New Germany	43,75	42,50	41,50	40,00	38,75	2,7	3,999	-0,040	-1,00
Isipingo	35,00	36,00	35,33	35,00	35,00	2,7	3,590	-0,004	-0,39
Rosburgh/ South Coast Rd	38,00	35,00	35,00	34,00	34,00	4,0	3,789	-0,033	-0,86
Edwin Swales Drive	39,00	37,50	37,50	40,67	40,00	1,7	3,532	0,019	0,60
Glen Anil	50,00	50,00	48,50	46,50	45,00	2,3	4,133	-0,038	-0,97
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	35,00	35,00	6,0	3,973	-0,052	-0,86
New Westmead/ Mahogany	50,75	48,25	47,25	47,00	46,25	2,9	4,060	-0,027	-0,92
Westmead	48,75	47,50	45,00	44,25	43,00	2,6	4,115	-0,042	-0,98
Mariann Park/ Southmead	32,50	32,50	32,50	33,33	33,33	4,3	3,420	0,010	0,89
Maxmead	46,00	44,25	43,00	43,00	42,00	2,5	3,966	-0,027	-0,94
Ringroad Industrial Park	43,00	43,00	43,00	-	-	2,0	-	-	-

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2013:4
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Avoca/ Red Hill/ Northgate	48,50	45,00	43,50	42,33	41,67	3,0	4,119	-0,047	-0,95
Falcon Park	43,50	43,50	43,50	40,00	40,00	4,0	3,977	-0,034	-0,89
River Horse Valley Business	57,67	59,50	56,25	56,25	53,75	3,6	4,218	-0,026	-0,83
Mount Edgecombe	50,00	50,00	53,33	50,83	45,83	3,0	4,061	-0,021	-0,47
Umbogintwini/ Southgate	48,33	46,67	46,67	46,67	45,00	2,0	3,972	-0,018	-0,88
Southgate Industrial Park	55,00	52,33	50,00	50,00	47,33	2,5	4,243	-0,045	-0,96
Hibiscus Industrial Park	45,00	45,00	40,00	38,00	38,00	6,0	4,182	-0,067	-0,94
Umgeni Park	60,00	55,00	50,00	52,50	50,00	2,7	4,344	-0,052	-0,82
Hammersdale	24,00	24,00	22,33	25,50	22,33	4,6	3,225	-0,009	-0,20
Cato Ridge	38,33	33,00	35,00	33,33	31,67	3,4	3,871	-0,048	-0,80
Durban	44,43	43,18	44,79	42,01	40,66	3,0			
Cape Peninsula									
Viking Place	38,33	34,00	29,00	25,00	22,00	3,0	4,673	-0,186	-1,00
Glosderry	46,67	47,50	46,50	46,00	45,00	1,0	3,933	-0,014	-0,84
Paarden Eiland/ Metro	41,67	39,00	40,00	37,67	37,50	2,3	3,895	-0,033	-0,89
Montague Gardens	41,20	38,40	38,60	37,50	35,00	2,7	3,960	-0,046	-0,94
Marconi Beam	43,00	41,25	40,20	42,67	40,00	2,0	3,817	-0,013	-0,49
Killarney Gardens	35,33	33,67	33,33	31,67	31,00	3,5	3,793	-0,043	-0,99
Racing Park	32,50	31,25	29,25	28,75	30,00	3,3	3,633	-0,032	-0,76
Atlantis	30,00	30,00	28,00	28,00	27,00	4,0	3,608	-0,036	-0,94
Woodstock/ Salt River/ Observatory	41,50	45,00	40,00	40,00	35,00	2,0	4,115	-0,060	-0,80
Athlone 1 & 2	30,00	29,00	29,00	28,50	28,00	3,0	3,506	-0,020	-0,96
Lansdowne Nerissa	35,00	35,00	33,50	32,50	30,00	1,0	3,853	-0,050	-0,95
Sand Industria	-	-	-	-	-	-	-	-	-
Ottery Hillstar	36,67	35,00	32,33	33,00	30,00	1,5	3,923	-0,060	-0,93
Ottery Sunset	35,00	35,00	34,00	32,50	30,00	2,0	3,858	-0,051	-0,94

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2013:4
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Diep River	43,33	43,33	45,00	45,00	40,00	2,0	3,881	-0,016	-0,40
Elfindale	43,50	43,50	43,33	42,00	39,00	2,0	3,978	-0,034	-0,86
Monwood/ Philippi East	25,00	25,00	25,00	25,00	-	-	-	-	-
Retreat/ Steenberg	42,25	41,50	41,33	41,67	40,00	3,0	3,817	-0,014	-0,81
Capricorn Park	44,00	43,50	44,00	43,50	40,00	4,5	3,936	-0,025	-0,75
Maitland	36,25	40,00	35,00	34,33	30,00	4,0	4,046	-0,070	-0,81
Ndabeni	46,67	43,00	38,33	36,67	34,00	2,7	4,400	-0,104	-0,98
Airport	43,33	39,67	37,50	35,00	28,00	3,0	4,508	-0,131	-0,95
Epping 1 & 2	38,60	40,67	32,75	31,00	25,00	3,8	4,549	-0,150	-0,93
WP Park	49,00	47,00	41,50	45,00	36,50	3,0	4,343	-0,081	-0,84
Elsies River (excl, Central Park)	29,25	27,75	26,00	23,50	22,00	2,7	3,920	-0,097	-1,00
Parow Beaconvale	36,00	33,50	30,25	28,00	25,80	3,5	4,194	-0,111	-1,00
Tygerberg Business Park	36,67	36,75	32,67	32,33	30,00	3,0	3,998	-0,069	-0,95
Parow Industria	36,67	34,25	32,00	29,00	26,67	3,5	4,190	-0,106	-1,00
Parow East	34,67	31,33	30,25	27,67	25,00	2,0	4,103	-0,102	-0,99
Bellville Oakdale	40,00	35,00	35,00	30,00	-	1,0	-	-	-
Bellville Stikland/ Kaymor	37,00	35,60	34,20	31,00	31,00	3,0	3,973	-0,065	-0,98
Bellville Triangle	30,75	29,75	28,25	25,67	22,00	3,0	4,054	-0,108	-0,96
Bellville South/ Sacks Circle	32,50	28,50	26,50	24,33	22,50	3,3	4,101	-0,117	-0,99
Kraaifontein	27,50	26,50	25,50	24,00	25,00	1,0	3,513	-0,038	-0,88
Brackenfell Industria	33,75	31,25	29,50	28,00	27,50	2,3	3,874	-0,068	-0,98
Everite Brackenfell	36,25	35,60	31,00	29,33	30,00	2,8	4,001	-0,075	-0,91
Kuils River	30,00	26,67	26,00	25,00	25,00	2,0	3,666	-0,056	-0,89

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2013:4
(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				
Blackheath Saxenburg Industrial Park Okavango Park Firgrove The Interchange (Somerset) Strand Halt Broadlands	30,33	26,67	26,00	24,00	22,00	3,0	3,930	-0,098	-0,98
	32,50	30,25	29,67	27,67	28,00	2,3	3,744	-0,051	-0,95
	36,25	32,50	30,25	29,00	28,00	2,3	4,011	-0,082	-0,96
	-	-	-	-	-	-	-	-	-
	40,00	37,00	35,00	30,00	30,00	1,0	4,259	-0,104	-0,98
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Cape Peninsula	37,07	35,47	33,57	31,98	29,61	2,8			
George									
George Central	-	-	-	-	-	-			
Tamsui Industria	-	-	-	-	-	-			
Pacaltsdorp Industria	-	-	-	-	-	-			
George	-	-	-	-	-	-			
Port Elizabeth									
Deal Party	29,17	29,17	27,67	26,50	26,83	2,3	3,570	-0,035	-0,93
North End	29,17	29,00	26,83	25,50	25,50	3,3	3,668	-0,052	-0,95
Korsten/ Neave/ Sidwell/ Sydenham	28,17	28,17	27,50	26,33	26,33	2,7	3,495	-0,027	-0,95
South End Walmer	23,67	22,67	22,67	21,83	21,75	1,7	3,305	-0,027	-0,95
Uitenhage: Volkswagen area/Nelson	26,25	23,75	23,75	23,75	23,75	1,7	3,366	-0,025	-0,69
Mandela Bay Logistics Park									
Uitenhage: Hella/Kruisrivier	17,50	16,83	15,00	15,00	15,00	4,0	3,145	-0,055	-0,88
Struandale	27,50	26,83	26,67	25,33	25,33	2,3	3,477	-0,030	-0,97
Markman Township	22,50	20,83	20,00	19,17	18,50	4,0	3,437	-0,062	-0,98
Perseverance	27,50	27,50	26,83	25,07	23,23	3,0	3,657	-0,057	-0,94
Walmer	38,75	35,00	33,75	36,25	30,00	0,7	3,970	-0,061	-0,77
Greenbushes	32,50	32,50	31,67	29,83	29,17	2,0	3,719	-0,040	-0,97

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2013:4
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1,000	2,500	5,000				
Fairview	52,50	50,00	47,50	36,25	32,50	1,0	4,955	-0,171	-0,97
Port Elizabeth	28,61	27,67	26,80	25,34	24,11	2,3			
Bloemfontein									
Hilton	47,50	42,50	38,33	27,50	22,00	2,0	5,364	-0,262	-0,98
East End	46,67	40,00	36,00	26,33	20,00	2,0	5,431	-0,279	-0,99
Harvey Road	39,33	34,33	27,50	22,00	20,00	2,0	4,977	-0,237	-0,99
Old Industrial	33,50	29,67	24,00	19,25	18,00	2,0	4,729	-0,221	-0,99
Hamilton: Mill St	26,50	23,50	19,00	17,00	15,00	2,0	4,323	-0,191	-0,99
Hamilton: G Lubbe St	24,00	22,25	19,00	15,00	13,25	2,0	4,367	-0,209	-0,99
Estoir	45,67	44,00	37,17	31,00	30,00	1,5	4,713	-0,157	-0,98
Bloemfontein	38,71	34,47	30,21	22,47	18,50	1,9			

Table 7.3
Standard deviation from mean prime industrial market rentals
as in 2013:4

	Area size leased in m²					Contributor codes
	250	500	1.000	2.500	5.000	
Central Witwatersrand						
Cambridge Park	4,08	4,16	4,08	5,56	5,56	AP, GT, QU, MR
Wynberg Proper	5,45	3,30	2,05	4,08	2,87	AP, AW, GT, MR, QU
Strijdom Park	2,49	2,00	1,00	2,00	1,00	AP, AW, GT, QU
Kya Sand	1,63	1,00	0,00	0,00	2,94	AP, GT, QU
Clayville/Olifantsfontein	4,08	2,50	3,00	0,50	2,45	AP, GT, QU
Chloorkop	2,36	2,50	1,00	2,50	4,11	AP, GT, QU
Amalgam	2,87	0,94	1,25	1,41	2,45	AP, GT, QU, RO
Crown Mines	5,45	4,71	2,36	1,41	3,50	AP, GT, QU, RO
Industria	3,40	1,00	0,00	1,50	4,08	AP, GT, QU
Booyens/Booyens Reserve/Ophirton	4,71	0,82	1,41	0,94	0,94	AP, GT, QU, RO
Village Main/Village Deep/New Centre	2,05	1,41	2,05	0,94	2,18	AP, GT, QU, RO
Benrose	4,38	2,16	1,25	1,63	3,67	AP, GT, QU, RO
Steeledale/Electron/Tulisa Park	3,03	2,05	1,63	1,25	1,63	AP, GT, QU, RO
Aeroton	2,28	2,94	2,05	0,94	2,05	AP, GT, QU, RO
Devland/Nancefield	0,50	1,50	1,50	2,00	1,00	AP, QU
Cleveland/Heriotdale	2,16	2,16	2,16	1,63	2,05	AP, GT, QU, RO
Newlands/Martindale	1,63	0,50	1,50	2,00	3,40	AP, GT, QU
Kew/Wynberg East	0,94	0,47	1,25	2,16	2,05	AP, AN, GT, QU
Bramley View/Lombardy West	1,63	1,25	3,27	2,05	2,05	AP, GT, QU
Marlboro	5,54	5,54	6,06	5,21	5,12	AP, GT, QU, RO
Halfway House: hi-tech strip	4,11	4,11	4,08	2,87	2,87	AP, AW, GT, MR, QU
Halfway House: Richards Drive	2,06	2,06	4,33	4,97	5,36	AP, AW, GT, MR, QU
Commercial	3,50	1,50	0,50	1,50	1,50	AP, QU

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2013:4

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Kramerville/Eastgate Ext12 & Ext13	0,00	0,00	3,30	1,00	1,00	AP, AW, GT, QU
Centurion	0,00	0,00	2,05	1,70	0,82	AP, GT, QU
Linbro Park	0,94	2,83	2,62	6,68	3,40	AP, GT, MR, QU
Wesco Park/Eastgate Ext3, Ext11, Ext6, Ext8/Malboro North (New)	0,94	0,94	2,36	2,36	2,36	AP, AW, GT, MR, QU
City Deep	0,00	0,00	0,94	0,89	0,00	AP, GT, QU, RO
North Riding	1,41	0,00	0,00	0,00	0,00	AP, GT, QU
Samrand Centurion	0,00	0,00	1,50	1,50	0,00	AP, GT, QU
Barbeque Downs	2,00	0,50	1,00	1,50	-	AP, QU
Selby Ext 12/13/15/19/20/24/City West	1,22	1,22	0,83	2,38	2,49	AP, GT, QU, RO
Selby Ext 5/10/14/18	2,16	2,16	2,05	1,70	1,63	AP, QU, RO
Selby Ext 11	2,16	2,16	2,16	2,05	2,05	AP, QU, RO
Selby Ext 3/4/6	2,05	2,94	3,30	2,83	3,30	AP, QU, RO
Denver (Old)	2,16	2,16	1,63	2,05	2,87	AP, GT, QU, RO
Denver (New)	2,05	2,25	2,32	2,87	2,78	AP, QU, RO
Kyalami Business Park	2,05	2,36	4,08	2,05	2,05	AP, AW, GT, QU
Reuven	2,50	2,17	2,17	2,59	2,87	AP, GT, QU, RO
Selby (Old)/Selby Ext2/Park Central	2,36	2,94	4,19	2,49	2,94	AP, QU, RA, RO
Robertsham	2,12	2,87	2,36	2,05	2,05	AP, GT, QU, RO
Fordsburg/Mayfair	2,00	2,00	0,50	2,00	-	AP, QU
West Rand						
Lea Glen	1,50	2,50	2,00	1,50	2,00	QU, RO
Honeydew X19, 20, 21 & 22	3,50	4,00	3,00	3,00	1,00	AP, QU
Stormill	1,00	1,00	0,00	0,00	1,00	AP, QU

