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PROPERTY PUBLICATIONS
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Rode's Report 2014:2

*Waning business confidence
undermining rental growth prospects
– p 57*



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

*Restrained growth in office rentals • Still no magic on the
residential rental front • House-price growth moving
sideways*



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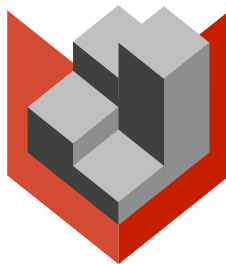
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Rode's Report

on the South African Property Market

2014:2

Vol. 25 no. 2



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Subscriptions

Juwayra Januarie

021-946 2480

Annual subscription:

4 issues: R4.100,00 (excl. VAT)

Published by

Rode & Associates (Pty) Ltd.

Reg. No: 2009/005600/07

PO Box 1566, Bellville 7535

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Cover illustration

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www.capetowncartoonist.com

Printing

RSAM Printers

082 418 4878

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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.

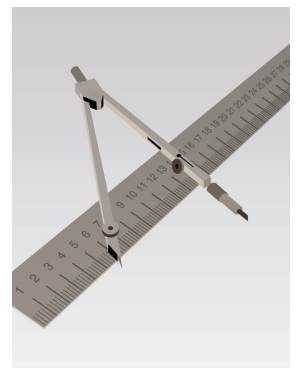


Based in Cape Town, *Rode* serves clients from all over South Africa and Namibia (Windhoek only).

[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:

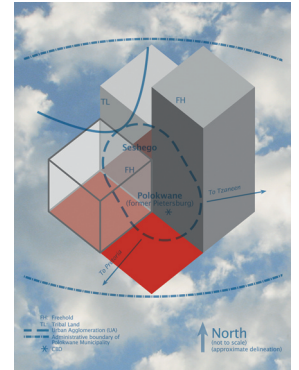
- A unique econometric model to forecast the South African real estate market
- The statistical determination of standard capitalization rates
- Property demand forecasts
- The estimation of market rentals in shopping centres and for industrial premises of various sizes
- Special methodologies to value 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).

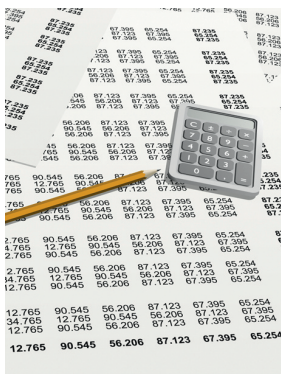


RodePlan focuses on town and development planning processes and products at macro, meso and micro level. *RodePlan* considers an in-depth understanding of the **social, economic, political and environmental elements** that underpin present-day society as fundamental to an SDF and to Housing Sector Plans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

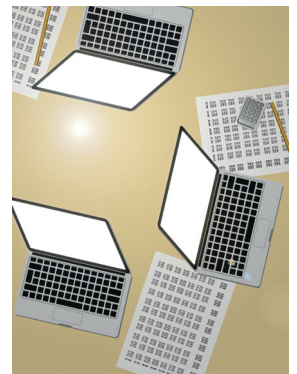
[SPECIALIST PROPERTIES]

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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CI	City Property Administration	0123198811

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KE	Keydom Real Estate	0132826187
KI	Kitchings Agencies	0419229870
LA	Landlords "We do Rentals"	0219751770
LH	Leader Homes	0538313955
LZ	Life Residential	0214243969

MAS	Massyn Acquisitions	0123452576
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MH	Merchant Trust Properties	0116094945
MI	Platinum Global	0514474711
ML	Mindry Properties CC	0317834307
MO	Moolman Group of Companies	0152914700
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THINKING OF INVESTING INTO AFFORDABLE RENTAL HOUSING IN GAUTENG?

CONSTRAINED BY **FUNDING** CHALLENGES?

The Gauteng Partnership Fund (GPF) is the ideal partner for companies seeking to develop affordable housing.

Who Are We - Mandated by the Gauteng Department of Human Settlements to accelerate the provision of affordable housing, the GPF has leveraged over R2.2 billion in private sector funding for developers and investors in the affordable housing market. The GPF seeks to share financing risks with debt funders and developers for affordable housing projects.

GPF OFFERS:

Rental Housing and Student Accommodation Fund

This fund enhances debt/equity ratio for entrepreneur driven projects to enable them to raise commercial funding.

Entrepreneur Empowerment Property Fund Programme (EPPF)

This is an incubator programme designed to promote participation of HDI owned companies in the affordable rental property market. *(This programme is limited to prospective participants invited on public tender annually.)*

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This fund aims to reduce the cost of capital for projects, to allow for lower affordable rentals and assist Social Housing Institutions (SHI's) to fund their growth.

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Acknowledgements

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

1. Sapoa, for use of the basic data from their office vacancy surveys, which we analysed further.
2. Medium-Term Forecasting Associates (MFA) of Stellenbosch, for the use of their monthly forecast of building-input costs (Haylett), as well as their leading indicator of building activity. Also for their kind permission to publish the Bureau for Economic Research's building-cost index, to which they hold the marketing rights.
3. Absa for the use of their home-building-cost index.
4. Davis Langdon, an AECOM company, for the use of their building cost data for various building types.
5. Nicole Maytham, 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 second issue of ***Rode's Report on the South African Property Market (RR)*** for 2014, which reports on surveys conducted in the first quarter of 2014.



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

June 2014

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Chapter 1: State of the property market

State of the property market in quarter 1 of 2014

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

- Restrained growth in office rentals
- Still no magic on the residential rental front
- House-price growth moving sideways

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 2014:1) with that collected a year earlier.

Table 1.1 The property market at a glance at quarter 2014:1 * % growth on four quarters earlier (on smoothed data)		
	Nominal	Real**
A-grade CBD office rentals		
Johannesburg	2,2	0,3
Pretoria	9,1	6,9
Durban	-6,5	-8,3
Cape Town	9,1	6,9
A-grade decentralized office rentals		
National decentralized	2,0	-0,1
Sandton CBD	6,8	4,7
Randburg Ferndale	-2,1	-4,0
Brooklyn/Waterkloof (Pta)	6,4	4,3
Hatfield	0,5	-1,5
Berea (Durban)	1,5	-0,6
La Lucia Ridge	1,7	-0,2
Claremont (CT)	10,6	8,4
Tyger Valley	11,0	8,8

Table 1.1 (continued)
The property market at a glance at quarter 2014:1*
 % growth on four quarters earlier (on smoothed data)

	Nominal	Real**
Prime industrial rentals (500-m² units)		
National	4,4	2,4
Central Witwatersrand	3,5	1,5
East Rand	6,6	4,5
Durban metro	6,6	4,6
Cape Peninsula	7,4	5,3
Flat rentals (standard quality, all sizes)		
National	3,2	-2,6
Johannesburg metro	0,5	-5,2
Pretoria metro	1,0	-4,7
Durban metro	1,4	-4,3
Cape Town metro	6,4	0,4
* Unless otherwise specified		
** Nominal values deflated by BER Building Cost Index; however, flat rentals are deflated using the Consumer Price Index.		

Noteworthy is that Cape Town rental growth significantly outperformed the other cities with respect to flat rentals, industrial rentals and A-grade office rentals (both CBD and decentralized). Has Cape Town decoupled from South Africa?

quarter under review, rentals in Cape Town decentralized were — on average — up by 5%. This was followed by Durban decentralized, where rentals grew by 3%. In Pretoria and Johannesburg, decentralized rentals were only up by 1%.

Office rentals

In general, the growth in office market rentals continues to be restrained by lacklustre growth in the demand for office space and its resultant adverse effect on office vacancy rates.

In the first quarter of 2014, market rentals for prime office space could — on a national basis — only show yearly growth of 2%. Given that since 2012 there seems to have been a slight increase in the national office vacancy rate, the cooling and weak growth in national market rentals is understandable. A look at the regions also reveals moderate growth in market rentals. In the

Industrial market

In the first quarter of 2014, market rentals for prime industrial space nationally showed growth of 4%. However, when zooming in at the regional level one sees that growth in industrial rentals was not too shabby on the East Rand, in Durban and in the Cape Peninsula. In these regional industrial conurbations, industrial rentals showed reasonable growth of 7%. This was in contrast to the Central Witwatersrand, where rentals were up by a meagre 3%. In Port Elizabeth, rentals remained at roughly their previous-year levels.

It seems that work has again started to dry up for non-residential contractors, forcing

them to trim profit margins and, in turn, resulting in low growth in accepted tender prices. We estimate building costs — overall tender prices — to have shown yearly growth of only 1% in the first quarter of 2014. This, of course, implies that in all of the major industrial conurbations — barring Port Elizabeth — rentals were still able to show *real* growth.

For now, prevailing weak and low levels of business sentiment will most likely keep the demand for industrial space at bay. The outcome of this could be continued moderate growth in market industrial rentals.

Flat rentals

In the first quarter of 2014, both house and townhouse rentals were able to grow by 4% nationally, while rentals of flats showed growth of only 3%. This should be compared with consumer inflation of about 6%. Thus, this is further evidence, if any were needed, that the consumer out there is under severe stress.

Regionally, flat rentals in Cape Town again showed the strongest growth with their yearly growth rate of 6%, while in Durban flat rentals were up by a modest 2%. In Johannesburg and Pretoria, flat rentals could only fetch growth of 1%. In the first quarter of 2014, consumer prices (excluding owners' equivalent rent) showed

growth of about 6%. This implies that Cape Town was the only city in which nominal flat rentals were, at least, able to show growth in line with inflation.

The house market

Despite persistent headwinds, the growth in nominal house prices is, for now, still managing to move sideways at a rate slightly above consumer inflation.

According to the Absa House Price Index (HPI), the growth in national house prices has been moving sideways at a yearly growth rate of about 9% since October 2013. FNB's HPI has been showing sideways growth of about 8% since November 2013, while Lightstone's index has been showing growth of 7% since December 2013.

Key drivers of house prices continue to presage the likelihood of a moderation in growth. One such driver is economic activity. The current low-growth economic environment implies we should expect even slower growth in employment and disposable incomes. Another headwind to the growth in house prices is the possibility of rising interest rates. In fact, in its May 2014 policy statement the Monetary Policy Committee (MPC) mentioned that it held the view that SA is in a rising interest-rate cycle. ■

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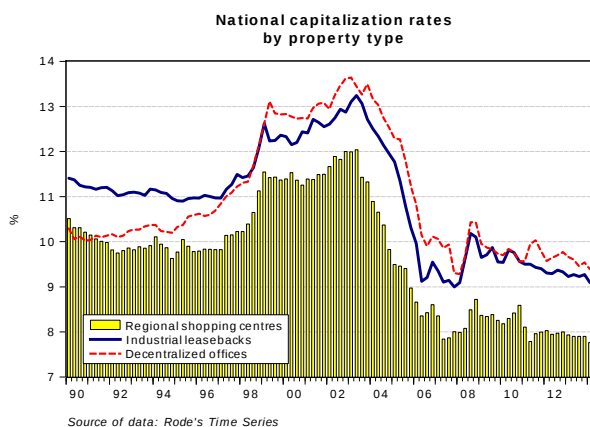
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Chapter 2: Capitalization rates

Market's rating of non-residential property remains steady

Written by John S. Lottering

The market's rating of non-residential property remained steady in the first quarter of 2014.



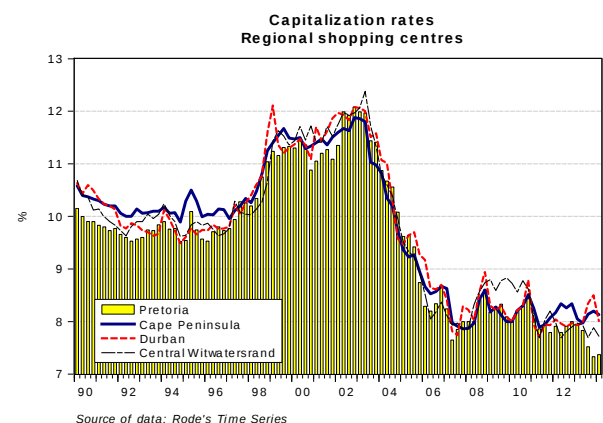
The corresponding graph shows that capitalization rates of regional shopping centres, prime industrial properties and grade-A decentralized office properties were at about the same level in the reporting quarter as in the previous quarter. However, when looking back a bit further, the graph shows how non-residential property capitalization rates have in fact edged moderately south since about the end of 2008. An explanation for this might be the general decline (firming) of listed funds' income yields — on the back of firming long-bond yields — since about the same time. This, in theory, might have allowed property funds to continue to be fairly aggressive with their purchases of non-residential property without much fear of diluting their earnings.

A potential risk to the capitalization-rate outlook must, therefore, be the possibility of a rising (weakening) trend in the income yields of listed funds, should yields on long bonds increase.

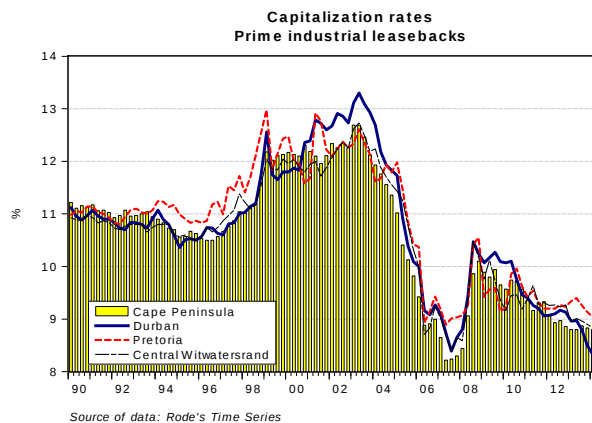
Shopping centres

In the first quarter of 2014, capitalization rates of regional shopping centres in the major metropolises generally ranged between 7% and 8%. Capitalization rates of community centres varied between 8% and 9%, while those of neighbourhood centres ranged between 9% and 10%. The evident inverse correlation between size and capitalization rate can be attributed to the:

- higher risk (variability of income stream) associated with fewer tenants
- lower expected growth in *net* income



Prime industrial leasebacks

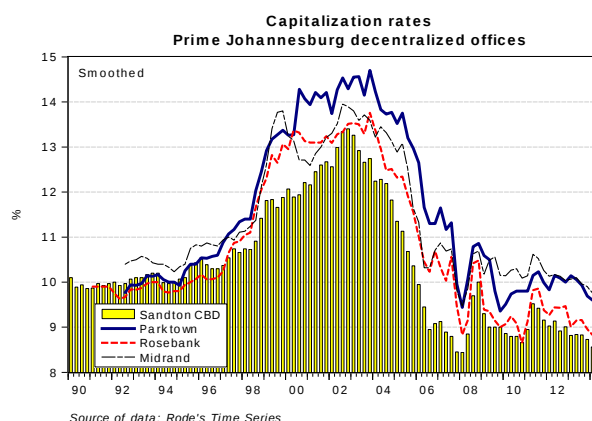


Capitalization rates on prime industrial properties in the major industrial regions all remained at about their previous-quarter levels. Our respondents were still of the opinion that investors in industrial properties (with a leaseback covenant) required a minimum *net* income return of about 8,7%, with a standard deviation of 0,2%.

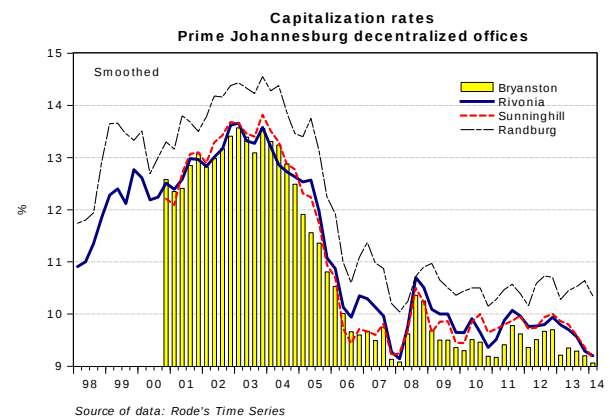
Prime offices

Johannesburg decentralized

During the reporting quarter, capitalization rates in the Johannesburg decentralized office nodes moved sideways from their previous-quarter levels. Here capitalization rates ranged from as high as 10% in Randburg to as low as 8,6% in Sandton. Vacancy rates have been moving north in Sandton & Environs since 2012 (see **Chapter 6**).

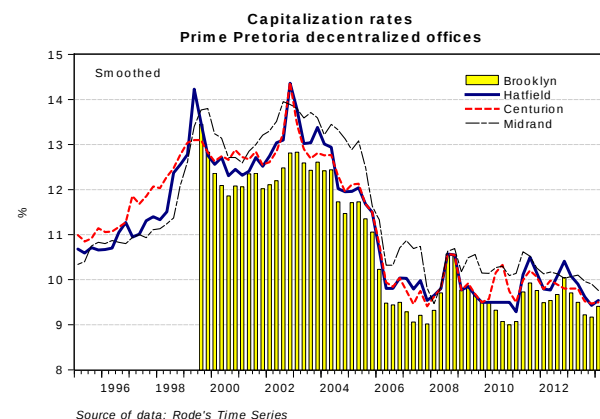


This might eventually increase the risk associated with the expected income streams and perhaps also lead to lower *net*-income growth expectations – the outcome of which might be upward pressure on office properties' capitalization rates in Sandton.



Pretoria decentralized

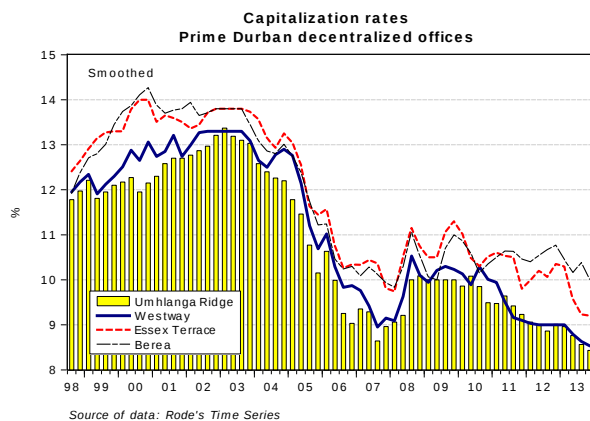
In Pretoria decentralized, the grade-A multi-tenanted office capitalization rates in office nodes such as Centurion, Hatfield, Brooklyn and Midrand again varied between 9% and 10%.



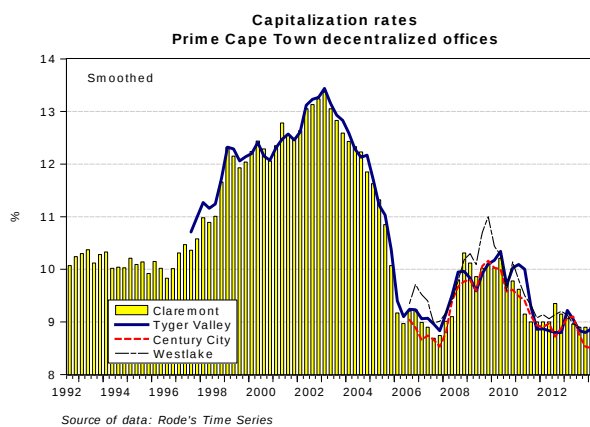
Durban decentralized

In the Durban decentralized office nodes of La Lucia / Umhlanga Ridge, Westway and Essex Terrace, capitalization rates ranged between 8,5% and 9,5%. We suspect that Berea's higher capitalization rate of 10% might be related to its proximity to the decaying CBD and residential roofs that move north.

Berea also has the higher office vacancy rate (see **Chapter 6**) amongst the Durban decentralized office nodes, which might also explain why investors might be requiring higher income returns to induce them into buying office property in Berea.



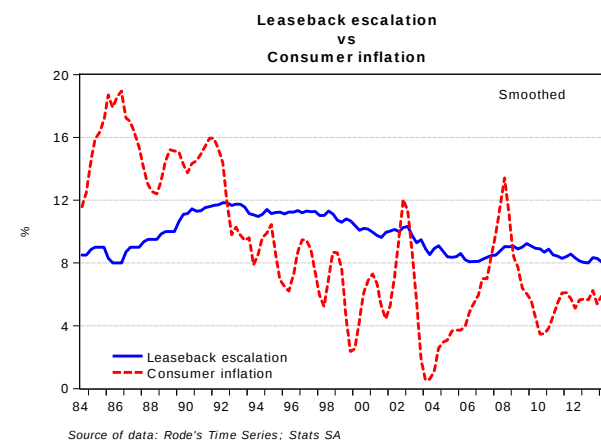
Cape Town decentralized



In the reporting quarter, our respondents were of the opinion that investors required

a minimum *net* income return of between 8,5% and 9% to buy or sell grade-A multi-tenanted office property in the Cape Town decentralized office nodes of Claremont, Tyger Valley, Century City and Westlake. Notable is the sharp drop in capitalization rates in Century City. This node has evidently become Cape Town's favourite office node.

Leaseback escalation rates



In the first quarter of 2014, the average leaseback escalation rate was 8,0% (see **Table 2.1**). The escalation rate is an attempt (often unsuccessful) by the market to forecast the average growth in market rentals until the expiry of the lease. This market failure is succinctly illustrated by the accompanying graph that compares CPI with escalation rates since 1984.

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

Table 2.1
Prime industrial leaseback escalation rates
Quarter 2014:1

Mean	SD	N	Change: 2014:1 less 2013:4	Broker-contributor codes
8,0	0,5	8	-0,2	BM, EK, FRL, HH, NW, QU, QV, RD, TH

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

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

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

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

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

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

Table 2.2
Survey of capitalization rates (%)
Office buildings
Means for quarter 2014:1

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

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 2014:1 less quarter 2013:4

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

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

Table 2.4
Survey of capitalization rates (%)
Industrial buildings
Means for quarter 2014:1

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

n = Number of respondents

— = Not available – fewer than two respondents

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

Table 2.5
Change in capitalization rates (% points)
Industrial buildings
Means for quarter 2014:1 less quarter 2013:4

Best location	Prime leaseback	Prime non- leaseback	Secondary quality building	Prime In- dustrial park	Broker & owner contributors
Central Wits	-0,1	-0,1	-0,1	-0,5	BM, QU, TH
West Rand	-0,3	-0,4	0,1	-0,2	BM, QU, RD, TH
East Rand	-0,4	-0,7	-0,5	-0,6	BM, QU, RD, TH
Far East Rand	0,0	0,0	0,1	0,0	BM, QU, TH
Pretoria	-0,1	-0,1	-0,2	-0,6	BM, MAS, QU, TH
Vaal Triangle	-0,1	-0,4	0,3	0,5	BM, QU, RD, TH
Nelspruit	0,0	0,2	0,0	-0,0	HH, QU, TH
Polokwane	0,0	0,0	0,0	0,0	QU, TH
Durban	-0,8	-0,6	-0,7	-0,4	BM, MW, QP, QU, RD, TH
Pietermaritzburg	0,0	-0,1	0,4	0,0	QU, TH
Cape Peninsula	-0,0	-0,0	0,1	-0,2	BM, FRL, QU, TH
Port Elizabeth	0,0	0,0	-0,2	0,3	BM, QU, QV, RD, TH
East London	0,0	0,0	0,6	0,0	BM, QU
Bloemfontein	-0,2	-0,3	0,1	-0,2	BW, 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 2014:1

Best location	Super regional			Regional			Community		
	Mean	SD	n	Mean	SD	n	Mean	SD	n
Witwatersrand	7,1	0,1	4	7,4	0,2	4	8,5	0,4	3
Pretoria	7,4	0,4	3	8,1	0,4	3	8,8	0,1	2
Vaal Triangle	7,4	0,1	2	8,0	0,0	2	9,1	0,1	2
Nelspruit	7,5	0,0	2	8,2	0,2	3	8,9	0,1	3
Polokwane	7,7	0,1	2	8,1	0,0	2	9,1	0,1	2
Durban	7,2	0,2	2	7,8	0,1	2	8,9	0,2	2
Pietermaritzburg	7,5	0,0	2	8,1	0,0	2	9,2	0,0	2
Cape Town	7,2	0,4	4	7,6	0,5	5	8,3	0,3	4
Port Elizabeth	8,0	0,4	3	8,4	0,3	3	9,3	0,1	3
East London	-	-	-	-	-	-	8,9	0,4	2
Bloemfontein	7,8	-	1	8,3	0,2	2	9,2	0,1	4
Platteland	-	-	-	-	-	-	10,1	0,9	2
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 2014:1

Best location	Neighbourhood			Local convenience			Retail warehouse		
	Mean	SD	n	Mean	SD	n	Mean	SD	n
Witwatersrand	9,5	0,4	3	10,6	0,1	2	9,5	0,0	2
Pretoria	9,8	0,2	3	10,5	0,3	3	9,6	0,1	3
Vaal Triangle	10,0	0,0	2	10,8	0,0	2	9,9	0,1	2
Nelspruit	10,0	0,0	3	10,8	0,0	3	9,9	0,1	3
Polokwane	10,1	0,1	2	10,9	0,1	2	9,9	0,1	2
Durban	9,8	0,1	2	10,6	0,1	2	9,7	0,0	2
Pietermaritzburg	10,2	0,2	2	10,9	0,1	2	9,9	0,1	2
Cape Town	8,9	0,5	3	9,9	0,4	2	9,4	0,1	2
Port Elizabeth	9,9	0,1	3	10,6	0,4	3	10,0	0,0	3
East London	10,2	-	1	11,2	-	1	10,8	-	1
Bloemfontein	10,0	0,0	4	10,8	0,2	4	10,7	0,8	4
Platteland	10,2	-	1	11,0	-	1	10,5	-	1
Townships	10,2	0,0	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 2014:1 less quarter 2013:4

Best location	Super regional	Regional	Communi- nity	Broker & owner contributors
Witwatersrand	0,2	0,2	-0,3	BM, QU, RD, TH
Pretoria	0,0	0,1	-0,4	QU, RD, TH
Vaal Triangle	0,0	0,0	0,0	QU, TH
Nelspruit	0,0	0,2	-0,1	HH, QU, TH
Polokwane	0,0	-0,0	-0,1	QU, TH
Durban	-1,5	-0,7	-0,3	QU, RD, TH
Pietermaritzburg	0,1	-0,1	-0,1	QU, TH
Cape Town	-0,2	-0,1	-0,3	BM, FLP, QU, RD, TH
Port Elizabeth	0,0	0,3	-0,1	QU, QV, TH
East London	-	-	-0,4	BM, QU
Bloemfontein	0,0	-0,0	0,1	BW, EK, QU, TH
Platteland	-	-	0,9	OF, QU
Townships	-	-	0,0	QU, TH

Table 2.7 (continued)
Change in capitalization rates (% points): shopping centres
Means for quarter 2014:1 less quarter 2013:4

Best location	Neighbour- hood	Local conven- ience	Retail warehouse	Broker & owner contributors
Witwatersrand	-0,2	0,0	0,0	BM, QU, RD, TH
Pretoria	-0,4	-0,5	-0,2	QU, RD, TH
Vaal Triangle	0,0	-0,0	0,0	QU, TH
Nelspruit	0,1	-0,0	0,0	HH, QU, TH
Polokwane	0,1	0,0	0,0	QU, TH
Durban	0,0	0,0	0,0	QU, RD, TH
Pietermaritzburg	0,0	0,0	0,0	QU, TH
Cape Town	-0,1	0,4	0,3	BM, FLP, QU, RD, TH
Port Elizabeth	-0,1	-0,1	0,1	QU, QV, TH
East London	0,0	0,0	0,0	BM, QU
Bloemfontein	0,0	0,0	-0,1	BW, EK, QU, TH
Platteland	0,0	0,0	0,0	OF, QU
Townships	0,0	-0,0	0,0	QU, TH

Table 2.8
Survey of capitalization rates (%): street-front shops
Means for quarter 2014:1

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

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 2014:1 less quarter 2013:4

Best location	Metro CBD	Decentralised	Broker & owner contributors
Witwatersrand	0,0	0,0	QU, TH
Pretoria	0,6	0,0	QU, TH
Vaal Triangle	0,0	0,0	QU, TH
Nelspruit	0,0	-0,1	HH, QU, TH
Polokwane	0,0	0,0	QU, TH
Durban	-1,2	-0,3	QU, TH
Pietermaritzburg	-0,2	0,0	QU, TH
Cape Town	-0,4	-0,5	FLP, QU, TH
Port Elizabeth	-0,3	0,1	QU, QV, TH
East London	0,0	-0,8	QU
Bloemfontein	-0,1	-0,1	BW, 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 59 observations in mainly decentralized nodes.

