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Rode's Report

Jo'burg and Cape Town to lead the pack – p35



2007
4

Cap rates' mixed reaction ■ Listed property resilient ■ Durban records the strongest office take-up ■ Industrial rental upswing now entrenched ■ Residential contractors' optimism wanes

Rode's Report ***on the South African Property Market*** **2007:4**

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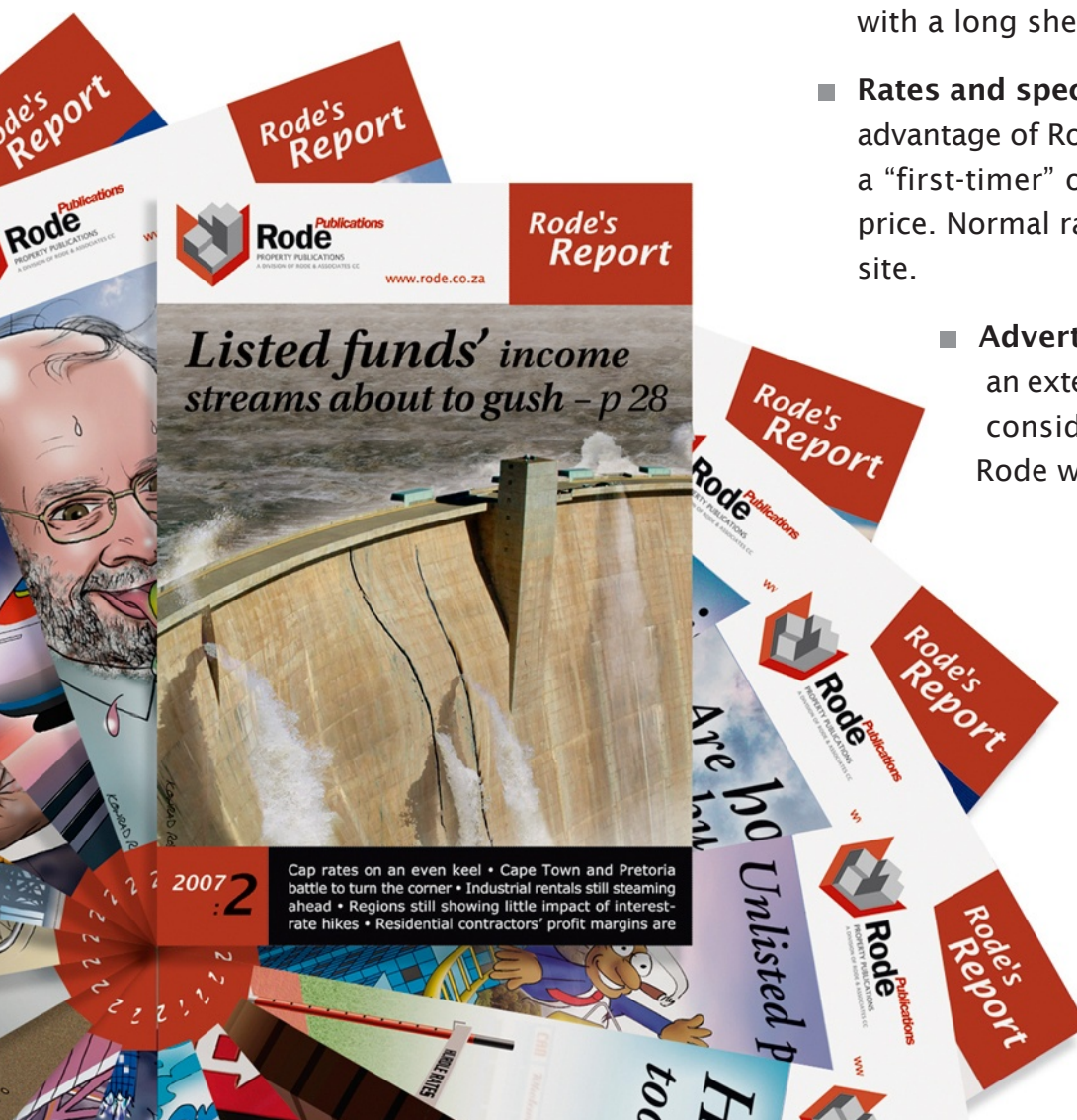
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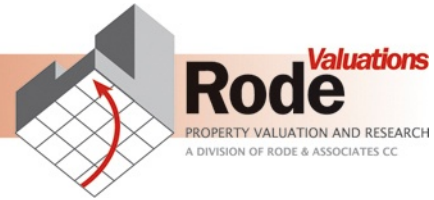
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- Producing forecasts of rental levels using econometric modelling
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- Producing long-term forecasts of property values in South Africa
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- Consulting for spatial and development planners and economists.

Rode Publications



■ Rode's Report on the South African Property Market

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



■ Rode's South African Property Trends

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



■ Rode's Retail Report on South Africa

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



■ Rode's Time Series database

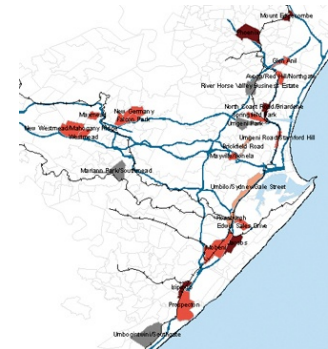
Rode updates and rents out approximately 5 000 property time series, which offer property researchers and analysts a unique opportunity to analyse sub-markets – from office, industrial and residential rentals to capitalization rates and house prices covering more than two decades. A Pro and a Lite database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



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- **Identifies** areas of growth and stagnation in order to direct investment strategy
- Interactive maps offer a spatial view and interpretation of Rode's industrial and office data, including current levels and historic growth rates
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- This product complements *Rode's South African Property Trends*, which comprises 6-year forecasts by city and property type. Together with *Rode's South African Property Trends*, this is the ultimate tool in the hands of management for determining investment strategy
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7. Ken Gardner, who has the task of making sure that all gross grammar mistakes are corrected.
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Foreword

Dear Reader

Welcome to the final issue of *Rode's Report on the South African Property Market (RR)* for 2007, which reports on surveys conducted in the third quarter of 2007.

Some of the interesting topics covered in this issue are the upswing of the office property cycle, the continued strength of the industrial property market, and the continued pressure on building-cost inflation.



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

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

Suzette Meerkotter is in charge of expanding our survey panel; her job is to give you access to the opinions of as many property experts as possible. We appeal to all market participants who feel they have what it takes to become an *RR* panellist, to please contact Suzette on 011-888 5159 – it's for the benefit of everyone in the industry. As a panellist you will also get invaluable exposure.

Finally, we would again like to encourage readers to give us feedback, and to make suggestions on how we can improve our publications.

Happy reading!

Sincerely

A handwritten signature in black ink, appearing to read 'Garth Johnson', with a long horizontal flourish extending to the right.

Garth Johnson
Editor

28 November 2007

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Chapter 1: State of the property market

State of the property market in quarter 3 of 2007

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

- Cap rates' mixed reaction to interest-rate hikes.
- Top decentralized office nodes show strong nominal growth.
- Industrial *real* rental upswing phase now strongly entrenched.
- Industrial stand values continue to surge.
- House prices still growing at double-

digit rates; but for how long?

- Non-residential contractors more upbeat about future building conditions than their residential counterparts.

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 2007:3) with that collected a year earlier.

Table 1.1 The property market at a glance at quarter 2007:3* % growth on four quarters earlier (on smoothed data)		
	Nominal	Real**
Prime CBD office rentals		
Johannesburg	30,3	16,5
Pretoria	11,6	-0,2
Durban	1,9	-9,1
Cape Town	44,1	28,6
Prime decentralized office rentals		
Sandton CBD	24,3	10,6
Randburg Ferndale	17,2	4,8
Brooklyn/Waterkloof (Pta)	13,7	1,5
Hatfield	13,1	0,9
Berea (Durban)	4,7	-6,6
La Lucia Ridge	10,0	-1,9
Claremont (CT)	12,0	-0,1
Tyger Valley	14,1	1,6
* Unless otherwise specified		
** Nominal values deflated by BER Building Cost Index. However, house prices are deflated using the Haylett index.		

Table 1.1 (continued)
The property market at a glance at quarter 2007:3*
 % growth on four quarters earlier (on smoothed data)

	Nominal	Real**
Prime industrial rentals (500m² units)		
Central Witwatersrand	27,7	13,9
East Rand	23,5	10,1
Pretoria metro	11,4	-0,8
Durban metro	18,4	5,7
Cape Peninsula	21,2	8,0
Port Elizabeth	25,4	11,7
House prices (all classes)***		
Johannesburg metro	12,4	2,8
Pretoria metro	16,6	6,7
Durban metro	19,7	9,5
Cape Town metro	11,0	1,5
Port Elizabeth	11,3	1,7
Flat rentals (standard quality, 2-bedroom)		
Johannesburg metro	11,9	-0,0
Pretoria metro	10,2	-1,8
Durban metro	13,8	0,8
Cape Town metro	5,4	-6,6
Port Elizabeth	-2,9	-13,4
* Unless otherwise specified ** Nominal values deflated by BER Building Cost Index. However, house prices are deflated using the Haylett index. *** Based on Absa's house price indices		

Capitalization rates

The recent flurry of interest-rate hikes seems to have resulted in some mixed capitalization rate reactions, as our research for the third quarter of 2007 shows. Capitalization rates on some property types, in particular community and neighbourhood shopping centres, showed marginal increases from their previous-quarter levels. In contrast, regional-shopping-centre and office and industrial capitalization rates, generally, moved sideways or south. Nonetheless, our overall

view remains that the market's anticipation of robust real rental growth, especially in the office and industrial markets, should keep capitalization rates from moving significantly north in the future.