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2013:4

	Area size leased in m²					Contributor codes
	250	500	1.000	2.500	5.000	
Chamdor	1,00	1,00	1,50	2,50	1,25	AP, QU, RO
Factoria	1,50	1,50	1,50	2,50	2,00	AP, QU
Randfontein: Delporton/Aureus	0,00	0,50	0,00	0,00	0,00	AP, QU
Boltonia	-	-	-	-	-	AP
Roodepoort: Technikon/Manufacta	1,00	3,00	3,00	4,00	2,50	AP, QU
Industria North	0,00	0,00	0,25	0,00	0,25	AP, QU
Robertville	0,47	0,94	0,94	0,94	0,94	AP, QU, RO
Laserpark	2,94	2,36	2,25	1,89	0,94	AP, QU, RO
East Rand						
Elandsfontein	0,49	1,10	0,40	0,80	0,80	AP, GT, MR, QU, RO, ZC
Tunney/Greenhills	2,36	2,54	1,70	2,29	2,52	AP, GT, MR, QU, RO, ZC
Henville	2,06	1,64	2,24	1,87	1,87	AP, GT, MR, QU, RO, ZC
Meadowbrook/Wilbart	0,98	1,60	2,14	1,94	2,65	AP, GT, QU, RO, ZC
Sunnyrock	1,90	1,60	1,96	1,74	2,42	AP, MR, QU, RO, ZC
Rustivia/Activia Park	2,32	2,32	2,10	1,74	2,61	AP, GT, MR, QU, RO
Eastleigh	0,98	0,40	0,75	2,06	2,58	AP, MR, QU, RO, ZC
Sebenza Ext 14	0,75	0,63	1,41	1,10	2,20	AP, MR, QU, RO, ZC
Spartan Ext 16 (Sebenza Link) + Ext1,3,7	0,98	1,20	2,28	1,60	2,00	AP, MR, QU, RO, ZC
Isando	1,80	1,98	1,98	7,41	3,72	AP, GT, MR, QU, RO, ZC
Isando 3	1,60	1,60	1,25	2,54	2,27	AP, GT, MR, QU, RO, ZC
Jet Park	1,21	1,21	1,49	1,50	1,70	AP, GT, MR, QU, RO, ZC
Alrode & Xs	2,05	4,19	4,50	4,11	4,64	AP, GT, QU
Alrode South	1,41	4,71	4,19	3,56	3,74	AP, GT, QU

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2013:4

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Alberton	2,25	2,36	3,30	2,26	6,55	AP, GT, QU
Aeroporto/Spartan Ext 2	3,32	3,39	2,45	2,75	2,29	GT, QU, RO, ZC
Delville	3,50	3,50	5,50	6,50	7,00	AP, RO
Roodekop	4,64	0,50	1,00	1,00	1,00	AP, GT, QU
Wadeville: Industrial zoning	2,12	1,80	2,86	2,38	2,86	AP, GT, MR, QU
Route 24/Meadowdale	2,23	2,23	2,37	2,33	2,37	AP, GT, MR, QU, RO
Germiston S/Industries E	2,12	2,28	4,39	4,55	5,24	AP, GT, QU, RO
Driehoek/Industries W	0,50	0,00	0,00	1,00	1,00	AP, QU, RO
Knights	0,00	0,00	0,00	1,00	0,00	AP, QU, RO
Spartan Proper	1,36	0,63	1,20	1,62	1,94	AP, MR, QU, RO, ZC
Founders View	0,00	0,00	0,87	2,05	2,29	AP, GT, QU, RO, ZC
Longmeadow	0,40	0,40	1,17	2,32	1,90	AP, GT, QU, RO, ZC
Pomona/Kempton Park	3,57	4,12	4,12	2,49	1,50	AP, GT, QU, RO
Far East Rand						
Boksburg North & South	0,43	0,43	1,30	1,09	1,00	AP, GT, QU, RO
Benoni	1,30	1,50	2,05	1,66	2,94	AP, GT, QU, RO
New Era/Vulcania	2,04	1,18	0,00	0,00	0,00	AP, QU, RO
Nuffield	1,00	1,00	1,50	0,00	0,00	AP, QU
Fulcrum	0,25	0,25	0,25	1,00	1,00	AP, QU
Apex	0,47	0,47	1,41	1,41	1,41	AP, GT, QU
Labore Brakpan	0,00	1,00	1,00	1,00	0,00	AP, QU
Morehill Ext 8 Benoni	0,50	0,50	0,00	-	-	AP, QU
Pretoria						
Mitchell St	-	-	-	-	-	

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2013:4

	Area size leased in m²					Contributor codes
	250	500	1.000	2.500	5.000	
Pretoria Industrial Township	-	-	-	-	-	-
Koedoespoort	5,00	5,50	-	-	-	AI
Waltloo/Despatch	0,00	2,50	-	-	-	AI
Silverton/Silvertondale	3,50	4,19	1,50	-	-	AI
Samcor Park	-	-	-	-	-	-
Sunderland Ridge	-	-	-	-	-	-
Hermanstad	-	-	-	-	-	-
Kirkney	-	-	-	-	-	-
Hennopspark X15 & X7	-	-	-	-	-	-
Gateway	0,00	2,50	0,00	0,00	0,50	MAS
Lyttleton Manor X4/x6	-	-	-	-	-	-
Pretoria North	-	-	-	-	-	-
Silvertondale X1	-	-	-	-	-	-
Brits	-	-	-	-	-	-
Klerksoord	-	-	-	-	-	-
Rossllyn	-	-	-	0,00	0,50	EI
Polokwane						
Lebowakgomo	-	-	-	-	-	ES,IK, MO
Superbia	2,50	1,50	1,50	1,00	-	ES,IK, MO
Industria	0,00	1,50	0,00	1,00	-	ES,IK, MO
Ladine	0,00	0,00	1,00	1,00	-	ES,IK, MO
Futura	1,50	1,00	1,50	1,00	-	ES,IK, MO

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2013:4

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Laboria	-	-	-	-	-	ES,IK, MO
Magna Via	2,00	2,50	4,50	1,00	-	ES,IK, MO
Seshego	-	-	-	-	-	ES,IK, MO
Nelspruit						
Nelspruit East	1,50	1,00	2,50	2,50	1,50	HH, RZ
Nelspruit West	1,50	4,50	3,00	0,00	0,00	HH, RZ
Rocky's Drift	0,50	2,50	2,50	2,50	0,00	HH, RZ
Riverside Park	2,00	1,50	2,50	2,50	2,50	HH, RZ
Durban						
Springfield Park	2,12	1,30	0,00	1,50	2,05	ML, PC, PPI, QP
Mayville	2,36	2,36	1,41	1,41	1,41	ML, PC, PPI
Phoenix	2,50	2,50	3,50	2,00	1,63	ML, PC, PPI
North Coast Rd/Briardene	2,36	2,50	1,30	1,30	2,12	ML, PC, PPI, QP
Briardene Industrial Park	2,36	3,08	3,67	3,46	1,30	ML, PC, PPI, QP
Umgeni Rd/Stamford Hill	0,00	0,00	1,00	2,50	2,36	ML, PC, PPI
Umbilo/Sydney Rd/Gale St	3,68	1,89	1,89	0,94	2,36	ML, PC, PPI
Jacobs	2,05	2,12	2,17	2,12	2,59	ML, PC, PPI, QP
Mobeni	1,41	1,50	1,50	2,12	2,59	ML, PC, PPI, QP
Prospecton	0,00	0,00	0,00	0,00	4,71	ML, PC, PPI
Ithala Industrial Estate	1,00	0,00	0,50	0,50	0,50	PC, PPI
Pinetown Central	4,97	4,09	3,96	2,12	1,79	PC, PPI
New Germany	4,02	2,87	2,87	0,00	2,17	ML, PC, PPI, QP
Isipingo	0,00	1,41	0,47	0,00	0,00	ML, PC, PPI
Rossburgh/South Coast Rd	0,00	0,00	0,00	1,41	4,32	ML, PC, PPI

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2013:4

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Edwin Swales Drive	1,00	2,50	2,50	0,94	1,63	ML, PC, PPI
Glen Anil	0,00	0,00	1,50	1,50	0,00	ML, PC, PPI
Brickfield Rd	5,00	2,50	-	-	-	PC, PPI
Verulam	-	-	-	-	-	PPI
Canelands	-	-	-	-	-	PPI
Tongaat	-	-	-	-	-	PPI
New Westmead/Mahogany	4,38	2,05	1,30	2,12	2,17	ML, PC, PPI, QP
Westmead	4,66	3,28	2,12	1,30	2,12	ML, PC, PPI, QP
Mariann Park/Southmead	0,50	0,50	2,50	2,36	2,36	ML, PC, PPI
Maxmead	2,92	1,30	2,12	2,12	3,08	ML, PC, PPI, QP
Ringroad Industrial Park	-	-	-	-	-	PC
Avoca/Red Hill/Northgate	6,50	5,00	3,50	3,30	2,36	ML, PPI
Falcon Park	1,50	1,50	1,50	0,00	0,00	PC, PPI
River Horse Valley Business Estate	2,05	3,64	3,03	3,03	3,03	ML, PC, PPI, QP
Mount Edgecombe	5,00	5,00	6,24	5,89	6,56	ML, PC, PPI
Umbogintwini/Southgate	6,24	6,24	6,24	6,24	4,08	ML, PC, PPI
Southgate Industrial Park	0,00	2,05	4,08	4,08	2,05	ML, PC, PPI
Hibiscus Industrial Park	-	-	-	-	-	PPI
Umgeni Park	5,00	8,16	5,00	2,50	0,00	ML, PC, PPI
Hammersdale	0,82	0,82	0,47	5,77	2,05	ML, PC, PPI, QP
Cato Ridge	2,36	7,71	0,00	2,36	2,36	ML, PC, PPI, QP

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2013:4

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Cape Peninsula						
Viking Place	1,70	1,00	1,00	0,00	-	DN, DW, GB
Glosderry	2,36	2,50	1,50	1,00	-	GB, PL, PN
Paarden Eiland/Metro	2,36	3,67	3,56	2,05	2,50	AN, GB, PL
Montague Gardens	3,19	3,77	3,61	5,59	4,08	AN, AP, DN,
Marconi Beam	2,12	4,15	4,07	3,30	5,00	AN, AP, DN, GB, PL
Killarney Gardens	0,47	1,25	1,25	1,25	1,00	AN, AP, GB
Racing Park	1,80	1,92	2,59	2,17	0,00	AN, AP, DN, GB
Atlantis	-	-	-	-	-	AP
Woodstock/Salt River/Observatory	3,50	-	-	-	-	AN, PL
Athlone 1 & 2	1,63	1,00	1,00	0,50	-	AN, GB, PL
Landsdowne Nerissa	0,00	0,00	1,50	2,50	-	AN, GB
Sand Industria	-	-	-	-	-	
Ottery Hillstar	2,36	0,00	2,05	2,00	-	AN, GB, PL
Ottery Sunset	0,00	0,00	1,00	2,50	-	AN, GB
Diep River	2,36	2,36	0,00	0,00	-	AN, GB, PL, RON
Elfindale	1,50	1,50	2,36	3,00	-	AN, GB, RON
Monwood/Philippi East	-	-	-	-	-	GB
Retreat/Steenberg	1,30	1,50	1,25	2,36	-	AN, GB, PL, RON
Capricorn Park	1,22	2,06	1,41	1,50	-	AN, GB, PL, RON

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2013:4

	Area size leased in m²					Contributor codes
	250	500	1.000	2.500	5.000	
Maitland	4,15	4,08	4,08	4,92	5,00	AN, AP, DN, DW, GB
Ndabeni	2,36	3,46	2,36	4,71	6,00	AN, AP, GB
Airport	2,36	2,05	2,50	5,00	-	AN, DN, GB
Epping 1 & 2	5,28	6,13	4,55	6,48	0,00	AN, AP, DN, GB, PL
WP Park	1,00	1,00	6,50	0,00	8,50	AN, GB
Elsies River (excl. Central Park)	3,96	4,32	4,18	3,84	4,69	AN, AP, DN, GB
Parow Beaconsvale	2,92	3,84	2,86	4,30	3,49	AN, AP, DN, GB
Tygerberg Business Park	2,36	4,66	2,05	2,05	3,56	AP, DN, GB
Parow Industria	1,25	1,30	2,94	2,94	4,71	AN, AP, DN, DW, GB
Parow East	2,05	0,94	1,79	2,05	3,74	AN, DN, GB
Bellville Oakdale	-	-	-	-	-	DN
Bellville Stikland/Kaymor	2,45	3,93	3,60	2,94	2,94	AN, AP, DN, GB, PF
Bellville Triangle	1,30	2,05	1,79	1,70	0,00	AN, DN, GB, PF
Bellville South/Sacks Circle	2,50	2,60	3,84	3,09	2,50	AN, DN, GB, PF, PL
Kraaifontein	2,50	1,50	1,50	1,00	-	AN, GB
Brackenfell Industria	2,17	2,17	0,87	0,00	0,50	AN, DN, GB, PF
Everite Brackenfell	2,17	1,20	2,24	0,94	-	AN, DN, GB, PF
Kuils River	1,63	1,89	1,41	0,82	-	AN, DN, GB
Blackheath	3,30	1,25	1,00	2,00	-	AN, GB, PF
Saxonburg Industrial Park	1,80	1,79	2,87	2,05	-	AN, DN, GB
Okavango	2,17	2,50	3,19	2,94	-	AN, DN, GB, PF