The updated equation is:

$$\text{office capitalization rate \%} = 14,387 - (0,0439 * \text{gross rental})$$

where

gross rental = the gross market rental rate per rentable m² per month for grades A, B or C office buildings in quarter 2014:1.

The correlation coefficient $r = -0,84$. The standard error (SE) is 0,67 and $n = 59$.

Readers should note that it is not advisable to use this function for gross market-rental rates that fall much outside the range of R35/m²/month to R151/m²/month.

Example:

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

$$\text{office capitalization rate \%} = 14,387 - (0,0439 * 60) = 11,8\%$$

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 31 observations, includes all primary and secondary industrial cities.

The updated equation is:

$$\text{industrial capitalization rate \%} = 13,011 - (0,0925 * \text{gross rental})$$

where:

gross rental = the gross market rental per rentable m² per month as in quarter 2011:1 for stand-alone prime non-leaseback or prime industrial parks or stand-alone secondary industrial space of 1 000 m², located in primary and secondary industrial cities.

The correlation coefficient $r = -0,8$. The standard error (SE) is 0,4 and $n = 31$.

It is not advisable to use this function for gross market rental rates that fall much outside the range of R21/m²/month to R44/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).

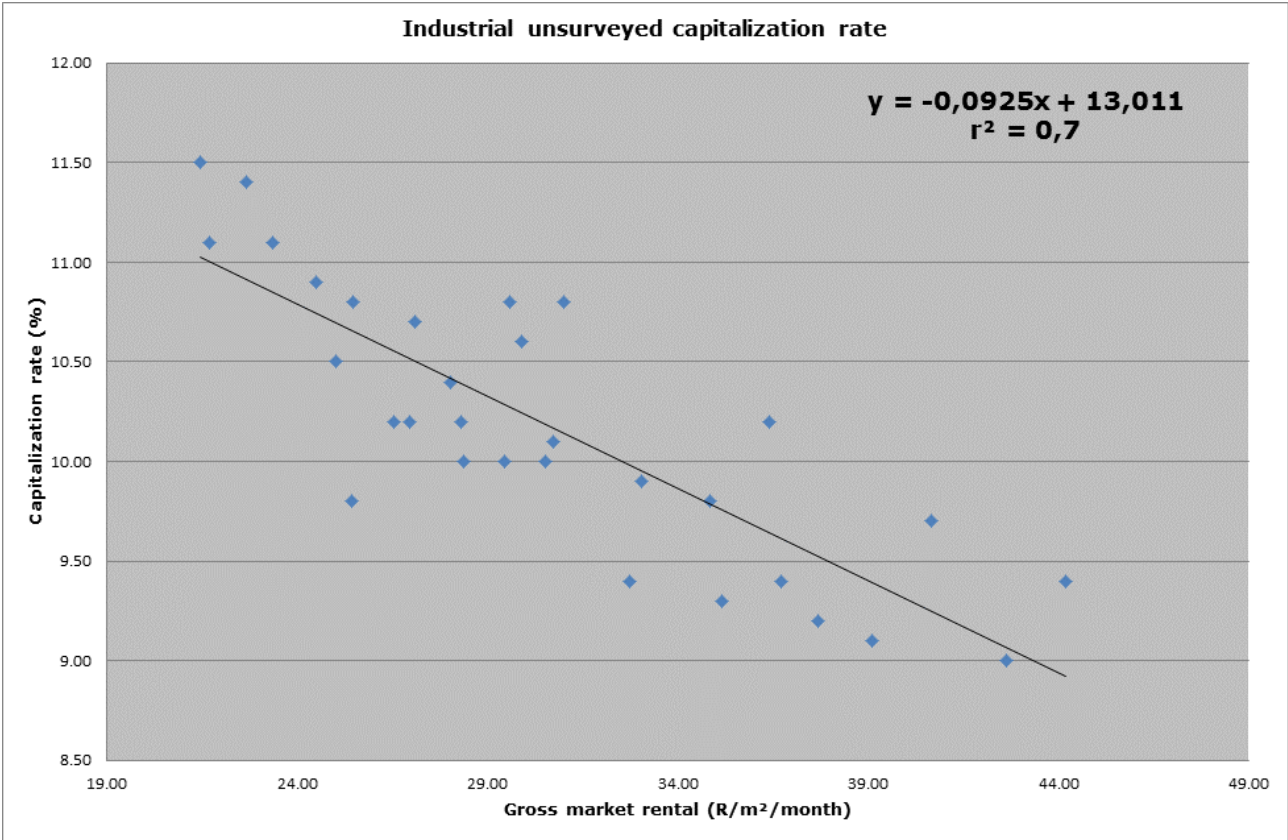
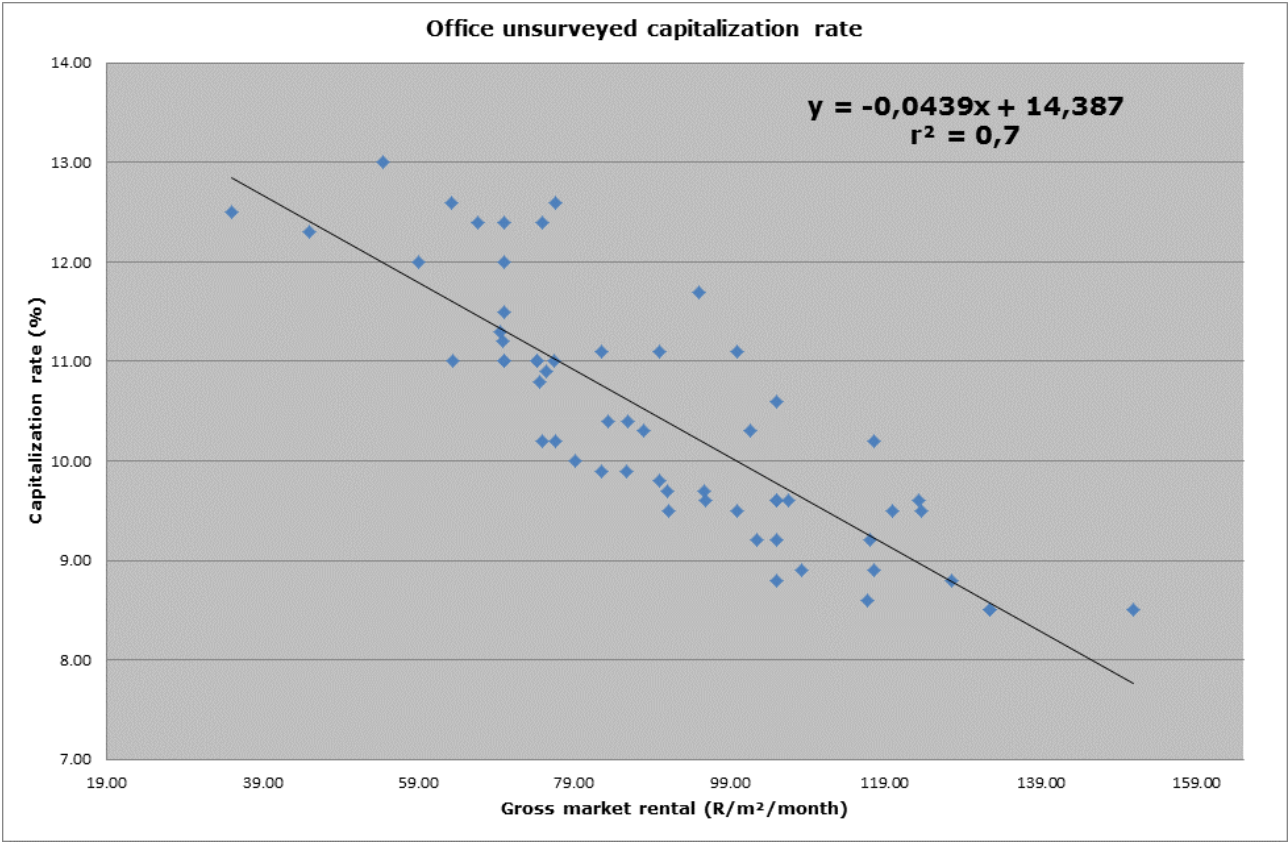
Example:

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:

$$\text{industrial cap rate \%} = 13,011 - (0,0925 * 20) = 11,2\%.$$

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.



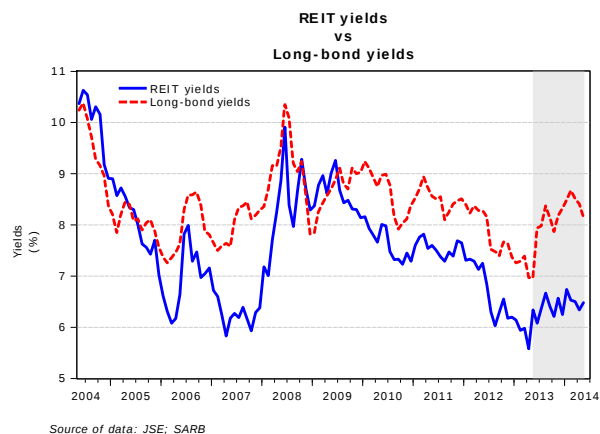
Chapter 4: Listed property

Distribution growth resilient

Written by John S. Lottering

The growth in distributions of some listed property funds remains resilient, with some funds continuing to report growth in distributions in excess of consumer inflation.

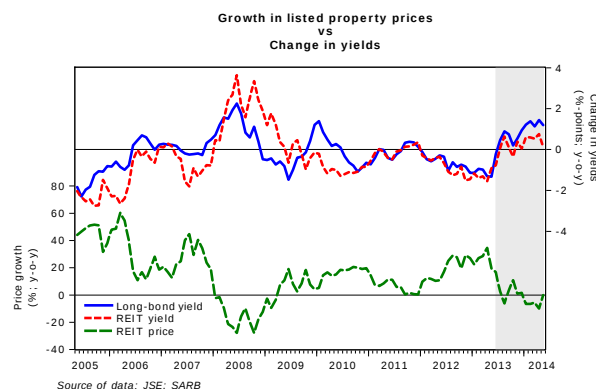
For the half- and full-year periods ended May 2014, a number of funds were still able to report fairly impressive inflation-beating growth in distributions (see **Table 4.1**). One explanation for this might be large funds with strong ratings that are able to improve their cash flows by buying in directly-held property portfolios at cash-flow- and price-enhancing prices. A second explanation is slightly positive gearing in the present interest-rate climate. These two drivers are related, and should they be reversed, the effect could be quite severe.



Despite the distribution performance, the market's rating of listed property shares was — on the whole — rather volatile over

the past year. This, as the corresponding graph suggests, was largely due to volatility and weakness in domestic capital markets. Naturally, the outcome of this was downward pressure on listed property prices.

In fact, for the first five months of 2014, listed property prices — on the whole — contracted when compared to the first five months of 2013. The graph which follows shows the de-rating of SA long bonds and listed property, and their simultaneous adverse effect on the growth in listed property prices over the past year.



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

Table 4.1
Growth in distributions for half-and full-year period ended May 2013

Company	Distribution growth (%)	Period
Redefine	8,0	Half year
Arrowhead A	13,5	Half year
Arrowhead B	13,5	Half year
Octodec	12,6	Half year
Dipula A	5,0	Half year
Dipula B	8,5	Half year
Premium	19,4	Full year
Vukile	6,6	Full year
Investec Property Fund	8,2	Full year

Source: Catalyst Fund Managers

Table 4.2
Asset class performance
Total returns (including income yield and capital returns)
May 2014

	month-to-date	12-month period
Equities	1,6%	21,8%
Bonds	1,1%	2,8%
SA Listed Property	0,5%	5,3%
Cash	-1,3%	7,0%

Source: Catalyst Fund Managers

Total returns include income yield and capital returns

Over the next few months, the main risk to the listed property sector remains the possibility of weakening listed property income yields on the back of weakening and volatile capital markets. A threat to listed property yields must, therefore, be consumer-price inflation, which has been heating up. In May 2014, the Headline Consumer Price Index (+6,6%, y-o-y) breached the upper-limit of the Bank's target range for the second consecutive month. Of course, the outcome of this could be an increase in short-term interest rates and upward pressure on long-bond yields. In fact, in their May 2014 policy statement the Monetary Policy Committee (MPC) did mention that they hold the view that we are in a rising interest-rate cycle.

As for distribution prospects, the macro-environment within which property funds have to operate, remains challenging.

A rise in interest rates on the back of accelerating consumer-price inflation would naturally not augur well for retail sales volumes, trading densities and retail rental growth. In turn, the suggestion of expected weak growth in retail sales volumes also implies:

- The likelihood of dull demand for (rented) industrial warehouse and distribution space.
- The possibility of slower growth in manufacturing production which underpins the demand for industrial space to manufacture goods.

Regarding office rentals, demand for office space remains weak, resulting in vacancy rates that remain obstinately high. This does not bode well for market-rental growth prospects.

On top of this, increases in operating costs such as assessment rates and electricity, are running away, and landlords are finding that they cannot pass all these increases on to their tenants. Many a tenant's back is about to break.

Table 4.3 shows the individual performance of listed property funds for different periods to the end of May 2014 (ex S.A. Reit Association).

This concludes our chapter on listed property. ■

Table 4.3
Total return on listed property funds
to May 2014
Individual stock performance

	3-month performance to May 2014	12-month performance to May 2014
Accelerate	7,4%	-
Acucap	11,2%	3,3%
Annuity	4,2%	3,0%
Arrowhead A	13,1%	8,7%
Arrowhead B	13,0%	11,1%
Ascension A	4,3%	13,0%
Ascension B	6,1%	7,0%
Capital	6,2%	9,9%
Delprop	4,3%	0,5%
Dipula A	10,8%	3,2%
Dipula B	4,2%	-19,2%
Emira	9,7%	10,5%
Fairvest	8,6%	-0,2%
Fortress A	8,4%	14,2%
Fortress B	-2,1%	19,0%
Fountainhead	5,5%	0,7%
Growthpoint	3,4%	-1,3%
Hospitality A	10,0%	13,8%
Hospitality B	2,8%	-1,8%
Hyprop	5,5%	23,2%
Investec Prop	13,8%	4,9%
Octodec	24,2%	14,3%
Premium	20,6%	14,8%
Rebosis	5,0%	1,9%
Redefine	2,3%	1,7%
Resilient	5,2%	19,6%

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

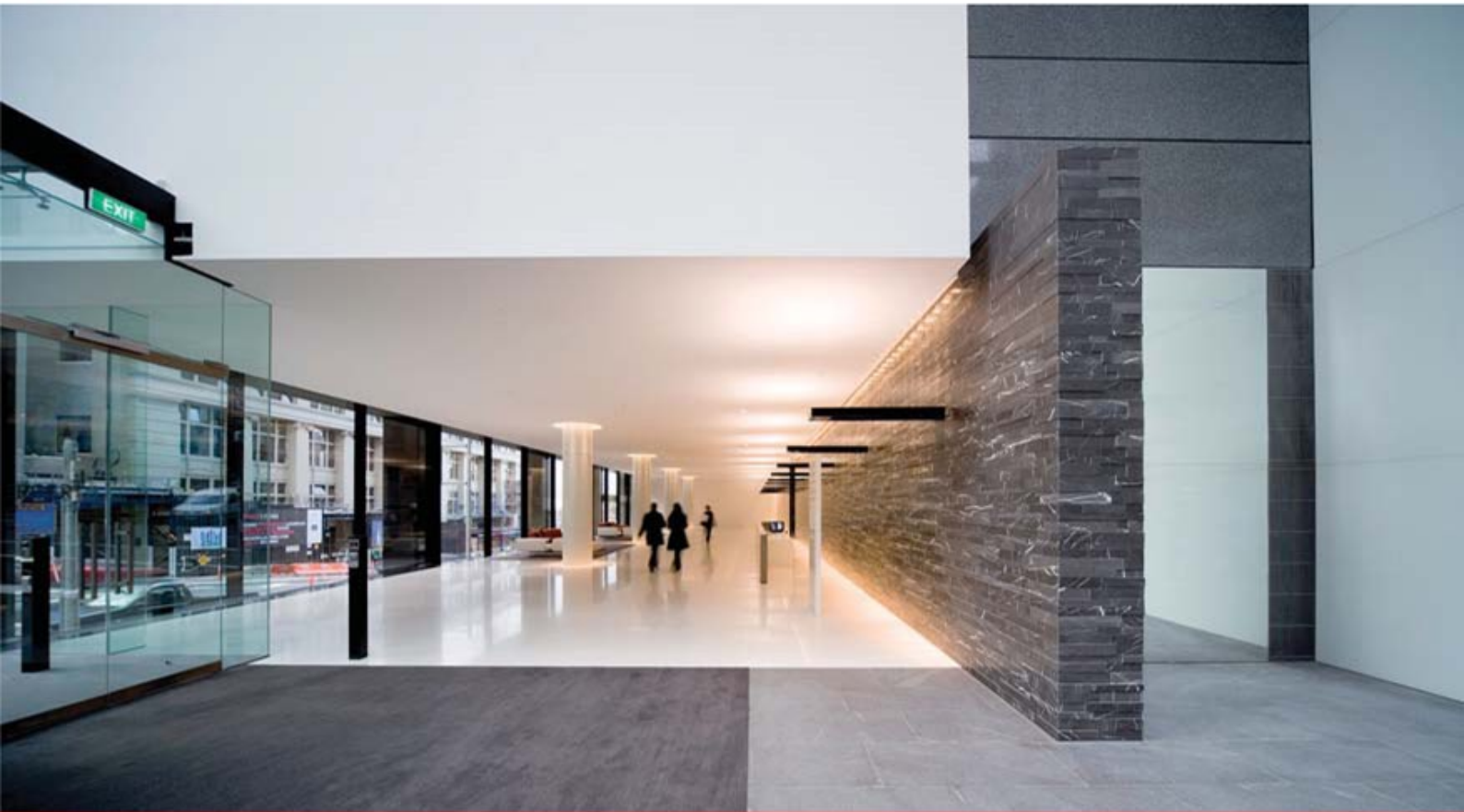
Source: S.A. Reit Association (via Grindrod Asset Management)

Table 4.3(continued)
Total return on listed property funds
to May 2014

Individual stock performance

SA Corporate	11,3%	14,1%
Sycom	13,8%	2,9%
Synergy A	8,5%	0,0%
Synergy B	17,6%	9,3%
Tower	7,4%	-
Vividend	18,1%	18,1%
Vukile	6,9%	9,8%
Vunani Prop	2,3%	-7,1%

**Cumulative growth over period. Total return includes income yield and capital return.
Source: S.A. Reit Association (via Grindrod Asset Management)*



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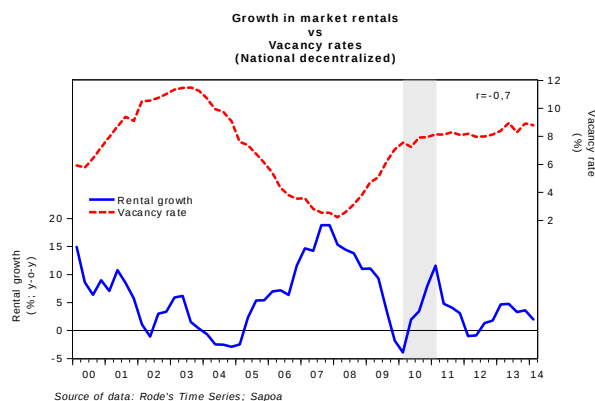
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Chapter 5: Office rentals

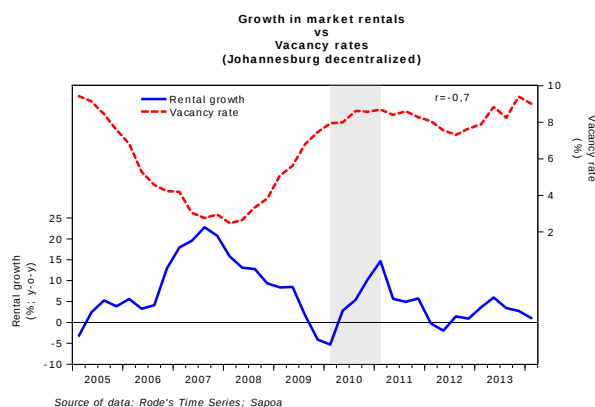
Restrained growth in rentals

Written by John S. Lottering

In general, the growth in office market rentals continues to be restrained by lacklustre growth in the demand for office space and its resultant adverse effect on office vacancy rates.

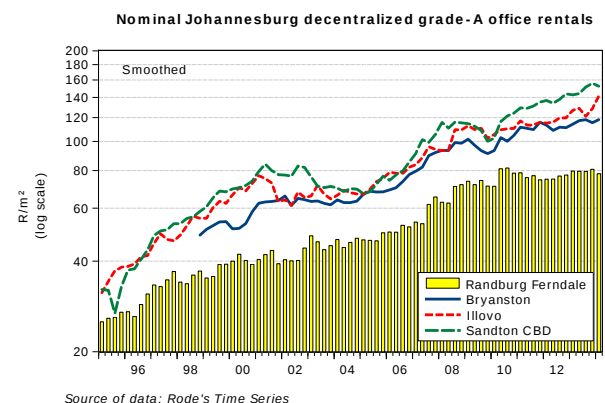


In the first quarter of 2014, market rentals for prime office space could — on a national basis — only show yearly growth of 2%. Given that since 2012 there seems to have been a slight increase in the national office vacancy rate (see **Chapter 6**), the cooling and weak growth in national market rentals is understandable. The preceding graph verifies the inverse relationship between the growth in office rentals and office vacancy rates. Interesting from the graph, is



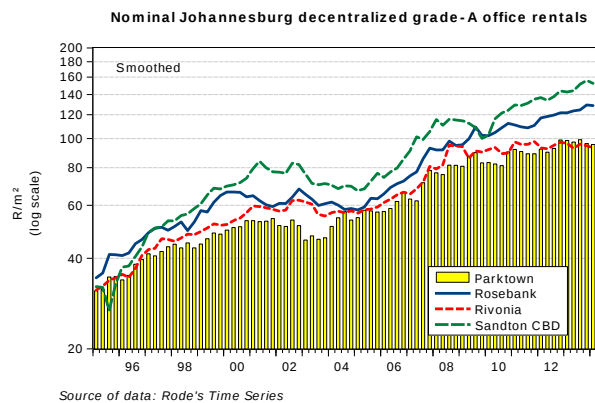
how the recovery in rental growth between 2010Q1 and 2011Q1 was not supported by an improvement in vacancy rates, which retrospectively explains why the recovery in growth in rentals was not sustained.

A look at the regions also reveals moderate growth in market rentals. In the quarter under review, rentals in Cape Town decentralized were — on average — up by 5%. This was followed by Durban decentralized, where rentals grew by 3%. In Pretoria and Johannesburg, decentralized rentals were only up by 1%. Again, Johannesburg's low and cooling growth in market rentals can be explained by office vacancy rates that are stubbornly refusing to drop (see corresponding graph).

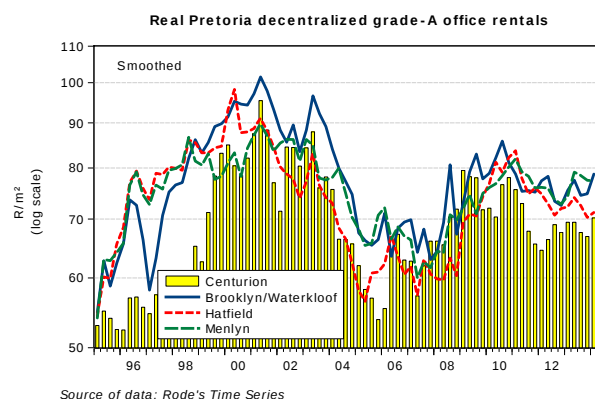
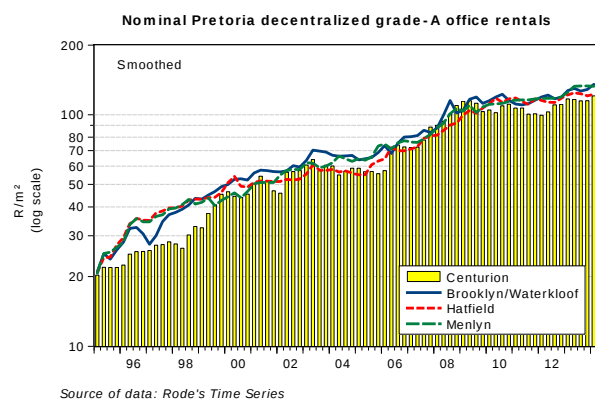


Some interesting contrasts in rental growth were observed at the Johannesburg decentralized nodal level. In office nodes such as Parktown (-3%), Rivonia (-3%) and Randburg Ferndale (-2%) market rentals were slightly lower than they were a year ago. As shown in **Chapter 6**, Rivonia and Randburg were in the reporting quarter plagued by double-digit office vacancy rates. This explains the contraction in rentals. In Illovo, where the office vacancy rate is a very

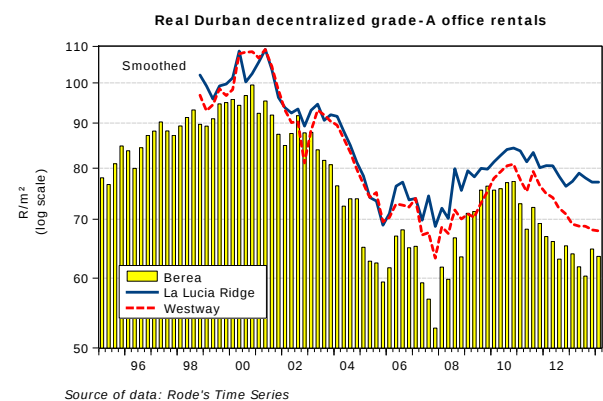
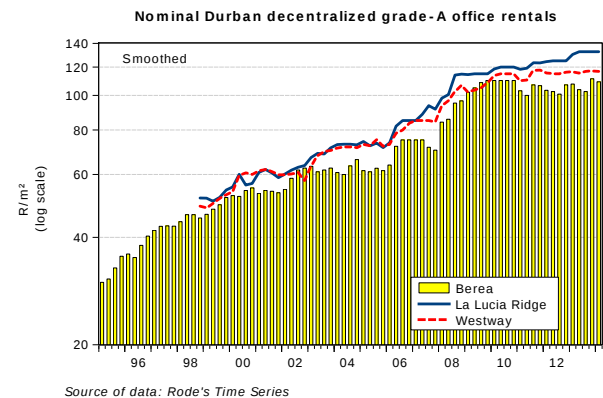
low 2%, market rentals were up by an impressive 11%. Despite struggling with a high vacancy rate of 14%, rentals in the Sandton CBD were still able to grow at a decent rate of 7%. This is one of the anomalies that is difficult to explain: rising vacancies accompanied by rising market rentals!



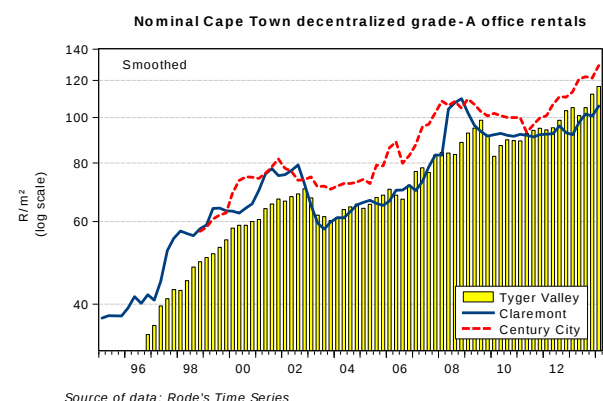
In the Pretoria decentralized office nodes, Menlyn and Brooklyn/Waterkloof were able to put together growth of 6%. They were followed by Centurion, where rentals were up by 3%, and Hatfield, where rentals were unchanged compared with a year ago.

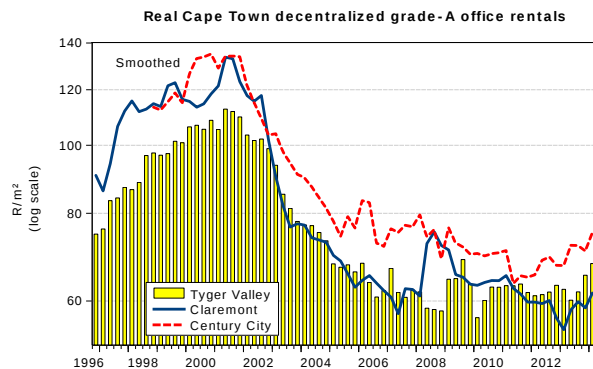


As for Durban decentralized, in the office node of La Lucia / Umhlanga, market rentals grew by 2%. This was followed by the Berea, where rentals were up by 1%, and Westway, where rentals showed no growth.