Hurdle and escalation rates

Our latest survey results suggest that — depending on the property type and, to a lesser extent, the location — property investors base their present-value discounting calculation on a hurdle rate of roughly 15%.

Regarding escalation rates, our data shows that during the third quarter of 2007 market escalation rates on leaseback rental contracts averaged around the 8,4% mark. The standard deviation of 1%, however, suggests that leaseback escalation rates can be as low as 7,4% or as high as 9,4%. Given the rosy prospects for market-rental growth over the next few years, even the upper limit escalation rate of 9,4% may still turn out to be on the low side.

Listed property

Financial market uncertainty, as a result of the sub-prime mortgage-bond ignominy, a deteriorating short-term inflation outlook and higher interest rates, weighed equities down during the reporting quarter. Nonetheless, listed property shares remained resilient despite all of this, with income yields moving sideways and remaining around the 6% mark over the period.

In spite of the likelihood of more interest-rate hikes in the near future, which might adversely affect market ratings, and hence, listed property unit prices, underlying non-residential property fundamentals are expected to remain strong. That is, building costs should continue to rise, vacancies remain low and the economy should continue to record satisfactory growth, which all bodes well for rental and, thus, income-stream growth.

Office rentals

Prime office rentals in most of the country's top decentralized office nodes showed strong double-digit nominal growth during the third quarter of the year. What's more, this growth was in excess of building-cost inflation (as measured by the BER Building Cost Index), which is expected to have grown by roughly 9,6%. Interestingly, it seems as if Johannesburg and Cape Town decentralized will be leading the pack into the office market boom, with nominal rentals collectively up by 23% and 17%, re-

spectively. On a collective basis, Pretoria and Durban decentralized could only manage nominal growth rates of 6% and 3% respectively.

As far as the CBDs are concerned, nominal market rentals for prime office space in the Johannesburg and Cape Town CBDs were up by a rip-roaring 30% and 44% respectively, resulting in robust *real* rental growth in both these CBDs. In terms of rental levels, our survey results show that average market rentals in the Cape Town CBD were about R95,00/m²/month, compared to R59,00/m²/month in the Johannesburg CBD. Thus, there is still a big difference between what the market is willing to pay for prime office space in these two CBDs. The Johannesburg growth is of course off a low base. In the CBD of Pretoria, rentals were, on the back of low vacancies, 12% higher than they were a year ago, while the CBD of Durban could achieve growth of only 2%.

Industrial market

Strong demand for industrial space, coupled with high and robustly growing replacement costs, continued to keep upward pressure on market rentals. Vigorous, 20%-plus year-on-year rental-growth rates were recorded in all of the big industrial areas, barring Durban, where market rentals for prime industrial space were up by 18% on the same quarter a year earlier.

Since building-cost inflation was expected to have grown by 9,6% during the third quarter, solid positive real rental growth was recorded in most of the major industrial conurbations. In fact, real rentals have been moving steadily north since 2005, implying that the industrial upswing phase is now entrenched. This is, of course, good news to developers for the viability of new industrial developments.

During the reporting quarter, vacancies in the foremost industrial areas remained low.

On our vacancy scale of 1 to 9, Durban scored 1,2 (which we estimate is roughly equivalent to 0,7%); Central Witwatersrand scored 1,5 (roughly 2,5%); the Cape Peninsula scored 2 (about 3,5%) and Port Elizabeth had the highest score of 2,2 (about 4,1%).

Flat rentals

Although flat vacancies continue to be very low across all of the regions, there is still no magic in terms of rental growth. During the last two years, flat rentals grew by about 9% p.a. in the Durban metro and by roughly 7% p.a. in the Johannesburg metro. In the metropolitan areas of Pretoria, Cape Town and Port Elizabeth, two-year compound growth rates of more or less 4% p.a. were recorded. Over the same period, consumer inflation was just short of 6% p.a. and, hence, only landlords in Durban and Johannesburg could achieve real rental growth.

The house market

Despite the general consensus of a cooling-off of the residential property market, national house prices still continued to grow by double-digit rates during the month of October 2007. According to Absa, national house prices were in October still about 14% higher than they were a year ago, while Standard Bank's house-price index recorded a growth rate of 10%.

House-price growth has, in general, been trending south since its peak in 2004, and is expected to remain under pressure in the

foreseeable future, largely due to the affordability constraint. Furthermore, the lagged effect of continued higher interest rates and now tighter borrowing requirements through the National Credit Act should dampen the demand for housing, which could result in house-price growth of less than 10% in the not too distant future.

The building industry

Building activity in the residential and, especially, non-residential sector continued to grow energetically in the second quarter of the year, which in turn kept building-cost inflation growing strongly. Over the next few months, however, we expect most of the activity to take place on the non-residential side, as the long commercial property cycle resumes its upswing phase, making the development of new commercial buildings more viable. Our view of non-residential building activity is corroborated by surveys conducted by the Bureau for Economic Research (published by Medium-Term Forecasting Associates), which shows that non-residential contractors are more optimistic about future building conditions than their residential counterparts.

Concerning building-cost inflation, the BER Building Cost Index — which measures building-input costs plus the profit margins of non-residential contractors — is expected to have grown by 9,6% during the reporting quarter. The Haylett index, which only measures building-input costs, is expected to have grown by 9,4%. Of course, the insignificant difference between these two indices means that contractors were unable to stretch their profit margins much during the reporting quarter. ■



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Chapter 2: Capitalization rates

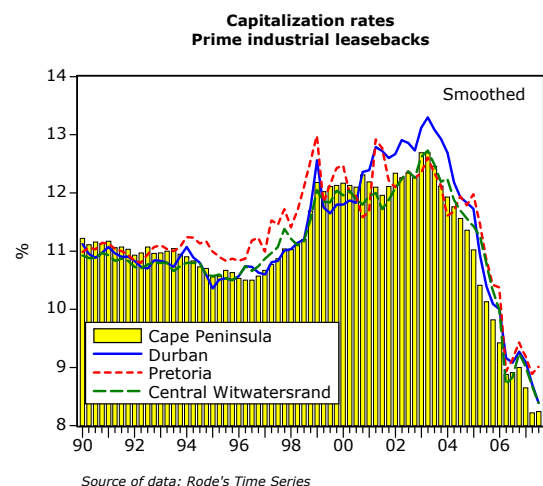
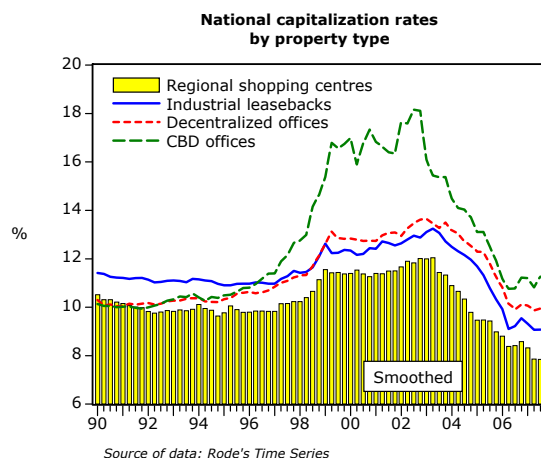
Cap rates' mixed reaction

Written by John S. Lottering

The recent flurry of interest-rate hikes seems to have resulted in some mixed capitalization rate reactions, as our research for the third quarter of 2007 shows. Capitalization rates on some property types, in particular community and neighbourhood shopping centres, showed marginal increases from their previous-quarter levels. In contrast, regional-shopping-centre and office and industrial capitalization rates, generally, moved sideways or south. Nonetheless, our overall view remains that the market's anticipation of robust real rental growth, especially in the office and industrial markets, should keep capitalization rates from moving significantly north in the future.

Prime industrial leasebacks

Compared to the previous quarter, prime industrial leaseback capitalization rates in Pretoria weakened (increased) slightly; in Cape Town they remained fairly the same, while in Durban and the Central Witwatersrand they continued to strengthen (decrease). Despite all of this, capitalization rates for industrial leasebacks in these major industrial conurbations are still trading around the 8-9% level, with a standard deviation of roughly 0,6%.



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

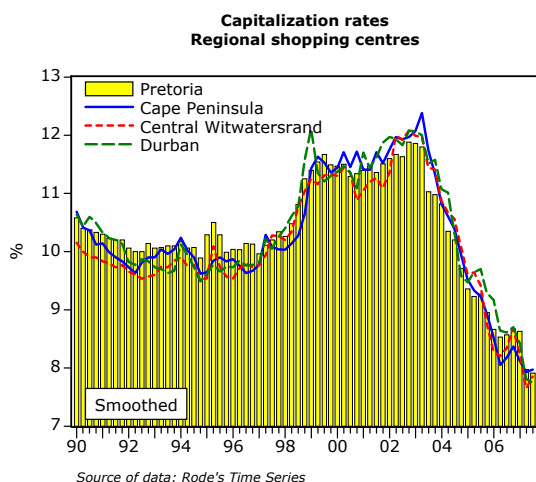
Interpretation tip: It is dangerous to rely on one quarter's figure, as it may be an outlier due to small sample sizes. Instead, consider the trend or contemplate using the average of at least two quarters for a more accurate assessment. For this reason, the graphs accompanying this article are smoothed.