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2013:4

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Firgrove	-	-	-	-	-	AN
The Interchange (Somerset West)	-	-	-	-	-	
Strand Halt	-	-	-	-	-	
Broadlands	-	-	-	-	-	
George						
George Central	-	-	-	-	-	GV
Tamsui Industria	-	-	-	-	-	GV
Pacaltsdorp Industria	-	-	-	-	-	GV
Port Elizabeth						
Deal Party	1,18	1,18	0,24	1,08	1,31	HS, IPM, QV
North End	4,25	2,94	2,25	1,87	1,87	HS, IPM, QV
Korsten/Neave/Sidwell/Sydenham	2,90	2,90	2,04	1,25	1,25	HS, IPM, QV
South End Walmer	1,89	1,70	1,70	0,62	0,75	HS, IPM, QV
Uitenhage: Volkswagen area/NMBLP	1,25	3,75	3,75	3,75	3,75	HS, IPM, QV
Uitenhage: Hella/Kruisrivier	2,04	1,31	2,04	2,04	2,04	HS, IPM, QV
Struandale	2,04	1,31	1,18	2,09	2,09	HS, IPM, QV
Markman Township	2,04	1,18	2,04	1,18	1,08	HS, IPM, QV
Perseverance	2,04	2,04	1,31	2,37	1,26	HS, IPM, QV
Walmer	1,25	0,00	1,25	3,75	-	HS, IPM, QV
Greenbushes	2,50	2,50	2,36	1,84	1,18	HS, IPM, QV
Fairview	2,50	0,00	2,50	3,75	-	HS, IPM, QV

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2013:4

	Area size leased in m²				Contributor codes
	250	500	1.000	2.500	5.000
Bloemfontein					
Hilton	2,50	2,50	2,36	2,50	-
East End	2,36	4,08	1,41	4,19	-
Harvey Road	0,94	0,94	0,50	0,00	-
Old Industrial	1,50	0,47	1,00	0,75	-
Hamilton: Mill St	1,50	1,50	1,00	0,71	0,00
Hamilton: G Lubbe St	1,00	0,25	1,00	0,00	1,25
Estoir	1,70	1,41	2,09	1,00	-
					BW, CC, EK
					BW, CC, EK
					BW, CC, EK
					BW, CC, EK
					BW, EK
					BW, CC, EK
					BW, CC, EK

Notes to the industrial rental tables

1. The rentals are the achievable or market rates for the quarter shown in the table heading, and apply to industrial and warehouse space for the area sizes indicated. The rentals are the averages of the rates as per our panels of experts in the various cities.
2. The rental rates assume gross leases, market escalation rates and leases of 3 to 5 years.
3. In terms of a gross lease, the tenant in a stand-alone building typically pays only for his refuse removal, water and electricity, as well as internal maintenance and increases in rates and taxes. He provides and pays for his own security. All other expenses are for the account of the landlord. In a park the tenant pays, in addition to his gross rental, his *pro rata* share of security costs, security lighting and landscaping.
4. The rental rates also apply to the office portion, where this is less than 1 of the total building area. For larger office portions, the office rental is, as a rule of thumb, about 15% of the industrial rental rate.
5. Prime space is space that is easily lettable because it satisfies each of the following prerequisites:
 - a. • generally in a good condition;
 - b. • satisfactory macro access (i.e. access to freeway);
 - c. • satisfactory micro access (i.e. from street to building);
 - d. • proper loading facilities;
 - e. • eaves >4,0m (excluding micro/mini units);
 - f. • on ground level;
 - g. • adequate three-phase electrical power;
 - h. • clear spans.

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

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

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

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

The scale should be interpreted as follows:

0 = no vacancy

1 = 'low-' vacancy;

2 = 'low' vacancy

3 = 'low+' vacancy

4 = 'medium-' vacancy;

5 = 'medium' vacancy

6 = 'medium+' vacancy

7 = 'high-' vacancy;

8 = 'high' vacancy

9 = 'high+' vacancy

where: low = <1 vacancy;

medium = 1 - 2 vacancy;

high = >2 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 2013:4

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

Notes:

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

Table 7.5
Indicative operating expenses
for industrial buildings
As in quarter 2013:4 in rands per m² per month

	Stand-alone			Park		
	R/m ²	SD	N	R/m ²	SD	N
Central Witwatersrand	7,45	2,28	6	10,80	1,55	6
West Rand	4,90	1,20	5	7,80	1,33	5
East Rand	6,14	2,01	7	8,50	1,85	7
Far East Rand	4,88	0,89	4	7,56	1,48	4
Pretoria	6,67	2,49	3	13,50	1,50	2
Polokwane	7,50	0,50	2	8,00	0,00	2
Nelspruit	8,00	0,00	2	14,00	1,00	2
Durban	12,12	3,61	4	16,33	4,78	3
Cape Peninsula	6,57	0,96	6	8,92	1,59	6
Bloemfontein	7,00	0,50	2	7,00	0,50	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

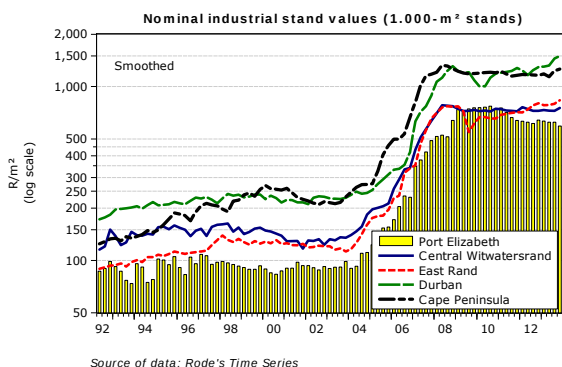
park buildings: as above, plus security, security lighting, landscaping and management.

Chapter 8: Industrial stand values

Durban once again the top performer

Written by John S. Lottering

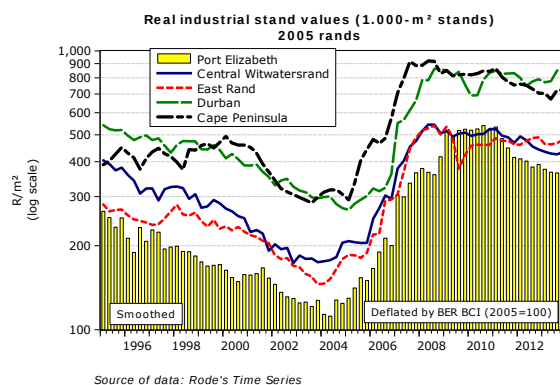
In the fourth quarter of 2013, industrial stands in Durban (+15%) were once again the top performer in terms of yearly growth. Durban was followed by the Cape Peninsula, where stand values were up by about 9%. On the Central Witwatersrand and on the East Rand, stand values could only muster growth of roughly 4%, while in Port Elizabeth (-7%) stand values were actually lower than what they were a year ago. The Port Elizabeth performance is consistent with a car-manufacturing industry that is past its boom times.



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

In the fourth quarter of 2013, building costs are expected to have grown by 6%.

This implies that it was only in Durban and the Cape Peninsula where the market values of industrial stands were able to grow in *real* terms.



The remainder of this chapter includes market values for level, serviced stands in named industrial townships. The industrial-land-value tables contain regression parameters in order to allow readers to interpolate land values for area sizes other than those given in the tables. This is necessary because the relationship between price and square meterage 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 2013:4
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Central Witwatersrand								
Cambridge Park	1.500	1.350	1.250	1.050	0,0	8,322	-0,145	-0,98
Wynberg Proper	850	775	750	740	0,2	7,114	-0,057	-0,92
Strijdom Park	1.000	925	900	750	1,6	7,692	-0,112	-0,93
Kya Sand	675	700	638	608	2,1	6,910	-0,053	-0,86
Clayville/Olifantsfontein	500	467	433	434	4,5	6,645	-0,064	-0,95
Chloorkop	640	640	617	568	5,0	6,830	-0,051	-0,90
Amalgam	1.000	1.083	1.042	942	1,4	7,152	-0,028	-0,48
Crown Mines	1.400	1.217	1.083	1.067	1,9	8,038	-0,119	-0,96
Industria	600	533	500	500	2,6	6,903	-0,078	-0,92
Booyens/Booyens Reserve/Ophirton	683	667	650	650	2,1	6,677	-0,023	-0,95
Village Main/Village Deep/New Centre	533	525	500	483	1,7	6,591	-0,044	-0,99
Benrose	642	642	608	608	1,2	6,663	-0,028	-0,92
Steeledale/Electron/Tulisa Park	700	633	593	583	0,8	7,068	-0,078	-0,96
Aeroton	925	893	800	817	1,7	7,263	-0,063	-0,92
Devland/Nancefield	425	425	400	350	3,0	6,648	-0,082	-0,90
Cleveland/Heriotdale	647	647	623	617	1,3	6,641	-0,024	-0,95
Newlands/Martindale	500	500	500	400	3,0	6,833	-0,084	-0,76
Kew/Wynberg East	775	725	675	663	1,8	7,122	-0,069	-0,98
Bramley View/Lombardy West	400	350	350	400	2,0	5,925	0,000	0,00
Marlboro	320	300	300	275	2,7	6,156	-0,057	-0,92
Halfway House: hi-tech strip	875	875	850	867	2,0	6,828	-0,008	-0,59
Halfway House: Richards Drive	800	788	763	738	1,0	6,933	-0,035	-0,99
Commercia	625	625	575	500	1,0	7,136	-0,096	-0,92
Kramerville/Eastgate Ext12 & Ext13	1.450	1.450	1.250	1.150	1,5	8,063	-0,109	-0,96
Centurion	1.000	1.000	1.000	917	1,0	7,149	-0,033	-0,76

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2013:4
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Linbro Park	1.375	1.250	1.100	1.075	1,9	7,982	-0,111	-0,98
Wesco Park/Eastgate Ext3, Ext11, Ext6, Ext8/Malboro North (New)	1.000	1.000	1.000	1.000	1,0	6,908	0,000	-
City Deep	833	833 792 782			1,2	6,952	-0,032	-0,95
North Riding	800	800 775 750			1,0	6,894	-0,029	-0,95
Samrand Centurion	850	807 800 750			1,7	7,074	-0,048	-0,95
Barbeque Downs	975	975 925 850			1,0	7,313	-0,059	-0,93
Selby Ext 12/13/15/19/20/24/City West	800	767 717 692			1,0	7,131	-0,065	-1,00
Selby Ext 5/10/14/18	617	617 583 567			1,0	6,712	-0,040	-0,96
Selby Ext 11	700	700 667 633			1,0	6,875	-0,045	-0,95
Selby Ext 3/4/6	700	700 633 617			1,0	6,998	-0,062	-0,95
Denver (Old)	410	410 400 375			1,7	6,287	-0,037	-0,89
Denver (New)	690	690 643 637			1,3	6,826	-0,041	-0,94
Kyalami Business Park	950	1.075 1.000		900	0,0	7,137	-0,031	-0,42
Reuven	683	667 642 600			0,5	6,911	-0,054	-0,97
Selby (Old)/Selby Ext2/Park Central	690	690 663 625			0,8	6,850	-0,043	-0,93
Robertsham	875	858 825 767			0,0	7,169	-0,055	-0,96
Fordsburg/Mayfair	700	700 700 500			2,0	7,484	-0,126	-0,76
Central Witwatersrand	765	763	719	684	1,5			
West Rand								
Lea Glen	750	750 669 667			2,0	7,055	-0,061	-0,92
Honeydew X19, 20, 21 & 22	1.125	1.125 1.075		975	1,5	7,465	-0,060	-0,91
Stormill	857	857 837 790			3,7	7,000	-0,034	-0,90
Chamdor	485	485 475 415			1,5	6,636	-0,062	-0,83

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2013:4
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Factoria	425	400	375	350	1,0	6,621	-0,082	-1,00
Randfontein: Delporton/Aureus	400	400	300	300	3,0	7,063	-0,151	-0,92
Boltonia	400	400	400	350	0,0	6,362	-0,050	-0,76
Roodepoort: Technikon/Manufacta	500	500	500	500	0,0	6,215	0,000	-
Industria North	675	663	575	550	1,5	7,208	-0,098	-0,97
Robertville	707	708	693	683	0,7	6,675	-0,016	-0,94
Laserpark	1.125	1.088	1.000	950	1,5	7,557	-0,076	-0,99
West Rand	723	717	673	629	1,6			
East Rand								
Elandsfontein	885	885	870	843	0,5	6,936	-0,021	-0,92
Tunney/Greenhills	1.175	1.094	988	946	1,0	7,731	-0,097	-0,99
Henville	933	933	893	840	0,5	7,172	-0,046	-0,93
Meadowbrook/Wilbart	900	867	827	827	1,0	7,064	-0,039	-0,96
Sunnyrock	1.000	1.000	993	987	0,5	6,951	-0,006	-0,95
Rustivia/Activia Park	800	800	750	750	1,0	6,925	-0,034	-0,92
Eastleigh	800	800	767	760	2,2	6,867	-0,026	-0,95
Sebenza Ext 14	823	823	800	767	1,3	6,938	-0,031	-0,93
Spartan Ext 16 (Sebenza Link) + Ext1,3,7	823	823	738	675	1,4	7,369	-0,091	-0,96
Isando	933	933	933	900	1,0	6,940	-0,014	-0,76
Isando 3	860	860	860	775	1,0	7,045	-0,039	-0,76
Jet Park	1.075	1.013	1.013	1.000	0,9	7,151	-0,027	-0,84
Alrode & Xs	600	600	550	500	1,9	6,985	-0,081	-0,95
Alrode South	450	425	375	350	3,0	6,896	-0,113	-1,00
Alberton	525	525	475	450	1,0	6,786	-0,073	-0,96
Aeroporto/Spartan Ext 2	913	913	850	825	0,0	7,163	-0,048	-0,96