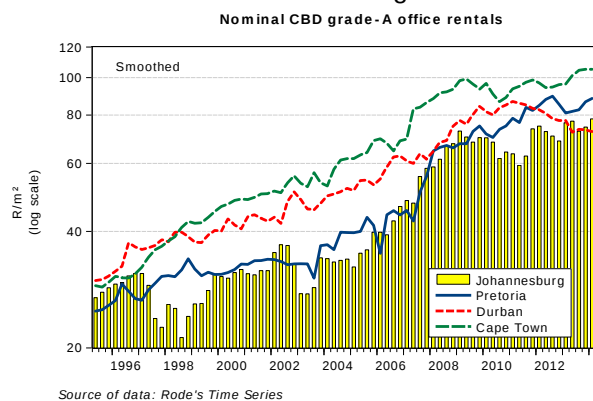


In the quarter under review, the popular Cape Town decentralized node of Century City was able to post the strongest rental growth of 14%. The office nodes of Claremont and Tyger Valley followed closely with growth of 11%. Read together with the steep decline in capitalization rates, there is no doubt that Century City has become the office location of choice in Cape Town.





As for the CBDs, in the reporting quarter market rentals in the CBDs of Cape Town and Pretoria showed decent growth of 9%.



A year ago, nominal market rentals in these two CBDs were actually contracting.

Hence, part of the current growth might be ascribed to low base effects. Nonetheless, in the Johannesburg CBD rentals could only muster growth of 2%, while in the CBD of Durban (-6%) rentals were actually lower than what they were a year ago.

Pioneer rentals

Table 5.1 shows the difference between pioneer rentals and grade-A market rentals as in the first quarter of 2014. 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. 27. 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 2014:1

	Pioneer	Normal grade A	Difference %
Johannesburg dec.	200	106	89%
Pretoria dec.	170	110	55%
Durban dec.	145	111	31%
Cape Town CBD	140	105	33%

Table 5.2
Market rental rates for office buildings
Quarter 2014:1

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	79,17	70,00	35,00	BM, BR, QU
Braamfontein	95,00	82,50	75,50	45,00	BM, BR, QU
Sandton CBD	193,50	150,83	117,00	98,33	AR, AW, BM, BR, QU
Dunkeld West	135,83	115,00	95,83	86,00	AR, BM, BR, QU
Wierda Valley	144,38	113,06	100,12	89,67	AR, BM, BR, MR, QU
Randburg Ferndale	86,38	76,70	69,50	63,50	AR, AW, BR, NH, QU
Rivonia	107,50	92,67	85,75	76,67	AR, BM, BR, QU
Rosebank	171,67	127,50	105,00	88,00	AR, BM, BR, QU
Illovo	162,50	145,00	98,33	86,50	AR, BM, BR, QU
Illovo Boulevard	146,67	125,00	115,00	92,50	AR, BM, BR, QU
Chislehurst	124,17	109,83	106,67	85,00	AR, BM, BR, QU
Parktown	115,67	95,83	83,33	80,67	AR, BM, BR, QU
Richmond/Milpark	-	85,00	72,50	65,25	AR, BR, QU
Bedfordview	160,00	107,50	100,00	86,00	AR, BHP, BM, BR, MEA, QU
Bruma	140,00	103,12	83,75	73,33	AR, BM, BR, QU
Meadowbrook	-	-	-	-	
Woodmead	121,50	107,50	84,60	77,50	AR, AW, BM, BR, MR, QU
Sunninghill	102,50	92,33	85,00	77,00	AR, BM, BR
Bryanston/Epsom	142,75	119,75	96,50	83,00	AR, AW, BM, BR, QU
Fourways	123,62	99,38	89,67	77,25	AR, AW, BM, BR, QU
Houghton	117,50	101,17	92,50	85,50	AR, BM, BR, QU
Melrose Arch	191,12	144,00	-	-	AR, BM, BR, QU
Hydepark	127,50	123,33	93,33	81,65	AR, BM, BR, QU
Eastgate/Kramerville	103,00	80,00	62,00	56,00	AR, MR, QU
Ormonde	88,50	78,50	67,25	62,50	AR, QU
Midrand	117,50	95,70	74,55	66,60	AR, AW, BM, BR, MR, QU
Hendrik Potgieter Corridor	95,00	90,00	79,50	70,75	AR, QU
Pretoria CBD	102,50	88,33	77,00	67,50	AI, BR, EV, MO
Lynnwood Glen	115,00	100,00	90,00	-	AI, BR
Lynnwood	119,50	101,00	96,67	80,00	AI, BR, EV, MO
Lynnwood Manor	132,00	90,00	85,00	-	BR
Lynnwood Ridge	170,00	132,00	92,50	90,00	BR, EV
Faerie Glen	112,50	102,50	95,00	-	AI, BR
Val de Grace	-	-	75,00	-	AI, BR
Menlyn	154,00	132,50	110,00	-	AI, BR, EV
Menlo Park (Brooks St)	-	119,00	100,00	-	BR, EV
Brooklyn/Waterkloof	155,00	137,50	120,00	-	AI, BR, EV
Nieuw Muckleneuk	199,00	132,00	115,00	-	BR, EV
Hatfield	147,50	123,33	105,00	-	AI, BR, EV
Centurion	149,50	123,67	101,67	-	AI, BR, EV
Highveld Technopark	112,50	114,50	83,67	-	AI, BR, EV, MAS
Sunnyside	145,00	95,00	80,00	70,00	BR
Arcadia	-	95,00	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 2014:1

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	106,50	82,50	63,33	BW, ED, EK
Westdene	125,00	106,67	81,67	68,33	BW, ED, EK
Durban CBD	85,00	72,50	52,50	45,00	MW, PPI, QV
Durban Berea	-	117,50	100,00	75,00	MW, PPI, QV
Essex Terrace	115,00	105,00	86,67	70,00	MW, PPI, QV
Westway	135,00	116,67	105,00	-	MW, PPI, QV
La Lucia Ridge	165,00	132,50	120,00	90,00	MW, PPI, QV
Westville	125,00	103,33	90,00	80,00	MW, PPI, QV
Pinetown	92,50	82,50	72,50	50,00	QP, PPI
Hillcrest-Kloof (Upper Highway)	120,00	110,00	90,00	72,50	QP, PPI
Port Elizabeth CBD	-	-	-	55,00	IPM, QV, TR
Greenacres : Parks	122,50	95,00	72,50	52,50	IPM, QV
Greenacres: Single	130,00	95,00	72,50	55,00	IPM, QV
Walmer Park 1, 2 & 3	-	-	68,75	-	IPM, QV
South End	-	78,75	67,50	55,00	IPM, QV
Humewood	125,00	90,00	67,50	-	IPM, QV
Cape Road	126,25	96,25	70,00	55,00	IPM, QV
East London	-	-	-	-	
East London dec.	-	-	-	-	
Cape Town CBD	148,33	105,00	81,67	60,00	AN, FRL, GB, HP, JA, PL
Sea Point	125,00	95,00	75,00	60,00	GB
V&A Portsworld Ridge	-	142,50	-	-	FRL, GB
Granger Bay	-	142,50	-	-	FRL, GB
Salt River	60,00	55,00	50,00	45,00	GB
Woodstock	85,00	72,50	60,00	52,50	AN, GB
Observatory	115,00	100,00	85,00	55,00	FRL, GB
Mowbray	-	-	-	-	
Kenilworth (Racecourse)	106,67	88,33	-	-	FRL, GB, PL
Rondebosch/Newlands	120,00	98,33	65,00	-	FRL, GB, PL
Wynberg	-	-	82,50	-	FRL, GB
Westlake	111,67	91,67	-	-	FRL, GB, HP, PL
Tokai	125,00	87,50	-	-	GB, HP
Claremont Lower*	-	-	87,50	-	FRL
Claremont Upper	131,67	108,33	95,00	-	FRL, GB, PL
Hout Bay	-	95,00	70,00	55,00	GB
Noordhoek (Sun Valley)	-	-	-	-	
Pinelands	-	100,00	-	-	FRL
Athlone	-	-	-	-	
Milnerton	-	85,00	70,00	-	GB
Panorama	-	-	-	-	
Table View / Parklands	-	-	-	-	
Century City	151,67	132,50	102,50	-	AN, GB, HP
Maitland	-	-	40,00	35,00	GB
Goodwood (N1 City)	100,00	95,00	80,00	75,00	GB
Tygerberg Hills	120,00	100,00	90,00	80,00	GB
Bellville CBD	-	100,00	75,00	59,00	GB
Tyger Valley area	140,00	117,50	90,00	76,50	AN, GB
Durbanville	120,00	95,00	-	-	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 2014:1

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	-	-	-	-	
Kuils River	-	-	-	-	
Somerset West Town	-	-	-	-	
Somerset West Mall	-	-	-	-	
area					
Strand	-	-	-	-	
Gordon's Bay	-	-	-	-	
George	-	-	-	-	
<i>* Claremont Lower: east of Main Road</i> <i>For definitions, see Glossary of terms and abbreviations in Annexure 1 or visit www.rode.co.za.</i>					

Table 5.3
Standard deviation of market rental rates for office buildings
Quarter 2014:1

	Grade A ⁺	Grade A	Grade B	Grade C
Johannesburg CBD	-	R8,25	R5,00	R14,72
Braamfontein	-	R5,40	R0,50	R10,00
Sandton CBD	R8,60	R7,73	R5,43	R8,50
Dunkeld West	R4,25	R4,08	R3,12	R1,00
Wierda Valley	R9,42	R3,31	R6,02	R4,50
Randburg Ferndale	R10,03	R5,53	R3,32	R2,06
Rivonia	R7,36	R5,56	R7,19	R4,71
Rosebank	R8,50	R5,40	R5,00	R2,00
Illovo	R12,50	R10,00	R10,27	R1,50
Illovo Boulevard	R4,71	R8,16	R7,07	R2,50
Chislehurst	R3,12	R5,92	R6,24	R0,00
Parktown	R8,22	R1,18	R2,36	R4,92
Richmond/Milpark	-	R4,08	R3,54	R0,25
Bedfordview	R0,00	R9,01	R8,94	R3,74
Bruma	-	R4,80	R4,15	R2,36
Meadowbrook	-	-	-	-
Woodmead	R8,89	R5,48	R8,75	R7,50
Sunninghill	R5,40	R3,30	R7,07	R2,16
Bryanston / Epsom Downs	R9,36	R11,84	R5,85	R7,71
Fourways	R9,12	R8,36	R6,85	R4,21
Houghton	R3,54	R3,06	R7,50	R0,50
Melrose Arch	R8,88	R6,00	-	-
Hydepark	R5,40	R8,50	R6,24	R3,35
Eastgate/Kramerville	-	R0,00	R5,89	R2,94
Ormonde	-	R1,50	R2,25	R2,50
Midrand	R11,18	R8,24	R4,01	R5,50
Hendrik Potgieter Corridor	R5,00	-	R0,50	R0,75
Pretoria CBD	R12,50	R2,36	R4,95	R2,50
Lynnwood Glen	R5,00	R5,00	R4,08	-
Lynnwood	R5,50	R9,00	R8,50	-
Lynnwood Manor	-	-	-	-
Lynnwood Ridge	-	-	R7,50	-
Faerie Glen	R2,50	R2,50	-	-
Val de Grace	-	-	R10,00	-
Menlyn	R8,29	R2,50	R0,00	-
Menlo Park (Brooks St)	-	R19,00	R10,00	-
Brooklyn/Waterkloof	R5,00	R12,50	R0,00	-
Nieuw Muckleneuk	-	R0,00	R0,00	-
Hatfield	R27,50	R8,50	R5,00	-
Centurion	-	R13,42	R9,43	-
Highveld Technopark	R2,50	R10,16	R4,50	-
Sunnyside	-	-	-	-
Arcadia	-	R5,00	R0,00	-
Murrayfield	-	-	-	-
Nelspruit CBD	R2,50	R2,50	R0,00	R4,74
Polokwane	R4,71	R4,08	R0,00	R0,00
Bloemfontein CBD	R7,50	R8,50	R2,50	R2,36
Westdene	R0,00	R8,50	R4,71	R4,71
Durban CBD	-	R2,50	R2,50	R4,08
Durban Berea	-	R2,50	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 2014:1

	Grade A ⁺	Grade A	Grade B	Grade C
Essex Terrace	R20,00	R5,00	R8,50	R10,00
Westway	R7,07	R6,24	R5,00	-
La Lucia Ridge	R0,00	R2,50	R5,00	-
Westville	R5,00	R8,50	R8,16	R10,80
Pinetown	R7,50	R7,50	R12,50	R5,00
Hillcrest-Kloof (Upper Highway)	R10,00	R10,00	R10,00	R7,50
Port Elizabeth CBD	-	-	-	R8,90
Greenacres : Parks	R2,50	R5,00	R7,50	R2,50
Greenacres: Single	R5,00	R5,00	R7,50	-
Walmer Park 1, 2 & 3	-	-	R3,75	-
South End	-	R1,25	R2,50	R0,00
Humewood	R0,00	R0,00	R2,50	-
Cape Road	R1,25	R3,75	R0,00	-
Cape Town CBD	R8,50	R8,94	R2,36	R3,54
Sea Point	-	-	-	-
V&A Portsworld Ridge	-	R22,50	-	-
Granger Bay	-	R22,50	-	-
Salt River	-	-	-	-
Woodstock	R10,00	R7,50	R0,00	R2,50
Observatory	R5,00	-	-	-
Mowbray	-	-	-	-
Kenilworth (Racecourse)	R4,71	R2,36	-	-
Rondebosch/Newlands	R0,00	R4,71	-	-
Wynberg	-	-	R7,50	-
Westlake	R2,36	R2,36	-	-
Tokai	-	R7,50	-	-
Claremont Lower*	-	-	-	-
Claremont Upper	R2,36	R8,50	-	-
Hout Bay	-	-	-	-
Noordhoek (Sun Valley)	-	-	-	-
Pinelands	-	-	-	-
Athlone	-	-	-	-
Milnerton	-	-	-	-
Panorama	-	-	-	-
Table View / Parklands	-	-	-	-
Century City	R9,43	R12,50	R7,50	-
Maitland	-	-	-	-
Goodwood (N1 City)	-	-	-	-
Tygerberg Hills	-	-	-	-
Bellville CBD	-	-	-	-
Tyger Valley area	R10,00	R2,50	R5,00	R1,50
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 2014:1

	Mean	SD		Mean	SD
Johannesburg CBD	2,0	1,0	Durban CBD	3,0	0,0
Braamfontein	1,5	0,4	Durban Berea	0,5	0,5
Sandton CBD	0,8	0,6	Essex Terrace	0,2	0,2
Dunkeld West	1,0	-	Westway	0,2	0,2
Wierda Valley	1,5	0,4	La Lucia Ridge	0,5	0,5
Randburg Ferndale	1,4	0,4	Westville	0,2	0,2
Rivonia	1,5	0,5	Pinetown	0,5	0,5
Rosebank	1,0	-	Hillcrest-Kloof-Upper Highway	0,5	0,5
Illovo	1,0	-	Port Elizabeth	2,0	1,0
Illovo Boulevard	1,0	-	Port Elizabeth dec.	1,0	-
Chislehurst	1,2	0,2	East London	-	-
Parktown	1,0	-	East London dec.	-	-
Richmond/Milpark	1,0	-	Cape Town CBD	1,0	1,1
Bedfordview	1,0	0,0	Sea Point	1,0	-
Bruma	1,0	0,0	V&A Portwood Ridge	2,0	1,0
Meadowbrook	1,0	-	Granger Bay	2,0	1,0
Woodmead	1,5	0,5	Salt River	1,0	-
Sunninghill	1,5	0,5	Woodstock	1,0	0,0
Bryanston/Epsom	1,2	0,2	Observatory	1,0	-
Fourways	1,4	0,4	Mowbray	1,0	0,0
Houghton	1,5	0,5	Kenilworth (Racecourse)	1,3	0,5
Melrose Arch	0,5	0,5	Westlake	1,0	0,7
Hydepark	0,5	0,5	Tokai	0,5	0,5
Eastgate/Kramerville	1,7	0,5	Claremont Lower*	1,0	-
Ormonde	1,5	0,5	Claremont Upper	1,5	0,5
Midrand	1,5	0,4	Hout Bay	1,0	-
Hendrik Potgieter Corr.	1,5	0,5	Noordhoek (Sun Valley)	-	-
Pretoria CBD	2,0	1,0	Pinelands	-	-
Lynnwood Glen	2,0	1,0	Athlone	-	-
Lynnwood	2,0	1,0	Milnerton	-	-
Lynnwood Manor	3,0	-	Panorama	-	-
Lynnwood Ridge	3,0	-	Rondebosch/Newlands	1,3	0,5
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	0,7	0,5
Menlo Park (Brooks St)	3,0	-	Maitland	-	-
Brooklyn/Waterkloof	2,0	1,0	Goodwood (N1 City)	-	-
Nieuw Muckleneuk	3,0	-	Tygerberg Hills / Platteklouf	-	-
Hatfield	2,0	1,0	Bellville CBD	-	-
Centurion	2,0	1,0	Tyger Valley area	1,0	-
Highveld Technopark	1,8	0,8	Durbanville	-	-
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	-	Gordon's Bay	-	-
Westdene	1,0	-	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 2014:1

	Covered reserved parking				Under shade net	Open-air parking
	Gr A ⁺	Gr A	Gr B	Gr C		
Johannesburg CBD	750	703	600	517	300	250
Braamfontein	-	617	550	483	393	333
Sandton CBD	850	725	583	458	450	383
Dunkeld West	650	555	463	400	350	265
Wierda Valley	650	578	518	417	419	306
Randburg Ferndale	500	455	394	338	306	217
Rivonia	550	475	425	400	350	272
Rosebank	790	617	517	413	375	300
Illovo	675	600	483	403	413	323
Illovo Boulevard	675	625	523	465	427	317
Chislehurst	650	573	510	425	423	331
Parktown	513	500	423	350	353	322
Richmond/Milpark	378	349	351	308	262	204
Bedfordview	595	527	438	380	326	247
Bruma	460	475	367	352	283	260
Meadowbrook	-	-	-	-	-	-
Woodmead	531	500	440	390	326	255
Sunninghill	540	477	400	357	300	258
Bryanston / Epsom Downs	583	510	470	418	354	263
Fourways	544	500	453	385	345	263
Houghton	563	500	415	300	313	275
Melrose Arch	900	800	800	800	-	-
Hyde Park	625	575	482	500	408	558
Eastgate/Kramerville	-	450	425	350	250	180
Ormonde	-	490	400	350	300	235
Midrand	526	490	410	356	329	240
Hendrik Potgieter Corridor	475	450	380	300	280	220
Pretoria CBD	575	550	480	-	500	450
Lynnwood Glen	500	455	365	-	325	240
Lynnwood	520	500	400	350	325	250
Lynnwood Manor	-	480	400	-	350	200
Lynnwood Ridge	750	650	550	-	500	470
Faerie Glen	525	410	325	-	315	200
Val de Grace	-	300	300	-	350	200
Menlyn	700	565	475	-	400	351
Menlo Park (Brooks St)	-	500	380	-	350	200
Brooklyn/Waterkloof	600	525	425	-	375	300
Nieuw Muckleneuk	650	550	450	-	400	300
Hatfield	575	515	480	-	390	333
Centurion	500	460	410	-	325	213
Highveld Technopark	490	440	390	-	240	190
Sunnyside	700	-	400	350	-	200
Arcadia	-	450	450	350	350	200
Murrayfield	-	-	-	-	-	-
Nelspruit	425	375	278	220	180	120
Polokwane	423	376	304	265	265	180
Bloemfontein CBD	325	325	245	232	215	130
Westdene	353	353	272	248	245	145

Table 5.5 (continued)
Market parking rentals
Monthly parking rands per bay per month (excl. VAT)
As in quarter 2014:1

	Covered reserved parking				Under shade net	Open-air parking
	Gr A ⁺	Gr A	Gr B	Gr C		
Durban CBD	-	700	575	-	-	-
Durban Berea	-	550	500	-	-	-
Essex Terrace	-	500	475	450	375	350
Westway	675	625	550	-	-	450
La Lucia Ridge	700	650	600	-	-	450
Westville	-	550	500	-	-	400
Pinetown	350	300	200	150	100	100
Hillcrest-Kloof (Upper Highway)	350	320	300	250	200	150
Port Elizabeth CBD	-	-	-	-	-	-
Greenacres : Parks	450	413	363	350	275	225
Greenacres: Single	450	363	363	350	275	225
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	450	400	363	300	225	225
Cape Town CBD	1.200	967	950	-	750	575
Sea Point	950	750	-	-	700	550
V&A Portswood Ridge	1.300	-	-	-	600	500
Granger Bay	1.480	1.250	-	-	600	500
Salt River	650	550	450	-	550	450
Woodstock	825	725	650	-	550	500
Observatory	750	600	550	-	550	450
Mowbray	-	-	-	-	-	585
Kenilworth (Racecourse)	-	550	-	-	-	400
Rondebosch/Newlands	1.000	850	650	-	-	450
Wynberg	600	-	450	350	-	300
Westlake	575	525	-	-	-	400
Tokai	-	-	-	-	-	435
Claremont Lower*	-	-	-	-	-	-
Claremont Upper	1.117	900	570	-	-	-
Hout Bay	-	-	-	-	-	-
Noordhoek (Sun Valley)	-	-	-	-	-	-
Pinelands	-	700	-	-	-	400
Athlone	-	-	-	-	-	-
Milnerton	-	500	300	-	-	-
Panorama	-	-	-	-	-	-
Table View / Parklands	-	-	-	-	-	-
Century City	950	950	750	-	600	500
Maitland	-	-	400	400	350	300
Goodwood (N1 City)	800	800	-	-	450	300
Tygerberg Hills	-	-	-	-	-	-
Bellville CBD	-	800	800	800	-	-
Tyger Valley area	-	-	-	-	400	325
Durbanville	-	-	-	-	-	-
Airport	-	-	-	-	-	-
Kuils River	-	-	-	-	-	-

Table 5.5 (continued)
Market parking rentals
 Monthly parking rands per bay per month (excl. VAT)
 As in quarter 2014:1

	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 2014:1

	Mean		Mean
Johannesburg CBD	9,0	Westdene	8,7
Braamfontein	9,0	Durban CBD	8,2
Sandton CBD	8,9	Durban Berea	8,2
Dunkeld West	9,2	Essex Terrace	8,2
Wierda Valley	8,9	Westway	8,5
Randburg Ferndale	9,0	La Lucia Ridge	8,5
Rivonia	9,0	Westville	8,5
Rosebank	9,2	Pinetown	8,5
Illovo	9,2	Hillcrest-Kloof (Upper Highway)	9,0
Illovo Boulevard	9,2	Port Elizabeth	7,5
Chislehurst	8,8	Port Elizabeth dec.	8,0
Parktown	9,0	Cape Town CBD	8,0
Richmond/Milpark	9,0	Sea Point	8,0
Bedfordview	9,2	V&A Portwood Ridge	8,0
Bruma	8,7	Granger Bay	8,0
Meadowbrook	9,0	Salt River	8,0
Woodmead	8,8	Woodstock	8,0
Sunninghill	9,0	Observatory	8,3
Bryanston / Epsom Downs	8,5	Mowbray	9,0
Fourways	8,5	Kenilworth (Racecourse)	9,0
Houghton	9,2	Rondebosch/Newlands	9,0
Melrose Arch	9,0	Wynberg	8,0
Hyde Park	9,2	Westlake	8,8
Eastgate/Kramerville	9,0	Tokai	9,0
Ormonde	9,0	Claremont Lower*	8,0
Midrand	8,8	Claremont Upper	9,0
Hendrik Potgieter	9,7	Hout Bay	8,0
Pretoria CBD	9,0	Noordhoek (Sun Valley)	-
Lynnwood Glen	9,5	Pinelands	9,0
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	8,8
Menlyn	9,0	Maitland	8,0
Menlo Park (Brooks St)	9,0	Goodwood (N1 City)	8,0
Brooklyn/Waterkloof	9,5	Tygerberg Hills/Platteklouf	-
Nieuw Muckleneuk	9,0	Bellville CBD	-
Hatfield	9,0	Tyger Valley area	8,5
Centurion	9,0	Durbanville	-
Highveld Technopark	9,5	Airport	-
Sunnyside	9,0	Kuils River	-
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
Escalation rates on operating costs (%)

Node	2014:1	Node	2014:1
Johannesburg CBD	9,3	Durban CBD	9,0
Braamfontein	9,5	Durban Berea	9,0
Sandton CBD	9,5	Essex Terrace	9,0
Dunkeld West	9,5	Westway	9,0
Wierda Valley	9,6	La Lucia	9,0
Randburg Ferndale	9,5	Westville	9,0
Rivonia	9,5	Pinetown	9,0
Rosebank	9,5	Hillcrest-Kloof (Upper Highway)	9,0
Illovo	9,5	Empangeni	-
Illovo Boulevard	9,5	Richards Bay	-
Chislehurst	9,5	Port Elizabeth CBD	7,5
Parktown	9,3	Port Elizabeth dec	8,0
Richmond/Milpark	9,5	Cape Town CBD	10,0
Bedfordview	9,2	Sea Point	12,0
Bruma	9,0	V&A Portwood Ridge	10,0
Meadowbrook	9,5	Granger Bay	10,0
Woodmead	9,3	Salt River	9,0
Sunninghill	9,3	Woodstock	9,0
Bryanston/Epsom	9,0	Observatory	9,0
Fourways	9,0	Mowbray	-
Houghton	9,5	Kenilworth (Racecourse)	9,0
Melrose Arch	9,5	Westlake	9,0
Hydepark	9,5	Tokai	9,0
Eastgate/Kramerville	9,5	Claremont Lower*	8,0
Ormonde	9,5	Claremont Upper	9,0
Midrand	9,3	Hout Bay	9,0
Hendrik Potgieter Corridor	9,5	Noordhoek (Sun Valley)	-
Pretoria CBD	10,3	Pinelands	9,0
Lynnwood Glen	10,0	Athlone	-
Lynnwood	10,7	Milnerton	-
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	-
Menlo Park (Brooks St)	10,0	Maitland	8,0
Brooklyn/Waterkloof	10,0	Goodwood (N1 City)	8,0
Nieuw Muckleneuk	10,0	Tygerberg Hills	-
Hatfield	10,5	Bellville CBD	-
Centurion	9,7	Tyger Valley area	9,0
Highveld Technopark	10,0	Durbanville	-
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	10,0	George	-

*Claremont Lower: east of Main Road

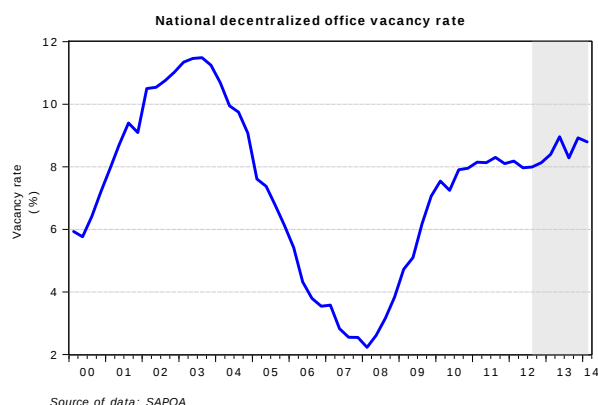
Chapter 6: Office demand and vacancies

Vacancy rates still finding it hard to drop

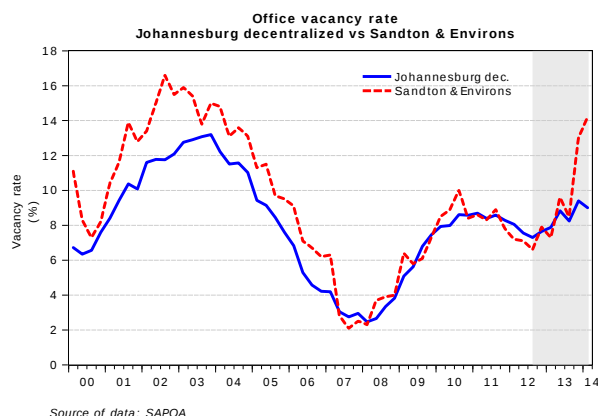
Written by John S. Lottering

Jaded economic activity and its adverse effect on employment and business sentiment continue to place a lid on the demand for office space.