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

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

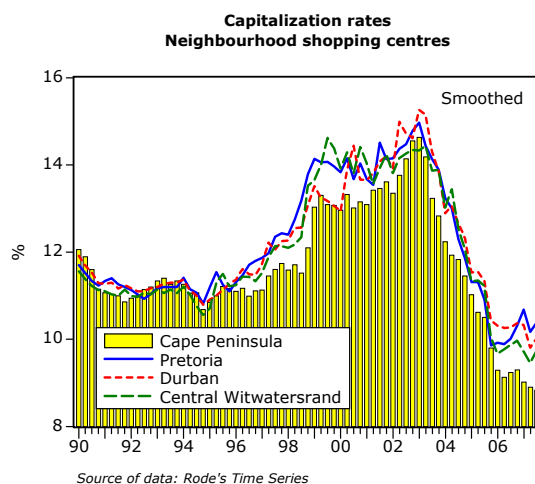
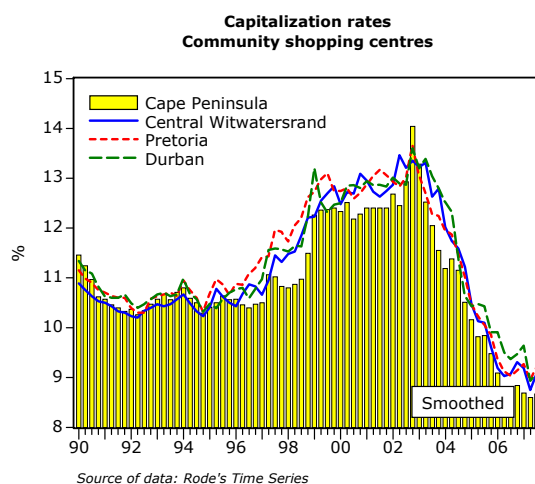
Shopping centres

Regional-shopping-centre capitalization rates in the Central Witwatersrand, Cape Town, Durban and Pretoria regions generally moved sideways during the reporting quarter. On average, investors required a minimum income return (capitalization rate) of roughly 8% in these major metropolitan areas. The best shopping centres could nevertheless command cap rates of around 7%.



Our survey results showed that investors in community and neighbourhood shopping centres required slightly higher income returns during the reporting quarter. This is most likely in response to the spate of interest-rate hikes experienced recently. Notwithstanding this, in the metropolises, community-shopping-centre capitalization rates still hovered around the 9% mark,

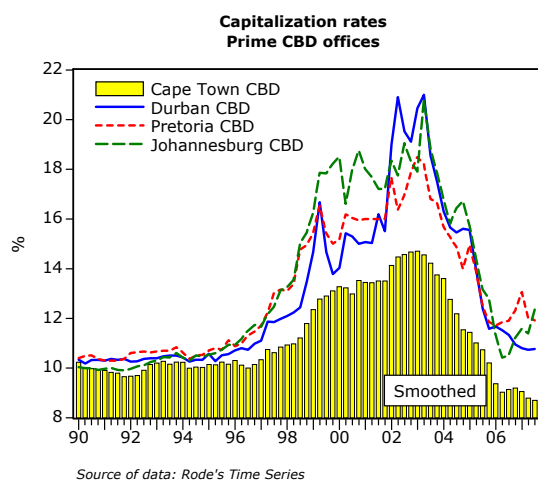
while for neighbourhoods they were closer to 10%.



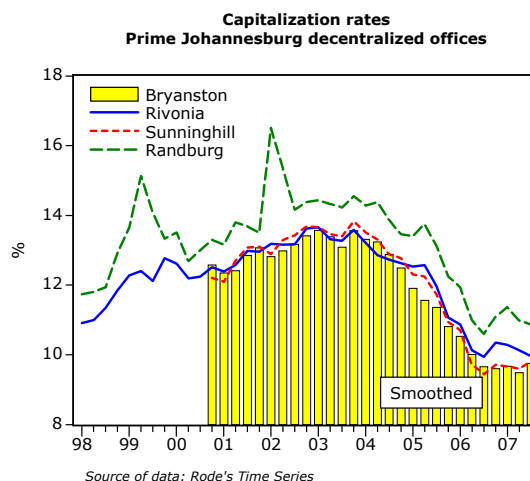
Prime CBD offices

Capitalization rates for prime office space in the CBDs of Cape Town and Pretoria strengthened somewhat, while in the Dur-

ban CBD they were roughly at the same level they were during the previous quarter. In the Johannesburg CBD, capitalization rates for prime office buildings were about 1% higher than they were a quarter ago. In terms of rank, the Cape Town CBD still commands the lowest income returns to acquire prime office property, most likely as a result of it having the strongest capital return potential when compared to the other CBDs, not to mention its lower risk.



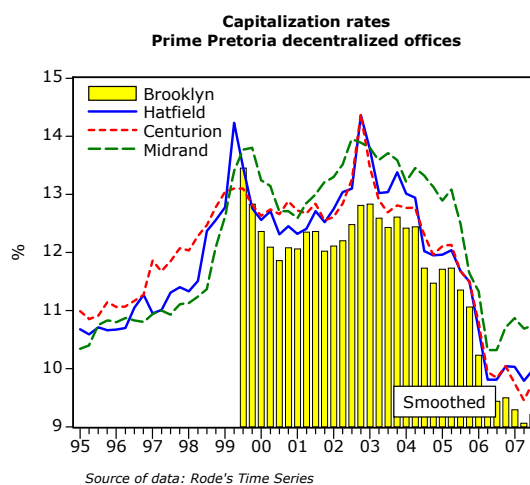
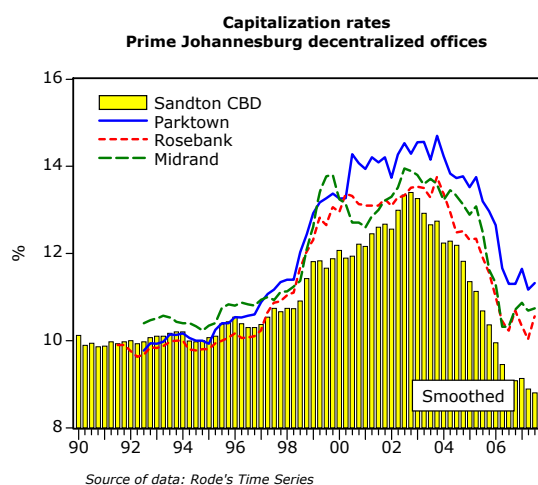
and Randburg all recorded minor decreases during the reporting quarter. In other decentralized nodes such as Parktown, Rosebank, Midrand, Bryanston and Sunninghill, prime-property capitalization rates were slightly higher. Even so, the minimum income returns in all of these Johannesburg decentralized nodes still ranged between 8,8% and 11,5%, with the Sandton CBD at the lower end of the spectrum and Parktown at the higher end. Note that these are averages, and the very best properties in these nodes will command lower cap rates.



Prime decentralized offices

Pretoria decentralized

Johannesburg decentralized

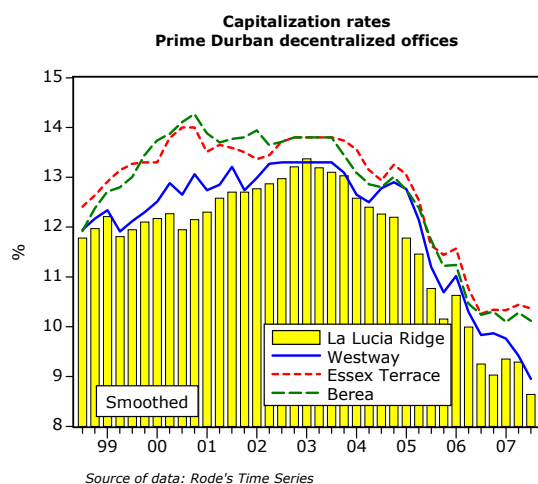


Capitalization rates in major decentralized office nodes such as Sandton CBD, Rivonia

Prime quality office capitalization rates in Pretoria decentralized, generally, ranged between the 9% and 10% mark, with a

standard deviation from the average opinion of about 0,6%, which means that investors are (statistically) likely to pay anything from 8,4% to 10,6% for a property.

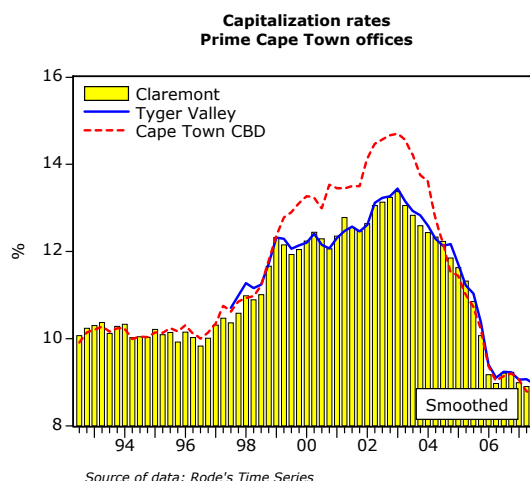
Durban decentralized



The reader will note from the accompanying graph that capitalization rates in the top Durban decentralized nodes strengthened during the reporting quarter. In the La Lucia Ridge and the Westway office nodes, however, the decreases in capitalization rates were more pronounced than those in Essex Terrace and Berea. In terms of ranking, capitalization rates for prime office property were the lowest in La Lucia Ridge (8,4%), though the standard deviation of 1,3% suggests that the capitalization rate can be as low as 7,1% or as high as 9,7%.