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2013:4
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Delville	425	420 413 388			0,8	6,319	-0,037	-0,92
Roodekop	438	438 425 425			1,0	6,189	-0,015	-0,92
Wadeville: Industrial zoning	575	563 557 567			0,5	6,395	-0,007	-0,53
Route 24/Meadowdale	1.000	1.000 1.000	950		1,0	7,050	-0,019	-0,76
Germiston S/ Industries E	408	394 383 350			1,2	6,443	-0,061	-0,95
Driehoek/Industries W	663	663 650 625			0,5	6,676	-0,025	-0,91
Knights	350	350 350 350			1,5	5,858	0,000	-
Spartan Proper	833	833 792 783			0,5	6,946	-0,031	-0,95
Founders View	1.067	1.033 1.033	1.033		2,0	7,044	-0,012	-0,76
Longmeadow	1.533	1.533 1.433	1.300		2,5	7,857	-0,072	-0,93
Pomona/Kempton Park	825	825 825 812			1,6	6,761	-0,006	-0,76
East Rand	849	836	804	789	1,2			
Far East Rand								
Boksburg North & South	1.038	1.038	925 838		1,0	7,647	-0,097	-0,95
Benoni	555	555 520 520			1,0	6,562	-0,034	-0,92
New Era/Vulcania	450	450 450 500			0,0	5,817	0,040	0,76
Nuffield	350	350 350 350			1,0	5,858	0,000	-
Fulcrum	350	350 350 350			1,0	5,858	0,000	-
Apex	650	600 600 550			2,0	6,900	-0,063	-0,93
Labore Brakpan	350	350 300 300			2,0	6,432	-0,081	-0,92
Morehill Ext 8 Benoni	1.100	1.100 850 850			0,0	7,963	-0,135	-0,92
Far East Rand	644	639	579	562	1,0			
Pretoria								
Mitchell St	800	800 700 700			1,0	7,182	-0,070	-0,92
Pretoria Industrial Township	500	500 450 400			1,0	6,933	-0,099	-0,95

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2013:4
(R/m² excl VAT)

	Area size in m²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Koedoespoort	700	700	650	550	1,0	7,290	-0,101	-0,90
Waltloo/Despatch	725	725	650	575	3,0	7,333	-0,103	-0,95
Silverton/Silvertondale	700	675	700	600	3,0	6,925	-0,052	-0,73
Samcor Park	850	800	700	650	3,0	7,586	-0,121	-1,00
Sunderland Ridge	600	600	600	500	3,0	6,902	-0,068	-0,76
Hermanstad	400	400	400	400	1,0	5,991	0,000	-
Kirkney	400	300	300	250	2,0	7,150	-0,176	-0,92
Hennospark X15 & X7	1.200	1.200	1.000		1,0	7,769	-0,096	-0,92
Gateway	1.100	1.100	963	1.000	1,0	7,394	-0,056	-0,83
Lyttleton Manor X4/x6	850	850	800	700	1,0	7,341	-0,082	-0,90
Pretoria North	400	400	400	300	2,0	6,789	-0,108	-0,76
Silvertondale X1	700	700	700	575	3,0	7,096	-0,074	-0,76
Brits	400	400	300	300	3,0	7,063	-0,151	-0,92
Klerksoord	350	350	300	300	2,0	6,432	-0,081	-0,92
Rosslyn	400	400	300	300	2,0	7,063	-0,151	-0,92
Pretoria	679	670	607	563	1,9			
Polokwane								
Lebowakgomo	-	-	-		3,0	-	-	-
Supebia	-	580	-		3,0	-	-	-
Industria	-	-	350	-	3,0	-	-	-
Ladine	-	500	-		3,0	-	-	-
Futura	-	350	320	-	3,0	-	-	-
Laboria	-	-	-		3,0	-	-	-
Magna Via	-	600	500		3,0	-	-	-
Seshego	-	-	-		-	-	-	-
Polokwane	-	518	418	-	3,0			

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2013:4
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Nelspruit								
Nelspruit East	-	-	-	-	-	-	-	-
Nelspruit West	-	900	-	-	-	-	-	-
Rocky's Drift	-	600	550	500	-	-	-	-
Riverside Park	-	1.100	950	950	-	-	-	-
Nelspruit	-	860	750	725	-			
Durban								
Springfield Park	2.000	2.000	2.000	1.800	0,7	7,893	-0,040	-0,76
Mayville	2.000	2.000	1.800	1.350	1,3	8,791	-0,163	-0,89
Phoenix	1.550	1.300	950	750	2,3	9,569	-0,319	-1,00
North Coast Rd/Briardene	1.700	2.000	1.850	1.850	0,7	7,360	0,020	0,31
Briardene Industrial Park	2.500	2.000	1.850	1.850	0,7	8,621	-0,125	-0,88
Umgeni Rd/Stamford Hill	3.400	3.400	3.000	3.000	0,5	8,598	-0,066	-0,92
Umbilo/Sydney Rd/Gale St	2.000	1.900	1.500	1.250	1,0	9,103	-0,211	-0,98
Jacobs	2.200	2.000	1.650	1.550	1,0	8,802	-0,160	-0,99
Mobeni	2.200	2.000	1.500	1.300	1,0	9,381	-0,240	-0,99
Prospecton	2.200	2.000	1.500	1.300	1,5	9,381	-0,240	-0,99
Ithala Industrial Estate	1.800	1.700	1.500	1.300	3,0	8,488	-0,141	-0,99
Pinetown Central	1.500	1.450	1.350	1.088	2,3	8,256	-0,131	-0,92
New Germany	1.350	1.300	1.200	1.113	2,0	7,801	-0,084	-0,99
Isipingo	-	-	-	-	-	-	-	-
Rosburgh/South Coast Rd	1.800	1.600	1.450	1.250	3,0	8,541	-0,151	-0,99
Edwin Swales Drive	1.450	1.450	1.250	1.250	0,5	7,832	-0,078	-0,92

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2013:4
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Glen Anil	1.950	1.950	1.600	1.600	1,0	8,312	-0,104	-0,92
Brickfield Rd	1.450	1.450	1.300	1.150	1,5	8,026	-0,103	-0,95
Verulam	950	950 800 700			5,5	7,867	-0,140	-0,96
Canelands	950	950 800 700			5,0	7,867	-0,140	-0,96
Tongaat	950	950 800 500			6,0	8,799	-0,266	-0,89
New Westmead/Mahogany								
Westmead	1.562	1.525	1.475	1.400	1,5	7,678	-0,046	-0,98
Mariann Park/Southmead	1.900	1.575	1.425	1.300	1,5	8,603	-0,157	-0,98
	933	1.000	875 875		3,5	7,179	-0,044	-0,70
Maxmead	1.200	1.575	1.425	1.375	2,0	6,944	0,036	0,32
Ringroad Industrial Park	-	- - -			-	-	-	-
Avoca/Red Hill/Northgate	1.500	1.650	1.500	1.200	1,0	8,070	-0,098	-0,73
Falcon Park	1.300	1.150	1.100	950	2,0	8,020	-0,124	-0,97
River Horse Valley Business Estate	2.400	2.400	2.267	2.167	1,2	8,121	-0,047	-0,96
Mount Edgecombe	1.300	1.400	1.250	1.150	1,5	7,655	-0,063	-0,78
Umbogintwini/Southgate	1.550	1.250	850 775		1,0	9,527	-0,317	-0,99
Southgate Industrial Park	1.550	1.225	800 925		1,0	9,065	-0,257	-0,88
Hibiscus Industrial Park	900	850 400 200			7,0	11,660	-0,676	-0,96
Umgeni Park	2.000	1.300	1.000	1.000	2,0	9,556	-0,299	-0,92
Hammersdale	450	450 283 267			4,3	8,000	-0,265	-0,94
Cato Ridge	550	550 533 525			5,7	6,468	-0,022	-0,96
Durban	1.545	1.492	1.288	1.180	2,1			
George								
George Central	280	280 250 250			2,0	6,057	-0,059	-0,92
Tamsui Industrial	300	280 280 250			7,0	6,175	-0,068	-0,92
Pacaltsdorp Industrial	300	300 400 350			7,0	5,003	0,101	0,73
George	293	286	310	283	5,3			

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2013:4
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Cape Peninsula								
Viking Place	-	- -	-	-	-	-	-	-
Glosderry	-	- -	-	-	-	-	-	-
Montague Gardens	2.250	2.000	1.900	1.750	1,5	8,405	-0,102	-0,98
Paarden Eiland/Metro	1.900	1.750	1.600	1.650	1,0	7,985	-0,066	-0,89
Marconi Beam	2.000	2.000	2.000	2.000	2,0	7,601	0,000	-
Killarney Gardens	1.425	1.350	1.150	1.100	1,3	8,105	-0,121	-0,98
Racing Park	1000	883	725	725	5,0	7,925	-0,150	-0,96
Atlantis	-	- -	-	-	-	-	-	-
Woodstock/Salt River/Observatory	-	- -	-	-	-	-	-	-
Athlone 1 & 2	-	- -	-	-	-	-	-	-
Landsdowne Nerissa	-	- -	-	-	-	-	-	-
Sand Industria	-	- -	-	-	-	-	-	-
Ottery Hillstar	-	- -	-	-	-	-	-	-
Ottery Sunset	-	- -	-	-	-	-	-	-
Diep River	-	- -	-	-	-	-	-	-
Elfindale	-	- -	-	-	-	-	-	-
Monwood/Philippi	350	350	350	-	-	-	-	-
Retreat/Steenberg	-	- -	-	-	-	-	-	-
Capricorn Park	750	750	725	800	7,0	6,473	0,019	0,47
Maitland	1.167	1.117	1.150	975	1,7	7,509	-0,063	-0,78
Ndabeni	1.400	1.400	1.367	1.375	2,0	7,317	-0,010	-0,84
Airport	1.250	1.350	1.333	950	3,0	7,942	-0,105	-0,64
Epping 1 & 2	1.200	1.300	1.150	1.100	2,5	7,488	-0,051	-0,72

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2013:4
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
WP Park	1.400	1.400	1.250	1.200	1,0	7,779	-0,075	-0,96
Elsies River (excl. Central Park)	1.000	1.000	1.000	800	-	7,526	-0,084	-0,76
Parow Beaconvale	1.050	1.125	963 833		3,0	7,780	-0,110	-0,86
Tygerberg Business Park	1.200	1.325	1.100	1.067	3,0	7,643	-0,072	-0,75
Parow Industria	1.150	1.433	1.167	1.250	3,0	7,123	0,001	0,01
Parow East	-	2.000	1.500	1.500	-	-	-	-
Bellville Oakdale	-	- - -			-	-	-	-
Bellville Stikland/Kaymor	1.283	1.413	1.250	1.167	3,0	7,586	-0,054	-0,69
Bellville Triangle	983	983 950	875		0,0	7,247	-0,049	-0,90
Bellville South/Sacks Circle	1.100	1.000	875 825		1,0	7,880	-0,128	-1,00
Kraaifontein	750	733 667	625		1,5	7,205	-0,083	-0,98
Brackenfell Industria	1.283	1.217	1.000	900	1,5	8,301	-0,162	-0,99
Everite Brackenfell	1.317	1.250	1.150	1.000	1,0	7,999	-0,116	-0,97
Kuils River	925	900 700	650		1,0	8,033	-0,170	-0,97
Blackheath	683	650 583	550		2,5	7,207	-0,098	-1,00
Saxonburg Industrial Park	1.100	1.033	925 875		3,0	7,712	-0,102	-1,00
Okavango	1.250	1.250	1.100	1.000	0,0	7,871	-0,103	-0,96
Firgrove	-	- - -			-	-	-	-
The Interchange (Somerset West)	1.500	1.500	1.250	1.250	1,0	7,992	-0,096	-0,92
Strand Halt	-	- - -			-	-	-	-
Broadlands	-	- - -			-	-	-	-
Cape Peninsula	1.255	1.247	1.113	1.054	2,1			
George								
George Central	280	280 250	250		2,0			
Tamsui Industria	300	280 280	250		7,0			

Table 8.1 (continued)
Mean market values for serviced and level industrial stands in quarter 2013:4
(R/m² excl VAT)

	Area size in m²				Vacancy Grade	a	b	r
	1.000	2.000	5.000	10.000				
Pacaltsdorp Industria	300	300	400	350	7,0			
George	293	286	310	283	5,3			
Port Elizabeth								
Deal Party	600	633	500	483	2,0	7,248	-0,116	-0,88
North End	900	733	625	550	2,0	8,217	-0,208	-0,99
Korsten/Neave/Sidwell/Sydenham	850	717	617	600	2,0	7,768	-0,153	-0,97
South End Walmer	1.250	1.000	750	750	1,0	8,709	-0,234	-0,96
Uitenhage: Volkswagen area/NMBLP	325	317	250	250	5,0	6,723	-0,134	-0,94
Uitenhage: Hella/Kruisrivier	200	150	122	87	9,0	7,639	-0,340	-0,99
Struandale	517	483	450	433	5,0	6,770	-0,077	-0,99
Markman Township	168	152	133	122	9,0	6,096	-0,141	-1,00
Perseverance	375	375	367	367	5,0	6,011	-0,012	-0,92
Walmer	1.125	1.000	800	675	1,0	8,595	-0,225	-1,00
Greenbushes	250	250	150	137	9,0	7,665	-0,300	-0,94
Fairview	650	650	575	550	1,0	7,057	-0,081	-0,96
Port Elizabeth	580	525	422	397	4,2			
Bloemfontein								
Hilton	340	300	280	160	1,0	7,921	-0,293	-0,89
East End	433	413	294	220	3,5	8,251	-0,305	-0,97
Harvey Road	-	-	-	-	-	-	-	-
Old Industrial	260	227	200	167	1,0	6,835	-0,184	-0,99
Hamilton: Mill St	225	200	200	100	2,0	7,605	-0,304	-0,83
Hamilton: G Lubbe St	200	180	168	60	2,5	8,646	-0,461	-0,83
Estoir	460	450	415	322	2,0	7,182	-0,145	-0,90
Bloemfontein	329	297	249	190	2,2			

Table 8.2
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2013:4
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Central Witwatersrand					
Cambridge Park	-	150,00	250,00	150,00	AP, MR, QU
Wynberg Proper	50,00	25,00	50,00	40,00	AP, QU
Strijdom Park	0,00	25,00	100,00	122,47	AP, QU
Kya Sand	25,00	0,00	37,50	11,79	AP, GT, QU
Clayville/Olifantsfontein	50,00	62,36	62,36	81,65	AP, MR, QU
Chloorkop	14,14	14,14	23,57	40,85	AP, MR, QU
Amalgam	-	311,80	277,14	255,22	AP, QU, RO
Crown Mines	100,00	271,83	271,83	249,44	AP, QU, RO
Industria	0,00	67,50	50,00	50,00	AP, QU
Booyens/Booyens Reserve/Ophirton	23,57	47,14	40,82	40,82	AP, QU, RO
Village Main/Village Deep/New Centre	47,14	54,01	40,82	23,57	AP, QU, RO
Benrose	42,49	42,49	11,79	11,79	AP, QU, RO
Steeledale/Electron/Tulisa Park	81,65	47,14	9,43	17,00	AP, QU, RO
Aeroton	73,60	80,14	141,42	117,85	AP, QU, RO
Devland/Nancefield	25,00	25,00	0,00	50,00	AP, QU
Cleveland/Heriotdale	41,10	41,10	20,95	23,57	AP, QU, RO
Newlands/Martindale	-	- - -	-	-	AP
Kew/Wynberg East	25,00	25,00	75,00	62,50	AP, QU
Bramley View/Lombardy West	200,00	150,00	150,00	100,00	AP, QU
Marlboro	80,00	100,00	100,00	25,00	AP, QU, RA
Halfway House: hi-tech strip	125,00	125,00	108,01	94,28	AP, MR, QU