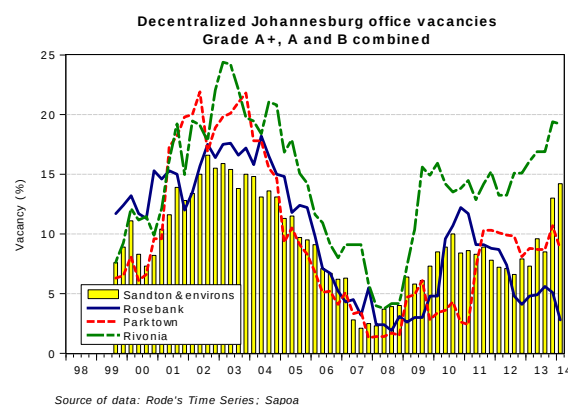
Of course, what might have also added upward pressure on vacancy rates was the steady increase in committed new office developments in recent years.



In the first quarter of 2014, the national decentralized office vacancy rate remained roughly at its previous-quarter rate of 9%. More telling, however, is that since 2012 there has been a slight rising trend in the national office vacancy rate (see shaded area of the corresponding graph).

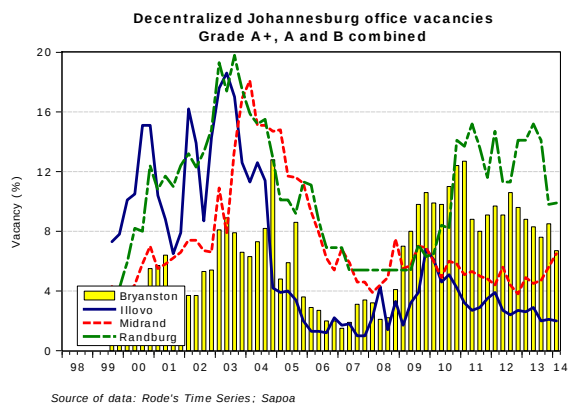


Nonetheless, the national picture often hides what is happening at the regional and nodal levels. In the case of the Johannesburg decentralized office region, vacancy rates have also been edging north since 2012. As the accompanying graph shows, this was largely due to a sharp rise in vacancy rates in Sandton & Environs, the abovementioned office region's largest office node by stock. In the first quarter of 2014, Sandton's combined prime vacancy rate of 14% was 5 percentage points higher than the Johannesburg decentralized average of 9%.

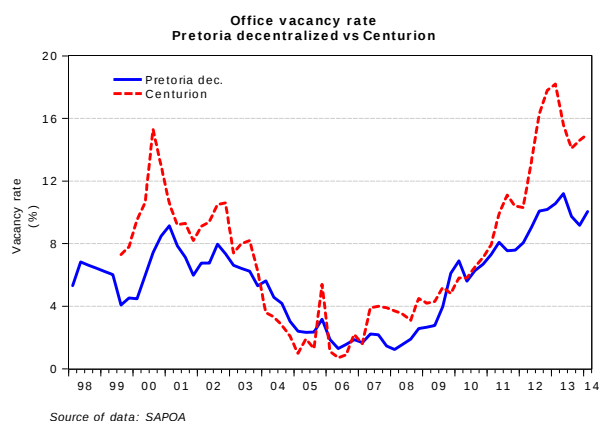


Similar to Sandton, vacancy rates in other Johannesburg decentralized office nodes such as Randburg (10%), Fourways (14%) and Rivonia (20%) also recorded double-digit rates. This was in contrast to nodes such as Illovo (2%), Rosebank (3%), Midrand (6%) and Bryanston (7%), where

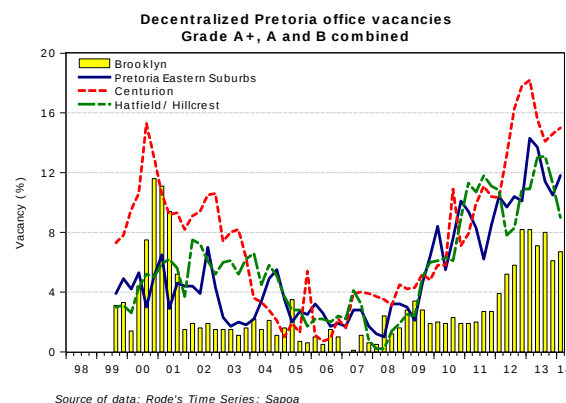
vacancy rates were in single digits. Rosebank's sterling performance can be ascribed to a combination of the Gautrain station (demand side) and a lack of development opportunities (supply side). The poor performance of Rivonia since 2009, with its excellent access to the N1, is difficult to explain.



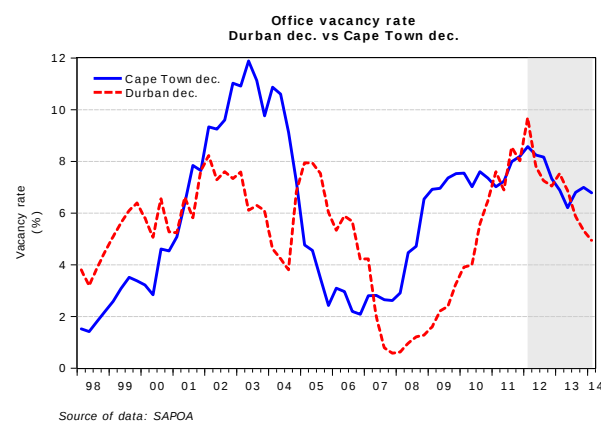
As can be seen in the corresponding graph, the overall trend in Pretoria decentralized has been north since 2008. What's more, vacancy rates have in recent quarters moved past the highs observed during the start of the century. This we believe was as a result of a combination of weakness in the demand for office space and overzealous development in popular nodes such as Centurion, Hatfield, the Pretoria Eastern Suburbs and the Highveld Technopark.



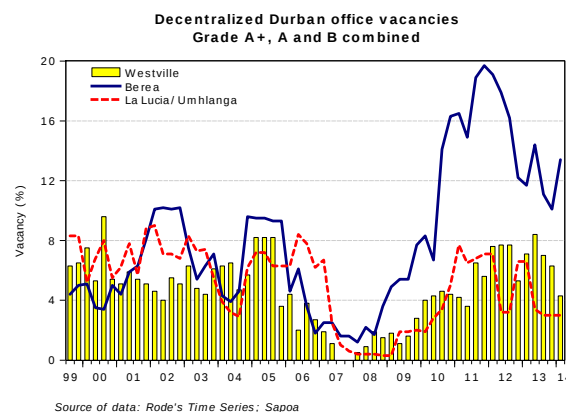
As for vacancy rates, Centurion (15%) remains the least-rented up Pretoria decentralized office node, followed by Highveld Technopark (14%) and the Pretoria Eastern Suburbs (12%). During the reporting quarter, Menlyn and Brooklyn, both with a vacancy rate of 7%, were the most-rented up nodes.



The good news is that vacancy rates in Durban and Cape town decentralized have at least been able to edge south since 2012. Vacancy rates in these regions, however, remain well above the lows achieved during 2006/2007. Naturally, this should be expected given the still stifling effect of the low economic growth environment.

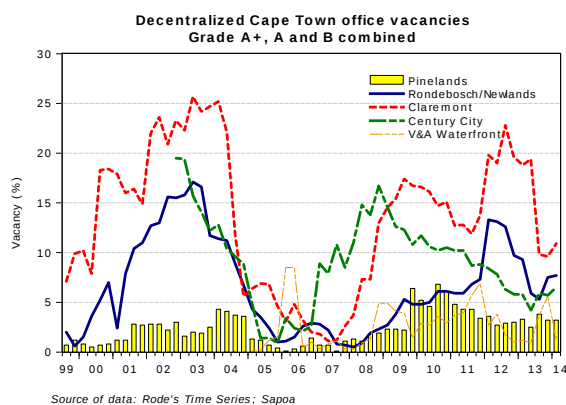


As for vacancy rates in Durban decentralized, the office nodes of La Lucia / Umhlanga and Westville were during the reporting quarter practically fully let, with their very low vacancy rates of 3% and 4% respectively. This is in contrast to the Berea, with its high vacancy rate of 13%.

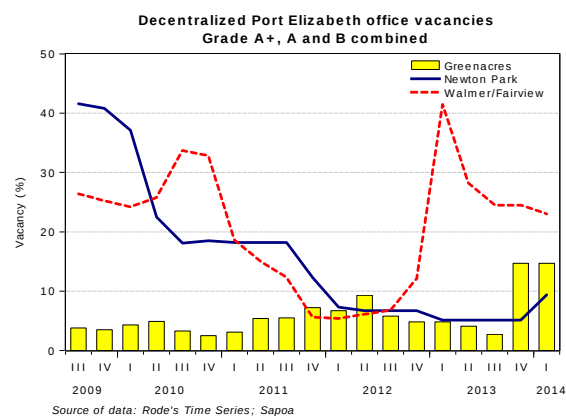


Of course, prospective tenants might be penalizing the Berea because of its close proximity to the decaying Durban CBD. Another factor is that the decision-takers are moving north towards Umhlanga, where all the action is.

Despite declining impressively from a high of 23% recorded in 2012, Claremont remains the least-occupied node in Cape Town decentralized, with an office vacancy rate of 11%. Elsewhere in the Cape Town decentralized office market, vacancy rates ranged from a low of 1% for the V&A Waterfront to a high of 8% in Rondebosch/Newlands.



As for Port Elizabeth decentralized, during the reporting quarter vacancy rates in Greenacres remained steady at 15%, while vacancy rates in Newton Park jumped from 5% to 9%. As the graph shows, vacancy rates in Walmer/Fairview remain the highest at 23%.



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

Table 6.1
Committed new office developments
As in 2014:1

	Total rentable area m ²	Area still available for leasing m ²	% unlet	As % of existing stock
Johannesburg & Environs				
Bryanston/Epsom Downs	17.601	6.505	37%	3%
Constantia Kloof	22.000	0	0%	7%
Cresta/Blackheath to Randpark	31.300	31.300	100%	19%
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	5.600	5.600	100%	5%
Illovo	4.000	1.000	25%	2%
Melrose/Waverley	24.000	0	0%	16%
Midrand	7.384	5.946	81%	1%
Morningside	1.799	1.799	100%	3%
Newtown	30.000	0	0%	25%
Randburg	32.000	0	0%	8%
Rivonia	11.579	4.579	40%	4%
Rosebank	16.294	7.294	45%	4%
Sandton & Environs	258.000	45.000	17%	17%
Sunninghill	23.191	23.191	100%	6%
Woodmead	26.703	0	0%	7%
Cape Town & Environs				
CBD Cape Town	69.500	37.500	54%	7%
Bellville	13.500	2.500	19%	2%
Century City	26.832	18.381	69%	10%
Durban & Environs				
Hillcrest/Gillits	400	400	100%	1%
Umhlanga/La Lucia	2.500	2.500	100%	1%
Westville	14.000	10.000	71%	7%
Pretoria & Environs				
Brooklyn/Nieuw				
Muckleneuk/Groenkloof/Waterkloof	6.960	6.960	100%	3%
Lynnwood/Menlo Park/Persequor				
Park/Hazel Wood	7.610	7.610	100%	3%
Highveld Techopark & Extensions	76.600	72.600	95%	17%
Pretoria Eastern Suburbs/Route 21	1.300	550	42%	0%
Port Elizabeth & Environs				
Greenacres	2.000	2.000	100%	3%
Walmer/Fairview	7.965	7.965	100%	31%
Total	761.935	317.360	42 %	8 %

Source: SAPOA

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

	March 2013	June 2013	September 2013	December 2013	March 2014
Johannesburg					
Bedfordview					
Grade A ⁺	-	-	-	-	-
Grade A	14,4	14,1	11,8	10,6	10,9
Grade B	17,4	17,9	17,2	17,2	16,3
Total	15,4	15,4	13,7	12,9	12,8
Braamfontein					
Grade A ⁺	-	-	-	-	-
Grade A	16,5	18,4	15,7	17,9	17,7
Grade B	17,8	14,7	15,5	13,4	14,1
Total	17,1	16,9	15,7	16,0	16,2
Bryanston / Epsom Downs					
Grade A ⁺	0,0	0,0	-	-	-
Grade A	8,8	8,4	7,5	8,7	6,9
Grade B	15,2	12,8	9,2	6,8	3,1
Total	8,8	8,3	7,6	8,5	6,7
Bruma					
Grade A ⁺	-	-	-	-	-
Grade A	7,5	4,7	4,7	15,4	5,2
Grade B	19,1	21,0	21,0	35,6	31,1
Total	14,7	14,7	14,7	27,9	20,9
CBD Johannesburg					
Grade A ⁺	0,0	0,0	0,0	0,0	0,0
Grade A	0,0	1,0	0,0	0,0	1,0
Grade B	25,4	19,5	24,5	21,6	18,6
Total	14,7	11,1	14,5	11,4	11,7
Constantia Kloof Basin					
Grade A ⁺	-	-	-	-	-
Grade A	3,7	4,3	3,8	4,7	4,6
Grade B	7,3	8,6	9,4	8,7	11,4
Total	3,9	4,6	4,2	4,9	5,1
Fourways					
Grade A ⁺	-	-	-	0,0	0,0
Grade A	14,5	15,1	17,2	15,6	15,6
Grade B	0,0	0,0	0,0	0,0	0,0
Total	13,9	14,4	16,5	14,0	14,0
Houghton/Killarney					
Grade A ⁺	-	-	-	-	-
Grade A	3,9	3,5	3,5	1,9	3,8
Grade B	0,9	0,8	0,8	-	-
Total	3,2	2,8	2,8	1,9	3,7
Hyde Park /Dunkeld					
Grade A ⁺	-	-	-	-	-
Grade A	24,4	41,3	24,6	28,3	20,4
Grade B	9,4	9,0	9,3	13,2	6,7
Total	13,5	19,0	14,7	18,6	11,6
<i>Source of data: Sapoa</i>					

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

	March 2013	June 2013	September 2013	December 2013	March 2014
Illovo					
Grade A ⁺	0,0	0,0	0,0	0,0	0,0
Grade A	1,6	2,7	1,4	1,6	1,3
Grade B	7,9	5,2	6,2	5,5	7,5
Total	2,6	2,9	2,0	2,1	2,0
Melrose/Waverley					
Grade A ⁺	2,1	1,1	3,2	3,2	1,4
Grade A	2,1	2,1	1,8	1,2	3,1
Grade B	12,7	14,2	2,1	3,2	3,0
Total	3,6	3,1	2,7	2,7	2,0
Midrand					
Grade A ⁺	1,3	1,4	1,8	1,8	1,8
Grade A	4,3	7,3	6,7	6,8	6,3
Grade B	8,1	4,3	5,1	7,3	9,9
Total	4,9	4,5	4,7	5,6	6,5
Milpark					
Grade A ⁺	-	-	-	-	-
Grade A	0,0	0,0	0,0	0,0	0,0
Grade B	7,4	7,6	7,1	7,3	5,3
Total	6,4	6,5	6,2	6,3	4,6
Morningside					
Grade A ⁺	-	-	-	-	-
Grade A	10,1	7,7	7,7	4,9	1,7
Grade B	-	-	-	-	40,9
Total	10,1	7,7	7,7	4,9	4,2
Parktown					
Grade A ⁺	-	-	-	-	-
Grade A	6,2	3,4	3,4	3,7	1,2
Grade B	10,2	11,6	11,6	14,3	12,0
Total	8,8	8,7	8,7	10,7	8,4
Randburg					
Grade A ⁺	-	-	-	-	-
Grade A	6,3	19,5	5,4	7,9	8,7
Grade B	15,1	14,6	15,3	10,1	10,1
Total	14,1	15,2	14,1	9,8	9,9
Rivonia					
Grade A ⁺					
Grade A	12,4	18,2	18,2	18,3	18,3
Grade B	17,7	16,3	16,3	19,8	20,1
Total	16,1	16,9	16,9	19,4	19,6
Rosebank					
Grade A ⁺	-	-	-	-	-
Grade A	4,4	6,6	7,8	6,2	2,8
Grade B	5,1	3,3	3,7	4,1	2,8
Total	4,8	4,9	5,6	5,1	2,8
Sandton & Environs					
Grade A ⁺	0,9	4,5	2,6	10,6	13,6
Grade A	7,5	11,3	9,5	15,9	17,1
Grade B	9,7	9,0	12,3	7,0	5,0
Total	7,3	9,6	8,5	13,0	14,2
<i>Source of data: Sapoa</i>					

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

	March 2013	June 2013	September 2013	December 2013	March 2014
Sunninghill					
Grade A ⁺	-	-	-	-	-
Grade A	10,0	10,1	9,9	9,9	11,3
Grade B	-	-	-	-	-
Total	10,0	10,1	9,9	9,9	11,3
Woodmead					
Grade A ⁺	-	-	-	-	-
Grade A	5,8	8,3	6,7	6,6	4,8
Grade B	33,7	33,7	28,4	28,4	28,4
Total	7,1	9,5	7,8	7,6	5,9
Cresta/Blackheath to Randpark					
Grade A ⁺	0,0	0,0	0,0	0,0	0,0
Grade A	6,9	6,9	6,8	5,8	2,7
Grade B	27,5	31,8	24,7	19,3	19,8
Total	8,3	9,2	7,6	6,1	5,2
Greenstone/Edenvale/ Modderfontein					
Grade A ⁺	-	-	-	-	-
Grade A	6,7	1,7	1,7	4,9	4,9
Grade B	40,7	48,1	43,2	46,0	46,0
Total	15,8	14,6	13,0	15,9	15,9
Newtown					
Grade A ⁺	-	-	-	-	-
Grade A	-	0,0	0,0	0,0	0,0
Grade B	-	44,2	44,5	42,5	42,5
Total	-	20,0	20,1	19,2	19,2
Cape Town					
Bellville (incl. Tyger V)					
Grade A ⁺	-	-	-	-	-
Grade A	5,5	5,6	6,9	7,5	7,6
Grade B	10,6	10,5	13,1	12,5	10,2
Total	7,0	7,0	8,7	8,9	8,4
CBD Cape Town					
Grade A ⁺	0,0	0,0	0,0	0,0	-
Grade A	9,5	12,3	11,3	10,6	6,7
Grade B	11,1	11,7	13,7	13,7	11,8
Total	10,3	11,8	12,5	12,3	10,1
Century City					
Grade A ⁺	0,0	0,0	0,0	0,0	0,0
Grade A	5,6	3,9	5,9	5,7	7,5
Grade B	8,7	7,4	7,4	7,4	2,9
Total	5,8	4,2	5,9	5,7	6,0
Claremont					
Grade A ⁺	-	-	-	-	-
Grade A	14,2	14,7	4,3	3,8	16,8
Grade B	24,7	25,2	16,7	16,8	4,9
Total	18,8	19,4	9,8	9,6	10,9
<i>Source of data: Sapoa</i>					

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

	March 2013	June 2013	September 2013	December 2013	March 2014
Cape Town					
Pinelands					
Grade A ⁺	-	-	-	-	-
Grade A	3,3	2,5	3,9	3,2	1,3
Grade B	3,0	3,0	3,8	3,2	13,9
Total	3,3	2,5	3,8	3,2	3,2
Rondebosch/Newlands					
Grade A ⁺	-	-	-	-	-
Grade A	11,8	6,9	6,2	9,7	10,0
Grade B	3,2	3,5	3,2	1,9	1,9
Total	9,3	5,9	5,3	7,5	8,0
V&A Waterfront					
Grade A ⁺	0,0	0,0	0,0	0,0	0,0
Grade A	1,6	1,6	1,8	6,0	1,8
Grade B	5,8	1,8	35,4	33,6	0,0
Total	1,2	0,9	3,7	5,6	1,3
Durban					
Berea					
Grade A ⁺	-	-	-	-	-
Grade A	9,9	15,6	8,1	7,3	7,9
Grade B	13,1	13,1	14,8	13,5	20,0
Total	11,7	14,4	11,1	10,1	13,4
Ballito					
Grade A ⁺	0,0	0,0	0,0	0,0	0,0
Grade A	14,4	15,2	19,2	14,6	14,7
Grade B	14,1	10,0	7,4	8,4	7,3
Total	12,5	12,0	13,8	11,3	11,0
Hillcrest/Gillits					
Grade A ⁺	10,0	10,0	9,9	9,9	5,2
Grade A	4,3	3,1	2,6	0,2	0,3
Grade B	1,5	3,3	4,3	3,7	3,7
Total	4,6	4,4	4,4	2,9	2,0
CBD Durban					
Grade A ⁺	-	-	-	-	-
Grade A	20,6	20,6	20,5	20,1	20,1
Grade B	12,5	12,5	12,6	12,8	12,8
Total	16,1	16,1	16,0	16,0	16,0
Umhlanga / La Lucia					
Grade A ⁺	2,1	2,1	2,1	2,1	2,1
Grade A	7,2	3,5	3,0	3,0	3,0
Grade B	2,0	2,8	3,3	3,3	3,3
Total	6,6	3,4	3,0	3,0	3,0
Westville					
Grade A ⁺	-	-	-	-	-
Grade A	4,9	6,5	3,5	5,2	4,2
Grade B	8,8	9,9	9,8	7,1	4,4
Total	7,1	8,4	7,0	6,3	4,3
<i>Source of data: Sapoa</i>					

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

	March 2013	June 2013	September 2013	December 2013	March 2014
Pretoria					
Arcadia					
Grade A ⁺	-	-	-	-	-
Grade A	7,9	10,9	10,9	11,2	6,0
Grade B	3,7	0,0	1,5	3,5	3,6
Total	6,6	7,6	8,1	8,4	5,1
Brooklyn					
Grade A ⁺	-	-	-	-	-
Grade A	8,7	7,4	8,0	6,5	7,3
Grade B	6,2	5,9	7,8	4,6	4,6
Total	8,2	7,1	8,0	6,1	6,7
CBD Pretoria					
Grade A ⁺	-	-	-	-	-
Grade A	1,8	1,8	1,8	1,8	1,8
Grade B	10,4	9,4	9,4	8,9	13,7
Total	8,3	7,6	7,6	7,2	10,8
Centurion					
Grade A ⁺	-	-	-	-	-
Grade A	13,6	7,5	8,0	8,3	7,6
Grade B	22,6	23,3	20,0	21,1	21,9
Total	18,2	15,6	14,1	14,6	15,0
Hatfield/Hillcrest					
Grade A ⁺	-	-	-	-	-
Grade A	6,4	13,2	11,7	12,1	8,5
Grade B	14,0	12,8	14,3	10,7	9,5
Total	10,9	13,0	13,1	11,3	9,0
Highveld Technopark					
Grade A ⁺	-	-	-	-	-
Grade A	4,9	13,1	5,2	5,0	14,6
Grade B	11,4	8,0	10,3	15,0	12,2
Total	6,7	11,7	6,5	7,7	13,9
Menlyn					
Grade A ⁺	-	-	-	-	-
Grade A	9,2	9,5	6,9	5,5	6,7
Grade B	7,9	9,1	11,4	8,7	7,4
Total	8,9	9,4	8,1	6,3	6,9
Pretoria Eastern Suburbs					
Grade A ⁺	-	-	-	-	-
Grade A	15,8	14,9	10,9	9,7	12,0
Grade B	11,9	11,8	12,2	11,9	12,1
Total	14,3	13,7	11,4	10,5	12,0
Lynnwood					
Grade A ⁺	0,0	0,0	0,0	0,0	0,0
Grade A	4,1	5,7	4,8	7,9	7,7
Grade B	10,9	9,5	10,8	5,4	5,1
Total	7,1	6,9	7,3	5,4	5,3
<i>Source of data: Sapoa</i>					

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

	March 2013	June 2013	September 2013	December 2013	March 2014
Port Elizabeth					
Greenacres					
Grade A ⁺	0,0	0,0	0,0	0,0	0,0
Grade A	0,0	0,0	0,0	1,7	1,7
Grade B	6,2	5,1	3,3	18,1	18,1
Total	4,8	4,1	2,7	14,7	14,7
Newton Park					
Grade A ⁺	4,8	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	33,5
Total	5,1	5,1	5,1	5,1	9,4
Central / Park Drive					
Grade A ⁺	-	-	-	-	-
Grade A	-	-	-	-	-
Grade B	21,8	22,4	19,3	30,6	0,0
Total	21,8	22,4	19,3	30,6	0,0
Walmer/Fairview					
Grade A ⁺	-	-	-	-	-
Grade A	41,9	25,5	25,5	25,5	25,5
Grade B	39,8	38,1	20,8	20,8	13,5
Total	41,5	28,2	24,5	24,5	23,0
Johannesburg central					
Grade A ⁺	0,0	0,0	0,0	0,0	0,0
Grade A	4,6	6,0	4,4	5,0	5,9
Grade B	24,1	18,6	23,1	20,0	17,9
Total	15,2	12,4	14,7	12,4	12,6
Johannesburg decentralized					
Grade A ⁺	1,0	2,5	2,1	6,3	9,7
Grade A	7,0	8,5	7,5	8,9	8,3
Grade B	10,9	11,4	11,6	11,5	10,5
Total	7,9	8,8	8,2	9,4	9,1
Pretoria decentralized					
Grade A ⁺	0,0	0,0	0,0	0,0	0,0
Grade A	9,2	10,8	8,1	7,7	9,4
Grade B	13,1	12,3	12,7	11,8	11,3
Total	10,6	11,2	9,7	9,2	10,1
Durban decentralized					
Grade A ⁺	4,7	4,7	4,6	4,6	2,8
Grade A	7,1	5,9	4,3	4,3	4,2
Grade B	8,5	9,2	9,4	7,6	7,2
Total	7,5	6,9	5,9	5,3	5,0
Cape Town decentralized					
Grade A ⁺	0,0	0,0	0,0	0,0	1,5
Grade A	5,9	5,0	5,6	6,0	6,6
Grade B	11,3	11,2	11,9	11,5	7,8
Total	6,9	6,2	6,8	7,0	6,8
<i>Source of data: Sapoa</i>					

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

	March 2013	June 2013	Septem- ber 2013	December 2013	March 2014
National summaries					
National decentralized					
Grade A ⁺	1,1	2,3	2,0	5,7	8,9
Grade A	7,4	8,4	7,2	8,0	8,1
Grade B	11,4	11,4	11,7	11,5	10,5
Total	8,4	9,0	8,3	8,9	8,9
National CBDs					
Grade A ⁺	0,0	0,0	0,0	0,0	0,0
Grade A	7,5	9,3	7,9	8,1	7,8
Grade B	17,8	14,6	17,9	15,7	15,2
Total	14,1	13,3	14,8	13,5	13,0
<i>Source of data: Sapoa</i>					

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

	March 2013	June 2013	September 2013	December 2013	March 2014
Johannesburg					
Bedfordview					
Grade A ⁺					
Grade A	136.087	135.537	134.857	133.204	133.204
Grade B	69.794	69.794	69.794	69.794	69.794
Total	205.881	205.331	204.651	202.998	202.998
Braamfontein					
Grade A ⁺					
Grade A	37.348	41.678	35.591	40.366	40.121
Grade B	30.384	24.027	25.410	21.825	22.978
Total	67.732	65.705	61.001	62.191	63.099
Bryanston / Epsom Downs					
Grade A ⁺	23.138	23.138			
Grade A	476.306	478.806	517.859	532.749	533.984
Grade B	30.579	30.578	30.578	35.361	34.984
Total	530.023	532.522	548.437	568.110	568.968
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	51.701
Total	88.122	88.122	88.122	88.122	85.365
CBD Johannesburg					
Grade A ⁺	24.000	24.000	24.000	24.000	20.000
Grade A	593.866	550.166	588.166	588.166	548.166
Grade B	852.296	691.349	882.798	680.410	886.798
Total	1.470.162	1.265.515	1.494.964	1.292.576	1.454.964
Constantia Kloof Basin					
Grade A ⁺					
Grade A	289.178	289.178	289.178	289.178	290.795
Grade B	22.193	21.743	21.743	21.743	21.743
Total	311.371	310.921	310.921	310.921	312.538
Fourways					
Grade A ⁺				10.000	10.000
Grade A	143.083	144.526	144.526	144.526	144.526
Grade B	6.501	6.500	6.500	6.500	6.500
Total	149.584	151.026	151.026	161.026	161.026
Houghton/Killarney					
Grade A ⁺					
Grade A	100.398	83.398	83.398	105.008	102.908
Grade B	29.201	31.700	31.700		2.100
Total	129.599	115.098	115.098	105.008	105.008
<i>Source of data: Sapoa</i>					