Cape Town decentralized

In Cape Town decentralized, capitalization rates moved marginally south from their previous-quarter levels. In top decentralized nodes like Tyger Valley and Claremont, capitalization rates on prime office properties are currently around the 9% mark, which, interestingly, is also what prime office property in the Cape Town CBD is trading at. This is, once again, an indication of the success of the Cape Town CBD as an office node.



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

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

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

Table 2.1
Survey of capitalization rates (%)
Office buildings
Means for quarter 2007:3

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

n = Number of respondents

N/A = Not available

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

Table 2.2
Survey of capitalization rates (%)
Industrial buildings
Means for quarter 2007:3

Best location	Prime leaseback (AAA Tenant)			Prime quality non-leaseback			Prime industrial park			Secondary quality building		
	Mean	SD	n	Mean	SD	n	Mean	SD	n	Mean	SD	n
Central Wits	8,3	0,4	2	9,1	0,2	2	9,1	0,6	3	10,6	0,9	2
West Rand	8,6	0,2	2	9,6	0,2	2	9,9	1,2	2	11,3	1,1	2
East Rand	9,0	1,7	3	9,7	1,2	3	9,4	0,8	3	11,4	1,0	4
Far East Rand	9,0	0,7	2	10,0	0,7	2	10,0	0,0	2	11,8	0,4	2
Pretoria	9,1	1,0	4	9,6	1,3	4	9,6	1,6	4	11,1	1,3	4
Vaal Triangle	10,1	0,5	2	10,5	N/A	1	12,0	N/A	1	11,0	N/A	1
Nelspruit	10,5	N/A	1	9,3	0,4	2	9,3	0,4	2	11,0	0,0	2
Polokwane	11,8	1,8	2	12,0	N/A	1	14,0	N/A	1	N/A	N/A	0
Durban	8,3	0,3	3	8,7	0,6	3	9,2	0,6	3	9,9	0,1	3
Pietermaritzburg	10,5	N/A	1	10,0	N/A	1	11,0	N/A	1	11,5	N/A	1
Cape Peninsula	8,3	0,7	9	8,8	0,6	11	8,8	0,8	12	9,7	0,8	11
Port Elizabeth	9,3	1,8	2	9,8	1,0	3	8,0	N/A	1	10,0	N/A	1
East London	8,4	0,9	7	9,0	0,0	6	N/A	N/A	0	10,7	0,8	6
Bloemfontein	11,8	1,8	2	-	-	-	10,7	2,1	3	12,8	1,5	4
Windhoek	10,0	N/A	1	10,5	N/A	1	11,3	1,1	2	12,8	0,4	2

n = Number of respondents

N/A = Not available

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

Table 2.3
Change in capitalization rates (% points)
Office buildings
Means for quarter 2007:3 less quarter 2007:2

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

NB: The number of broker/owner codes does not necessarily match the sample size as indicated by the n in the table on page 10. This is so because several of our owner contributors wish to remain anonymous, but we do not show multiple ZZ codes in the table.

Table 2.4
Change in capitalization rates (% points)
Industrial buildings
Means for quarter 2007:3 less quarter 2007:2

Best location	Prime leaseback	Prime non-leaseback	Prime industrial park	Secondary quality building	Broker & owner contributors
Central Wits	-0,3	-0,3	0,1	-0,2	AJ, TH, ZZ
West Rand	0,1	0,0	0,0	0,1	TH, ZZ
East Rand	-0,2	-0,4	-0,4	-0,2	GM, TH, ZZ
Far East Rand	-0,4	-0,7	-0,8	-0,1	TH, ZZ
Pretoria	0,3	0,1	-0,5	-0,2	BM, EV, TH, ZZ
Vaal Triangle	0,2	0,4	0,0	0,8	TH, ZZ
Nelspruit	0,6	-0,3	0,0	-0,3	RZ, SV, ZZ
Polokwane	1,9	2,5	N/A	N/A	TG, ZZ
Durban	-0,2	-0,3	-0,4	-0,2	MW, MX, ZZ
Pietermaritzburg	0,8	0,3	-0,5	1,0	NP, ZZ
Cape Peninsula	0,2	-0,1	-0,1	-0,2	AD, AN, BR, BZ, CR, DD, DP, GB, MD, ND, OC, PY, ZZ
Port Elizabeth	-0,1	0,0	-1,0	-1,0	MJ, SK, ZZ
East London	-0,1	-0,1	1,7	N/A	BG, DQ, ER, GO, WM, ZZ
Bloemfontein	1,0	-	0,1	-0,4	CC, ED, EK, NR, ZZ
Windhoek	0,0	0,0	0,3	0,8	JS, TE

NB: The number of broker/owner codes does not necessarily match the sample size as indicated by the n in the table on page 11. This is so because several of our owner contributors wish to remain anonymous, but we do not show multiple ZZ codes in the table.

Table 2.5
Survey of capitalization rates (%): shopping centres
Means for quarter 2007:3

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

n = Number of respondents

N/A = Not available

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

Table 2.5 (continued)
Survey of capitalization rates (%): shopping centres
Means for quarter 2007:3

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

n = Number of respondents

N/A = Not available

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

Table 2.6
Survey of capitalization rates (%): street-front shops
Means for quarter 2007:3

Best location	Metro CBD			Decentralised		
	Mean	SD	n	Mean	SD	n
Witwatersrand	12,0	N/A	1	11,8	N/A	1
Pretoria	12,0	N/A	1	11,8	N/A	1
Vaal Triangle	12,3	N/A	1	12,3	N/A	1
Nelspruit	11,7	0,5	3	11,1	0,9	2
Polokwane	12,3	0,4	2	13,0	1,4	2
Durban	12,1	0,2	2	11,1	0,2	2
Pietermaritzburg	11,8	1,1	2	11,1	0,9	2
Cape Town	9,0	1,0	10	9,2	0,7	9
Port Elizabeth	12,4	0,3	4	10,8	0,9	4
East London	8,2	0,4	6	8,2	0,4	6
Bloemfontein	11,6	1,5	5	10,3	1,4	3
Windhoek	10,8	0,4	2	11,5	0,7	2

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

Table 2.7
Change in capitalization rates (% points): shopping centres
Means for quarter 2007:3 less quarter 2007:2

Best location	Super regional	Regional	Communi-ty	Broker & owner contributors
Witwatersrand	-0,4	0,5	0,7	EV, TH, ZZ
Pretoria	0,2	0,3	0,6	TH, ZZ
Vaal Triangle	-0,8	-0,4	1,0	TH
Nelspruit	-0,3	1,0	0,7	RZ, SV, TH
Polokwane	0,9	2,1	2,3	AD, TG, TH
Durban	0,2	0,3	0,7	MX, TH, ZZ
Pietermaritzburg	-0,3	0,5	0,9	NP, TH
Cape Town	0,2	0,1	0,1	AD, AN, BR, BZ, CR, GB, MD, ND, OC, TH, TY, ZZ
Port Elizabeth - Uitenhage	-0,4	0,0	-0,4	MJ, TH
East London	N/A	N/A	-0,7	BG, DQ, ER, GO, WM, ZZ
Bloemfontein	0,0	N/A	0,8	EK, NR, TH
Platteland	N/A	N/A	0,0	FO
Townships	N/A	N/A	N/A	
Windhoek	N/A	N/A	0,8	JS, TE

Table 2.7 (continued)
Change in capitalization rates (% points): shopping centres
Means for quarter 2007:3 less quarter 2007:2

Best location	Neighbourhood	Local convenience	Retail warehouse	Broker & owner contributors
Witwatersrand	0,6	1,1	0,3	EV, TH, ZZ
Pretoria	0,7	0,3	-0,9	TH, ZZ
Vaal Triangle	1,3	1,2	-0,2	TH
Nelspruit	0,5	0,3	0,1	RZ, SV, TH
Polokwane	2,9	1,4	1,8	AD, TG, TH
Durban	0,6	0,8	0,3	MX, TH, ZZ
Pietermaritzburg	0,8	0,8	0,5	NP, TH
Cape Town	-0,1	-0,1	-0,1	AD, AN, BR, BZ, CR, GB, MD, ND, OC, TH, TY, ZZ
Port Elizabeth - Uitenhage	-0,1	0,0	-0,2	MJ, TH
East London	-0,8	-0,9	-0,8	BG, DQ, ER, GO, WM, ZZ
Bloemfontein	0,4	0,3	0,6	EK, NR, TH
Platteland	0,5	-0,3	1,0	FO
Townships	N/A	N/A	N/A	
Windhoek	0,8	0,8	N/A	JS, TE

Table 2.8
Change in capitalization rates (% points): street-front shops
Means for quarter 2007:3 less quarter 2007:2

Best location	Metro CBD	Decentralised	Broker & owner contributors
Witwatersrand	1,3	1,4	TH
Pretoria	-0,3	1,4	TH
Vaal Triangle	0,9	1,1	TH
Nelspruit	0,5	0,6	RZ, SV, TH
Polokwane	1,0	2,3	TG, TH
Durban	1,6	0,8	MX, TH
Pietermaritzburg	0,5	0,5	NP, TH
Cape Town	-0,5	-0,2	AD, AN, BR, CR, GB, MD, ND, OC, TH, TY, ZZ
Port Elizabeth	0,9	0,4	BD, PE, SK, TH
East London	-1,1	-1,0	BG, DQ, ER, GO, WM, ZZ
Bloemfontein	0,2	-1,0	CC, ED, EK, NR, TH
Windhoek	0,3	0,5	JS, TE

Chapter 3: Buyer profiles

Who is the most likely buyer?