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2013:4
(R/m² excl VAT)

	Area size in m²				Contributors
	1.000	2.000	5.000	10.000	
Halfway House: Richards Drive	0,00	12,5	12,50	37,50	AP, QU
Commercia	75,00	75,00	25,00	0,00	AP, QU
Kramerville/Eastgate Ext12 & Ext13	50,00	50,00	50,00	150,00	AP, QU
Centurion	0,00	0,00	0,00	62,36	AP, GT, QU
Linbro Park	125,00	250,00	100,00	125,00	AP, QU
Wesco Park/Eastgate Ext3, Ext11, Ext6, Ext8/Malboro North (New)	0,00	0,00	0,00	0,00	AP, QU
City Deep	23,57	23,57	65,62	57,78	AP, QU, RO
North Riding	0,00	0,00	25,00	50,00	AP, QU
Samrand Centurion	0,00	9,43	0,00	0,00	AP, QU, MR
Barbeque Downs	25,00	25,00	25,00	50,00	AP, QU
Selby Ext 12/13/15/19/20/24/City West	40,82	23,57	23,57	31,18	AP, QU, RO
Selby Ext 5/10/14/18	23,57	23,57	23,57	23,57	AP, QU, RO
Selby Ext 11	0,00	0,00	47,14	47,14	AP, QU, RO
Selby Ext 3/4/6	70,71	70,71	94,28	84,98	AP, QU, RO
Denver (Old)	29,44	29,44	70,71	88,98	AP, QU, RO
Denver (New)	14,14	14,14	33,00	26,25	AP, QU, RO
Kyalami Business Park	-	125,00	-	-	AP, QU
Reuven	23,57	47,14	31,18	0,00	AP, QU, RO
Selby (Old)/Selby Ext2/Park Central	90,00	90,00	62,50	75,00	AP, QU
Robertsham	35,36	31,18	20,41	23,57	AP, QU, RO
Fordsburg/Mayfair	-	- - -	-	-	AP

Table 8.2(continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2013:4
(R/m² excl VAT)

	Area size in m²				Contributors
	1.000	2.000	5.000	10.000	
West Rand					
Lea Glen	40,82	40,82	81,78	84,98	AP, QU, RO
Honeydew X19, 20, 21 & 22	75,00	75,00	25,00	25,00	AP, QU
Stormill	33,00	33,00	44,97	78,74	AP, QU, RO
Chamdor	35,00	35,00	25,00	10,80	AP, QU
Factoria	25,00	50,00	75,00	50,00	AP, QU
Randfontein: Delporton/Aureus	-	-	-	-	AP
Boltonia	-	-	-	-	AP
Roodepoort: Technikon/Manufacta	-	-	-	-	AP
Industria North	25,00	37,50	25,00	50,00	AP, QU
Robertville	33,00	31,18	41,90	47,14	AP, QU, RO
Laserpark	125,00	112,50	100,00	50,00	AP, QU
East Rand					
Elandsfontein	10,80	10,80	21,60	51,69	AP, QU, ZC
Tunney/Greenhills	43,30	106,62	21,65	40,79	AP, QU, RO, ZC
Henville	94,28	94,28	136,95	140,00	AP, QU, ZC
Meadowbrook/Wilbart	81,65	47,14	37,71	37,71	AP, QU, ZC
Sunnyrock	0,00	0,00	9,43	18,86	AP, QU, ZC
Rustivia/Activia Park	0,00	0,00	50,00	50,00	AP, QU
Eastleigh	0,00	0,00	47,14	43,20	AP, QU, ZC
Sebenza Ext 14	20,55	20,55	0,00	47,14	AP, QU, ZC
Spartan Ext 16 (Sebenza Link) + Ext1,3,7	20,55	20,55	64,95	75,00	AP, RO, ZC

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2013:4
(R/m² excl VAT)

	Area size in m²				Contributors
	1.000	2.000	5.000	10.000	
Isando	47,14	47,14	47,14	81,65	AP, QU, ZC
Isando 3	43,20	43,20	43,20	75,00	AP, QU, ZC
Jet Park	129,90	124,37	124,37	100,00	AP, QU, RO, ZC
Alrode & Xs	0,00	0,00	50,00	100,00	AP, QU
Alrode South	0,00	25,00	25,00	50,00	AP, QU
Alberton	-	-	-	-	QU
Aeroporto/Spartan Ext 2	87,50	87,50	50,00	25,00	AP, QU
Delville	0,00	5,00	12,50	12,50	QU, RO
Roodekop	12,50	12,50	25,00	25,00	AP, QU
Wadeville: Industrial zoning	25,00	12,50	6,50	16,50	AP, QU
Route 24/Meadowdale	0,00	0,00	0,00	50,00	AP, QU
Germiston S/Industries E	32,50	19,00	7,50	0,00	QU, RO
Driehoek/Industries W	12,50	12,50	25,00	25,00	QU, RO
Knights	0,00	0,00	0,00	0,00	AP, QU, RO
Spartan Proper	62,36	62,36	51,37	62,36	AP, QU, ZC
Founders View	124,72	169,97	169,97	169,97	AP, QU, ZC
Longmeadow	332,50	332,50	402,77	406,20	AP, QU, ZC
Pomona/Kempton Park	25,00	25,00	25,00	11,50	AP, QU
Far East Rand					
Boksburg North & South	162,50	162,50	75,00	12,50	AP, QU
Benoni	5,00	5,00	20,00	20,00	AP, QU
New Era/Vulcania	-	-	-	-	AP

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2013:4
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Nuffield	-	- -	-	-	AP
Fulcrum	-	- -	-	-	AP
Apex	-	- -	-	-	AP
Labore Brakpan	-	- -	-	-	AP
Morehill Ext 8 Benoni	-	- -	-	-	AP
Pretoria					AP
Mitchell St	0,00	0,00	0,00	0,00	AP
Pretoria Industrial Township	-	- -	-	-	AI, AP, MAS
Koedoespoort	-	- -	-	-	AI, AP
Waltloo/Despatch	25,00	25,00	100,00	125,00	AP
Silverton/Silvertondale	-	25,00	-	-	AP, BY
Samcor Park	-	- -	-	-	AI, AP
Sunderland Ridge	-	- -	-	-	AI, AP
Hermanstad	-	- -	-	-	AP
Kirkney	-	- -	-	-	AP, MAS
Hennospark X15 & X7	-	- -	-	-	AP
Gateway	100,00	100,00	38,00	0,00	AP
Lyttleton Manor X4/x6	-	- -	-	-	AI, AP
Pretoria North	-	- -	-	-	AP
Silvertondale X1	-	- -	-	75,00	AP
Brits	-	- -	-	-	AP
Klerksoord	-	- -	-	-	AP

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2013:4
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Rosslyn	-	- -	-	-	AI, AP
Polokwane					
Lebowakgomo	-	- -	-	-	ES, MO
Superbia	-	20,00	-	-	ES
Industria	-	- -	-	-	ES, MO
Ladine	-	0,00	-	-	ES
Futura	-	- -	-	-	ES, MO
Laboria	-	- -	-	-	ES
Magna Via	-	-	0,00	-	ES, MO
Seshego	-	- -	-	-	
Nelspruit					
Nelspruit East	-	- -	-	-	HH
Nelspruit West	-	- -	-	-	HH, RZ
Rocky's Drift	-	0,00	0,00	0,00	HH, RZ
Riverside Park	-	100,00	0,00	0,00	
Durban					
Springfield Park	286,74	163,30	163,30	294,39	ML, PC, PPI
Mayville	-	- -	-	150,00	PPI
Phoenix	250,00	0,00	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	PPI
Umgeni Rd/Stamford Hill	-	- -	-	-	PPI
Umbilo/Sydney Rd/Gale St	-	- -	-	250,00	PPI

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2013:4
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Jacobs	-	-	150,00	250,00	PPI
Mobeni	-	-	-	-	PPI
Prospecton	-	-	-	-	PPI
Ithala Industrial Estate	-	-	-	-	PPI
Pinetown Central	212,13	229,13	269,26	412,88	ML, PC, PPI, QP
New Germany	150,00	122,47	187,08	274,72	ML, PC, PP, QP
Kwa Debeka Industrial Park	-	-	-	-	
Isipingo	-	-	-	-	PPI
Rosburgh/South Coast Rd	-	-	50,00	250,00	PPI
Edwin Swales Drive	50,00	50,00	250,00	250,00	PC, PPI
Glen Anil	-	-	-	-	PPI
Brickfield Rd	-	-	-	150,00	PC, PPI
Verulam	0,00	0,00	0,00	0,00	PC, PPI
Canelands	0,00	0,00	0,00	0,00	PC, PPI
Tongaat	-	-	-	-	PPI
New Westmead/Mahogany	184,98	178,54	204,63	234,52	ML, PC, PPI, QP
Westmead	385,86	311,25	258,60	308,22	ML, PPI, QP
Mariann Park/Southmead	141,42	141,42	82,92	82,92	ML, PC, PPI, QP
Maxmead	339,93	248,75	248,75	303,11	ML, PC, PPI, QP
Ringroad Industrial Park	-	-	-	-	
Avoca/Red Hill/Northgate	250,00	150,00	-	-	PC, PPI
Falcon Park	-	150,00	100,00	50,00	PPI
River Horse Valley Business Estate	141,42	141,42	205,48	235,70	PC, PPI, QP
Mount Edgecombe	350,00	100,00	50,00	150,00	PC, PPI

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2013:4
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Umbogintwini/Southgate	-	-	50,00	125,00	PPI
Southgate Industrial Park	-	25,00	-	275,00	PPI
Hibiscus Industrial Park	-	-	-	-	PPI
Umgeni Park	-	-	-	-	PPI
Hammersdale	-	-	23,57	23,57	ML, PC, PPI, QP
Cato Ridge	50,00	50,00	47,14	43,30	PC, PPI, QP
Cape Peninsula					
Viking Place	-	-	-	-	
Glosderry	-	-	-	-	
Paarden Eiland/Metro	250,00	0,00	141,42	250,00	AN, AP, DN, GB
Montague Gardens	173,21	250,00	294,39	350,00	AN, AP, DN, GB
Marconi Beam	0,00	0,00	-	-	AP, GB
Killarney Gardens	129,90	165,83	150,00	200,00	AN, AP, DN, GB
Racing Park	163,30	84,98	25,00	25,00	AN, AP, GB
Atlantis	-	-	-	-	
Woodstock/Salt River/Observatory	-	-	-	-	
Athlone 1 & 2	-	-	-	-	
Landsdowne Nerissa	-	-	-	-	
Sand Industria	-	-	-	-	
Ottery Hillstar	-	-	-	-	
Ottery Sunset	-	-	-	-	
Diep River	-	-	-	-	
Elfindale	-	-	-	-	
Monwood/Philippi	-	-	-	-	GB

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2013:4
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Retreat/ Steenberg	-	- -	-	-	AN, GB
Capricorn Park	100,00	100,00	75,00	-	AN, GB
Maitland	124,72	84,98	111,80	25,00	AN, AP, GB
Ndabeni	100,00	141,42	124,72	125,00	AN, AP, GB
Airport	50,00	334,17	339,93	150,00	AN, DN, GB
Epping 1 & 2	0,00	141,42	50,00	81,65	AN, AP, DN, GB
WP Park	-	0,00	50,00	0,00	AN, GB
Elsies River (excl. Central Park)	-	- -	-	-	AP
Parow Beaconvale	108,01	248,75	155,62	124,72	AN, AP, DN, GB
Tygerberg Business Park	163,30	408,50	254,95	329,98	AN, AP, DN, GB
Parow Industria	50,00	402,77	235,70	250,00	AP, DN, GB
Parow East	-	- -	-	-	AP
Bellville Oakdale	-	- -	-	-	-
Bellville Stikland/Kaymor	84,98	339,81	177,95	235,70	AN, AP, DN, GB
Bellville Triangle	102,74	102,74	50,00	25,00	AN, DN, GB
Bellville South/Sacks Circle	100,00	0,00	25,00	25,00	AN, GB
Kraaifontein	108,01	94,28	47,14	25,00	AN, DN, GB
Brackenfell Industria	84,98	23,57	0,00	100,00	AN, DN, GB
Everite Brackenfell	62,36	40,82	108,01	0,00	AN, DN, GB
Kuils River	75,00	100,00	-	-	AN, DN, GB
Blackheath	84,98	122,47	84,98	50,00	AN, DN, GB
Saxonburg Industrial Park	81,65	47,14	75,00	75,00	AN, DN, GB

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2013:4
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Okavango	-	-	-	-	AN
Firgrove	-	-	-	-	
The Interchange (Somerset West)	-	-	-	-	AN
Strand Halt	-	-	-	-	
Broadlands	-	-	-	-	
George					
George Central	-	-	-	-	GV
Tamsui Industria	-	-	-	-	GV
Pacaltsdorp Industria	-	-	-	-	GV
Port Elizabeth					
Deal Party	0,00	84,98	0,00	23,57	HS, IBM, QV
North End	141,42	62,36	125,00	50,00	HS, IBM, QV
Korsten/Neave/Sidwell/Sydenham	150,00	47,14	84,98	81,65	HS, IBM, QV
South End Walmer	-	-	-	-	QV
Uitenhage: Volkswagen area/NMBLP	75,00	62,36	70,71	70,71	HS, IBM, QV
Uitenhage: Hella/Kruisrivier	50,00	0,00	2,50	37,50	HS, IBM, QV
Struandale	62,36	62,36	70,71	62,36	IBM, QV
Markman Township	31,71	22,48	11,79	16,50	HS, IBM, QV
Perseverance	25,00	25,00	23,57	23,57	HS, IBM, QV
Walmer	125,00	0,00	50,00	75,00	IBM, QV
Greenbushes	-	-	0,00	12,50	IBM
Fairview	50,00	50,00	75,00	50,00	IBM, QV

Table 8.2 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2013:4
(R/m² excl VAT)

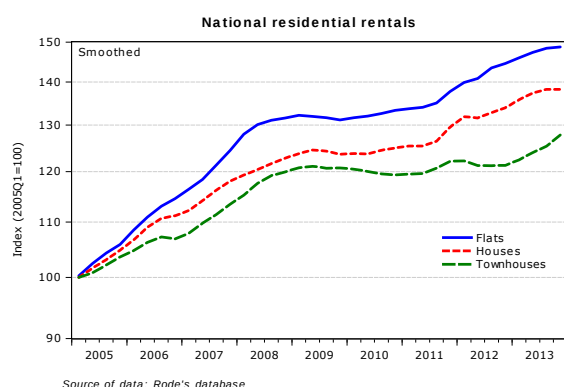
	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Bloemfontein					
Hilton	10,00	0,00	0,00	-	BW, EK
East End	49,89	63,42	6,00	-	BW, CC, EK
Harvey Road	-	-	-	-	
Old Industrial	0,00	7,50	0,00	2,50	BW, EK
Hamilton: Mill St	5,00	0,00	0,00	-	BW, CC, EK
Hamilton: G Lubbe St	0,00	0,00	22,48	-	BW, CC, EK
Estoir	0,00	0,00	5,00	2,50	BW, EK

Chapter 9: Flats market

Residential rentals continue to struggle

Written by John S. Lottering

During the fourth quarter of 2013, rentals of townhouses were able to show the best yearly growth of roughly 5%. This was followed by flats and houses, whose rentals were up by about 3% on a national basis.