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

	March 2013	June 2013	September 2013	December 2013	March 2014
Hyde Park / Dunkeld					
Grade A ⁺					
Grade A	24.937	29.937	36.170	37.570	37.570
Grade B	65.589	66.178	66.178	66.178	66.178
Total	90.526	96.115	102.348	103.748	103.748
Illovo					
Grade A ⁺	7.500	10.300	10.300	10.300	10.300
Grade A	136.655	164.655	164.655	164.655	164.655
Grade B	27.164	27.164	27.164	27.164	27.164
Total	171.319	202.119	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	33.878	33.878	33.878
Grade B	19.697	19.697	19.697	19.697	19.697
Total	140.575	140.575	145.575	145.575	145.575
Midrand					
Grade A ⁺	167.404	167.404	167.404	167.404	167.404
Grade A	193.733	193.733	193.733	221.046	221.046
Grade B	224.484	224.483	224.483	236.992	236.992
Total	585.621	585.620	585.620	625.442	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	80.257	80.256	80.256	66.056	64.925
Grade B					4.400
Total	80.257	80.256	80.256	66.056	69.325
Parktown					
Grade A ⁺					
Grade A	122.176	122.176	122.176	116.791	113.091
Grade B	217.881	217.880	217.880	223.265	223.265
Total	340.057	340.056	340.056	340.056	336.356
Randburg					
Grade A ⁺					
Grade A	45.167	52.167	52.167	52.167	52.167
Grade B	351.560	351.560	347.060	338.769	338.769
Total	396.727	403.727	399.227	390.936	390.936
<i>Source of data: Sapoa</i>					

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

	March 2013	June 2013	September 2013	December 2013	March 2014
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	191.901
Total	275.242	275.242	275.242	275.242	275.292
Rosebank					
Grade A ⁺					
Grade A	132.673	132.673	132.673	132.673	199.673
Grade B	144.949	144.949	144.949	151.612	151.612
Total	277.622	277.622	277.622	284.285	351.285
Sandton & Environs					
Grade A ⁺	229.332	286.332	329.921	381.421	403.421
Grade A	715.588	930.213	928.172	843.546	844.346
Grade B	543.487	291.463	286.615	252.909	249.757
Total	1.488.407	1.508.008	1.544.708	1.477.876	1.497.524
Sunninghill					
Grade A ⁺					
Grade A	348.825	348.825	346.059	341.415	359.044
Grade B					
Total	348.825	348.825	346.059	341.415	359.044
Woodmead					
Grade A ⁺					
Grade A	356.299	356.299	356.299	356.299	358.070
Grade B	17.801	17.800	17.800	17.800	17.800
Total	374.100	374.099	374.099	374.099	375.870
Cresta/Blackheath to Randpark					
Grade A ⁺	75.000	75.000	75.000	75.000	75.000
Grade A	57.899	57.899	51.999	51.999	51.999
Grade B	36.330	36.330	36.330	36.330	35.537
Total	169.229	169.229	163.329	163.329	162.536
Green- stone/Edenvale/ Grade A ⁺					
Grade A	50.508	50.508	51.908	52.655	52.655
Grade B	18.367	19.367	19.367	19.367	19.367
Total	68.875	69.875	71.275	72.022	72.022
Newtown					
Grade A ⁺					
Grade A		61.859	61.859	61.859	61.859
Grade B		50.900	50.900	50.900	50.900
Total		112.759	112.759	112.759	112.759

Source of data: Sapoa

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

	March 2013	June 2013	September 2013	December 2013	March 2014
Cape Town					
Bellville (incl. Tyger Valley)					
Grade A ⁺					
Grade A	352.772	377.772	378.638	378.638	366.263
Grade B	148.148	148.148	148.148	148.148	162.441
Total	500.920	525.920	526.786	526.786	528.704
CBD Cape Town					
Grade A ⁺	12.500	12.500	12.500	12.500	
Grade A	308.668	318.668	318.668	318.668	257.472
Grade B	472.507	477.507	473.861	473.861	547.557
Total	793.675	808.675	805.029	805.029	805.029
Century City					
Grade A ⁺	7.000	7.000	7.000	7.000	7.000
Grade A	213.227	213.227	222.867	230.312	211.618
Grade B	28.969	28.969	28.969	28.969	47.663
Total	249.196	249.196	258.836	266.281	266.281
Claremont					
Grade A ⁺					
Grade A	58.036	58.036	58.036	58.036	50.036
Grade B	46.586	46.586	46.586	46.586	54.586
Total	104.622	104.622	104.622	104.622	104.622
Pinelands					
Grade A ⁺					
Grade A	208.468	208.468	208.468	208.468	194.475
Grade B	19.957	19.957	19.957	19.957	33.950
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	18.000
Grade A	39.071	39.071	39.071	39.071	65.055
Grade B	6.298	6.298	6.298	6.298	6.298
Total	79.869	79.869	79.869	79.869	89.353
<i>Source of data: Sapoa</i>					

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

	March 2013	June 2013	September 2013	December 2013	March 2014
Durban					
Berea					
Grade A ⁺					
Grade A	30.979	38.979	39.999	39.999	39.999
Grade B	38.045	38.045	33.397	33.303	33.303
Total	69.024	77.024	73.396	73.302	73.302
Ballito					
Grade A ⁺	3.632	3.632	3.632	3.632	3.632
Grade A	18.146	18.101	18.141	18.441	18.441
Grade B	7.176	7.496	7.496	7.496	7.496
Total	28.954	29.229	29.269	29.569	29.569
Hillcrest/Gillits					
Grade A ⁺	5.467	5.467	5.467	5.467	5.467
Grade A	16.548	16.548	16.548	16.548	16.548
Grade B	7.638	7.638	6.402	6.402	6.402
Total	29.653	29.653	28.417	28.417	28.417
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	84.852	84.894	84.894	84.394	84.394
Grade B	104.084	104.084	105.305	105.492	105.492
Total	188.936	188.978	190.199	189.886	189.886
Arcadia					
Grade A ⁺					
Grade A	173.639	173.639	173.639	156.526	156.530
Grade B	74.870	74.870	74.870	92.783	92.820
Total	248.509	248.509	248.509	249.309	249.350
Brooklyn					
Grade A ⁺					
Grade A	171.632	180.357	181.702	182.602	183.470
Grade B	53.021	53.021	53.555	53.555	54.390
Total	224.653	233.378	235.257	236.157	237.860
<i>Source of data: Sapoa</i>					

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

	March 2013	June 2013	September 2013	December 2013	March 2014
Pretoria					
CBD Pretoria					
Grade A ⁺					
Grade A	97.467	97.467	97.467	97.467	97.480
Grade B	297.790	297.790	297.790	303.790	303.830
Total	395.257	395.257	395.257	401.257	401.310
Centurion					
Grade A ⁺					
Grade A	201.950	202.649	203.849	215.983	202.470
Grade B	209.420	210.072	210.073	209.335	218.640
Total	411.370	412.721	413.922	425.318	421.110
Hatfield/Hillcrest					
Grade A ⁺					
Grade A	106.036	107.582	122.082	119.636	118.330
Grade B	153.984	153.984	153.984	156.484	156.540
Total	260.020	261.566	276.066	276.120	274.870
Highveld Technopark					
Grade A ⁺					
Grade A	324.946	323.568	323.568	332.068	328.700
Grade B	120.644	119.230	120.535	122.489	126.870
Total	445.590	442.798	444.103	454.557	455.570
Menlyn					
Grade A ⁺					
Grade A	246.126	246.126	235.440	246.704	228.730
Grade B	78.386	78.386	89.786	89.896	111.920
Total	324.512	324.512	325.226	336.600	340.650
Pretoria Eastern Suburbs					
Grade A ⁺					
Grade A	215.707	216.000	220.793	219.743	151.520
Grade B	139.800	138.199	138.349	138.349	138.390
Total	355.507	354.199	359.142	358.092	289.910
Lynnwood					
Grade A ⁺	30.400	30.400	30.400	30.400	30.400
Grade A	72.590	72.758	70.819	70.030	72.560
Grade B	112.992	112.992	113.333	115.333	115.370
Total	215.982	216.150	214.552	215.763	218.330
<i>Source of data: Sapoa</i>					

Table 6.3 (continued) Sapoa office stock (m ²) Grades A ⁺ , A & B					
	March 2013	June 2013	September 2013	December 2013	March 2014
Port Elizabeth					
Greenacres					
Grade A ⁺	3.545	3.545	3.545	3.545	3.545
Grade A	10.953	9.753	9.753	9.753	9.753
Grade B	51.856	53.056	53.056	53.056	53.056
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	3.514
Total	19.088	19.088	19.088	19.088	21.102
Central / Park Drive					
Grade A ⁺					
Grade A					
Grade B	8.542	8.541	8.541	8.542	8.541
Total	8.542	8.541	8.541	8.542	8.541
Walmer/Fairview					
Grade A ⁺					
Grade A	20.007	20.007	20.007	20.007	20.007
Grade B	5.472	5.471	5.471	5.471	5.471
Total	25.479	25.478	25.478	25.478	25.478
Johannesburg Central					
Johannesburg central					
Grade A ⁺	24.000	24.000	24.000	24.000	20.000
Grade A	819.987	776.287	814.287	814.287	774.287
Grade B	1.023.284	854.787	1.046.236	843.848	1.050.236
Total	1.867.271	1.655.074	1.884.523	1.682.135	1.844.523
Source of data: Sapoa					

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

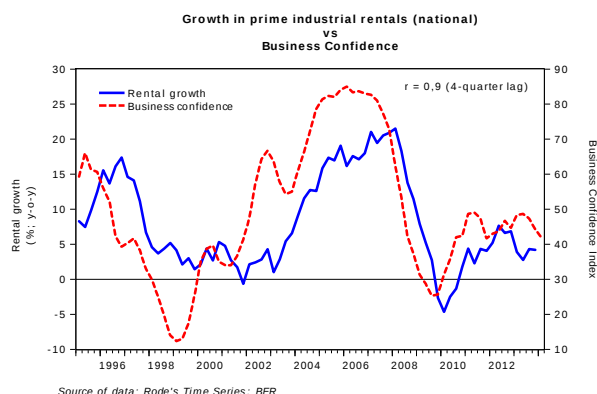
	March 2013	June 2013	September 2013	December 2013	March 2014
Decentralized					
Johannesburg decentralized					
Grade A ⁺	594.374	654.174	674.625	736.125	758.125
Grade A	3809.723	4.112.599	4.152.898	4.108.350	4.191.471
Grade B	2418.400	2.213.359	2.204.011	2.159.654	2.159.125
Total	6.822.497	6.980.132	7.031.534	7.004.129	7.108.721
Pretoria decentralized					
Grade A ⁺	30.400	30.400	30.400	30.400	30.400
Grade A	1.512.626	1.522.679	1.531.892	1.543.292	1.442.310
Grade B	943.117	940.754	954.485	97.8224	1.014.940
Total	2.486.143	2.493.833	2.516.777	2.551.916	2.487.650
Durban decentralized					
Grade A ⁺	13.805	13.805	13.805	13.805	13.805
Grade A	390.235	398.232	399.292	399.092	399.092
Grade B	185.595	185.915	181.252	181.345	181.345
Total	589.635	597.952	594.349	594.242	594.242
Cape Town decentralized					
Grade A ⁺	41.500	41.500	41.500	41.500	25.000
Grade A	941.828	966.828	977.334	984.779	957.701
Grade B	278.035	278.035	278.035	278.035	333.015
Total	1.261.363	1.286.363	1.296.869	1.304.314	1.315.716
<i>Source of data: Sapoa</i>					

Chapter 7: Industrial rentals and vacancies

Waning business confidence undermining rental growth prospects

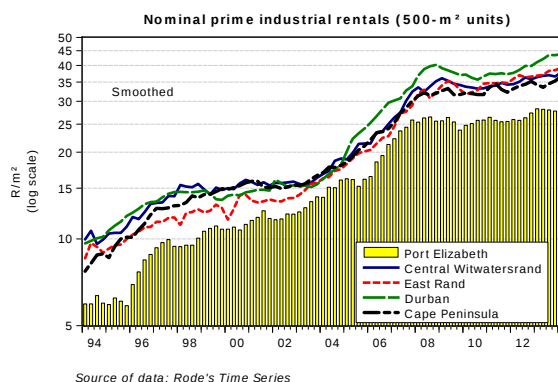
Written by John S. Lottering

Prevailing weak and low levels of business sentiment will most likely keep the demand for industrial space at bay. The outcome of this could be continued moderate growth in market industrial rentals.



The corresponding graph shows the robust correlation between growth in prime industrial rentals (nationally) and changes in business confidence levels (the latter ex BER). Naturally, business decision-makers might be hesitant to expand production capacity by renting more space when they are dissatisfied with prevailing business conditions. In the second quarter of 2014, only 41% of the respondents surveyed by the BER were satisfied with prevailing business conditions. Interesting from the graph is the lag of about one year between changes in business confidence and industrial rental growth. This, naturally, implies that the current low and waning business sentiment levels could result in more downward pressure on industrial rental growth over the next year or so.

In fact, during the first quarter of 2014, prime industrial rentals were on a national basis already only able to show modest growth of 4%. A look at the regional level, however, shows that growth in industrial rentals was not too shabby on the East Rand, in Durban and in the Cape Peninsula. In these regional industrial conurbations, industrial rentals showed reasonable growth of 7%. This was in contrast to the Central Witwatersrand, where rentals were up by a meagre 3%. In Port Elizabeth, rentals remained at roughly their previous-year levels.



Nonetheless, it seems that work has again started to dry up for non-residential contractors, forcing them to trim profit margins and, in turn resulting in low growth in accepted tender prices. We estimate building costs — overall tender prices — to have shown yearly growth of only 1% in the first quarter of 2014.

This, of course, implies that in all of the major industrial conurbations — barring Port Elizabeth — rentals were still able to show *real* growth.

In **Table 7.1** we examine pioneer industrial rentals, which provide a quick-and-dirty prognosis for the medium-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.79. 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 2014:1
Highest gross rental rates achieved (1000-m² units)
Rands per rentable square m² (excl VAT)

	Pioneer	Normal prime	Difference (%)
Central Witwatersrand	65	38	71%
West Rand	50	33	52%
East Rand	57	39	46%
Durban	60	43	40%
Cape Peninsula	60	35	71%
Bloemfontein	44	28	57%

Table 7.2
Mean prime industrial market rentals as in quarter 2014:1
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Central Witwatersrand									
Cambridge Park	48,33	48,44	57,50	54,00	54,00	1,5	3,664	0,042	0,66
Wynberg Proper	38,67	37,60	34,60	33,00	32,50	2,5	4,000	-0,063	-0,97
Strijdom Park	49,00	48,75	44,75	42,25	40,75	2,5	4,278	-0,067	-0,98
Kya Sand	38,60	38,80	37,00	35,00	34,67	3,0	3,900	-0,042	-0,96
Clayville/Olifantsfontein	42,80	41,75	41,75	39,75	37,70	2,8	3,987	-0,040	-0,95
Chloorkop	39,50	39,00	37,67	36,67	30,00	2,5	4,157	-0,080	-0,86
Amalgam	38,12	37,50	34,50	34,20	33,33	2,6	3,898	-0,047	-0,95
Crown Mines	42,20	41,00	40,00	39,00	36,60	3,0	3,989	-0,044	-0,97
Industria	30,50	30,67	30,00	26,67	25,00	2,5	3,852	-0,072	-0,94
Booydens/Booydens Reserve/Ophirton	29,60	28,00	27,25	26,50	26,75	3,0	3,553	-0,034	-0,91
Village Main/Village Deep/New Centre	28,80	28,25	27,25	26,50	26,00	2,6	3,555	-0,035	-0,99
Benrose	32,80	31,80	29,50	29,50	29,25	4,0	3,695	-0,039	-0,90
Steeledale/Electron/Tulisa Park	33,80	33,75	33,00	29,33	31,50	3,2	3,740	-0,038	-0,77
Aeroton	35,33	35,50	37,50	33,67	33,00	1,8	3,739	-0,026	-0,63
Devland/Nancefield	25,50	22,50	22,50	21,00	20,50	3,0	3,569	-0,066	-0,94
Cleveland/Heriotdale	37,25	34,50	32,50	29,00	29,00	2,3	4,098	-0,089	-0,98
Newlands/Martindale	28,67	26,50	22,50	21,00	21,00	2,7	3,949	-0,112	-0,95
Kew/Wynberg East	28,00	26,00	24,80	24,00	21,20	3,4	3,788	-0,083	-0,97
Bramley View/Lombardy West	27,00	25,25	23,50	22,50	23,00	4,2	3,584	-0,057	-0,91
Marlboro	23,33	23,33	23,33	23,33	25,00	4,3	3,037	0,018	0,71
Halfway House: hi-tech strip	46,80	45,67	44,60	43,00	43,00	3,7	4,009	-0,030	-0,98
Halfway House: Richards Drive	43,17	42,33	40,83	40,50	40,00	3,5	3,901	-0,026	-0,96
Commercialia	41,50	38,50	36,50	33,50	33,50	1,8	4,122	-0,075	-0,97
Kramerville/Eastgate Ext12 & Ext13	59,00	58,00	54,60	51,00	54,50	3,8	4,280	-0,038	-0,79

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2014:1
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Centurion	49,33	49,33	48,67	46,00	45,33	1,8	4,089	-0,032	-0,95
Linbro Park	58,00	58,17	57,33	57,33	55,33	2,1	4,147	-0,014	-0,86
Wesco Park/Eastgate Ext3, Ext11, Ext6, Ext8/Malboro North (New)	48,00	47,00	44,00	45,00	45,00	2,1	3,977	-0,022	-0,74
City Deep	42,40	41,40	40,60	39,60	38,60	2,1	3,915	-0,031	-1,00
North Riding	44,25	45,00	41,67	40,67	40,00	2,4	4,023	-0,040	-0,93
Samrand Centurion	45,00	45,00	44,00	45,67	43,33	1,4	3,850	-0,007	-0,43
Barbeque Downs	53,00	50,50	49,00	46,50	45,00	1,0	4,263	-0,054	-1,00
Selby Ext 12/13/15/19/20/24/City West	34,00	34,00	36,50	32,50	33,00	2,8	3,633	-0,015	-0,41
Selby Ext 5/10/14/18	33,50	34,75	32,50	30,75	30,50	3,3	3,766	-0,041	-0,89
Selby Ext 11	34,67	34,67	32,75	30,50	30,50	2,7	3,840	-0,051	-0,96
Selby Ext 3/4/6	32,33	28,33	28,33	30,00	29,50	2,4	3,494	-0,015	-0,33
Denver (Old)	26,33	26,33	24,00	24,00	23,33	3,2	3,514	-0,044	-0,92
Denver (New)	36,50	36,50	35,00	35,00	35,00	1,3	3,687	-0,016	-0,86
Kyalami Business Park	51,75	51,00	50,00	47,00	50,00	2,4	4,052	-0,020	-0,66
Reuven	30,00	30,00	29,50	27,25	27,25	2,2	3,630	-0,039	-0,93
Selby (Old)/Selby Ext2/Park Central	32,00	29,50	29,50	29,20	28,20	1,8	3,628	-0,034	-0,88
Robertsham	33,00	33,00	31,67	28,67	28,67	2,1	3,826	-0,056	-0,95
Fordsburg/Mayfair	28,00	28,00	25,50	22,00	20,00	1,5	4,047	-0,121	-0,97
Central Witwatersrand	38,70	38,30	37,69	35,28	35,04	2,7			
West Rand									
Lea Glen	36,50	34,00	32,33	31,33	29,67	2,7	3,940	-0,065	-0,98
Honeydew X19, 20, 21 & 22	50,00	45,00	44,25	42,75	40,75	2,6	4,214	-0,060	-0,95
Stormill	36,80	36,60	35,40	34,83	33,67	3,3	3,777	-0,030	-0,98
Chamdor	27,75	27,75	25,00	24,50	23,12	2,1	3,689	-0,064	-0,96
Factoria	27,75	27,75	25,50	24,50	20,67	1,9	3,879	-0,094	-0,93

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2014:1
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Randfontein: Delporton/ Aureus	25,00	24,50	22,00	20,00	20,00	3,0	3,700	-0,086	-0,97
Boltonia	27,50	27,50	27,50	25,00	24,00	1,5	3,613	-0,049	-0,91
Rodepoort: 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	28,17	25,00	22,12	2,0	4,026	-0,105	-0,96
Robertville	36,00	35,00	34,20	33,10	32,70	3,2	3,760	-0,033	-0,99
Laserpark	47,50	45,75	45,75	44,00	40,60	2,6	4,124	-0,046	-0,94
West Rand	35,17	34,00	32,75	31,24	29,91	2,6			
East Rand									
Elandsfontein	38,17	38,00	38,00	39,33	38,83	2,4	3,584	0,009	0,74
Tunney/Greenhills	45,50	45,83	44,83	44,67	46,50	2,0	3,801	0,002	0,17
Henville	42,20	41,20	39,00	39,00	39,00	2,2	3,883	-0,028	-0,88
Meadowbrook/Wilbart	42,20	42,00	41,60	40,17	39,17	2,2	3,894	-0,026	-0,96
Sunnyrock	47,20	47,00	46,20	41,75	39,00	2,2	4,253	-0,067	-0,94
Rustivia/Activia Park	37,75	37,50	36,00	36,10	35,25	2,8	3,757	-0,023	-0,94
Eastleigh	37,40	36,60	35,20	34,00	32,33	2,5	3,893	-0,048	-0,99
Sebenza Ext 14	36,40	35,80	35,20	35,00	30,75	2,9	3,873	-0,047	-0,84
Spartan Ext 16 (Sebenza Link) + Ext 1,3,7	36,33	35,83	35,00	33,67	33,00	2,3	3,783	-0,034	-0,99
Isando	36,50	36,33	37,33	40,33	39,83	3,0	3,376	0,037	0,91
Isando 3	37,25	37,00	36,80	33,50	33,50	3,3	3,865	-0,042	-0,92
Jet Park	40,83	41,71	41,71	41,57	41,14	2,8			
Alrode & Xs	35,00	35,00	28,33	27,00	26,50	2,4	4,153	-0,107	-0,93
Alrode South	33,00	27,50	27,50	26,25	26,67	2,8	3,763	-0,061	-0,80
Alberton	35,25	35,50	33,50	32,00	25,50	2,0	4,162	-0,099	-0,88
Aeroporto/ Spartan Ext 2	42,75	43,00	41,25	41,75	41,75	2,2	3,809	-0,010	-0,67
Delville	32,00	32,00	35,00	35,00	32,50	2,0	-	-	-
Roodekop	30,00	30,75	30,75	29,25	29,00	2,0	3,513	-0,016	-0,71

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2014:1
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Wadeville: Industrial zoning	30,00	31,00	29,67	29,67	29,50	2,4	3,472	-0,010	-0,62
Route 24/ Meadowdale	43,00	43,00	43,00	43,00	40,25	2,2	3,869	-0,017	-0,71
Germiston S/ Industries E	30,67	30,33	35,50	37,33	37,33	1,8	2,977	0,079	0,92
Driehoek/ Industries W	36,50	36,25	35,75	35,25	37,33	4,9	-	-	-
Knights	37,50	37,50	34,67	41,50	40,00	4,3	3,414	0,033	0,57
Spartan Proper	35,67	35,00	34,33	32,33	31,33	1,7	3,832	-0,045	-0,99
Founders View	45,00	45,00	44,33	40,75	40,50	2,0	4,054	-0,042	-0,93
Longmeadow	61,00	59,00	58,17	55,00	54,60	2,1	4,322	-0,039	-0,98
Pomona/ Kempton park	47,50	47,20	46,60	47,40	46,40	2,4	3,888	-0,005	-0,61
EastRand	40,07	39,67	39,11	38,50	38,12	2,5			
Far East Rand									
Boksburg North & East	35,25	35,00	34,50	31,75	31,00	2,8	3,841	-0,047	-0,95
Benoni South	35,00	34,00	32,75	30,75	29,50	2,8	3,885	-0,058	-1,00
New Era/ Vulcania	29,83	28,17	27,33	28,33	25,00	2,2	3,633	-0,045	-0,82
Nuffield	27,67	27,33	25,33	24,00	23,33	1,7	3,672	-0,062	-0,98
Fulcrum	25,12	24,83	24,62	24,00	22,00	2,5	3,458	-0,039	-0,89
Apex	32,67	31,25	30,50	30,25	30,50	2,4	3,588	-0,022	-0,84
La Boré Brakpan	25,00	24,50	24,00	21,50	20,00	2,7	3,669	-0,077	-0,96
Morehill Ext 8 Benoni	35,25	35,50	35,00	33,00	30,00	1,5	3,885	-0,053	-0,89
Far East Rand	30,90	30,48	29,44	28,00	26,96	2,4			
Polokwane									
Lebowakgomo	-	-	-	-	-	-			
Superbia	41,25	32,50	30,00	20,00	18,00	3,5	5,284	-0,284	-0,99
Industria	40,00	33,50	27,00	20,50	18,00	2,5	5,206	-0,275	-1,00
Ladine	42,50	32,50	26,50	20,00	18,00	2,0	5,305	-0,290	-0,99
Futura	37,00	28,50	26,00	15,00	-	1,5	-	-	-
Laboria	45,00	32,00	25,00	15,00	-	3,0	-	-	-

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2014:1
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Magna Via Seshego	41,50	41,00	34,00	27,50	22,00	2,0	5,018	-0,221	-0,98
Polokwane	41,25	33,45	28,36	20,60	19,00	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			
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	40,00	40,67	40,00	40,00	2,3	3,566	0,016	0,62
North Coast Rd / Briardene	48,75	47,50	46,25	44,25	43,00	2,8	4,124	-0,042	-1,00
Briardene Industrial Park	55,00	52,00	49,00	47,00	45,00	1,8	4,362	-0,066	-0,99
Umgeni Rd/ Stamford Hill	43,33	43,33	41,00	40,00	38,33	2,7	4,016	-0,043	-0,97
Umbilo/ Sydney Rd/ Gale St	40,33	38,67	39,33	40,00	40,00	3,3	-	-	-
Jacobs	43,75	43,00	43,75	43,00	40,75	2,8	3,889	-0,019	-0,77
Mobeni	44,25	43,50	43,50	43,00	40,75	2,5	3,923	-0,023	-0,88
Prospecton	46,00	45,00	45,00	45,00	41,67	3,3	3,976	-0,026	-0,82
Ithala Industrial Estate	39,00	38,00	37,50	36,50	36,50	2,0	3,783	-0,023	-0,97
Pinetown Central	49,33	47,00	41,00	43,00	42,25	4,0	4,149	-0,051	-0,79
New Germany	44,00	42,75	41,75	40,50	40,00	2,7	3,957	-0,032	-0,99
Isipingo	36,67	36,00	35,33	33,33	31,67	2,7	3,886	-0,049	-0,98
Rosburgh/ South Coast Rd	41,33	35,00	36,67	34,00	34,00	4,0	3,970	-0,055	-0,81
Edwin Swales Drive	39,00	37,50	40,00	40,67	40,00	1,7	3,552	0,018	0,67
Glen Anil	46,67	46,67	45,00	43,67	42,00	2,3	4,057	-0,037	-0,97
Brickfield Rd	40,00	37,50	38,00	38,00	35,00	2,5	3,859	-0,033	-0,83