Updated by John S. Lottering

Who is the most likely buyer of this type of non-residential property? This is the question property valuers have to ask before commencing their market research — specifically that pertaining to capitalization rates. Knowing the answer to this question is critical, since different types of buyers may pay notably different prices for exactly the same property. Generally, owner-occupiers, syndicators and private investors pay more for a property than yield-sensitive institutions and listed funds.

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

The results show that private investors are the main buyers of shopping centres and office properties cheaper than R10 million. Industrial properties cheaper than R10 mil-

lion are equally sought after by private investors and owner occupiers

Listed funds are the most likely buyers of shopping centres, office properties and industrial properties in excess of R10 million. Private investors and institutions are also competitive buyers in this category.

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

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

	Purchase price below R10 million			Purchase price above R10 million		
	Mean %	SD	n	Mean %	SD	n
Shopping centres						
Institutions	12,0	8,4	5	23,1	9,9	7
Syndicators	23,5	13,3	10	16,8	7,5	11
Listed funds	19,4	11,2	8	53,9	25,4	14
Private investors	58,1	19,6	13	18,7	14,3	13
Owner-occupiers	15,8	12,4	6	11,3	9,5	4
Offices						
Institutions	10,0	6,3	6	19,7	12,6	8
Syndicators	17,7	12,3	14	14,8	8,5	11
Listed funds	18,8	14,1	8	50,0	22,8	15
Private investors	42,1	16,3	16	20,0	14,3	15
Owner-occupiers	34,2	15,9	14	16,3	11,9	8
Industrials						
Institutions	8,1	4,4	7	21,4	11,1	9
Syndicators	10,8	6,8	10	15,3	8,7	10
Listed funds	13,9	10,2	9	37,5	20,5	14
Private investors	43,8	20,6	17	28,7	23,2	15
Owner-occupiers	45,3	20,7	15	18,2	7,5	11

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

Chapter 4: Hurdle and leaseback escalation rates

Escalation rates might miss the mark

Updated by John S Lottering

Most South African investors calculate the value of an income-producing property by using an income-capitalization approach. Even viability studies are usually judged on the basis of what an acceptable initial income yield is. For this reason, there is plenty of relatively reliable information on market capitalization rates or income returns required by investors.

However, in contrast to what business schools have been teaching us for decades, the hurdle rate is seldom used as an investment criterion when doing viability studies.

Hence, many property-investing professionals out there are not all that certain about hurdle rates (the minimum total return required by their organisations to proceed with an investment). This is a great pity because even when using capitalization as the primary valuation method, a measure of discounting — which requires a discount rate — is still called for most of the time when valuing income-producing properties (remember, the discount rate equals the hurdle rate).

In spite of the neglect of hurdle rates, *Rode's Report* started surveying these in 1993. The question we pose to respondents is as follows:

In your opinion, what is presently the minimum expected internal rate of return or hurdle rate (%) at which your organization will

acquire the following properties ... assuming a time horizon of 5 years?

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

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

Table 4.1 suggests that property investors base their present-value discounting calculation on a hurdle rate of roughly 15%. Note, however, that this represents only one respondent.

Nonetheless, using the rule-of-thumb of adding the leaseback escalation rate to the capitalization rate to derive the hurdle rate, reveals a *maximum* hurdle rate ranging between roughly 15% and 17% (refer **Table 4.2**). Note, however, that this rule-of-thumb makes the following two assumptions: firstly, it assumes that the capitalization rate will remain constant (or at least change slowly) over the investment time horizon and, secondly, that the leaseback escalation rate is a good proxy for the growth in future market rentals, and hence capital growth.

Table 4.1
Surveyed hurdle rates assuming a time-horizon of 5 years (%)
Quarter 2007:3

	Buy %			Develop on speculation (%)		
	Mean	SD	n	Mean	SD	n
Office buildings (dec.)						
Johannesburg	15,5	N/A	1	19,5	N/A	1
Sandton CBD	15,5	N/A	1	19,5	N/A	1
Pretoria	15,5	N/A	1	19,5	N/A	1
Durban	15,5	N/A	1	19,5	N/A	1
Cape Town	15,5	N/A	1	19,5	N/A	1
Industrial leasebacks						
Central Witwatersrand	15,0	N/A	1	19,0	N/A	1
Pretoria	15,0	N/A	1	19,0	N/A	1
Durban	15,0	N/A	1	19,0	N/A	1
Cape Town	15,0	N/A	1	19,0	N/A	1
Regional shopping centres						
Witwatersrand	15,0	N/A	1	17,0	N/A	1
Pretoria	15,0	N/A	1	17,0	N/A	1
Durban	15,0	N/A	1	17,0	N/A	1
Cape Town	15,0	N/A	1	17,0	N/A	1

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

Table 4.2
Constructed hurdle rates for top quality properties

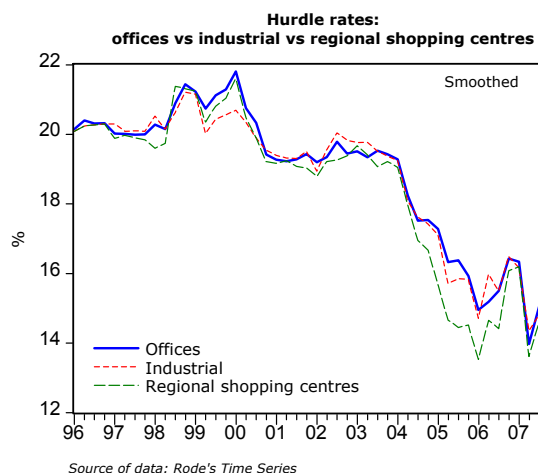
Type	Rule-of-thumb			RR 2007:4
	Capitalization rate	Leaseback escalation	Maximum dis- count rate ¹	
Regional shopping centres	± 7%	8%	15%	15,0%
Decentralized offices	± 8%	8%	16%	15,5%
Industrial leasebacks	± 9%	8%	17%	15,0%

1. We say maximum because this rule-of-thumb tends to overstate hurdle rates somewhat.

The accompanying graph shows the sharp uptick in hurdle rates during the third quarter of the year. This was most likely in response to the interest-rate hike during the quarter, on the back of a deteriorating inflation outlook, which compelled property

investors to require higher minimum total returns on their investments in order to service mortgage instalments. However, the good prospects for non-residential property over the next few years should keep hurdle rates from moving too far

north in the future, and the uptick could represent "forming a base", or it could represent the opinion of the one respondent who is not necessarily representative of the market out there.



term inflation outlook looks bleak, over the medium to long term, inflation is once again expected to average around the 5% mark, within the target range set by the Reserve Bank. Given that minimum income returns (cap rates) for top-quality non-residential properties are currently ranging between 7% and 9% (refer **Table 4.2**), and using the 5-year inflation outlook (5%) less a 1% provision for ageing as a proxy for expected net income growth, the hurdle rate (or required minimum total return) for such properties should be around 11 to 13%.

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

Table 4.3 shows that although the short-

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

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

Table 4.3
How the financial markets forecast inflation
as at 06 November 2007

Approximate term to maturity (years)	Yield to maturity (%)		Inferred expected inflation rate (%) (rounded)
	Conventional long-bond ex Besa ⁽¹⁾	Less: inflation-hedged bond	
0,4	10,48	4,20 ⁽²⁾	6,3
5	8,28	3,02 ⁽³⁾	5,3
26	7,82	2,58 ⁽⁴⁾	5,2

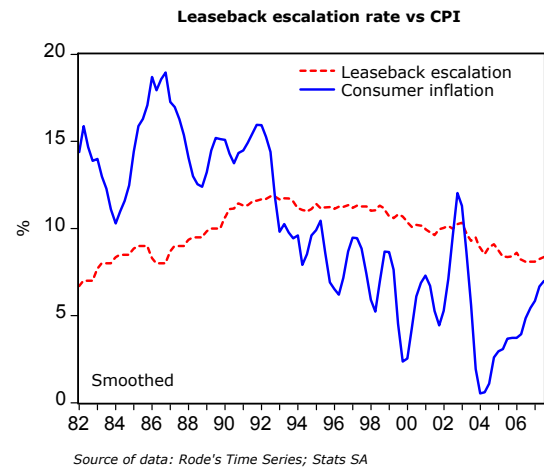
(1) Read off yield curve of Bond Exchange SA; (2) R198 maturing in March 2008; (3) R189 maturing March 2013

(4) R202 maturing December 2033

We will now deal with leaseback escalation rates.

Leaseback escalation rates

Table 4.4 shows that the average leaseback escalation rate was 8,4% during the third quarter of 2007. The standard deviation of 1%, however, suggests that leaseback escalation rates can be as low as 7,4% or as high as 9,4%. Given the rosy prospects for market-rental growth over the next few years, even the upper limit escalation rate of 9,4% may still turn out to be on the low side.



This concludes our section on hurdle and escalation rates. ■

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

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

If we remember that

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

one could say that:

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

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

The leaseback escalation rate is a proxy for the property market's expected rental growth rate of an individual property over the next 10 years.