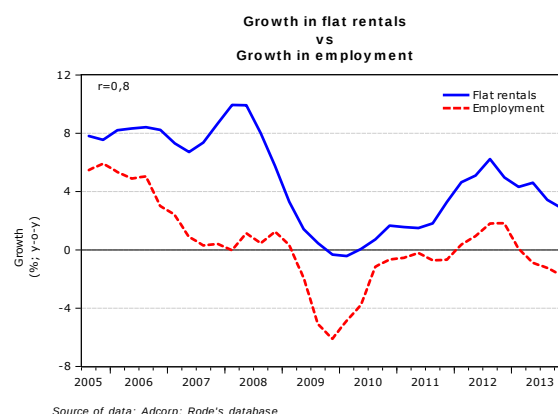
A note on the accompanying graph: the three residential types' rentals have been indexed to the first quarter of 2005. This means we levelled the playing field (so to speak) as at this date, and allowed the rentals thereafter to "compete" with one another. Flats were the clear winner because so few new flat buildings are being erected. The worst performer was townhouses because this is where most building activity takes place.

Regionally, flat rentals in Cape Town were the best performer as rentals here showed growth of 8%. However, the rental performances in

Johannesburg, Pretoria and Durban were not as impressive, with modest flat rental growth of around the 2% mark. As a

reference point, during the fourth quarter of 2013, consumer prices (excluding owners' equivalent rent) showed growth of just below 6%.

For now, lacklustre economic activity and the damper it places on the growth in employment will most likely continue to be unsupportive of households' financial position. The outcome of this will be continued modest growth in residential rentals. The corresponding graph attests to, for example, the fairly strong correlation between the growth in national flat rentals (not deflated) and the growth in employment.



Income yields of flats

Table 9.1 summarizes the *gross*-income yields on 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 percent

age points from gross. This deduction takes into account operating expenses such as insurance and maintenance, as well as assessment rates.

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

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

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

Table 9.1
Gross-income yields (%): Flats
Standard quality
Quarter 2013:4

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

Table 9.1 (continued)
Gross-income yields (%): Flats
Standard quality
Quarter 2013:4

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

Table 9.2 (continued)
Flat rentals: standard units
 Average rands per month as at quarter 2013:4

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Bedfordview	-	-	-	-	-	-	-	-	-
Old South (incl. Rosettenville/ Turffontein/Kenilworth)	-	-	-	-	-	-	-	-	-
New South (incl. Southdale/Mondeor/ Glenvista/Linmeyer)	R1.400	-	R1.750	-	R2.200	-	R2.900	-	DV
Germiston average	-	-	-	-	-	-	-	-	-
Primrose	-	-	-	-	-	-	-	-	PH
Germiston C & S	-	-	-	-	-	-	-	-	BA, PH
Germiston South - suburbs	-	-	-	-	-	-	-	-	BA, PH
Elsburg	-	-	-	-	-	-	-	-	PH
Pretoria average	R2.604		R2.981		R3.664		R4.332		
Akasia	R2.700	R141	R2.900	R141	R3.550	R71	R3.900	R0	HK, TR
Pretoria North/Dorandia/Florauna	R2.200	R173	R2.433	R115	R3.100	R100	R4.000	R0	CI, HK, TR
Annlin/Wonderboom/Sinoville/Montana	R2.683	R388	R3.167	R351	R4.200	R1.131	R5.300	R990	CI, HK, TR
Die Moot/Queenswood	R2.667	R153	R2.933	R115	R3.383	R161	R4.000	R707	CI, HK, TR
Silverton/Meyerspark/La Montagne	R2.700	R424	R3.100	R361	R4.000	R436	R4.800	R990	CI, HK, TR
Eastern suburbs (Menlo Park/Ashlea Gardens/all Lynwoods/Die Wilgers/ Faerie Glen/Garsfontein/Pretoriuspark/ Constantia/Waterkloof Glen/ Erasmusklouf)	R3.050	R71	R3.400	R141	R4.600	R566	R5.950	R778	HK, TR
Groenkloof/Brooklyn/most Waterkloofs/ Monumentpark/Erasmusrand	R3.450	R495	R3.850	R495	R4.650	R212	R5.700	R424	HK, TR

Table 9.2 (continued)
Flat rentals: standard units
 Average rand per month as at quarter 2013:4

	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)	R3.350	R212	R3.700	R0	R4.400	R424	R4.850	R495	HK, TR
Sunnyside	R2.533	R153	R3.100	R458	R3.767	R404	R4.100	R265	CI, HK, TR
Arcadia	R2.467	R153	R3.000	R300	R3.667	R551	R4.000	R458	CI, HK, TR
Pretoria Central	R2.500	R100	R2.933	R115	R3.667	R503	R4.100	R300	CI, HK, TR
Pretoria West	R2.467	R115	R2.967	R153	R3.667	R503	R4.067	R306	CI, HK, TR
Kwaggasrand/West Park	R2.400	R100	R2.687	R71	R3.123	R197	R4.033	R153	CI, HK, TR
Elandspoort/Danville	R2.300	R283	R2.600	R566	R3.067	R513	R3.733	R751	HK, TR
Atteridgeville/Laudium	-	-	-	-	-	-	-	-	
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
Heuveloord	R3.350	-	R3.550	-	R4.550	-	R5.650	-	CB
Valhalla	R3.350	-	R3.550	-	R4.550	-	R5.550	-	CB
Durban average	R2.771		R3.355		R4.102		R5.050		
Upper highway: Kloof/Hillcrest	R3.000	-	R3.500	-	R4.000	-	R5.000	-	WK

Table 9.2 (continued)
Flat rentals: standard units
 Average rand per month as at quarter 2013:4

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Pinetown area/Queensburgh	R2.600	R141	R3.300	R283	R4.025	R318	R4.850	-	TR, WK
Westville area	R2.500	-	R3.200	-	R4.200	-	R5.850	-	WK
Central City (incl. Lower Berea)	R2.775	R35	R3.100	R141	R4.200	R566	R5.500	-	TR, WK
Berea / Morningside / Glenwood	R2.925	R106	R3.500	R0	R4.625	R177	R5.500	-	TR, WK
South and North Beach	R2.950	R71	R3.450	R71	R4.625	R177	R5.750	-	TR, WK
Durban North/La Lucia/Umhlanga	-	-	-	-	-	-	-	-	-
North (Dolphin) Coast/Ballito	-	-	-	-	-	-	-	-	-
Montclair/Yellowwood Park	R2.750	-	R3.175	R318	R3.750	R354	R4.500	-	WK, TR
Bluff area/Durban South	R2.500	-	R3.500	R0	R3.850	R71	R4.278	R315	TR, WK
Durban South/Amanzimtoti/Warner Beach area	R3.000	-	R3.500	-	R3.750	-	R4.500	-	TR, WK
Cape Town average	R2.864		R3.487		R4.378		R5.560		
Camps Bay/Clifton/Bantry Bay	R4.750	R354	R6.050	R212	R7.250	R354	R8.900	R141	SQ, TR
Sea Point	R3.400	-	R4.300	-	R5.600	-	R6.600	-	TR
Green Point/Three Anchor Bay	R3.883	R257	R5.000	R900	R6.267	R874	R8.250	R354	PF, SQ, TR
City Bowl (excluding Higgovale)	R4.183	R29	R4.875	R320	R6.463	R1.009	R9.167	R289	JL, SQ, TR
City Centre	R3.833	R473	R5.183	R539	R6.425	R106	R8.250	R354	SQ, TR
Waterfront	-	-	-	-	-	-	-	-	-
Rondebosch/Rosebank/Claremont	R3.667	R321	R4.317	R362	R5.933	R503	R7.817	R275	PF, SQ, TR
Kenilworth/Wynberg/Plumstead	R3.233	R351	R3.917	R225	R4.667	R493	R6.650	R495	PF, SQ, TR
Muizenberg/ Kalk Bay/ Fish Hoek	R3.083	R189	R3.700	R361	R4.150	R212	R4.900	R141	SQ, TR
Hout Bay	-	-	R3.950	-	R4.950	-	-	-	PF
Milnerton/Sanddrift	R3.000	R0	R3.463	R189	R4.325	R568	R5.500	R0	LA, PF, RS, TR
Tableview/ Parklands	R3.000	R265	R3.433	R321	R4.275	R754	R4.909	R500	LA, PF, RS, TR

Table 9.2 (continued)
Flat rentals: standard units
 Average rents per month as at quarter 2013:4

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Blouberg/Melkbos	R3.050	R212	R3.600	R283	R4.400	R141	R5.433	R115	LA, TR
Athlone	R1.800	-	R2.100	-	R2.800	-	R3.800	-	TR
Mitchell's Plain	R2.000	-	R2.300	-	R2.950	-	R3.500	-	TR
Pinelands	R3.100	R141	R3.750	R354	R4.500	R0	R5.550	R71	LA, TR
Brooklyn/Rugby/Maitland	R2.433	R58	R3.033	R153	R3.533	R252	R4.233	R252	LA, SQ, TR
Monte Vista/ Goodwood/ Parow/ Bellville Central	R2.900	R200	R3.300	R245	R4.100	R183	R5.300	R283	LA, SQ, TR
Tyger Valley area/ Durbanville	R2.613	R317	R3.150	R129	R4.100	R141	R4.775	R206	LA, PF, RS, TR
Brackenfell/ Kuils River	R2.275	R377	R2.680	R319	R3.500	R300	R4.233	R252	LA, PF, RS, TR
Somerset West	R1.867	R115	R2.317	R176	R3.083	R144	R4.083	R144	GE, LA, TR
Strand	R2.150	R387	R2.788	R317	R3.325	R310	R4.463	R778	GE, LA, SQ, TR
Gordon's Bay	R1.933	R115	R2.483	R104	R3.133	R115	R4.483	R448	GE, LA, TR
Port Elizabeth average	R2.275		R2.517		R3.381		R4.297		
Summerstrand/Humewood/South End	R3.033	R252	R3.550	R354	R4.833	R577	R6.467	R924	TR, ZB
Walmer	R3.100	R173	R2.850	R919	R4.300	R424	R6.500	-	TR, ZB
Central/North End	R2.217	R29	R2.567	R321	R3.133	R153	R3.650	R495	TR, ZB
Newton Park	R2.800	-	R3.000	R707	R3.433	R513	R4.500	-	TR, ZB
Westering	R2.000	-	R2.400	-	R3.800	-	R4.000	-	ZB
Kabega	R1.800	-	R1.900	-	R2.700	-	R3.500	R0	TR, ZB
Algoa Park	R1.500	-	R1.800	-	R2.200	-	R2.800	-	ZB
East London average	R2.436		R2.636		R3.141		R3.610		
Southernwood/Quigney Beach/CBD	R2.650	-	R2.800	-	R3.350	-	R3.900	-	TR
Berea	R2.800	-	R3.000	-	R3.650	-	R4.000	-	TR
Amalinda	R2.400	-	R2.500	-	R2.950	-	R3.250	-	TR

Table 9.2 (continued)
Flat rentals: standard units
Average rand per month as at quarter 2013:4

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Gonubie Park	R2.150	-	R2.300	-	R2.700	-	R3.350	-	TR
Bloemfontein average	R2.026		R2.620		R3.466		R4.017		
Bloemfontein	R1.925	R106	R2.550	R71	R3.100	R141	-	-	EK, MI
Westdene	R2.200	-	R2.600	-	R3.125	R530	R3.900	-	EK, MI
Willows	R2.150	R212	R2.600	R0	R3.850	R495	R3.800	-	EK, MI
Navalsig	R2.500	-	R2.450	R71	R3.575	R460	R3.700	-	EK, MI
Arboretum	R1.500	-	R2.925	R247	R3.750	R354	R4.750	-	EK, MI

Table 9.3
Flat rentals: upmarket units
 Average rand per month as at quarter 2013:4

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Johannesburg average	R3.142		R4.406		R5.474		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/Ilovo	R4.200	-	R5.500	-	-	-	-	-	TR
Greenside/Victory Park/Emmentaria/Linden/Parkview/Parkhurst	R4.500	-	R5.500	-	R6.500	-	R8.000	-	JL
Randburg: Ferndale/Fontainebleau	R3.650	R1.033	R4.417	R722	R5.488	R904	R6.200	R424	BS, JL, NH, TR
Randburg & Suburbs	R3.617	R1.125	R4.250	R901	R5.350	R1.213	R5.950	R71	BS, JL, NH
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 rand per month as at quarter 2013:4