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2014:1
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
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	32,50	32,50	32,50	6,0	4,131	-0,081	-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	42,25	2,6	4,144	-0,047	-0,98
Mariann Park/ Southmead	32,50	35,00	34,33	33,33	33,33	4,3	3,522	-0,001	-0,03
Maxmead	46,75	45,00	43,75	43,75	42,75	2,5	3,980	-0,027	-0,94
Ringroad Industrial Park	43,00	43,00	43,00	-	-	2,0	-	-	-
Avoca/ Red Hill/ Northgate	48,50	44,00	42,33	42,33	41,67	3,0	4,085	-0,044	-0,86
Falcon Park	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	55,00	55,00	53,33	50,83	49,17	3,0	4,244	-0,040	-0,97
Umbogintwini/ Southgate	52,50	42,50	42,50	42,50	45,00	2,0	4,075	-0,039	-0,51
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	4,363	-0,053	-0,95
Umgeni Park	60,00	55,00	53,33	52,50	50,00	2,7	3,418	-0,039	-0,86
Hammersdale	24,67	24,67	22,33	22,33	22,33	4,6	4,012	-0,065	-0,99
Cato Ridge	38,33	37,33	35,00	33,33	31,67	3,4	4,085	-0,044	-0,86
Durban	45,19	44,01	42,63	41,75	40,52	3,0			
George									
George Central	20,00	20,00	22,00	22,00	20,00	4,0	-	-	-
Tamsui Industria	22,00	22,00	22,00	22,00	20,00	3,0	3,247	-0,025	-0,71
Pacaltsdorp Industria	22,00	22,00	22,00	22,00	20,00	4,0	3,247	-0,025	-0,71
George	21,33	21,33	22,00	22,00	20,00	3,7			
Cape Peninsula									
Viking Place	36,00	-	-	25,00	-	3,0	-	-	-
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	42,00	37,67	37,50	2,5	3,910	-0,033	-0,74

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2014:1
 (R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Montague Gardens	40,25	37,50	37,75	37,50	37,50	3,3	3,767	-0,018	-0,70
Marconi Beam	43,00	42,00	40,80	42,67	40,00	2,7	3,843	-0,016	-0,63
Killarney Gardens	35,25	34,00	33,00	31,67	31,00	3,7	3,797	-0,043	-1,00
Racing Park	32,50	32,25	31,00	30,00	30,00	4,3	3,653	-0,031	-0,96
Atlantis	30,00	30,00	28,00	28,00	27,00	4,0	3,607	-0,036	-0,94
Woodstock/ Salt River/ Observatory	50,00	45,00	40,00	37,50	35,00	2,0	4,536	-0,117	-0,99
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
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	42,50	42,00	39,00	2,0	3,972	-0,033	-0,89
Monwood/ Philippi East	25,00	25,00	25,00	25,00	-	-	-	-	-
Retreat/ Steenberg	42,00	41,00	40,50	40,00	40,00	3,0	3,818	-0,016	-0,94
Capricorn Park	44,00	43,33	43,50	43,50	40,00	4,5	3,928	-0,024	-0,76
Maitland	40,00	40,00	35,00	32,67	30,00	4,3	4,280	-0,102	-0,98
Ndabeni	46,67	45,00	36,67	35,00	34,00	2,7	4,475	-0,116	-0,94
Airport	42,50	41,00	38,50	35,00	28,00	3,0	4,516	-0,131	-0,94
Epping 1 & 2	39,50	39,00	34,50	34,33	32,50	4,0	4,051	-0,067	-0,95
WP Park	49,00	47,00	41,00	40,33	28,00	3,0	4,861	-0,166	-0,91
Elsies River (excl, Central Park)	32,50	31,00	27,50	25,00	24,00	2,5	4,081	-0,108	-0,99
Parow Beaconvale	38,00	36,33	32,67	30,67	26,00	3,3	4,332	-0,122	-0,98
Tygerberg Business Park	41,00	40,67	37,50	36,00	33,00	2,5	4,136	-0,073	-0,97
Parow Industria	37,00	34,25	31,67	28,33	25,00	2,7	4,329	-0,128	-1,00
Parow East	36,50	33,50	31,00	27,50	20,00	2,0	4,659	-0,184	-0,95
Bellville Oakdale	-	-	-	-	-	-	-	-	-
Bellville Stikland/ Kaymor	38,33	37,67	35,33	33,67	32,50	2,0	3,975	-0,058	-0,99

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2014:1
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Bellville Triangle	33,00	31,50	29,50	27,50	22,00	1,0	4,218	-0,124	-0,94
Bellville South/ Sacks Circle	32,50	31,50	32,50	28,50	27,50	1,0	3,824	-0,058	-0,90
Kraaifontein	29,00	28,00	27,00	25,00	25,00	1,0	3,667	-0,054	-0,98
Brackenfell Industria	36,50	33,50	33,50	31,50	27,00	1,0	4,084	-0,087	-0,94
Everite Brackenfell	36,50	36,67	34,50	32,50	30,00	2,5	3,999	-0,068	-0,96
Kuils River	30,00	28,00	27,00	25,00	25,00	1,0	3,734	-0,063	-0,97
Blackheath	30,00	29,50	27,00	25,00	22,00	1,0	4,003	-0,104	-0,98
Saxenburg Industrial Park	32,00	30,00	30,00	28,00	28,00	1,0	3,697	-0,044	-0,95
Okavango Park	37,00	34,50	33,50	28,00	28,00	1,0	4,179	-0,102	-0,97
Firgrove	-	-	-	-	-	-	-	-	-
The Interchange (Somerset)	40,00	37,00	35,00	30,00	30,00	1,0	4,259	-0,104	-0,98
Strand Halt	-	-	-	-	-	-	-	-	-
Broadlands	-	-	-	-	-	-	-	-	-
Cape Peninsula	38,39	37,17	35,15	33,45	30,80	2,7			
Port Elizabeth									
Deal Party	27,50	27,50	27,50	25,00	25,00	3,0	3,546	-0,039	-0,89
North End	25,00	25,00	25,00	25,00	25,00	4,0	-	-	-
Korsten/ Neave/ Sidwell/ Sydenham	25,00	25,00	25,00	25,00	25,00	3,0	-	-	-
South End Walmer	25,00	25,00	25,00	22,50	22,50	2,0	3,475	-0,043	-0,89
Uitenhage: Volkswagen area/Nelson	27,50	27,50	27,50	27,50	27,50	3,0	-	-	-
Mandela Bay Logistics Park									
Uitenhage: Hella/Kruisrivier	17,50	17,50	12,50	12,50	12,50	-	3,578	-0,131	-0,86
Struandale	25,00	25,00	25,00	22,50	22,50	3,0	3,475	-0,043	-0,89
Markman Township	20,00	20,00	17,50	17,50	17,50	7,0	3,280	-0,052	-0,86
Perseverance	25,00	25,00	25,00	25,00	22,50	4,0	3,391	-0,028	-0,71
Walmer	40,00	35,00	32,50	32,50	30,00	1,0	4,109	-0,084	-0,92
Greenbushes	30,00	30,00	30,00	27,50	27,50	3,0	3,613	-0,035	-0,89

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2014:1
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Fairview	35,00	35,00	32,50	32,50	32,50	1,0	3,713	-0,029	-0,86
Port Elizabeth	26,88	26,46	25,42	24,58	24,17	3,1			
Bloemfontein									
Hilton	47,50	42,50	37,50	27,50	22,00	2,0	5,357	-0,261	-0,99
East End	47,50	32,50	36,50	27,00	20,00	2,0	5,212	-0,252	-0,94
Harvey Road	39,00	34,00	27,50	22,00	20,00	2,0	4,949	-0,233	-0,99
Old Industrial	34,00	29,67	24,33	19,25	18,00	2,0	4,763	-0,225	-0,99
Hamilton: Mill St	26,50	23,50	19,00	17,25	15,00	2,0	4,311	-0,189	-0,99
Hamilton: G Lubbe St	24,33	23,17	19,33	15,00	13,25	2,0	4,446	-0,218	-0,99
Estoir	46,00	43,50	38,25	31,00	30,00	1,0	4,723	-0,158	-0,98
Bloemfontein	36,75	31,91	28,03	22,71	18,50	1,9			

Table 7.3
Standard deviation from mean prime industrial market rentals
as in 2014:1

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Central Witwatersrand						
Cambridge Park	6,24	5,31	5,59	5,35	5,35	AP, BM, GT, MR, QU
Wynberg Proper	4,15	2,24	3,26	3,95	4,72	AP, AW, GB, GT, MR, QU
Strijdom Park	3,41	4,21	2,17	2,86	2,59	AP, AW, BM, GB, GT, QU
Kya Sand	3,50	3,54	4,08	0,00	1,25	AP, AW, BM, GB, GT, QU
Clayville/Olifantsfontein	2,71	3,42	3,42	5,26	3,76	AP, BM, GB, GT, QU
Chloorkop	3,64	4,32	5,25	6,24	2,00	AP, GB, GT, QU
Amalgam	3,25	2,50	0,87	3,54	2,36	AP, GB, GT, QU, RO
Crown Mines	3,71	2,00	0,00	1,26	2,06	AP, BM, GB, GT, QU, RO
Industria	3,64	0,94	0,00	1,25	0,00	AP, GB, GT, QU
Booyssens/Booyssens Reserve/Ophirton	2,87	1,22	1,92	1,50	1,30	AP, BM, GB, GT, QU, RO
Village Main/Village Deep/New Centre	2,14	2,05	2,95	2,69	3,39	AP, GB, GT, QU, RO
Benrose	2,79	1,94	0,87	0,87	0,83	AP, BM, GB, GT, QU
Steeledale/Electron/Tulisa Park	2,71	3,03	3,08	0,94	3,84	AP, BM, GB, GT, QU
Aeroton	0,47	0,50	2,50	0,94	2,12	AP, GB, GT, QU, RO
Devland/Nancefield	0,50	0,50	0,50	1,00	0,50	AP, QU
Cleveland/Heriotdale	2,77	0,50	0,50	1,00	1,00	AP, GB, GT, QU
Newlands/Martindale	2,49	0,50	0,50	1,00	1,00	AP, GT, QU
Kew/Wynberg East	1,73	2,28	2,64	5,32	2,48	AP, AW, GB, GT, MR, QU
Bramley View/Lombardy West	2,12	0,43	2,06	3,28	4,12	AP, GT, MR, QU
Marlboro	2,36	2,36	2,36	2,36	4,08	AP, GB, GT, QU
Halfway House: hi-tech strip	1,94	4,23	4,08	3,10	3,10	AP, AW, GB, GT, MR, QU
Halfway House: Richards Drive	2,27	2,36	1,86	2,14	2,52	AP, AW, GB, GT, MR, QU
Commercialia	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 2014:1

	Area size leased in m ²				Contributor codes
	250	500	1.000	2.500	5.000
Kramerville/Eastgate Ext12 & Ext13	5,83	4,00	3,83	2,94	6,58
Centurion	4,19	4,19	0,94	1,41	0,47
Linbro Park	5,32	3,89	3,94	3,94	3,73
Wesco Park/Eastgate Ext3, Ext11, Ext6, Ext8/Malboro North (New)	3,10	3,10	3,74	3,54	3,54
City Deep	2,24	1,96	2,94	2,33	3,01
North Riding	1,30	0,00	2,36	0,94	0,00
Samrand Centurion	0,00	0,00	1,41	3,30	4,71
Barbeque Downs	2,00	0,50	1,00	1,50	-
Selby Ext 12/13/15/19/20/24/City West	2,35	2,35	2,06	2,50	3,32
Selby Ext 5/10/14/18	2,06	0,43	1,80	1,30	0,87
Selby Ext 11	0,47	0,47	1,92	0,87	0,87
Selby Ext 3/4/6	2,05	2,36	2,36	0,00	0,87
Denver (Old)	2,62	2,62	4,32	4,32	4,99
Denver (New)	1,50	1,50	2,00	2,00	4,08
Kyalami Business Park	2,05	2,00	3,16	2,45	7,07
Reuven	0,00	1,41	0,87	1,30	1,30
Selby (Old)/Selby Ext2/Park Central	2,45	0,87	0,87	0,98	1,83
Robertsham	2,12	2,12	2,36	0,94	0,94
Fordsburg/Mayfair	2,00	2,00	0,50	2,00	-
West Rand					
Lea Glen	1,50	2,94	3,68	2,87	4,11
Honeydew X19, 20, 21 & 22	3,81	3,32	2,49	2,17	0,83
Stormill	1,17	1,02	0,80	1,46	1,49

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2014:1

	Area size leased in m²					Contributor codes
	250	500	1.000	2.500	5.000	
Chamdor	1,48	1,48	2,12	2,87	2,97	AP, GB, QU, RO
Factoria	1,79	1,79	2,29	2,87	1,89	AP, GB, QU, RO
Randfontein: Delpornton/Aureus	0,00	0,50	0,00	0,00	0,00	AP, QU
Boltonia	2,50	2,50	2,50	3,00	4,00	AP, GB
Roodepoort: Technikon/Manufacta	1,00	3,00	3,00	4,00	2,50	AP, QU
Industria North	0,00	0,00	0,24	0,00	0,54	AP, GB, QU, RO
Robertville	1,22	1,41	2,79	2,33	2,64	AP, BM, GB, QU, RO
Laserpark	3,57	2,86	1,30	1,58	2,65	AP, BM, GB, GT, QU, RO
East Rand						
Elandsfontein	5,15	5,72	4,65	5,96	5,30	AP, BM, BQ, GB, GT, MR QU
Tunney/Greenhills	3,10	2,54	1,86	2,92	6,60	AP, BM, BQ, GB, GT, MR QU
Henville	2,64	2,32	1,26	0,89	0,89	AP, GB, GT, MR, QU
Meadowbrook/Wilbart	4,02	4,20	3,61	5,49	5,61	AP, BM, BQ, GB, GT, MR, QU
Sunnyrock	1,94	2,19	2,48	2,05	1,00	AP, BQ, GB, MR, QU
Rustivia/Activia Park	2,28	2,50	2,35	2,62	1,79	AP, BQ, GB, GT, QU
Eastleigh	1,74	2,06	2,64	2,74	4,03	AP, GB, GT, MR, QU
Sebenza Ext 14	1,36	1,17	2,64	2,92	2,25	AP, GB, GT, MR, QU
Spartan Ext 16 (Sebenza Link) + Ext1,3,7	1,25	1,55	2,94	1,89	2,16	AP, MR, QU
Isando	2,50	2,62	3,99	6,07	6,09	AP, BM, BQ, GB, GT, MR, QU
Isando 3	2,28	2,10	1,94	2,06	2,06	AP, GB, GT, MR, QU
Jet Park	2,19	2,19	2,43	3,11	2,80	AP, BM, BQ, GB, GT, MR, QU
Alrode & Xs	1,63	1,63	3,40	2,16	1,50	AP, GB, GT, QU
Alrode South	3,39	4,82	3,84	3,63	2,49	AP, BM, GB, GT, QU

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2014:1

	Area size leased in m²					Contributor codes
	250	500	1.000	2.500	5.000	
Alberton	0,25	0,50	1,50	1,00	4,50	AP, QU
Aeroporto/Spartan Ext 2	3,27	3,00	2,59	2,05	2,05	AP, GB, GT, QU
Delville	-	-	-	-	2,50	AP
Roodekop	5,00	4,26	4,26	3,77	4,32	AP, GB, GT, QU
Wadeville: Industrial zoning	0,00	1,00	2,05	2,05	2,18	AP, BM, GB, GT, QU
Route 24/Meadowdale	3,41	3,41	3,41	3,63	1,79	AP, GB, GT, MR, QU
Germiston S/Industries E	3,30	3,68	0,50	2,05	2,05	AP, GB, GT, QU
Driehoek/Industries W	2,69	3,03	3,77	5,07	3,77	AP, GB, GT, QU
Knights	2,50	2,50	7,72	3,50	2,00	AP, GB, QU
Spartan Proper	1,70	0,00	0,94	1,70	1,70	AP, MR, QU
Founders View	0,00	0,00	0,94	2,59	1,50	AP, GB, GT, MR, QU
Longmeadow	3,74	4,65	4,84	3,16	3,20	AP, BM, GB, GT, MR, QU
Pomona/Kempton Park	1,80	1,94	2,06	2,50	3,14	AP, BQ, GB, GT, QU
Far East Rand						
Boksburg North & South	0,43	0,00	0,87	1,09	1,00	AP, GB, GT, QU
Benoni	0,00	1,22	1,92	1,92	2,87	AP, GB, GT, QU
New Era/Vulcania	1,84	2,90	3,30	4,71	0,00	AP, GB, QU
Nuffield	2,05	2,49	2,05	1,41	2,36	AP, GB, QU
Fulcrum	0,22	0,62	0,96	2,45	1,63	AP, GB, GT, QU
Apex	2,62	3,34	4,39	1,92	1,50	AP, GB, GT, QU
Labore Brakpan	0,00	0,50	1,00	0,50	0,00	AP, GB, QU
Morehill Ext 8 Benoni	0,25	0,50	0,00	-	-	AP, QU
Polokwane						
Lebowakgomo	-	-	-	-	-	

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2014:1

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Superbia	3,75	2,50	5,00	0,00	-	ES, MO
Industria	0,00	1,50	1,00	0,50	-	ES, MO
Ladine	2,50	2,50	1,50	0,00	-	ES, MO
Futura	-	1,50	1,00	-	-	ES, MO
Laboria	-	-	-	-	-	ES
Magna Via	3,50	1,00	4,00	2,50	-	ES, MO
Seshego	-	-	-	-	-	
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	1,0	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	4,08	4,19	1,63	1,63	ML, PC, PPI
North Coast Rd/Briardene	4,15	2,50	1,30	1,30	2,12	ML, PC, PPI, QP
Briardene Industrial Park	3,54	3,08	3,67	3,46	0,00	ML, PC, PPI, QP
Umgeni Rd/Stamford Hill	4,71	4,71	2,94	4,08	2,36	ML, PC, PPI
Umbilo/Sydney Rd/Gale St	3,68	1,89	2,49	1,63	4,08	ML, PC, PPI
Jacobs	3,03	2,12	2,17	2,12	2,59	ML, PC, PPI, QP
Mobeni	2,49	1,50	1,50	2,12	2,59	ML, PC, PPI, QP
Prospecton	1,41	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	0,94	1,41	2,94	2,12	1,79	PC, PPI

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2014:1

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
New Germany	3,94	2,86	2,95	0,87	1,41	ML, PC, PPI, QP
Isipingo	2,36	1,41	0,47	2,36	4,71	ML, PC, PPI
Rosburgh/South Coast Rd	4,71	0,00	2,36	1,41	4,32	ML, PC, PPI
Edwin Swales Drive	1,00	2,50	4,08	0,94	1,63	ML, PC, PPI
Glen Anil	4,71	4,71	5,10	4,19	4,24	ML, PC, PPI
Brickfield Rd	5,00	2,50	-	-	-	PC, PPI
Verulam	-	-	-	-	-	PPI
Canelands	-	-	-	-	-	PPI
Tongaat	-	-	2,50	2,50	2,50	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	1,79	ML, PC, PPI, QP
Mariann Park/Southmead	0,50	3,56	3,30	2,36	2,36	ML, PC, PPI
Maxmead	2,05	0,00	2,17	3,03	3,96	ML, PC, PPI, QP
Ringroad Industrial Park	-	-	-	-	-	PC
Avoca/Red Hill/Northgate	6,50	4,32	3,30	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	8,16	8,16	6,24	5,89	5,14	ML, PC, PPI
Umbogintwini/Southgate	2,50	2,50	2,50	2,50	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	6,24	2,50	0,00	ML, PC, PPI
Hammersdale	0,47	0,47	0,47	2,05	2,05	ML, PC, PPI, QP
Cato Ridge	2,36	2,05	0,00	2,36	2,36	ML, PC, PPI, QP

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2014:1

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
George						
George Central	-	-	-	-	-	GV
Tamsui Industria	-	-	-	-	-	GV
Pacaltsdorp Industria	-	-	-	-	-	GV
Cape Peninsula						
Viking Place	-	-	-	-	-	DV
Glosderry	2,36	2,50	1,50	1,00	-	AN, GB, PL
Paarden Eiland/Metro	2,36	3,67	4,64	2,05	2,50	AN, AP, GB, GIN, DV
Montague Gardens	2,86	1,80	1,48	2,50	2,50	AN, AP, GB, GIN, PL
Marconi Beam	2,12	3,08	3,43	3,30	5,00	AN, AP, GB, GIN, DV
Killarney Gardens	0,43	1,22	1,22	1,25	1,00	AN, AP, GB, GIN
Racing Park	1,80	0,43	1,00	0,00	0,00	AN, AP, GB, GIN
Atlantis	-	-	-	-	-	AP
Woodstock/Salt River/Observatory	5,00	0,00	0,00	2,50	-	AN, GB, 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	-	-	-	-	-	AN, GB, PL
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

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2014:1

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Diep River	2,36	2,36	0,00	0,00	-	AN, GB, PL
Elfindale	1,50	1,50	2,50	3,00	-	AN, GB
Monwood/Philippi East	-	-	-	-	-	GB
Retreat/Steenberg	1,41	1,41	0,50	0,00	-	AN, GB, PL
Capricon Park	1,41	2,36	1,50	1,50	-	AN, GB, PL
Maitland	3,54	4,08	4,08	3,30	5,00	AN, AP, DV, GB
Ndabeni	2,36	0,00	2,36	4,08	6,00	AN, AP, DV, GB
Airport	2,50	4,00	3,50	5,00	-	AN, GB
Epping 1 & 2	5,55	5,35	3,64	4,92	7,50	AN, AP, GB, PG
WP Park	1,00	1,00	6,00	7,32	-	AN, AP, GB
Elsies River (excl. Central Park)	2,50	4,00	5,50	5,00	6,00	AN, AP
Parow Beaconvale	1,41	3,30	3,30	4,19	4,32	AN, AP, GB
Tygerberg Business Park	1,00	0,94	2,50	1,00	-	AP, DV, GB
Parow Industria	0,82	1,30	2,87	2,36	5,00	AN, AP, DV, GB
Parow East	0,50	1,50	2,16	2,50	-	AN, GB
Bellville Oakdale	-	-	-	-	-	
Bellville Stikland/Kaymor	2,36	3,30	3,77	2,62	2,50	AN, AP, GB
Bellville Triangle	3,00	3,50	2,50	2,50	-	AN, GB
Bellville South/Sacks Circle	2,50	1,50	4,50	1,50	2,50	AN, PL
Kraaifontein	1,00	0,00	0,00	0,00	-	AN, GB
Brackenfell Industria	1,50	3,50	3,50	3,50	-	AN, GB, PL
Everite Brackenfell	1,50	1,25	2,50	2,50	-	AN, GB, PL

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2014:1

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Kuils River	-	-	-	-	-	AN
Blackheath	2,00	2,50	2,00	3,00	-	AN, GB
Saxonburg Industrial Park	-	-	-	-	-	AN
Okavango	2,00	4,50	3,50	-	-	AN, GB
Firgrove	-	-	-	-	-	
The Interchange (Somerset West)	-	-	-	-	-	AN
Strand Halt	-	-	-	-	-	
Broadlands	-	-	-	-	-	
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 2014:1

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Bloemfontein						
Hilton	2,50	2,50	2,50	2,50	-	BW, ED, WK
East End	2,50	2,50	1,50	5,00	-	BW, ED, WK
Harvey Road	1,00	1,00	0,50	0,00	-	BW, EK
Old Industrial	1,41	0,47	0,94	0,75	-	BW, ED, WK
Hamilton: Mill St	1,50	1,50	1,00	0,75	0,00	BW, EK
Hamilton: G Lubbe St	0,94	1,31	0,94	0,00	1,25	BW, ED, EK
Estoir	2,00	1,50	1,75	1,00	-	BW, EK

Notes to the industrial rental tables

1. The rentals are the achievable or market rates for the quarter shown in the table heading, and apply to industrial and warehouse space for the area sizes indicated. The rentals are the averages of the rates as per our panels of experts in the various cities.
2. The rental rates assume gross leases, market escalation rates and leases of 3 to 5 years.
3. In terms of a gross lease, the tenant in a stand-alone building typically pays only for his refuse removal, water and electricity, as well as internal maintenance and increases in rates and taxes. He provides and pays for his own security. All other expenses are for the account of the landlord. In a park the tenant pays, in addition to his gross rental, his *pro rata* share of security costs, security lighting and landscaping.
4. The rental rates also apply to the office portion, where this is less than 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 lettable through increasing the size of the potential tenant pool. Such enhancements could include sufficient office accommodation, adequate parking, sprinkler systems, masonry up to sill height, adequate floor loadings, roof insulation, sufficient yardspace and a good location (as opposed to access).

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

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

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

The scale should be interpreted as follows:

0 = no vacancy

1 = 'low-' vacancy;

2 = 'low' vacancy

3 = 'low+' vacancy

4 = 'medium-' vacancy;

5 = 'medium' vacancy

6 = 'medium+' vacancy

7 = 'high-' vacancy;

8 = 'high' vacancy

9 = 'high+' vacancy

where: low = <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 2014:1

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

Notes:

- 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 2014:1 in rands per m² per month

	Stand-alone			Park		
	R / m ²	SD	N	R / m ²	SD	N
Central Witwatersrand	8,80	0,98	5	9,92	1,88	6
West Rand	5,30	1,33	5	8,31	1,08	4
East Rand	7,00	1,58	4	11,00	0,41	3
Far East Rand	6,33	0,47	3	8,00	1,63	3
Pretoria	7,00	-	1	12,00	-	1
Polokwane	17,50	10,00	2	20,25	11,75	2
Nelspruit	8,00	0,00	2	14,00	1,00	2
Durban	10,17	1,43	3	13,00	1,00	2
Cape Peninsula	5,50	1,47	3	13,50	1,50	2
Bloemfontein	6,50	-	1	6,50	-	1

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

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

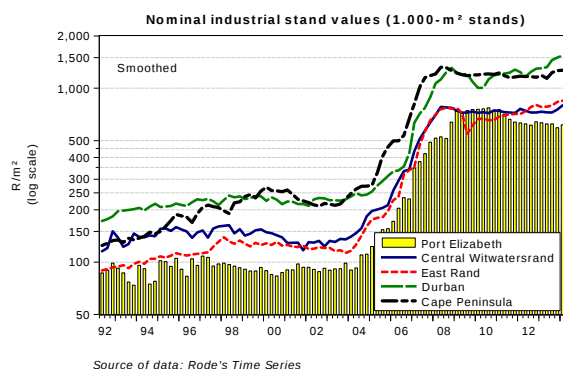
park buildings: as above, plus security, security lighting, landscaping and management.

Chapter 8: Industrial stand values

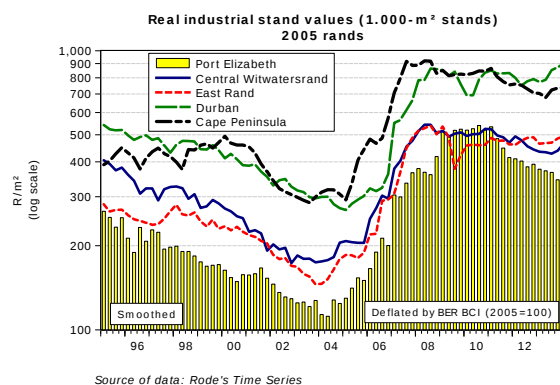
A mixed bag of results

Written by John S. Lottering

The growth in industrial stand values across the major industrial regions is showing mixed results.



In the first quarter 2014, Durban (+16%) continued to show impressive growth and was followed by the Cape Peninsula, where stand values were up by 8%. On the Central Witwatersrand and the East Rand, stand values showed modest growth of 5%, while in Port Elizabeth (-3%) stand values actually contracted somewhat. The Port Elizabeth performance is consistent with a car-manufacturing industry that is past its boom times.



During the reporting quarter, we expect building-cost inflation to have shown weak yearly growth of only 1%. This implies that in all of the major industrial regions — barring Port Elizabeth — stand values were over the past year able to grow in real terms. For now, low levels of business sentiment will most likely continue to undermine the growth in industrial rentals (see Chapter 7). This might, in turn, place a damper on the growth in industrial stand values as land values are leveraged by rentals, as is illustrated by **Table 8.1** below.