Table 4.4
Prime industrial leaseback escalation rates
Quarter 2007:3

Mean	SD	N	Change 2007:3 less 2007:2	Broker-contributor codes
8,4	1,0	17	0,1	AJ, AN, BM, BR, BZ, CC, CR, ED, FO, GB, JS, MD, MW, MX, TG, TH, ZZ

Chapter 5: Capitalization-rate equations

How to estimate capitalization rates – anywhere

Updated by John S. Lottering

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

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

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

Office-building equation

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

The source of the data is this issue of *Rode's Report*. The regression is based on 30 observations in mainly decentralized nodes. With the decaying of some CBDs, we excluded the following outlier nodes in the construction of our model:

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

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

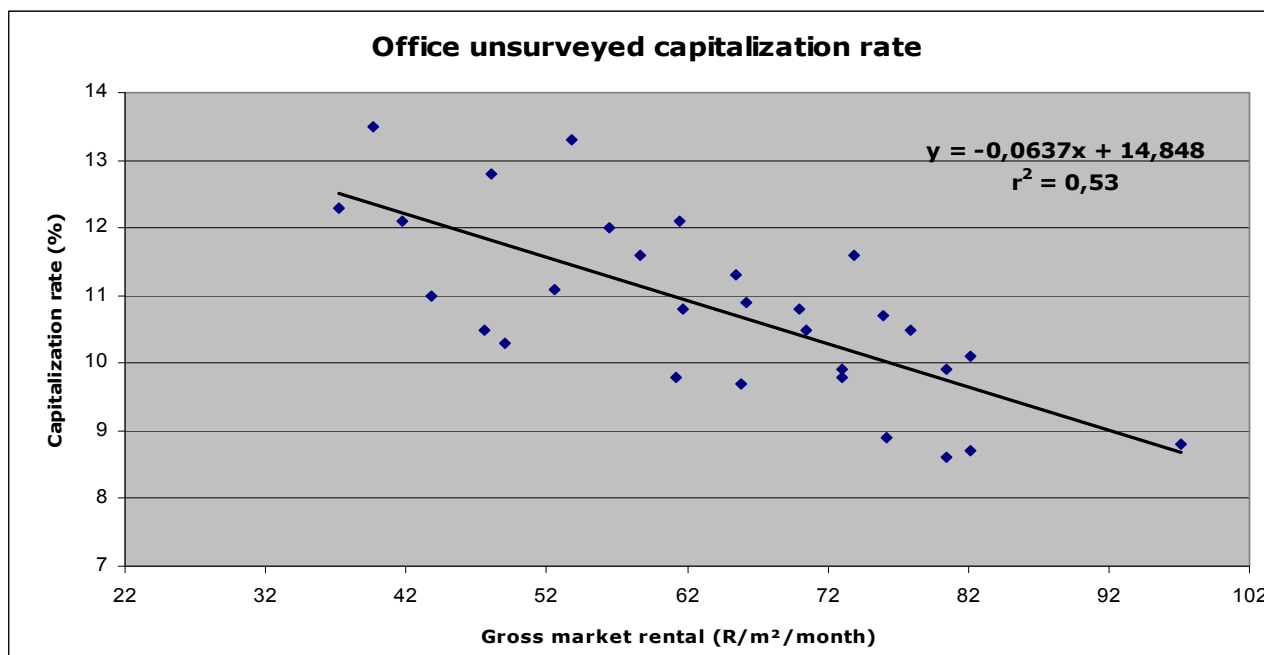
The updated equation is:

$$\text{office capitalization rate \%} = 14,848 - (0,0637 * \text{gross rental})$$

where

gross rental = the gross market rental rate per rentable m² per month for grades A, B or C office buildings in quarter 2007:3.

The correlation coefficient $r = -0,73$. The standard error (SE) is 0,90 and $n = 30$.



Readers should note that it is not advisable to use this function for gross market rental rates that fall much outside the range of R36/m²/month to R97/m²/month.

Example:

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

$$\text{office capitalization rate \%} = 14,848 - (0,0637 \times 60) = 11,0\%$$

Warning:

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

Industrial-property equation

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

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

The **industrial-regression equation**, which is based on 23 observations, includes all primary and secondary industrial cities, except Bloemfontein and East London. But this does not mean that one cannot apply this equation to these cities.

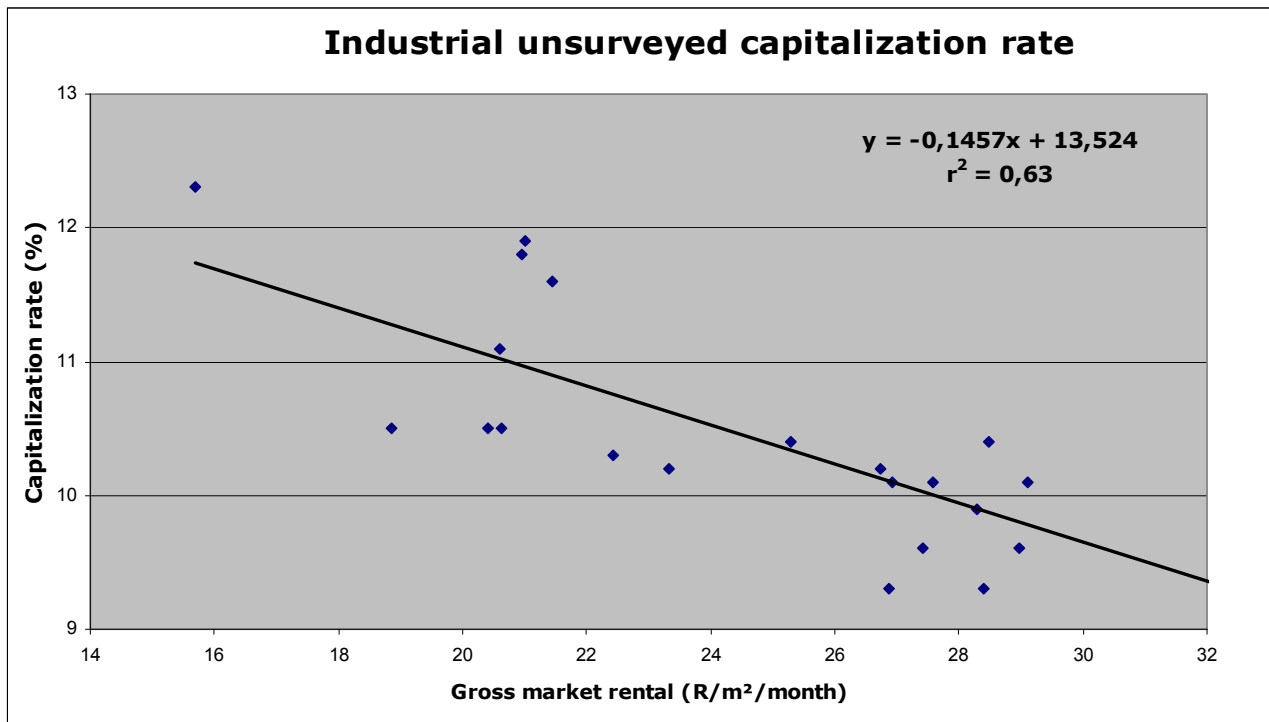
The updated equation is:

$$\text{industrial capitalization rate \%} = 13,524 - (0,1457 \times \text{gross rental})$$

where:

gross rental = the gross market rental per rentable m² per month as in quarter 2007:3 for stand-alone prime non-leaseback or prime industrial parks or stand-alone secondary industrial space of 1.000m², located in primary and secondary industrial cities.

The correlation coefficient $r = -0,79$. The standard error (SE) is 0,53 and $n = 23$.



It is not advisable to use this function for gross market rental rates that fall much outside the range of R15/m²/month to R34/m²/month. Also, remember to use the rental rate applicable to an area of 1.000m².

Example:

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

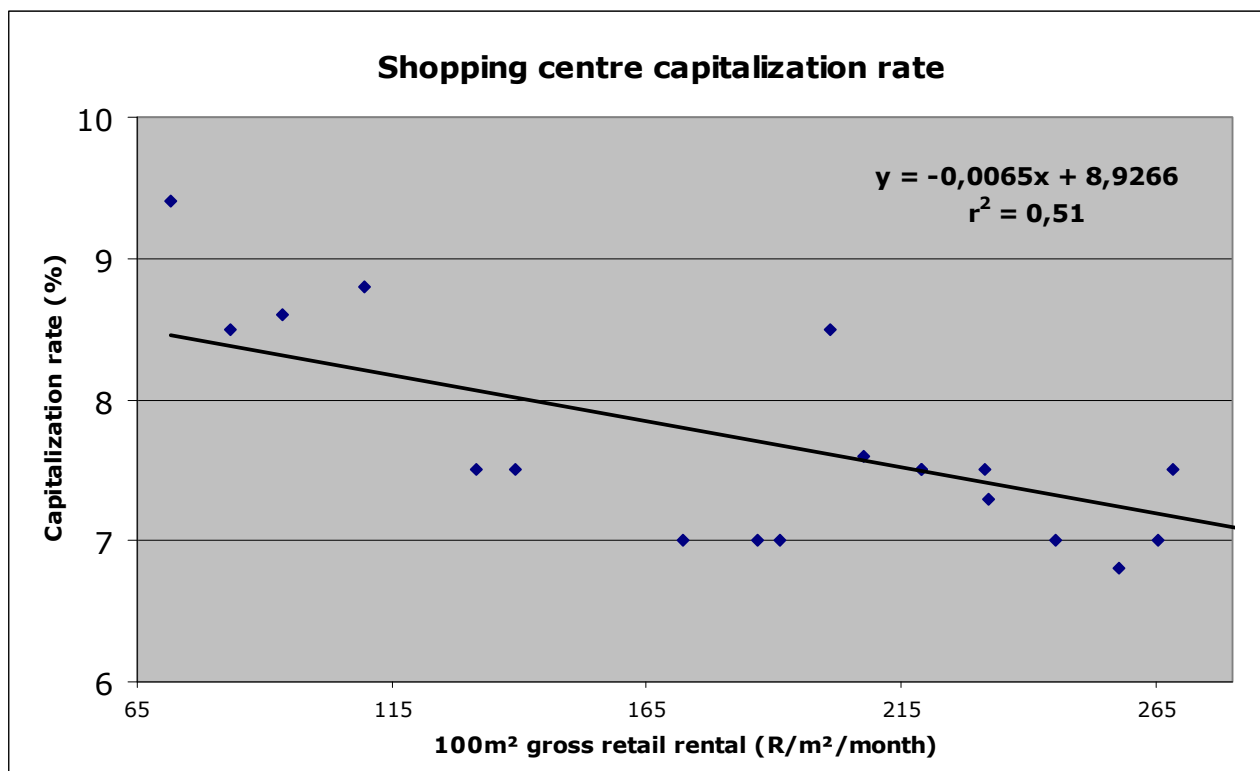
$$\text{industrial cap rate \%} = 13,524 - (0,1457 \times 20) = 10,6\%$$