	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 214		R4 079		R5 052		R6 644		
Upper highway: Kloof/Hillcrest	R3.500	-	R4.000	-	R5.000	-	R6.000	-	WK
Pinetown area/Queensburgh	R2.900	R141	R3.575	R389	R4.475	R389	R5.500	-	TR, WK
Westville area	R3.500	-	R4.500	-	R5.000	-	R7.000	-	WK
Central City (incl. Lower Berea)	R2.900	R141	R3.525	R318	R4.775	R1.379	R5.500	R2.121	TR, WK
Berea / Morningside / Glenwood	R3.150	R71	R4.250	-	R5.800	-	R8.000	-	TR, WK
South and North Beach	R3.100	R141	R4.250	R354	R5.475	R742	R8.000	-	TR, WK
Durban North/La Lucia/Umhlanga	R4.000	-	R5.750	-	R7.000	-	R15.000	-	WK
North (Dolphin) Coast/Ballito	-	-	-	-	-	-	-	-	
Montclair/Yellowwood Park	R3.000	-	R3.750	-	R4.500	-	R5.000	-	WK

Table 9.3 (continued)
Flat rentals: upmarket units
Average rand per month as at quarter 2013:4

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Bluff area/Durban South	R3.000	-	R3.800	-	R4500	-	R5000	-	WK
Durban South/Amanzimtoti/Warner Beach area	R3.250	-	R3.800	-	R4500	-	R5500	-	WK
Cape Town average	R3 603		R4 404		R5 878		R7 757		
Camps Bay/Clifton/Bantry Bay	R6.400	R849	R8.000	R2.121	R11.500	R3.536	R17.000	R2.828	SQ, TR
Sea Point	-	-	-	-	-	-	-	-	
Green Point/Three Anchor Bay	R5.000	R866	R5.500	R866	R7.500	R2.291	R11.750	R4.596	PF, SQ, TR
City Bowl (excluding Higgovale)	R5.200	R265	R6.033	R451	R8.933	R1.007	R12.500	R3.536	JL, SQ, TR
City Centre	R4.950	R636	R6.000	R0	R8.125	R177	R9.750	R1.061	SQ, TR
Waterfront	R5.000	-	R6.500	-	R9.000	-	R15.000	-	TR
Rondebosch/Rosebank/Claremont	R4.500	R608	R5.117	R664	R7.250	R1256	R10.000	R0	PF, SQ, TR
Kenilworth/Wynberg/Plumstead	R4.400	R141	R4.800	R283	R6.000	R707	R8.000	R1.414	SQ, TR
Muizenberg/ Kalk Bay/ Fish Hoek	R4.375	R530	R5.000	R707	R7.600	R141	R9.500	R707	SQ, TR
Hout Bay	-	-	-	-	-	-	-	-	
Milnerton/Sanddrift	R3.525	R320	R4.050	R574	R5.225	R939	R6.750	R1.061	LA, PF, RS, TR
Tableview/Parklands	R3.388	R295	R4.000	R200	R5.000	R816	R6.667	R764	LA, PF, RS, TR
Blouberg/Melkbos	R3.600	R265	R4.400	R141	R6.100	R566	R7.600	R566	LA, PF, TR
Athlone	R2.200	-	R3.050	-	R4.050	-	R5.050	-	TR
Mitchell's Plain	R2.650	-	R3.950	-	R4.650	-	R5.650	-	TR
Pinelands	R3.900	R141	R4.750	R354	R6.250	R354	R7.750	R354	LA, TR
Brooklyn/Rugby/Maitland	R2.983	R29	R3.433	R115	R4.367	R231	R5.400	R173	LA, SQ, TR
MonteVista/Goodwood/Parow/Bellville									
Central	R3.100	R115	R3.563	R399	R4.638	R759	R5.400	R849	LA, SQ, TR
Tyger Valley area/Durbanville	R3.067	R115	R3.850	R191	R4.963	R403	R7.500	R0	LA, PF, SF, TR

.Table 9.3 (continued)
Flat rentals: upmarket units
Average rands per month as at quarter 2013:4

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Brackenfell/Kuils River	R2.550	R370	R3.020	R295	R4.000	R354	R4.667	R289	LA, PF, SF, TR
Somerset West	R2.667	R289	R3.667	R289	R4.833	R577	R6.500	R1.000	GE, LA, TR
Strand	R2.667	R289	R3.500	R0	R4.667	R289	R6.000	R866	GE, LA, TR
Gordon's Bay	R2.733	R252	R3.500	R0	R4.500	R0	R5.783	R257	GE, LA, TR
Port Elizabeth average	R2.610		R3.066		R3.563		R4.320		
Summerstrand/Humewood/South End	R3.250	R354	R4.000	R283	R4.700	R283	R7.600	R1.493	JP, ZB
Walmer	R2.975	R177	R3.800	R0	R4.650	R212	R6.250	R1.061	JP, ZB
Central/North End	R2.500	-	R2.750	-	R3.250	-	R3.500	-	ZB
Newton Park	R2.675	R318	R3.075	R318	R3.450	R354	R3.800	-	JP, ZB
Westering	R2.650	R212	R3.025	R247	R3.500	R0	R3.850	-	JP, ZB
Kabega	R2.600	R141	R2.975	R177	R3.400	R141	R3.850	-	JP, ZB
Algoa Park	R1.850	-	R2.200	-	R2.500	-	R3.000	-	ZB
East London average	R2.821		R3.060		R3.493		R3.945		
Southernwood/Quigney Beach/CBD	R3.000	-	R3.400	-	R3.700	-	R4.200	-	TR
Berea	R3.250	-	R3.300	-	R3.650	-	R4.450	-	TR
Amalinda	R2.650	-	R2.950	-	R3.150	-	R3.600	-	TR
Gonubie Park	R2.450	-	R2.650	-	R3.500	-	R3.600	-	TR

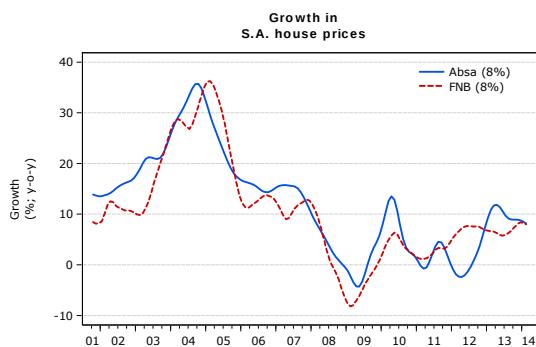
Chapter 10: House market

Decent growth, but risk to outlook continues

Written by John S. Lottering

Notwithstanding differences in growth trends, the main house price indices are for now at least in agreement on the rate at which house prices are appreciating.

According to the Absa index the yearly growth in national house prices has in recent months been losing some of its momentum, while according to the FNB index it has heated up slightly. Both indices were, however, in agreement that in February 2014, national house prices were up by a yearly rate of roughly 8% (see corresponding graph).



Source of data: Absa; FNB; Lightstone

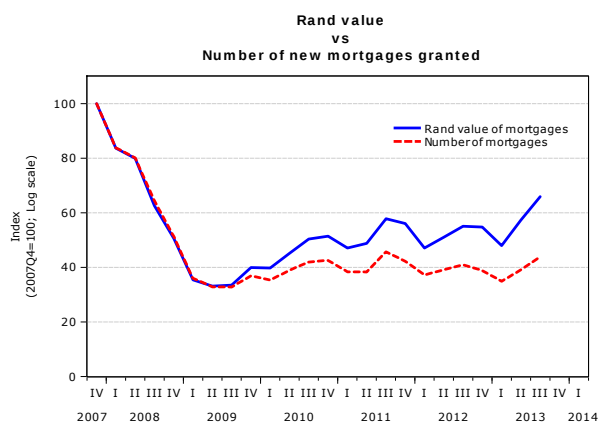
Nonetheless, there remain headwinds that are likely to place a damper on the growth in house prices. Consider here:

- Still-high household debt-to-disposable income levels. Although credit-risk profiles did improve slightly during the fourth quarter of 2014, the debt-to-disposable income ratio remains uncomfortably high at 74%.
- Slumping consumer confidence levels, which might affect the

willingness of households to make substantial financial commitments such as buying a house.

- The continued rise in property running costs such as property taxes and electricity, which might undermine the demand for housing ownership.
- Lacklustre economic growth and its likely damper on growth in employment and disposable income.
- The recent increase in borrowing costs (interest rates), and rising cost-push pressures on consumer prices, which might lead to more hikes in interest rates.

The silver lining is rising new mortgages granted, viz. +20% in rand value and +7% in quantity during the third quarter of 2013. These growth rates were, however, from low bases. Given the recent hike in interest rates, and the possibility of more interest rate increases, one can expect these growth rates to moderate.



Source of data: NCR; Rode calculations

Nonetheless, despite the fairly impressive growth, both the value and number of mortgages granted still remain well below their end-of-2007 levels.

The differences in trend between the rand value and number of mortgages clearly reflect house price inflation. The banks are not granting more bonds, it's just that the size of these bonds is growing in tandem with house-price inflation.

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 well below the rate of building-cost inflation (see **Table 10.1**).

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, the reader should deduct 1½ percentage points from gross. This deduction takes into account

operating expenses such as insurance and maintenance, as well as assessment rates. Net-income yields are the residential-property equivalent of non-residential property's capitalization rates. The difference, though, is that residential prices are generally not determined using an income-capitalization approach (using capitalization rates) but rather the comparable-sales method. This is so because the market for residential properties is predominantly made by owner-occupiers (buy to occupy) rather than investors (buy to let), and owner-occupiers do not do a yield calculation when scouting for a house.

Nevertheless, net yields, as determined by the market via the market value and the net market rental the residential 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 chapter is concluded by the gross-income yields tables.■

Table 10.1

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

	2013:1	2013:2	2013:3	2013:4
Durban	14,0	8,3	11,9	9,8
Port Elizabeth	6,0	3,8	4,3	7,0
East Rand	4,2	11,1	12,1	9,2
Johannesburg Central & South	2,6	3,0	-3,3	-5,7
Johannesburg North & West	4,2	4,7	4,5	5,8
Greater Johannesburg	4,2	8,4	7,9	6,7
Bloemfontein	14,0	16,7	4,7	2,6
Pretoria	8,6	12,2	11,3	12,9
Cape Town	5,7	10,0	9,0	6,5
Building-cost inflation	8,0	10,2	8,0	6,2

Source: Absa

Table 10.2
Gross-income yields (%) of houses by price class
Quarter 2013:4

	Low	Middle	High
Eastern Cape			
Port Elizabeth			
- Summerstrand/Humewood	6,3%	6,2%	6,4%
- Walmer (to 8th avenue)	4,9%	6,6%	6,6%
- Upper Walmer	5,6%	5,6%	6,0%
- Central / North End / Sydenham	11,5%	10,0%	7,2%
- Fernglen/Framesby	7,4%	5,7%	6,8%
- Westering	8,2%	7,2%	6,7%
- Algoa Park	11,5%	10,2%	6,6%
- Kabega	10,0%	11,0%	7,7%
- Malabar II	12,0%	8,4%	8,0%
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 2013:4

	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 2013:4

	Low	Middle
Eastern Cape		
Port Elizabeth		
- Summerstrand/Humewood/South End	6,2%	7,8%
- Walmer/Charlo/Fairview/Lorraine	7,2%	7,8%
- Newton Park / Fernglen / Sunridge Park	6,3%	7,8%
- Westering / Hunter's Retreat	6,5%	6,6%
- Algoa Park	4,3%	-
- Kabega	8,3%	8,5%
- Malabar II	11,6%	13,1%
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 2013:4

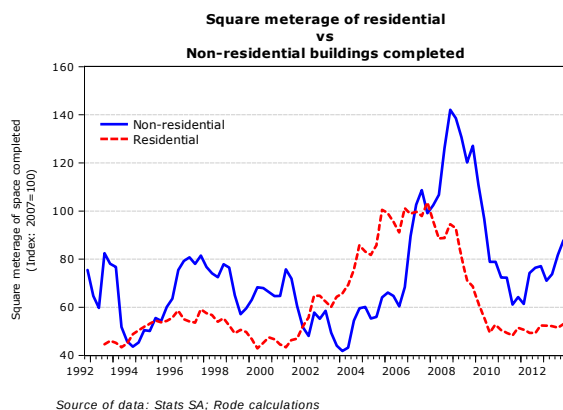
	Low	Middle
Centurion		
- <i>Pierre van Ryneveld</i>	8,1%	8,8%
- <i>Irene</i>	8,5%	12,8%
- <i>Kloofsig / Lyttelton Manor / Doringkloof</i>	8,3%	11,3%
- <i>Highveld and Extensions</i>	7,9%	8,8%
- <i>Clubviews / Eldoraigne / Wierda Park</i>	7,4%	8,9%
- <i>Rooihuiskraal / The Reeds</i>	7,2%	9,6%
- <i>Heuweloord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

Chapter 11: Building activity and building costs

An improvement, but still below recent historic highs

Written by John S. Lottering

Overall, there was an improvement in building activity during 2013. However, the amount of new space being completed remains below the highs achieved during the recent building-construction boom years.



The first graph compares the square meterage of residential buildings completed to that of non-residential buildings. From the graph we can observe the following:

- The residential sector was first out of the blocks during the most recent building-construction boom. This was most likely related to the fact that the *real* residential property values were also first to head north during the recent property boom years.
- Residential building activity peaked in 2007, about a year before non-residential building activity, and thereafter headed south.

- Since 2010, the amount of new residential space completed has been moving sideways, and during 2013 the amount of residential buildings completed was still about 50% less than the 2007 peak.
- Since 2012, the amount of non-residential space being completed has seemingly been in recovery mode; so much so, that by 2013 the amount of space completed was just 30% below the 2008 peak.

Tables 11.1 and 11.2 reveal more facts about recent trends in building activity across the various residential and non-residential property types. During 2013, houses ≥ 80 m² accounted for almost 60% of the residential space completed, followed by flats & townhouses (25%) and houses < 80 m² (17%). The square meterage of houses ≥ 80 m² completed was, however, only up by 2% when compared to the previous year. The quantity of flats & townhouses completed (+10%) showed the strongest growth. For all the residential property types shown in the table, the quantity of space completed during 2013 was below their long-term (20-year) averages. This, together with the fact that the amount of residential space completed during 2013 was only about half of the peak-year levels, is evidence of the fact that residential contractors are still experiencing tough times.