Table 8.1:
Sensitivity of land value to changes in rent
 A simplistic viability study

	Scenario		% ch
	A	B	
Market rent year 1 (net)	R10	R12	20%
Cap rate	10%	10%	
MV on completion	R100	R120	
Construction costs	-R60	-R66	10%
Profit margin*	-R17	-R20	
Max value of land†	R23	R34	48%
* Assuming a constant profit margin of 20% of cost (i.e. construction costs and land costs)			
† Thus land value is a residual item in this viability study: it is the maximum that the developer can afford to pay for the land			

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 8.2
Mean market values for serviced and level industrial stands in quarter 2014:1
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Central Witwatersrand								
Cambridge Park	1.500	1.425	1.375	1.125	0,0	8,119	-0,040	-0,98
Wynberg Proper	850	792	800	780	1,0	6,938	-0,005	-0,71
Strijdom Park	950	906	875	750	1,5	7,521	-0,021	-0,99
Kya Sand	725	733	663	608	3,3	7,175	-0,014	-0,98
Clayville/Olifantsfontein	525	484	460	412	3,0	6,944	-0,011	-0,96
Chloorkop	635	635	625	600	5,0	6,626	-0,004	-0,99
Amalgam	900	928	1.024	881	1,3	6,782	-0,002	-0,14
Crown Mines	1.367	1.333	1.025	1.000	2,0	8,324	-0,043	-0,89
Industria	600	575	525	525	2,0	6,832	-0,008	-0,85
Booyens/Booyens Reserve/Ophirton	717	717	683	675	1,0	6,786	-0,005	-0,93
Village Main/Village Deep/New Centre	575	563	525	500	1,0	6,796	-0,008	-0,97
Benrose	675	675	600	600	1,0	6,953	-0,009	-0,86
Steeledale/Electron/Tulisa Park	700	675	600	600	1,0	7,072	-0,011	-0,86
Aeroton	950	900	883	780	2,0	7,394	-0,017	-0,97
Devland/Nancefield	438	438	400	375	3,0	6,594	-0,007	-0,98
Cleveland/Heriotdale	670	670	625	625	3,0	6,766	-0,006	-0,86
Newlands/Martindale	500	-	500	400	3,0	-	-	-
Kew/Wynberg East	783	750	675	663	3,0	7,206	-0,013	-0,90
Bramley View/Lombardy West	500	425	425	450	2,0	6,425	-0,003	-0,29
Marlboro	360	350	350	288	3,5	6,495	-0,008	-0,94
Halfway House: hi-tech strip	938	938	825	800	1,3	7,405	-0,017	-0,92
Halfway House: Richards Drive	800	788	763	738	1,0	6,933	-0,007	-0,99
Commercial	625	625	575	500	1,0	7,136	-0,015	-0,99
Kramerville/Eastgate Ext12 & Ext13	1.433	1.433	1.300	1.233	0,5	7,777	-0,024	-0,96
Centurion	1.000	1.000	1.000	933	1,0	7,099	-0,007	-0,91

Table 8.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2014:1
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Linbro Park	1.417	1.383	928	1.175	1,5	8,143	-0,030	-0,54
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	900	883	850	750	2,0	7,335	-0,016	-0,99
North Riding	800	800	775	833	1,0	6,602	0,003	0,59
Samrand Centurion	850	783	783	750	3,0	7,051	-0,009	-0,82
Barbeque Downs	988	988	913	863	1,0	7,346	-0,015	-0,98
Selby Ext 12/13/15/19/20/24/City West	800	775	700	700	0,5	7,136	-0,011	-0,86
Selby Ext 5/10/14/18	650	633	633	600	0,5	6,686	-0,005	-0,95
Selby Ext 11	750	667	683	650	0,5	6,934	-0,008	-0,71
Selby Ext 3/4/6	750	750	700	675	0,8	6,978	-0,009	-0,96
Denver (Old)	400	423	375	338	1,3	6,606	-0,008	-0,93
Denver (New)	683	683	643	617	2,3	6,869	-0,008	-0,98
Kyalami Business Park	1.125	1.100	1.000	900	0,0	7,724	-0,025	-0,99
Reuven	667	650	658	625	1,3	6,656	-0,004	-0,88
Selby (Old)/Selby Ext2/Park Central	683	633	683	658	0,9	6,520	0,000	-0,04
Robertsham	925	900	858	833	0,0	7,150	-0,010	-0,95
Fordsburg/Mayfair	700	700	700	500	2,0	7,484	-0,022	-0,91
Central Witwatersrand	820	805	747	722	1,5			
West Rand								
Lea Glen	717	717	723	717	2,8	-	-	-
Honeydew X19, 20, 21 & 22	1.125	1.125	1.075	975	2,0	7,465	-0,017	-0,99
Stormill	857	857	843	740	4,4	7,174	-0,013	-0,95
Chamdor	485	485	475	413	1,0	6,653	-0,008	-0,95

Table 8.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2014:1
(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	-0,008	-0,96
Randfontein: Delporton/Aureus	400	400	300	300	3,0	7,063	-0,012	-0,86
Boltonia	400	400	400	350	0,0	6,362	-0,006	-0,91
Roodepoort: Technikon/Manufacta	500	500	500	500	0,0	-	-	-
Industria North	675	675	590	575	1,5	7,087	-0,012	-0,91
Robertville	690	692	677	700	2,0	-	-	-
Laserpark	925	938	875	933	1,7	6,877	0,000	-0,03
West Rand	698	698	669	658	2,2			
East Rand								
Elandsfontein	875	875	867	930	0,5	6,614	0,006	0,84
Tunney/Greenhills	1.167	1.167	967	967	1,7	7,762	-0,024	-0,86
Henville	900	900	850	700	0,5	7,553	-0,023	-0,98
Meadowbrook/Wilbart	900	850	800	800	0,8	7,158	-0,010	-0,82
Sunnyrock	1.000	1.000	1.000	1.000	0,7	-	-	-
Rustivia/Activia Park	800	800	767	767	1,3	6,843	-0,004	-0,86
Eastleigh	800	800	750	750	2,5	6,925	-0,006	-0,86
Sebenza Ext 14	825	825	800	700	2,3	7,200	-0,014	-0,97
Spartan Ext 16 (Sebenza Link) + Ext1,3,7	750	750	625	600	2,2	7,412	-0,018	-0,91
Isando	950	950	950	775	1,0	7,421	-0,020	-0,91
Isando 3	750	750	775	725	1,5	6,683	-0,003	-0,51
Jet Park	950	917	917	963	1,0	-	-	-
Alrode & Xs	600	583	550	583	1,9	6,517	-0,002	-0,30
Alrode South	450	433	400	483	2,5	-	-	-
Alberton	525	525	475	450	1,0	6,786	-0,009	-0,96
Aeroporto/Spartan Ext 2	950	950	850	825	0,0	7,353	-0,015	-0,93

Table 8.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2014:1
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Delville	425	425	400	400	-	6,278	-0,003	-0,86
Roodekop	425	425	425	425	1,5	-	-	-
Wadeville: Industrial zoning	575	558	554	494	1,5	6,765	-0,008	-0,96
Route 24/Meadowdale	1.000	1.000	1.000	950	1,0	7,050	-0,006	-0,91
Germiston S/ Industries E	600	800	600	575	1,8	6,933	-0,013	-0,50
Driehoek/Industries W	750	750	750	700	1,3	6,811	-0,006	-0,91
Knights	-	-	-	-	2,0	-	-	-
Spartan Proper	825	825	763	750	0,0	7,055	-0,009	-0,91
Founders View	1.200	1.200	1.200	1.200	2,0	-	-	-
Longmeadow	1.383	1.383	1.300	1.220	1,4	7,640	-0,019	-0,99
Pomona/Kempton Park	825	825	825	812	1,6	6,761	-0,002	-0,91
East Rand	846	833	789	791	1,4			
Far East Rand								
Boksburg North & South	763	763	925	744	2,5	6,522	0,000	-0,02
Benoni	570	570	547	547	3,0	6,501	-0,003	-0,86
New Era/Vulcania	475	475	475	500	2,0	6,021	0,003	0,91
Nuffield	375	375	375	375	5,5	-	-	-
Fulcrum	375	375	375	375	5,5	-	-	-
Apex	650	625	625	567	2,0	6,838	-0,008	-0,95
Labore Brakpan	375	375	350	350	3,5	6,184	-0,003	-0,86
Morehill Ext 8 Benoni	1.100	1.100	850	850	0,0	7,963	-0,031	-0,86
Far East Rand	552	549	546	546	3,3			
Polokwane								
Lebowakgomo	-	-	-	-	-	-	-	-
Superbia	-	580	-	-	-	-	-	-

Table 8.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2014:1
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Industria	-	-	-	-	-	-	-	-
Ladine	-	550	-	-	-	-	-	-
Futura	-	350	-	-	-	-	-	-
Laboria	-	-	-	-	-	-	-	-
Magna Via	-	620	-	450	-	-	-	-
Seshego	-	-	-	-	-	-	-	-
Polokwane	-	525	-	450	-			
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	2.350	2.100	2.100	1.600	0,7	8,771	-0,144	-0,89
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	1.700	1.850	1.850	0,7	7,123	0,044	0,92
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	2.100	1.850	1.750	1,5	8,428	-0,105	-0,99
Ithala Industrial Estate	1.800	1.700	1.500	1.300	3,0	8,488	-0,141	-0,99
Pinetown Central	1.400	1.333	1.200	1.225	2,3	7,690	-0,066	-0,92

Table 8.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2014:1
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
New Germany	1.350	1.300	1.200	1.100	2,0	7,833	-0,089	-0,99
Kwa Debeka Industrial Park								
Isipingo	1.000	1.000	650	200	6,0	11,779	-0,668	-0,89
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
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	1.483	1.433	1.367	1.267	1,5	7,768	-0,066	-0,98
Westmead	1.900	1.767	1.300	1.133	1,5	9,237	-0,239	-0,98
Mariann Park/Southmead	1.000	1.000	933	900	3,0	7,265	-0,050	-0,96
Maxmead	1.950	1.733	1.300	1.233	2,0	9,060	-0,215	-0,98
Ringroad Industrial Park	-	-	-	-	-	-	-	-
Avoca/Red Hill/Northgate	1.750	1.650	1.500	1.200	1,0	8,574	-0,156	-0,95
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	1.650	1.400	1.250	1.150	1,5	8,435	-0,152	-0,99
Umbogintwini/Southgate	1.250	1.100	600	550	1,0	9,920	-0,398	-0,97
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	200	1.300	1.000	1.000	2,0	2,023	0,564	0,67
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	1.566	1.497	1.254	1.135	2,1			

Table 8.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2014:1
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
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			
Cape Peninsula								
Viking Place	-	-	-	-	-	-	-	-
Glosderry	-	-	-	-	-	-	-	-
Montague Gardens	2.167	2.000	1.850	1.750	1,5	8,307	-0,041	-0,92
Paarden Eiland/Metro	1.867	1.833	1.650	1.650	1,0	7,965	-0,025	-0,86
Marconi Beam	2.000	2.000	2.000	2.000	2,0	-	-	-
Killarney Gardens	1.500	1.200	1.150	1.100	1,5	8,102	-0,033	-0,75
Racing Park	913	833	725	725	5,0	7,541	-0,019	-0,84
Atlantis	-	-	-	-	-	-	-	-
Woodstock/Salt River/Observatory	-	-	-	-	-	-	-	-
Athlone 1 & 2	-	-	-	-	-	-	-	-
Landsdowne Nerissa	-	-	-	-	-	-	-	-
Sand Industria	-	-	-	-	-	-	-	-
Ottery Hillstar	-	-	-	-	-	-	-	-
Ottery Sunset	-	-	-	-	-	-	-	-
Diep River	-	-	-	-	-	-	-	-
Elfindale	-	-	-	-	-	-	-	-
Monwood/Philippi	350	350	350	-	-	-	0,000	-
Retreat/Steenberg	-	-	-	-	-	-	-	-
Capricorn Park	750	750	725	800	7,0	-	-	-
Maitland	1.100	1.075	1.133	975	1,7	7,276	-0,012	-0,74

Table 8.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2014:1
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	r
	1.000	2.000	5.000	10.000				
Ndabeni	1.625	1.500	1.450	1.375	2,0	7,849	-0,023	-0,90
Airport	1.200	1.000	1.000	800	-	8,123	-0,037	-0,91
Epping 1 & 2	1.300	1.300	1.150	1.100	2,5	7,750	-0,024	-0,94
WP Park	1.500	1.400	1.250	1.200	1,0	8,005	-0,031	-0,91
Elsies River (excl. Central Park)	1.000	1.000	1.000	800	-	7,526	-0,022	-0,91
Parow Beaconvale	975	900	825	750	-	7,652	-0,023	-0,96
Tygerberg Business Park	1.100	1.050	950	850	-	7,790	-0,027	-0,99
Parow Industria	1.550	1.550	1.250	1.250	-	8,147	-0,037	-0,86
Parow East	2.000	2.000	1.500	1.500	-	8,672	-0,061	-0,86
Bellville Oakdale	-	-	-	-	-	-	-	-
Bellville Stikland/Kaymor	1.225	1.225	1.125	1.000	1,0	7,754	-0,026	-0,99
Bellville Triangle	1.050	1.050	950	875	0,0	7,557	-0,021	-0,98
Bellville South/Sacks Circle	1.100	1.000	925	850	1,0	7,744	-0,025	-0,94
Kraaifontein	825	800	700	625	1,0	7,597	-0,022	-0,98
Brackenfell Industria	1.225	1.225	1.000	900	1,0	8,158	-0,039	-0,96
Everite Brackenfell	1.275	1.275	1.225	1.050	1,0	7,727	-0,026	-0,97
Kuils River	925	900	700	650	1,0	8,033	-0,032	-0,93
Blackheath	725	725	625	550	2,0	7,493	-0,021	-0,98
Saxonburg Industrial Park	1.050	1.050	925	875	2,0	7,583	-0,021	-0,95
Okavango	1.250	1.250	1.100	1.000	0,0	7,871	-0,030	-0,98
Firgrove	-	-	-	-	-	-	-	-
The Interchange (Somerset West)	1.500	1.500	1.250	1.250	1,0	7,992	-0,031	-0,86
Strand Halt	-	-	-	-	-	-	-	-
Broadlands	-	-	-	-	-	-	-	-
Cape Peninsula	1.276	1.218	1.088	1.038	1,8			

Table 8.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2014:1
(R/ m² excl VAT)

	Area size in m ²				Vacancy Grade	a	b	r
	1.000	2.000	5.000	10.000				
Port Elizabeth								
Deal Party	1.000	750	500	500	2,0	9,071	-0,320	-0,96
North End	1.000	750	500	500	2,0	9,071	-0,320	-0,96
Korsten/Neave/Sidwell/Sydenham	1.000	750	500	500	2,0	9,071	-0,320	-0,96
South End Walmer	1.250	1.000	750	750	1,0	8,709	-0,234	-0,96
Uitenhage: Volkswagen area/NMBLP	-	400	350	350	5,0	-	-	-
Uitenhage: Hella/Kruisrivier	250	150	125	125	9,0	7,361	-0,287	-0,89
Struandale	450	400	350	350	5,0	6,874	-0,114	-0,95
Markman Township	200	150	125	125	9,0	6,631	-0,203	-0,93
Perseverance	400	400	350	350	5,0	6,489	-0,070	-0,92
Walmer	1.250	1.000	750	600	1,0	9,328	-0,318	-1,00
Greenbushes	-	-	150	150	9,0	-	-	-
Fairview	600	600	500	500	1,0	7,076	-0,096	-0,92
Port Elizabeth	740	577	413	400	4,2			
Bloemfontein								
Hilton	340	300	280	160	1,0	7,921	-0,019	-0,98
East End	390	370	294	220	2,0	7,746	-0,019	-0,99
Harvey Road	-	-	-	-	-	-	-	-
Old Industrial	260	228	200	168	1,0	6,835	-0,009	-0,96
Hamilton : Mill St	225	200	200	100	1,0	7,605	-0,013	-0,95
Hamilton : G Lubbe St	200	180	153	65	2,0	8,519	-0,015	-0,99
Estoir	460	450	415	323	2,0	7,182	-0,015	-0,99
Bloemfontein	313	288	257	168	1,5			

Table 8.3
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2014:1
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Central Witwatersrand					
Cambridge Park	0,00	75,00	125,00	75,00	AP, QU
Wynberg Proper	40,82	11,79	117,26	86,41	AP, GB, QU
Strijdom Park	86,60	71,53	82,92	0,00	AP, BM, GB, QU
Kya Sand	54,01	47,14	63,67	27,00	AP, BM, GB, GT, QU
Clayville/Olifantsfontein	25,00	16,50	29,44	83,30	AP, GT, MR, QU
Chloorkop	15,00	15,00	25,00	0,00	AP, GT, QU
Amalgam	141,42	164,51	23,50	275,78	AP, GB, QU, RO
Crown Mines	169,97	205,48	25,00	0,00	AP, GB, QU, RO
Industria	0,00	25,00	25,00	25,00	AP, GB, QU
Booyens/Booyens Reserve/Ophirton	23,57	23,57	23,57	25,00	AP, GB, QU, RO
Village Main/Village Deep/New Centre	25,00	37,50	25,00	0,00	AP, QU, RO
Benrose	25,00	25,00	0,00	0,00	AP, QU
Steeledale/Electron/Tulisa Park	0,00	25,00	0,00	0,00	AP, GT, QU
Aeroton	40,82	70,71	62,36	102,96	AP, BM, GB, GT
Devland/Nancefield	12,50	12,50	0,00	25,00	AP, QU
Cleveland/Heriotdale	30,00	30,00	25,00	25,00	AP, GB, QU
Newlands/Martindale	-	-	-	-	AP
Kew/Wynberg East	23,57	40,82	75,00	62,50	AP, GB, QU
Bramley View/Lombardy West	100,00	75,00	75,00	50,00	AP, QU
Marlboro	40,00	50,00	50,00	12,50	AP, GB, QU
Halfway House: hi-tech strip	62,50	62,50	25,00	40,82	AP, AW, MR, QU

Table 8.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2014:1
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Halfway House: Richards Drive	0,00	12,50	12,50	37,50	AP, AW, QU
Commercia	75,00	75,00	25,00	0,00	AP, QU
Kramerville/Eastgate Ext12 & Ext13	47,14	47,14	81,65	169,97	AP, GB, QU
Centurion	0,00	0,00	0,00	47,14	AP, GT, QU
Linbro Park	62,36	102,74	492,72	136,01	AP, BM, GB, GT, MR, QU
Wesco Park/Eastgate Ext3, Ext11, Ext6, Ext8/Malboro North (New)	0,00	0,00	0,00	0,00	AP, QU
City Deep	81,65	84,98	122,47	35,36	AP, BM, GB, GT, QU
North Riding	0,00	0,00	25,00	124,72	AP, BM, QU
Samrand Centurion	0,00	23,57	23,57	0,00	AP, GT, MR, QU
Barbeque Downs	12,50	12,50	12,50	62,50	AP, QU
Selby Ext 12/13/15/19/20/24/City West	0,00	25,00	0,00	0,00	AP, QU, RO
Selby Ext 5/10/14/18	70,71	23,57	47,14	40,82	AP, GB, QU, RO
Selby Ext 11	70,71	47,14	23,57	50,00	AP, GB, QU, RO
Selby Ext 3/4/6	0,00	0,00	0,00	25,00	AP, GB, QU, RO
Denver (Old)	40,82	20,55	25,00	37,50	AP, GB, QU
Denver (New)	23,57	23,57	33,00	23,57	AP, GB, QU
Kyalami Business Park	75,00	100,00	-	-	AP, QU
Reuven	23,57	40,82	11,79	25,00	AP, GB, QU, RO
Selby (Old)/Selby Ext2/Park Central	62,36	47,14	23,57	31,18	AP, GB, QU, RO
Robertsham	54,01	40,82	31,18	84,98	AP, GB, QU, RO
Fordsburg/Mayfair	-	-	-	-	AP

Table 8.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2014:1
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
West Rand					
Lea Glen	23,57	23,57	20,55	23,57	AP, GB, QU, RO
Honeydew X19, 20, 21 & 22	75,00	75,00	25,00	25,00	AP, GB, QU
Stormill	33,00	33,00	40,28	43,20	AP, GB, QU, RO
Chamdor	35,00	35,00	25,00	12,50	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	25,00	10,00	25,00	AP, QU
Robertville	14,14	11,79	20,55	44,72	AP, BM, GB, QU, RO
Laserpark	75,00	37,50	25,00	47,14	AP, GB, GT, QU
East Rand					
Elandsfontein	20,41	20,41	23,57	60,00	AP, BM, BQ, GB, GT, QU
Tunney/Greenhills	47,14	47,14	47,14	47,14	AP, GB, MR, QU
Henville	100,00	100,00	150,00	-	AP, QU
Meadowbrook/Wilbart	100,00	50,00	0,00	0,00	AP, GB, QU
Sunnyrock	0,00	0,00	0,00	0,00	AP, GB, QU
Rustivia/Activia Park	0,00	0,00	47,14	47,14	AP, GB, QU
Eastleigh	0,00	0,00	50,00	50,00	AP, QU
Sebenza Ext 14	25,00	25,00	0,00	81,65	AP, GB, QU
Spartan Ext 16 (Sebenza Link) + Ext1,3,7	100,00	100,00	25,00	0,00	AP, GB, QU

Table 8.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2014:1
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Isando	50,00	50,00	50,00	25,00	AP, GB, QU
Isando 3	50,00	50,00	25,00	25,00	AP, GB, QU
Jet Park	50,00	62,36	62,36	41,46	AP, BM, GB, GT, QU
Alrode & Xs	0,00	23,57	40,82	143,37	AP, GB, QU
Alrode South	0,00	23,57	40,82	192,93	AP, GB, QU
Alberton	-	-	-	-	QU
Aeroport/Spartan Ext 2	50,00	50,00	50,00	25,00	AP, QU
Delville	-	-	-	-	QU
Roodekop	25,00	25,00	25,00	25,00	AP, GB, QU
Wadeville: Industrial zoning	25,00	11,79	6,13	41,60	AP, GB, QU
Route 24/Meadowdale	0,00	0,00	0,00	50,00	AP, QU
Germiston S/Industries E	200,00	0,00	200,00	225,00	AP, GB, QU
Driehoek/Industries W	100,00	100,00	100,00	108,01	GB, QU
Knights	-	-	-	-	
Spartan Proper	75,00	75,00	37,50	50,00	AP, QU
Founders View	0,00	0,00	0,00	0,00	AP, GB, QU
Longmeadow	23,57	23,57	141,42	97,98	AP, BM, GB, GT, MR, QU
Pomona/Kempton Park	25,00	25,00	25,00	11,50	AP, GT, QU
Far East Rand					
Boksburg North & South	112,50	112,50	75,00	94,17	AP, GB, GT, QU
Benoni	21,60	21,60	41,10	41,10	AP, GB, QU
New Era/Vulcania	25,00	25,00	25,00	0,00	AP, GB

Table 8.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2014:1
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Nuffield	25,00	25,00	25,00	25,00	AP, GB
Fulcrum	25,00	25,00	25,00	25,00	AP, GB
Apex	0,00	25,00	25,00	62,36	AP, GB, GT
Labore Brakpan	25,00	25,00	50,00	50,00	AP, GB
Morehill Ext 8 Benoni	-	-	-	-	AP
Polokwane					
Lebowakgomo	-	-	-	-	ES
Superbia	-	-	-	-	ES
Industria	-	-	-	-	ES
Ladine	-	-	-	-	ES
Futura	-	-	-	-	ES
Laboria	-	-	-	-	ES
Magna Via	-	-	-	-	ES
Seshego	-	-	-	-	ES
Nelspruit					
Nelspruit East	-	-	-	-	
Nelspruit West	-	-	-	-	HH
Rocky's Drift	-	0,00	0,00	0,00	HH, RZ
Riverside Park	-	100,00	0,00	0,00	HH, RZ
Durban					
Springfield Park	150,00	100,00	100,00	100,00	ML, PC, PPI
Mayville	-	-	-	150,00	PPI

Table 8.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2014:1
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Phoenix	250,00	0,00	50,00	250,00	PC, PPI
North Coast Rd/Briardene	-	-	150,00	150,00	PC, PPI
Briardene Industrial Park	-	-	150,00	150,00	PPI
Umgenei Rd/Stamford Hill	-	-	-	-	PPI
Umbilo/Sydney Rd/Gale St	-	-	-	250,00	PPI
Jacobs	-	-	150,00	250,00	PPI
Mobeni	-	-	-	-	PPI
Prospecton	0,00	100,00	350,00	450,00	PPI
Ithala Industrial Estate	-	-	-	-	PPI
Pinetown Central	141,42	124,72	81,65	25,00	ML, PC, PPI, QP
New Germany	150,00	122,47	187,08	100,00	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
Tonga	-	-	-	-	PPI
New Westmead/Mahogany	143,37	94,28	94,28	47,14	ML, PC, PPI, QP
Westmead	-	188,56	163,30	124,72	ML, PPI, QP
Mariann Park/Southmead	0,00	0,00	47,14	70,71	ML, PC, PPI, QP

Table 8.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2014:1
(R/m² excl VAT)

	Area size in m²				Contributors
	1.000	2.000	5.000	10.000	
Maxmead	50,00	169,97	141,42	205,48	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
Maxmead	50,00	169,97	141,42	205,48	ML, PC, PPI, QP
Ringroad Industrial Park	-	-	-	-	
Umbogintwini/Southgate	300,00	150,00	355,90	334,17	PPI
Southgate Industrial Park	-	25,00	-	275,00	PPI
Hibiscus Industrial Park	-	-	-	-	PPI
Umgeni Park	-	-	-	-	PPI
Hammersdale	-	-	-	-	
Cato Ridge	50,00	50,00	23,57	23,57	ML, PC, PPI, QP
George			47,14	43,30	PC, PPI, QP
George Central	-	-	-	-	GV
Tamsui Industria	-	-	-	-	GV
Pacaltsdorp Industria	-	-	-	-	GV
Cape Peninsula					
Viking Place	-	-	-	-	
Glosderry	-	-	-	-	
Paarden Eiland/Metro	235,70	0,00	150,00	250,00	AN, AP, GB
Montague Gardens	188,56	235,70	350,00	350,00	AN, AP, GB
Marconi Beam	0,00	0,00	-	-	AP, GB

Table 8.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2014:1
(R/m² excl VAT)

	Area size in m ²				Contributors
	1.000	2.000	5.000	10.000	
Killarney Gardens	0,00	100,00	150,00	200,00	AN, AP, GB, GIN
Racing Park	89,27	23,57	25,00	25,00	AN, AP, GB, GIN
Atlantis	-	-	-	-	
Woodstock/Salt River/Observatory	-	-	-	-	
Athlone 1 & 2	-	-	-	-	
Landsdowne Nerissa	-	-	-	-	
Sand Industria	-	-	-	-	
Ottery Hillstar	-	-	-	-	
Ottery Sunset	-	-	-	-	
Diep River	-	-	-	-	
Elfindale	-	-	-	-	
Monwood/Philippi	-	-	-	-	
Retreat/ Steenberg	-	-	-	-	
Capricorn Park	100,00	100,00	75,00	-	AN, GB
Maitland	100,00	75,00	124,72	25,00	AN, AP
Ndabeni	125,00	0,00	50,00	125,00	AN, AP
Airport	-	-	-	-	AN
Epping 1 & 2	141,42	141,42	50,00	81,65	AN, AP, GB
WP Park	100,00	0,00	50,00	0,00	AN, GB
Elsies River (excl. Central Park)	-	-	-	-	AP
Parow Beaconvale	25,00	0,00	25,00	50,00	AN, AP, GB
Tygerberg Business Park	100,00	150,00	150,00	150,00	AN, AP, GB
Parow Industria	450,00	450,00	250,00	250,00	AP, GB

Table 8.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2014:1
(R/m² excl VAT)

	Area size in m²				Contributors
	1.000	2.000	5.000	10.000	
Parow East	-	-	-	-	AP
Bellville Oakdale	-	-	-	-	
Bellville Stikland/Kaymor	25,00	25,00	25,00	0,00	AN, AP, GB
Bellville Triangle	50,00	50,00	50,00	25,00	AN, GB
Bellville South/Sacks Circle	100,00	0,00	75,00	50,00	AN, GB
Kraaifontein	25,00	0,00	0,00	25,00	AN, GB
Brackenfell Industria	25,00	25,00	0,00	100,00	AN, GB
Everite Brackenfell	25,00	25,00	25,00	50,00	AN, GB
Kuils River	75,00	100,00	-	-	AN, GB
Blackheath	75,00	75,00	75,00	50,00	AN, GB
Saxonburg Industrial Park	50,00	50,00	75,00	75,00	AN, GB
Okavango	-	-	-	-	AN
Firgrove	-	-	-	-	
The Interchange (Somerset West)	-	-	-	-	AN
Strand Halt	-	-	-	-	
Broadlands	-	-	-	-	
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

Table 8.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2014:1
(R/m² excl VAT)

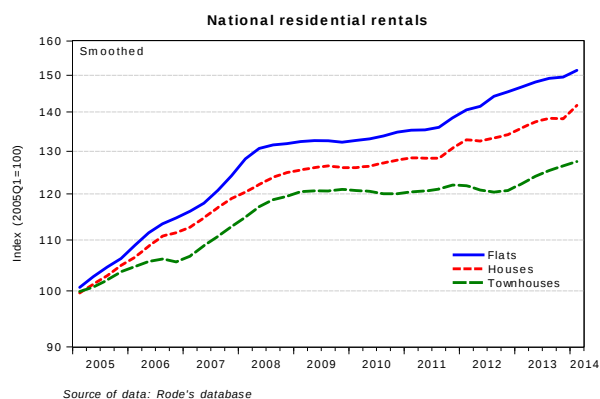
	Area size in m²				Contributors
	1.000	2.000	5.000	10.000	
Struandale	62,36	62,36	70,71	62,36	IBM, QV
Markman Township	31,71	22,48	11,79	16,50	HS, IBM, QV
Perseverance	25,00	25,00	23,57	23,57	HS, IBM, QV
Walmer	125,00	0,00	50,00	75,00	IBM, QV
Greenbushes	-	-	0,00	12,50	IBM
Fairview	50,00	50,00	75,00	50,00	IBM, QV
Bloemfontein					
Hilton	10,00	0,00	0,00	0,00	EK, BW
East End	10,00	20,00	6,00	-	EK, BW
Harvey Road	-	-	-	-	EK, BW
Old Industrial	0,00	7,50	0,00	2,50	EK, BW
Hamilton: Mill St	5,00	0,00	0,00	0,00	EK, BW
Hamilton: G Lubbe St	0,00	0,00	2,50	5,00	EK, BW
Estoir	0,00	0,00	5,00	2,50	EK, BW

Chapter 9: Flats market

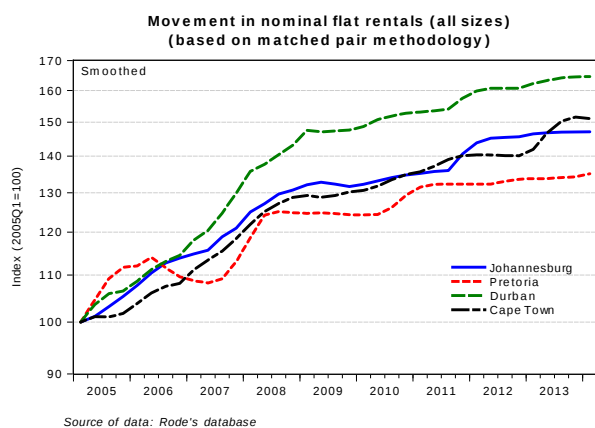
No magic on the residential rental front

Written by John S. Lottering

In the first quarter of 2014, both house and townhouse rentals were able to grow by 4%, while rentals on flats showed growth of only 3%.