Shopping-centre equation

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

More specifically, the logic that connects centre size and capitalization rate is as follows: larger centres tend to attract more customer feet, which push up retailer turn-overs, which push up the rentals the retailers can afford to pay, which push down the capitalization rate. However, this is a long logic chain, hence the relationship between centre size and capitalization rate tending to be an imperfect one. For instance, the foot count does differ enormously between, say, regional shopping centres, even of the same size. In addition, foot count is not the same as turnover because the average "basket" might differ significantly between centres. Thus, as in the case of office and industrial properties, market rentals would be a better determinant of capitalization rates.

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



Why? Because we do not, and cannot, establish the capitalization rates of *individual* shopping centres through regular surveys. Even establishing the market *rentals* of individual centres is a problem, because some landlords as a matter of policy are not prepared to divulge the ruling rental rates of their centres. Why landlords would have such a policy is unclear, because any competitor who seriously wanted to establish the market rental levels in a given centre can easily do so by making enquiries with the tenants — albeit at a cost. Also, a transparent policy of charging sustainable market rentals should improve landlord-tenant relations and should be good for long-term, sustainable profit maximisation. Hence, should tenants be aware of what the landlord considers to be market rentals, it should do no harm.

Despite these obstacles, we believe we have, at least partially, bridged this problem in the following way. *Rode* is a major valuer of shopping centres in SA, ranging from big to small and spread all over the country. In assigning capitalization rates to

these properties, we consider, *inter alia*, the capitalization rates as per the *RR* surveys (i.e. the capitalization rates by type of centre/centre size) and, more importantly, the gross market rental rate the centres command for 100m² of space. In this way we ensure that our resulting capitalization rates are within the *RR* survey frame, and we ensure a consistent correlation between capitalization rates and market rental rates. This relationship between capitalization rates and market rental rates applicable to 100m² shops now allows one to build a regression equation to estimate capitalization rates of a centre given its market rental rate for space of 100m². One can argue that this approach is not empirical, but at least it is internally consistent.

The equation that depicts the relationship between capitalization rates and market-rental rates as in 2007:3 is:

$$\text{Shopping-centre capitalization rate \%} = 8,9266 - (0,0065 * \text{gross rental})$$

where:

- Shopping-centre capitalization rate % = the capitalization rate applicable to the third quarter of 2007.
- gross rental = gross market rental rate per m² per month in the third quarter of 2007 for a shop of 100m² with an average location within the centre.

The correlation coefficient $r = -0,71$; standard error = 0,41; $n = 23$ observations.

This equation should not be used for gross market rentals that are much beyond the

range of R71 to R349/m²/month for space of 100m². Note too that this equation applies to the *third quarter of 2007*.

Example:

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

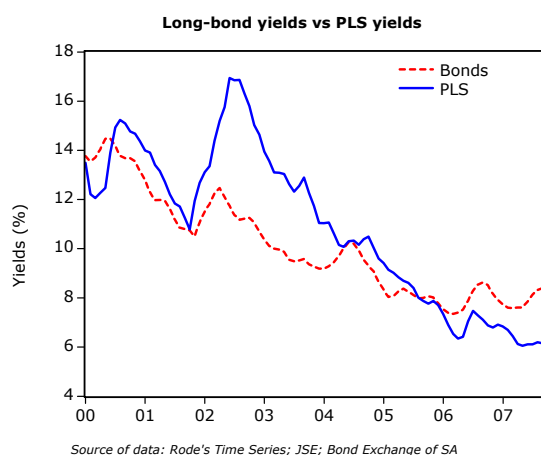
$$\text{Shopping-centre capitalization rate\%} = 8,9266 - (0,0065 * 200) = 8,3\%.$$

Chapter 6: Listed property

Listed property resilient

Written by John S. Lottering

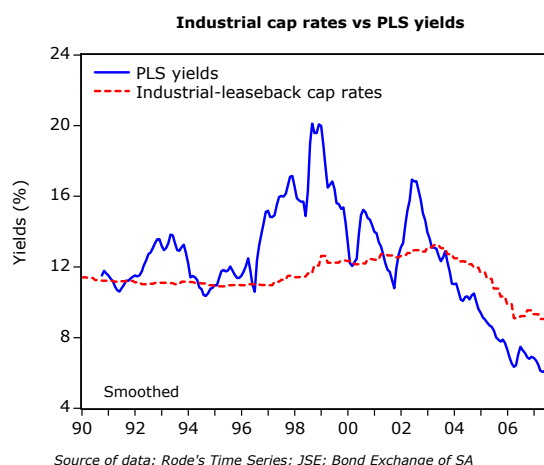
Financial market uncertainty, as a result of the sub-prime mortgage-bond ignominy, a deteriorating short-term inflation outlook and higher interest rates, weighed equities down during the reporting quarter. Nonetheless, listed property shares remained resilient despite all of this, with income yields moving sideways and remaining around the 6% mark over the period.



In spite of the likelihood of more interest-rate hikes in the near future, which might adversely affect market ratings, and hence, listed property unit prices, underlying non-residential property fundamentals are expected to remain strong. That is, building costs should continue to rise, vacancies remain low and the economy should continue to record satisfactory growth, which all bodes well for rental and, thus, income-stream growth.

The accompanying graph shows that, because of their greater tradability and liquidity, relative to directly-held property, PLS yields are more volatile than capitalization rates. Thus, PLS yields are more sensitive to market sentiment, and for this reason, would also be more responsive to interest-rate changes.

However, the reader should note that we are here comparing historic net-income yields (PLSs) with capitalization rates (the forward net-income yields of unlisted property). In the current climate, of strongly rising income streams, the typical difference between the two could be 10% or more.



Historic vs forward yields

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

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

Hence one cannot blindly compare the two yields.

In **Table 6.1** we use two methods to calculate the value that can be added to a portfolio by listing it. In method 1 our point of departure is the weighted capitalization rate of the portfolio, whereas in method 2 we adjust PLS income yields.

We make the following assumptions:

- The notional portfolio consists of Central Witwatersrand properties, which invest in retail, office and industrial properties in a 40%:40%:20% ratio.
- The market value of the portfolio is R1.000 (as if directly held).
- The tenants in the properties are, on the whole, paying slightly more than market rentals — that is, the portfolio is over-rented.
- The cost of listing a directly-held property portfolio is zero.

We adjusted the weighted capitalization rate of our notional portfolio as follows:

- We deducted 1% point for the increased **liquidity** of a listed fund.
- We deducted 1% point to take account of the decreased risk brought about by having a **diversified** portfolio rather than individual properties.

We deducted 0,5% points to cover asset

management and related **fees.**

- A capitalization rate, per definition, does not take cognisance of an over-rented situation. Hence we adjusted net income of the notional portfolio upwards by 1,5%.
- A capitalization rate, per definition, assumes a fully let situation. This will never be the case with a portfolio and, hence, we incorporated a vacancy rate of 5%.
- A capitalization rate is a forward yield; hence we reduced net market income by 10% in order to calculate a trailing or historic yield.

Using the weighted capitalization rate (10,1%) of our notional portfolio as a starting point, and adjusting it for the factors listed above, we arrive at an adjusted yield of 6,7% in Model 1. This implies that one can add 37% to the value of our notional directly-held portfolio by listing it. Method 2 also delivers an answer of 40%.

Note, however, that these models are loaded with assumptions, and the models react sensitively to many of these assumptions. Hence, besides being pedagogical tools, the models should rather be seen as offering a very rough estimate of the *degree* to which one can add value by listing a portfolio of directly-held properties.

Income streams are calculated by using the following identity:

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

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

Listed property vs directly-held property: a primer

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

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

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

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

The reader is warned that our calculation in **Table 6.1** is very dependent on certain assumptions. Hence the reader should view this as an exercise in directing one's thoughts.

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

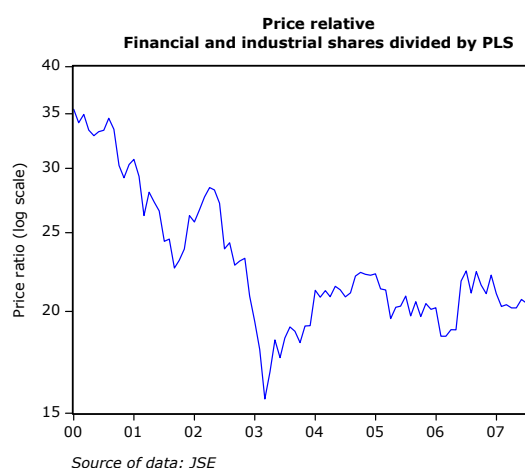
Share prices do not always reflect fundamentals (the expected movement in income streams). Instead, market perceptions (as measured by income yields or price-earnings ratios) play a major role in the shorter term.