Table 11.1
Residential building activity during 2013

	Houses <80 m ²	Houses ≥80 m ²	Flats & townhouses
% of total residential space completed	17%	59%	25%
Growth over past year	-10%	2%	10%
% above/below long-term (21 yrs.) avg. quantity of space completed	-24%	-11%	-25%
Source of data: Stats SA; Rode calculations			

As for the non-residential property types, although new industrial space (41%) was by a slight margin the largest contributor to total non-residential space completed, the quantity of industrial space completed during 2013 was down by 15%. However, the reader must consider that industrial space is much cheaper to construct than office space.

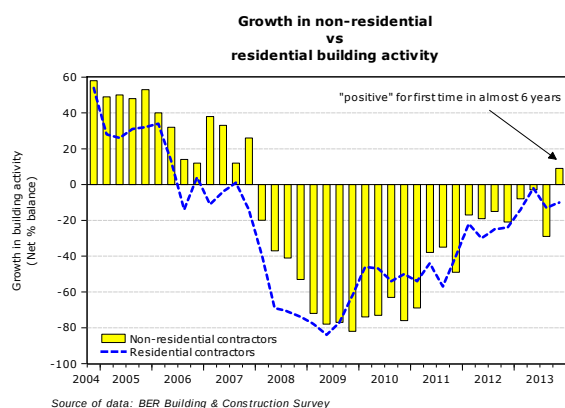
The strongest growth came from the office sector where the quantity of new space put in place, was up by a whopping 72%. Interestingly also is that the quantity of office space completed during

2013 was almost 30% above its long-term (28-year) average. This is not particularly good news for the office property market, given generally weak demand for office space to rent that has led to vacancy rates that are obstinately refusing to drop (see **Chapter 6**).

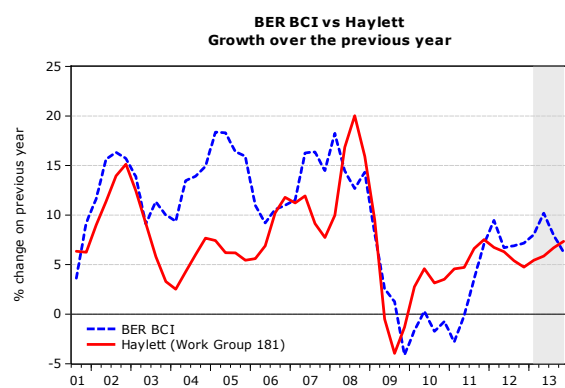
As **Table 11.2** shows, the amounts of shopping and industrial space completed were roughly at their long-term averages. The problem lies with offices (27% above their long-term average annual completion quantum).

Table 11.2
Non-residential building activity in 2013 (m²)

	Office space	Shopping space	Industrial & warehouse space
% of total non-residential space completed	34%	24%	41%
Growth over past year	72%	12%	-15%
% above/below long-term (28 yrs.) avg. quantity of space completed	27%	3%	5%
Source of data: Stats SA; Rode calculations			



The much better performance of non-residential building activity relative to residential building activity is confirmed by contractors themselves. During the fourth quarter of 2013, and for the first time in almost six years, the majority of non-residential contractors surveyed by the BER¹ said that building activity was up when compared to the same quarter a year earlier. To the majority of residential contractors building activity was, however, still down.

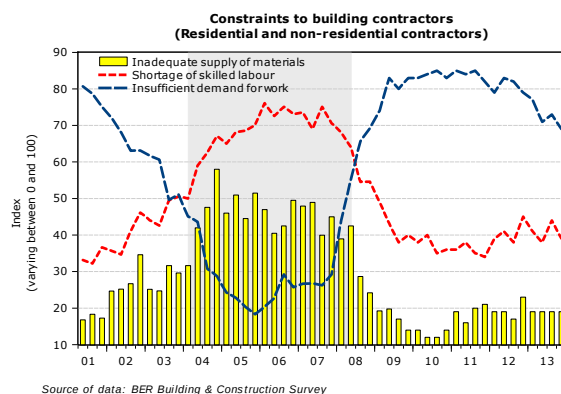


Regarding building costs, we estimate building-cost inflation — the growth in accepted tender prices — to have shown growth of about 6% during the fourth

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

quarter of 2013. This is roughly in line with the 7% growth in building-input prices

As for the medium-term outlook for the building-construction industry, to those at the coalface — the building contractors — insufficient demand for building work remains the biggest constraint (see last graph). Every quarter, the Bureau for Economic Research (BER) asks a panel of residential and non-residential contractors to rate the current seriousness of three constraints, namely insufficient demand for building work, shortages of skilled labour and inadequate supply of building materials. During the building-boom years (shaded area in the graph) demand for work was, naturally, not an issue. Back then it was a shortage of skilled labour.



Nonetheless, despite the slight recovery in overall economic activity during the fourth quarter of 2013, a sudden and sustained improvement in property fundamentals is unlikely for the time being. This implies the likelihood of continued modest demand for building work and moderately growing building activity. This in turn not only means continued keen tendering competition amongst contractors but also little demand-pull pressure on building-input costs. Upward pressure on building-input costs will most likely come from cost-push pressures. Think here of a depreciating rand exchange rate and its impact on fuel prices, building materials and imported plant & equipment prices.

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

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

Annexures

Glossary of property and related terms and abbreviations

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

Besa: Bond Exchange of South Africa.

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

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

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

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

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

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

Civils: colloquial for **civil construction**.

Civil construction: the construction of

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

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

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

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

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

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

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

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

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

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

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

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

An alternative term is intrinsic value.

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

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

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

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

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

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

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

Industrial-building grades:

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

The eight conditions above are *prerequisites* for space to be considered prime. However, a building may possess additional enhancements that could improve 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.

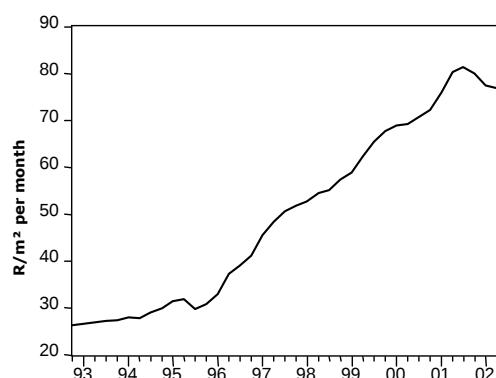
Smoothing: Removal of shorter-term fluctuations in a **time series**, by e.g. moving averages, exponential smoothing, or curve fitting.

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 graphic portrayal of a rental time series
Quarterly frequency



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

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

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

VAT: value-added tax.

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

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

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

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

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

References:

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

Technical background to the Rode surveys

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

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

The cons of tracking actual transactions are:

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

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

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

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

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

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

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

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

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

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

Hurdle rate: The question put to landlord panellists is:

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

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

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

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

The question put to the panellists is:

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

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

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

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

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

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

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

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

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

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

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

Industrial rentals: The question put to panellists is:

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

lease sizes indicated below?"

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

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

Thus, the reported vacancies do not represent percentages.

Industrial land values: The question put to panellists is:

"In your opinion, what are the current

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

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

Flat rentals: The question put to panellists is:

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

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

■

How to interpolate industrial rental rates and land values

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

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

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

$\ln Y$ = the natural log of the rental rate, i.e. the value which we want to calculate. $\ln X$ = the natural log of the applicable floor area in m^2 for which we want to calculate the market rental rate.

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

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

An example:

Interpolate a rental rate for an area size other than those quoted in the table — e.g. for an area of $750 m^2$. Use your financial calculator and proceed as follows:

Assume the following equation:

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

where $X = 750 m^2$.

Step 1:

Calculate the natural log of X , viz. the floor area for which you want to interpolate the market rental rate. The natural log of a floor area of $750 m^2$ is 6,6201 (use the $\ln$ key of your financial calculator).

Thus:

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

Step 2:

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

Approximate building cost rates as at July 2013

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

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

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

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

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

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

Building type

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

Offices

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

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

Parking

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

Retail

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

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

Industrial

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

Residential

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

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

Hotels

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

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

Studios

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

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

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

Schools

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

Stadiums

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

Prisons

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

Building services

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

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

Electrical installation

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

Building services**Electronic installation**

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

Fire protection installation (offices)

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

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

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

Notes

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

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

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

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

Forecast from: September 2013 Forecast date: August 2013

Month	2011		2012		2013		2014		2015		2016		2017	
	Index	% ch	Index	% ch	Index	% ch	Index	% ch	Index	% ch	Index	% ch	Index	% ch
Jan	397,7	3,6	422,9	6,3	447,3	5,8	490,4	9,6	531,6	8,4	566,8	6,6	594,1	4,8
Feb	401,3	4,1	427,3	6,5	450,0	5,3	494,7	9,9	536,0	8,4	569,9	6,3	597,6	4,9
Mar	406,5	5,0	429,5	5,7	456,5	6,3	499,6	9,4	540,4	8,2	573,1	6,1	601,1	4,9
Apr	407,4	5,0	431,1	5,8	459,5	6,6	503,9	9,7	544,0	7,9	576,6	6,0	6,4,3	4,8
May	407,5	4,2	432,7	6,2	458,0	5,8	505,9	10,5	545,7	7,9	578,0	5,9	605,7	4,8
Jun	409,5	4,4	434,2	6,0	460,1	6,0	506,5	10,1	546,6	7,9	579,2	6,0	607,1	4,8
Jul	413,4	5,6	436,9	5,7	465,2	6,5	509,2	9,5	549,2	7,9	581,8	5,9	609,2	4,7
Aug	414,2	5,9	436,9	5,5	467,0	6,9	511,1	9,4	550,6	7,78	582,2	5,7	609,4	4,7
Sep	415,9	6,2	438,2	5,4	473,2	8,0	5516,2	9,1	553,8	7,3	585,6	5,7	613,0	4,7
Oct	417,3	6,3	439,5	5,3	477,7	8,7	519,7	8,8	555,1	6,8	586,9	5,7	615,0	4,8
Nov	419,2	6,5	441,4	5,3	482,1	9,2	524,1	8,7	558,9	6,6	588,7	5,3	616,9	4,8
Dec	420,7	6,6	442,9	5,3	485,8	9,7	528,1	8,7	562,7	6,5	590,6	5,0	618,9	4,8
Avg.	410,9	5,3	434,5	5,7	465,2	7,1	509,1	9,4	547,9	7,6	580,0	5,9	607,7	4,8

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

Source:

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

Absa home building-cost index

2000 = 100

Quarter	Index	% change on previous year	Quarter	Index	% change on previous year
1998:2	82,3	15,8%	2006:2	211,6	10,1%
1998:3	83,5	12,8%	2006:3	219,8	10,9%
1998:4	84,0	9,1%	2006:4	227,0	11,2%
1999:1	84,2	5,7%	2007:1	230,8	10,7%
1999:2	86,6	5,2%	2007:2	236,7	11,9%
1999:3	89,4	7,1%	2007:3	240,1	9,2%
1999:4	92,2	9,7%	2007:4	245,1	7,9%
2000:1	96,1	14,1%	2008:1	253,6	9,9%
2000:2	99,4	14,8%	2008:2	256,2	8,2%
2000:3	101,5	13,5%	2008:3	258,9	7,8%
2000:4	103,0	11,7%	2008:4	262,2	7,0%
2001:1	105,3	9,5%	2009:1	264,6	4,3%
2001:2	107,5	8,1%	2009:2	273,4	6,7%
2001:3	111,4	9,7%	2009:3	277,7	7,3%
2001:4	116,0	12,6%	2009:4	277,6	5,9%
2002:1	118,9	13,0%	2010:1	286,6	8,4%
2002:2	122,1	13,6%	2010:2	294,5	7,7%
2002:3	126,7	13,8%	2010:3	296,5	6,7%
2002:4	131,8	13,7%	2010:4	302,1	8,8%
2003:1	137,3	15,5%	2011:1	302,8	5,6%
2003:2	143,1	17,2%	2011:2	302,6	2,8%
2003:3	149,0	17,6%	2011:3	312,3	5,4%
2003:4	156,4	18,7%	2011:4	318,6	5,5%
2004:1	163,8	19,3%	2012:1	319,5	5,6%
2004:2	170,2	18,9%	2012:2	320,8	6,0%
2004:3	175,3	17,6%	2012:3	322,0	3,1%
2004:4	180,2	15,2%	2012:4	327,0	2,6%
2005:1	185,8	13,4%	2013:1	335,8	5,0%
2005:2	192,1	12,9%	2013:2	346,4	8,0%
2005:3	198,2	13,0%	2013:3	356,3	10,7%
2005:4	204,2	13,3%	2013:4	354,7	8,5%
2006:1	208,4	12,1%			

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	161,4	164,9	158,9
% ch	8,9	4,7	9,2	5,2	6,9
2013	170,0	169,4	166,1	166,5	168,0
% ch	10,9	8,5	2,9	1,0	5,7

Source:

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

Prime overdraft rate at month-end (%)

(proxy for trends in mortgage rates*)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
1990	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0
1991	21,0	21,0	21,0	20,0	20,0	20,0	20,0	20,0	20,0	20,3	20,3	20,3	20,3
1992	20,3	20,3	20,3	19,3	19,3	19,3	18,3	18,3	18,3	18,3	17,3	17,3	18,8
1993	17,3	16,3	16,3	16,3	16,3	16,3	16,3	16,3	16,3	16,3	15,3	15,3	16,2
1994	15,3	15,3	15,3	15,3	15,3	15,3	15,3	15,3	16,3	16,3	16,3	16,3	15,6
1995	16,3	17,5	17,5	17,5	17,5	17,5	18,5	18,5	18,5	18,5	18,5	18,5	17,9
1996	18,5	18,5	18,5	19,5	20,5	20,5	19,5	19,5	19,5	19,3	20,3	20,3	19,5
1997	20,3	20,3	20,3	20,3	20,3	20,3	20,3	20,3	20,3	19,3	19,3	19,3	20,0
1998	19,3	19,3	18,3	18,3	18,3	22,3	24,0	25,5	25,5	24,5	23,5	23,0	21,8
1999	22,0	21,0	20,0	19,0	19,0	18,0	17,5	16,5	16,5	15,5	15,5	15,5	18,0
2000	14,5	14,5	14,5	14,5	14,5	14,5	14,5	14,5	14,5	14,5	14,5	14,5	14,5
2001	14,5	14,5	14,5	14,5	14,5	13,8	13,5	13,5	13,0	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	8,5	8,5	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.

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