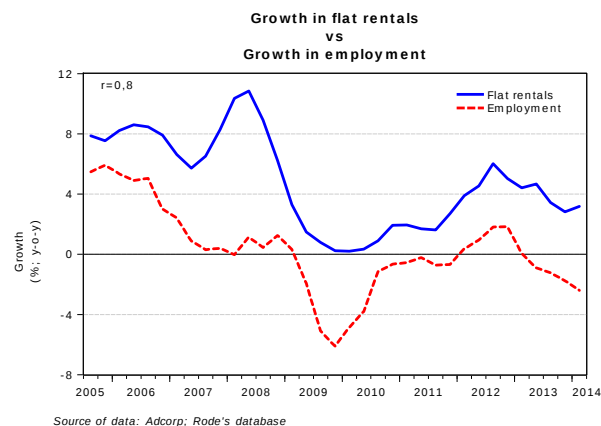


Regionally, flat rentals in Cape Town again showed the strongest growth with their yearly growth rate of 6%, while in Durban flat rentals were up by a modest 2%. In Johannesburg and Pretoria, flat rentals could only fetch growth of 1%. In the first quarter of 2014, consumer prices (excluding owners' equivalent rent) showed growth of about 6%. This implies that Cape Town was the only city in which flat rentals were able to grow in *real* terms.



The phenomenal growth in Durban flat rentals since 2007 remains to be explained.

From the tenants' point of view, weak economic activity and the damper it places on the growth in employment will most likely continue to be unsupportive of households' financial position. The result of this might be continued mediocre growth in residential rentals. The corresponding graph depicts the correlation between the growth in employment and the growth in national nominal flat rentals.



Thus we can wave goodbye to the theory that when houses are expensive, more consumers have to rent residential space, which in turn would strongly push up residential rentals. No sir, in the end, affordability is the crucial shorter-term determinant. Thus, if you are a residential-property investor, it would therefore be advisable to monitor and track changes in employment, increases in salaries and inflation (which eat into employee remuneration).

As if dealing with mediocre growth in rentals is not enough, landlords who still have to service mortgage debt, now also face the possibility of rising interest rates. Besides keeping interest rates steady at the May 2014 policy meeting, the Monetary Policy Committee did mention that it held the view that we are in a rising interest-rate cycle.

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

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.

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

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

Table 9.1
Gross-income yields (%): Flats
Standard quality
Quarter 2014:1

	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 2014:1

	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 rand per month as at quarter 2014:1

	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	-	-	-	-	-	-	-	-	-
Germiston C & S	-	-	-	-	-	-	-	-	-
Germiston South - suburbs	-	-	-	-	-	-	-	-	-
Elsburg	-	-	-	-	-	-	-	-	-
Pretoria average	R2.563		R2.913		R3.546		R4.123		
Akasia	R2.700	R141	R2.900	R141	R3.550	R71	R3.850	R71	HK, TR
Pretoria North/Dorandia/Florauna	R2.400	R200	R2.600	R200	R3.200	R100	R4.000	R0	CI, HK, TR
Annlin/Wonderboom/Sinoville/Montana	R2.725	R393	R3.100	R265	R3.500	R141	R4.450	R495	CI, HK, TR
Die Moot/Queenswood	R2.800	R100	R3.000	R0	R3.367	R176	R3.750	R212	CI, HK, TR
Silverton/Meyerspark/La Montagne	R2.000	R0	R2.350	R71	R2.750	R354	R3.300	R283	HK, TR
Eastern suburbs (Menlo Park/Ashlea Gardens/all Lynnwoods/Die Wilgers/ Faerie Glen/Garsfontein/Pretoriuspark/ Constantia/Waterkloof Glen/ Erasmuskloof)	R2.450	R71	R2.875	R177	R3.700	R0	R4.050	R71	CI, HK, TR
Groenkloof/Brooklyn/most Waterkloofs/ Monumentpark/Erasmusrand	R2.950	R71	R3.200	R141	R4.200	R100	R5.150	R71	HK, TR

Table 9.2 (continued)
Flat rentals: standard units
 Average rand per month as at quarter 2014:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
South-eastern suburbs (Elarduspark/ Wingate Park/Moreletapark/Pierre van Ryneveld/Waterkloof)	R3.125	R106	R3.575	R177	R4.250	R212	R4.700	R283	HK, TR
Sunnyside	R2.533	R58	R2.900	R424	R3.817	R401	R4.133	R231	CI, HK, TR
Arcadia	R2.550	R132	R3.000	R300	R3.867	R351	R4.250	R132	CI, HK, TR
Pretoria Central	R2.400	R100	R2.833	R58	R3.800	R444	R4.200	R180	CI, HK, TR
Pretoria West	R2.400	R132	R2.800	R87	R3.283	R104	R4.050	R200	CI, HK, TR
Kwaggastrand/West Park	R2.400	R100	R2.667	R58	R3.130	R204	R3.933	R58	CI, HK, TR
Elandspoort/Danville	R2.000	R141	R2.450	R283	R2.700	R283	R3.300	R424	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
Heuweloord	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 2014:1

	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		R5.581		
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 rand per month as at quarter 2014:1

	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	R2.311		R2.785		R3.515		R4.354		
Summerstrand/Humewood/South End	R3.033	R252	R3.550	R354	R4.833	R577	R6.467	R924	SJ, TR, ZB
Walmer	R3.000	R0	R3.500	-	R4.300	R424	R6.500	-	SJ, TR
Central/North End	R2.233	R58	R2.767	R153	R3.300	R100	R3.650	R212	SJ, TR, ZB
Newton Park	R2.300	-	R3.000	R707	R3.650	R495	R4.500	-	SJ, TR
Westerling	R2.100	-	R2.500	-	R3.350	-	R4.000	-	SJ
Kabega	R2.050	-	R2.400	-	R3.100	-	R3.833	-	SJ
Algoa Park	R1.750	-	R2.100	-	R2.550	-	R2.800	-	SJ
East London average	R2.510		R2.783		R3.261		R3.692		
Southernwood/Quigney Beach/CBD	R2.750	-	R2.900	-	R3.500	-	R4.000	-	TR
Berea	R2.750	-	R3.100	-	R3.800	-	R4.200	-	TR
Amalinda	R2.500	-	R2.670	-	R3.150	-	R3.300	-	TR

Table 9.2 (continued)
Flat rentals: standard units
 Average rands per month as at quarter 2014:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Gonubie Park	R2.300	-	R2.500	-	R2.700	-	R3.350	-	TR
Bloemfontein average	R2.228		R2.650		R3.526		R3.995		
Bloemfontein	R2.067	R115	R2.633	R58	R3.000	R200	R3.600	-	ED, EK, MI
Westdene	R2.350	R212	R2.633	R58	R3.715	R811	-	-	ED, EK, MI
Willows	R2.517	R236	R2.650	R71	R3.800	R173	R3.900	-	ED, EK, MI
Navalsig	R2.365	R191	R2.683	R247	R3.417	R144	R4.400	R141	ED, EK, MI
Arboretum	R1.900	R141	R2.650	R577	R3.767	R874	R4.125	R884	ED, EK, MI

Table 9.3

Flat rentals: upmarket units

Average rand's per month as at quarter 2014:1

	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/Illovo	R4.200	-	R5.500	-	-	-	-	-	TR
Greenside/Victory									
Park/Emmentia/Linden/Parkview/Parkhurst	R4.500	-	R5.500	-	R6.500	-	R8.000	-	JL
Randburg: Ferndale/Fontainebleau	R4.125	R884	R4.417	R722	R5.488	R904	R6.200	R424	BS, JL, NH, TR
Randburg & Suburbs	R4.175	R813	R4.250	R901	R4.650	R71	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 rands per month as at quarter 2014:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Germiston average	-	-	-	-	-	-	-	-	
Primrose	-	-	-	-	-	-	-	-	
Germiston C & S	-	-	-	-	-	-	-	-	
Germiston South - suburbs	-	-	-	-	-	-	-	-	
Elsburg	-	-	-	-	-	-	-	-	
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

Table 9.3 (continued)

Flat rentals: upmarket units

Average rand per month as at quarter 2014:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Durban North/La Lucia/Umhlanga	R4.000	-	R5.750	-	R7.000	-	R15.000	-	WK
North (Dolphin) Coast/Ballito	-	-	-	-	-	-	-	-	-
Montclair/Yellowwood Park	R3.000	-	R3.750	-	R4.500	-	R5.000	-	WK
Bluff area/Durban South	R3.000	-	R3.800	-	R4.500	-	R5.000	-	WK
Durban South/Amanzimtoti/Warner Beach area	R3.250	-	R3.800	-	R4.500	-	R5.500	-	WK
Cape Town average	R3.620		R4.422		R5.896		R7.703		
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	R5.500	R0	R6.000	R0	R8.500	R2.121	R11.750	R4.596	PF, SQ, TR
City Bowl (excluding Higgovale)	R5.200	R265	R6.033	R451	R8.400	R566	R10.000	-	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	R1.256	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

Table 9.3 (continued)
Flat rentals: upmarket units
 Average rand per month as at quarter 2014:1

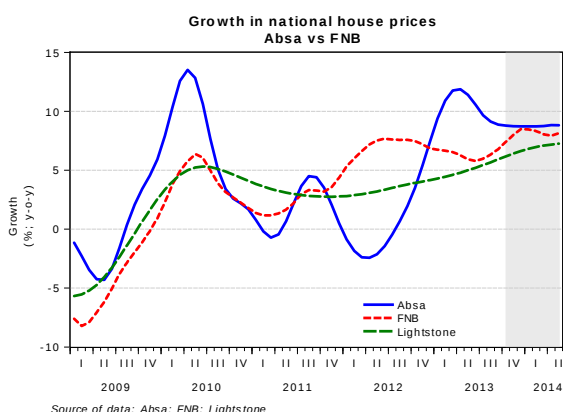
	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Brooklyn/Rugby/Maitland	R2.983	R29	R3.433	R115	R4.367	R231	R5.400	R173	LA, SQ, TR
Monte Vista/Goodwood/Parow/Bellville Central	R3.100	R115	R3.563	R399	R4.638	R759	R5.400	R849	LA, SQ, TR
Tyger Valley area/Durbanville	R3.067	R115	R3.850	R191	R4.963	R403	R7.500	R0	LA, PF, SF, TR
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	R7.000	R707	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	SJ, ZB
Walmer	R2.975	R177	R3.800	R0	R4.650	R212	R6.250	R1.061	SJ
Central/North End	R2.500	-	R2.750	-	R3.250	-	R3.500	-	SJ
Newton Park	R2.675	R318	R3.075	R318	R3.450	R354	R3.800	-	SJ
Westering	R2.650	R212	R3.025	R247	R3.500	R0	R3.850	-	SJ
Kabega	R2.600	R141	R2.975	R177	R3.400	R141	R3.850	-	SJ
Algoa Park	R1.850	-	R2.200	-	R2.500	-	R3.000	-	SJ
East London average	R2.867		R3.060		R3.493		R3.945		
Southernwood/Quigney Beach/CBD	R3.200	-	R3.400	-	R3.700	-	R4.200	-	TR
Berea	R3.250	-	R3.300	-	R3.650	-	R4.450	-	TR
Amalinda	R2.650	-	R2.950	-	R3.150	-	R3.600	-	TR
Gonubie Park	R2.450	-	R2.650	-	R3.500	-	R3.600	-	TR

Chapter 10: House market

House-price growth moving sideways

Written by John S. Lottering

Despite persistent headwinds, the growth in nominal house prices is, for now, still managing to move sideways at a rate slightly above consumer inflation.



According to the Absa House Price Index (HPI), the growth in national house prices has been moving sideways at a yearly growth rate of about 9% since October 2013. FNB's HPI has been showing sideways growth of about 8% since November 2013, while Lightstone's index has been showing growth of 7% since December 2013 (see corresponding graph).

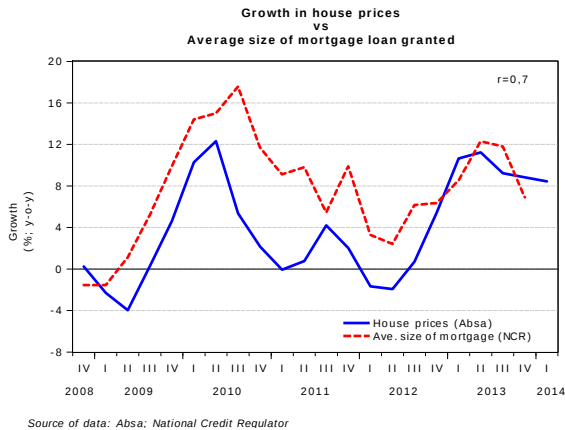
In the meantime, key drivers of house prices continue to presage the likelihood of a moderation in growth. One such driver is economic activity. In the first quarter of 2014, *real* GDP slowed to a yearly growth rate of 1,7%. Cooling economic growth implies the possibility of slower growth in employment and disposable incomes. In fact, the number of people employed on a

full-time and permanent basis has been shrinking since the beginning of 2013. According to Adcorp, in May 2014 the number of full-time and permanent workers was down by roughly 3%, when compared to the same month a year earlier. On the other hand, the disposable incomes of households are still showing strong growth. In the first quarter of 2014, nominal household disposable income showed yearly growth of 9%. However, the larger proportion of household incomes must still go towards paying off existing debt, with the household debt-to-disposable income ratio remaining high at 74%.

Good news for the house market must be the strong growth in the nominal *value* of new mortgages (+21%) granted during the first quarter of 2014. Over the same period, the *number* of new mortgages granted showed growth of 13%. The rand value of mortgages granted has in recent quarters been growing much faster than the growth in the number of mortgages granted. Thus, the differences in trend between the rand value and number of mortgages could be interpreted to reflect house price inflation, that is, the size of these bonds is growing in tandem with house-price inflation. However, a word of caution: this could also mean that banks are shifting their lending preferences to a higher-income consumer by becoming more lenient on the required deposit.

The graph that follows depicts the moderate-to-strong correlation between

house-price inflation and the growth in the average size of mortgages granted.



Another headwind to the growth in house prices is the possibility of rising interest rates. In May 2014, the headline Consumer Price Index (+6,6%, y-o-y) breached the upper limit of the Bank's target range for the second consecutive month. The outcome of this could be an increase in short-term interest rates. In fact, the Monetary Policy Committee (MPC) did in its May 2014 policy statement mention that it

held the view that SA is in a rising interest-rate cycle.

Residential income yields

Tables 10.1 and **10.2** summarize the gross-income yields on houses and townhouses. As a rule of thumb, to convert gross income yields to net, 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. 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
Gross-income yields (%) of houses by price class
Quarter 2014:1

	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 10.1 (continued)
Gross-income yields (%) of houses by price class
Quarter 2014:1

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

Table 10.2
Gross-income yields (%) of townhouses by price class
Quarter 2014:1

	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 10.2 (continued)
Gross-income yields (%) of townhouses by price class
Quarter 2014:1

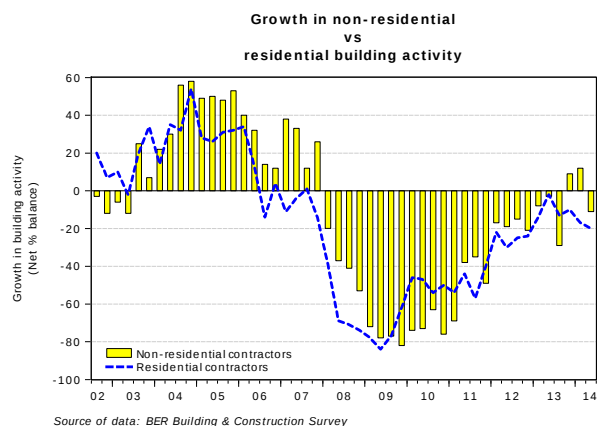
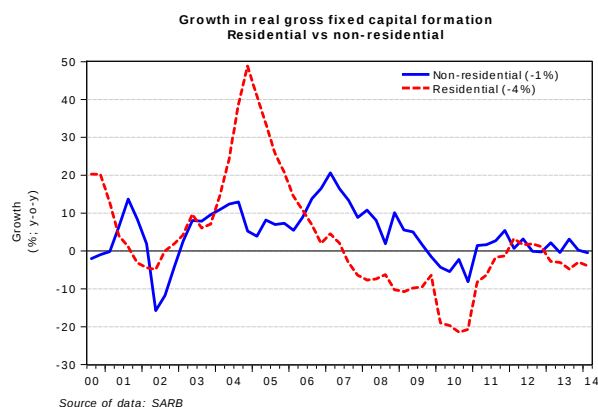
	Low	Middle
Centurion		
- Pierre van Ryneveld	8,1%	8,8%
- Irene	8,5%	12,8%
- Kloofsig / Lyttelton Manor / Doringkloof	8,3%	11,3%
- Highveld and Extensions	7,9%	8,8%
- Clubviews / Eldoraigne / Wierda Park	7,4%	8,9%
- Rooihuiskraal / The Reeds	7,2%	9,6%
- Heuweloord	8,3%	7,7%
- Valhalla	9,0%	8,3%

Chapter 11: Building activity and building costs

Weak building activity

Written by John S. Lottering

Conditions in the building-construction industry remain challenging as depicted by a number of economic indicators related to the industry.



The most glaring is the poor performance of building activity. In the first quarter of 2014, the *real* value of new residential and

non-residential buildings erected was down by yearly rates of 4% and 1%. The shrinking in building activity was corroborated by the BER's survey of contractors. In the second quarter of 2014, both residential and non-residential contractors confirmed that in the reporting quarter building activity was lower when compared to a year ago.

As for the square meterage of building space completed, **Table 11.1** shows that for the 12-month period ended April 2014, the total amount of residential space completed was down by 4%, when compared to a year earlier. This, as the table also shows, was largely due to a large fall (-26%) in the volume of smaller houses completed. Regarding the square meterage of non-residential property completed, **Table 11.2** shows that for the 12-month period ended April 2014 the strongest growth (+67%) came from shopping space completed. This strong growth in new retail supply is arguably ill timed, given the continued poor performance on the demand side for retail property. Here we refer mainly to the lacklustre performance of retail sales volumes. Given that office vacancy rates for existing building are seemingly unable to decline — see **Chapter 6** — the contraction (-13%) in new office space completed will certainly be seen as welcome news to owners of existing office property.

Table 11.1

New residential buildings (private sector) (m²)

% change on a year earlier

	Houses		Flats & townhouses	Total
	Smaller than 80 m ²	Larger than 80 m ²		
12 months ended April 2014 (% change on a year earlier)				
Completed		-0,8	6,6	-4,1
Plans passed	8,5	7,1	-3,1	4,8
6 months ended April 2014 (% change on a year earlier)				
Completed	-34,2	-7,5	-1,1	-11,3
Plans passed	16,6	2,4	-6,1	2,3
Source of data: Stats SA				

Table 11.2

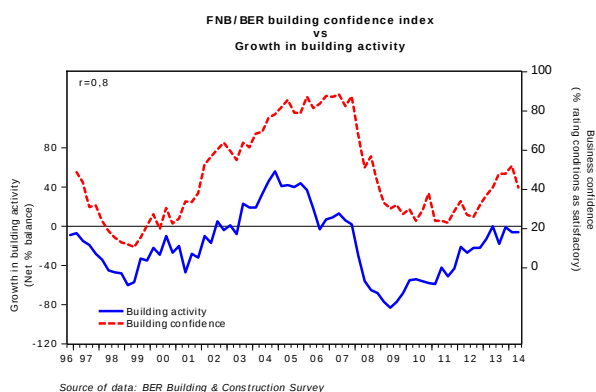
New non-residential buildings (private sector) (m²)

% change on a year earlier

	Offices	Shopping space	Industrial buildings	Total
12 months ended April 2014 (% change on a year earlier)				
Completed	-13,0	67,0	11,2	12,4
Plans passed	11,0	2,3	-3,5	1,6
6 months ended April 2014 (% change on a year earlier)				
Completed	-47,9	8,9	48,5	2,1
Plans passed	21,3	-28,2	-7,1	-8,4
Source of data: Stats SA				

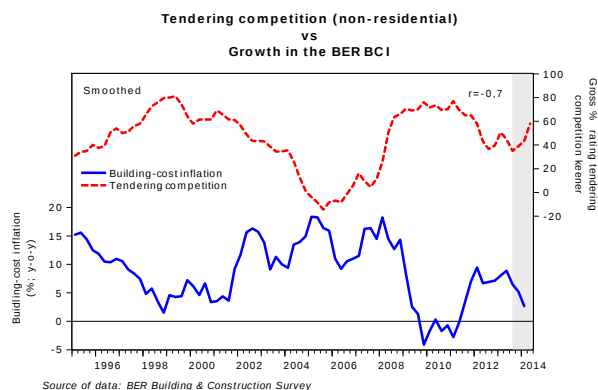
Nonetheless, the overall poor performance of building activity would explain the slump in business sentiment amongst role-players in the building industry.

In the second quarter of 2014, the FNB/BER building confidence index fell by 11 points to 41, implying that only 41% of respondents surveyed by the BER reported current business conditions in the industry as being 'satisfactory'

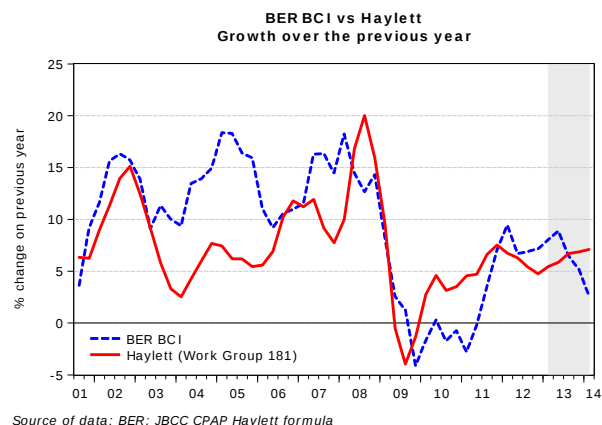


As the corresponding graph shows, weak building activity also seemingly resulted in keener tendering competition amongst contractors. In the case of non-residential contractors it was quite severe, with 67% of non-residential contractors surveyed by the BER in the second quarter of 2014 rating tendering competition to be keener when compared to a year ago. This — as implied

by the shaded area of the graph — possibly forced contractors to trim their profit margins and to submit lower tender prices for the fewer available projects, resulting in the current moderation in the growth of contract building costs. In fact, in the first quarter of 2014 building costs — as measured by the BER Building Cost Index — are expected to have grown by only 1%. The corresponding graph shows the fairly robust correlation between non-residential tendering competition and building-cost inflation.



In contrast, the yearly growth in building-input prices has in recent quarters accelerated. This we suspect was most likely on the back of cost-push pressures. In the first quarter of 2014, building-input costs for commercial & industrial buildings showed yearly growth of about 7%. The graph which follows shows that while building costs (which include the profit margins of contractors) have been decelerating; building-input costs have been accelerating. This, of course, implies that contractors are once again being forced to trim their profit margins.



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

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

Annexures

Glossary of property and related terms and abbreviations

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

Besa: Bond Exchange of South Africa.

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

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

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

According to *The 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.

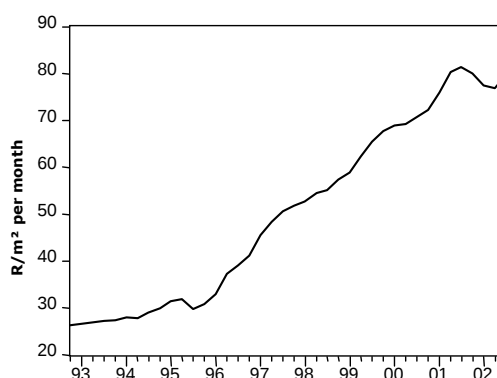
Smoothing: Removal of shorter-term fluctuations in a **time series**, by e.g. moving averages, exponential smoothing, or curve fitting.

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	286,9	8,4%
2002:2	122,1	13,6%	2010:2	294,5	7,7%
2002:3	126,7	13,8%	2010:3	296,3	6,7%
2002:4	131,8	13,7%	2010:4	302,3	8,9%
2003:1	137,3	15,5%	2011:1	303,0	5,6%
2003:2	143,1	17,2%	2011:2	302,6	2,8%
2003:3	149,0	17,6%	2011:3	312,2	5,4%
2003:4	156,4	18,7%	2011:4	319,0	5,5%
2004:1	163,8	19,3%	2012:1	319,9	5,6%
2004:2	170,2	18,9%	2012:2	320,8	6,0%
2004:3	175,3	17,6%	2012:3	321,5	3,0%
2004:4	180,2	15,2%	2012:4	327,0	2,5%
2005:1	185,8	13,4%	2013:1	335,8	5,0%
2005:2	192,1	12,9%	2013:2	345,8	7,8%
2005:3	198,2	13,0%	2013:3	354,8	10,4%
2005:4	204,2	13,3%	2013:4	353,5	8,1%
2006:1	208,4	12,1%	2014:1	355,7	5,9%

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

BER Building Cost Index (non-residential tender prices)

2005=100

	First quarter	Second quarter	Third quarter	Fourth quarter	Average
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	154,2	157,9	162,6	166,6	160,3
% ch	7,4	6,1	7,8	7,1	7,1
2013	169,0	168,3	171,5	173,1	168,0
% ch	9,6	6,6	5,5	3,9	5,7
2014	175,7				
% ch	4,0				

Source:

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

The last few months are always subject to change.

Prime overdraft rate at month-end (%)

(proxy for trends in mortgage rates*)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
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	8,7

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.



1

2



Proactive Quantity Surveying

3



4



1 Head office for Ecobank in Accra, Ghana. Architects: Arc Architects

2 West Hills Mall in Accra, Ghana for a subsidiary of Atterbury Properties. Architects: Arc Architects

3 Student accommodation in Pretoria for the Feenstra Group. Architects: Boogertman + Partners

4 Vdara Office Park in Johannesburg for Bakos Brothers. Architects: Integrale Architectural Design



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