Table 6.1
Value added by listing a property portfolio as at 30 September 2007

Model 1			
	%	Market value	Income stream
Base capitalization rate	10,1%	R1.000	R106,26
Adjustments:			
LESS: Vacancy provision	5%		-R5,31
ADD: Over-rented	1,5%		R1,51
MINUS: Conversion of forward yield to historic yield	10,0%		-R10,25
Net trailing cash flow			R92,21
Normalised trailing income yield before adj. for risk/liquidity (a)	9,2%	=R92,21/R1.000	
DEDUCT: Liquidity premium	-1,0%		
DEDUCT: Diversification benefit	-1,0%		
DEDUCT: Asset management and related costs	-0,5%		
Unlisted property's listed equivalent income yield (b)	6,7%		
Value added/lost by listing	37% = (a/b)-1		
Model 2			
ACTUAL PLS income yield	6,1%		
ADD: Asset management and related costs	0,5%		
ACTUAL PLS income yield (c)	6,6%		
Value added/lost by listing	40% = (a/c)-1		

We will now briefly consider the performance of listed property relative to that of financial and industrial shares (as represented by the Findi 30).

The accompanying graph illustrates the change in the Findi30 price index relative to the PLS price index. The graph shows that the Findi30/PLS price ratio pointed south during the reporting quarter (the shaded area), which means that the prices of PLS shares grew faster than the prices of financial and industrial shares.



Further analysis of the income-yield and income-stream performance of Findi30 shares relative to PLS shares, shows that the weaker price performance of Findi30 shares were not only as a result of weaker market ratings (possibly on the back of the sub-prime banking debacle) but also as a result of its weaker income-stream performance relative to PLS shares.

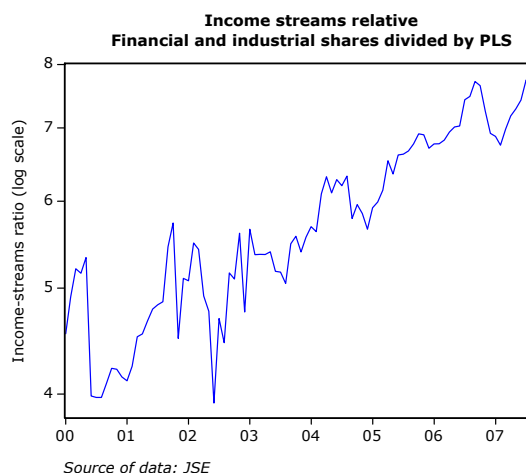
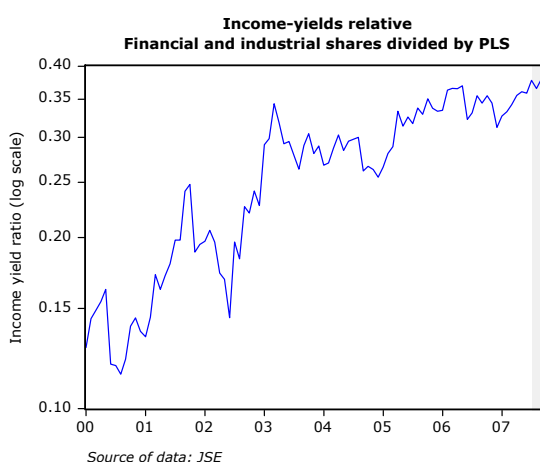


Table 6.2 shows the individual performance of PUTs and property loan stocks (PLSs) for different periods to the end of September 2007 (ex *Catalyst Fund Managers*).

This concludes our chapter on listed property. ■

Drivers of listed-fund prices

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

1. Expected earnings

Earnings are driven by property *fundamentals* such as:

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

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

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

3. Short-term interest rates

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

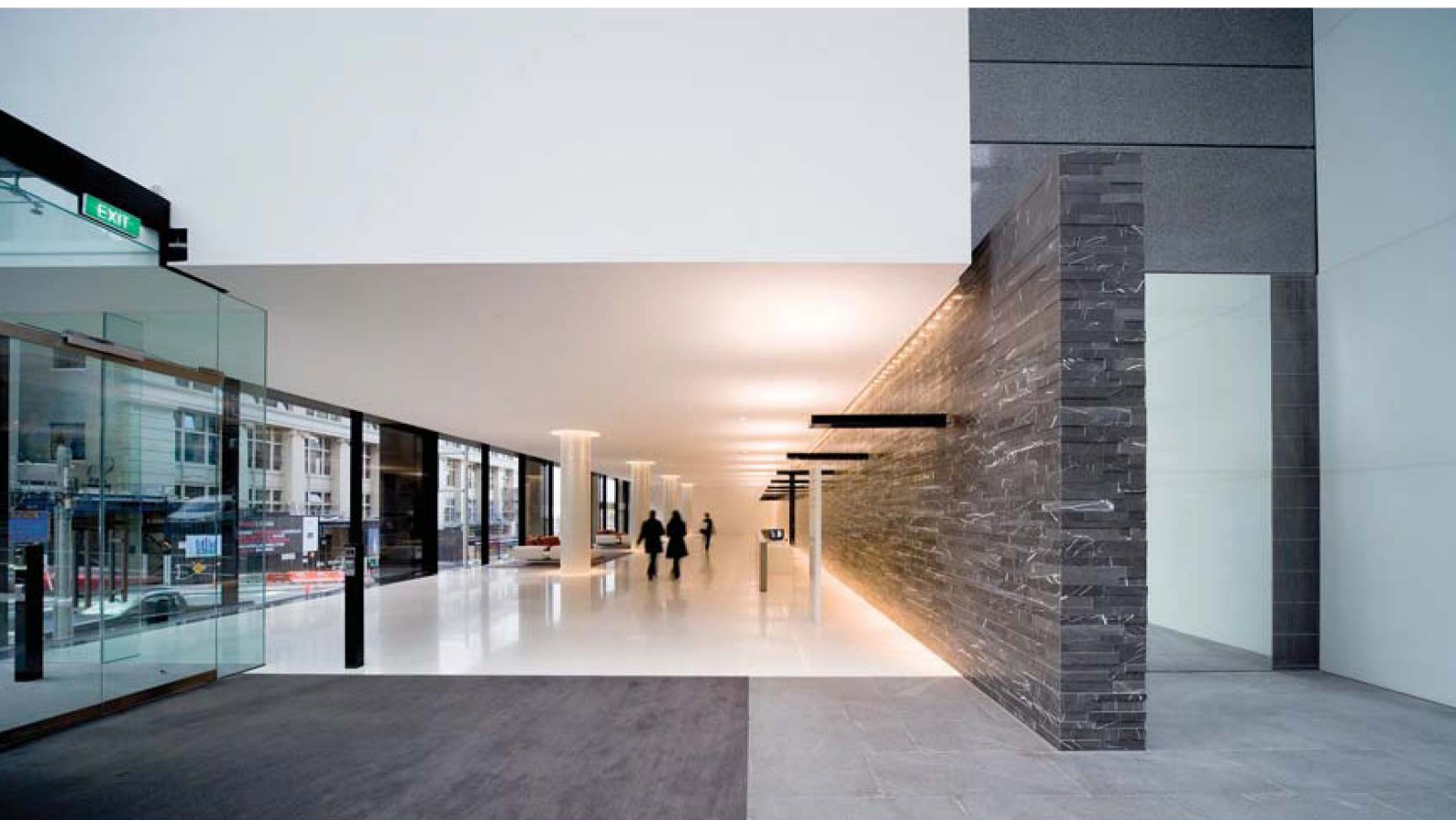
Table 6.2
Total return on property unit trusts & property loan stocks
to September 2007:

Lump-sum investments (assuming reinvestment of distributions)

Property indices	1 year		3 year*	
	%		%	
Capped Property Index (PCAP)	180,65%		40,18%	
PLS Index	231,94%		56,92%	
PUT Index	141,79%		39,14%	
Real Estate Index	131,31%		18,43%	
SA Listed Property Index (SAPY)	201,49%		51,29%	
Property unit trusts	1 year		3 year	
	Rank	%	Rank	%
Capital Property	2	193,49%	1	54,28%
Emira	1	199,44%	2	42,24%
Grayprop	—	—	—	—
Martprop	—	—	—	—
Sycom	3	103,81%	3	20,70%
Property loan stock	1 year		3 year	
	Rank	%	Rank	%
Acucap	10	183,68%	18	38,47%
Ambit	12	171,50%	13	48,89%
Apexhi - A	15	155,41%	19	31,65%
Apexhi - B	7	225,77%	15	41,56%
Apexhi - C	4	280,00%	1	280,00%
Diversified	13	159,88%	4	75,34%
Fountainhead	16	141,88%	17	39,20%
Growthpoint	8	222,49%	9	58,51%
Hospitality A	22	55,42%	22	25,39%
Hospitality B	17	136,34%	3	101,11%
Hyprop	6	241,07%	11	50,34%
Ifour	14	158,83%	20	30,24%
Madison	18	125,99%	2	135,41%
Monyetla	21	85,01%	21	26,32%
Octodec	1	373,07%	5	71,74%
Panprop	11	171,81%	12	49,54%
Premium	3	308,94%	7	62,84%
Redefine	5	265,09%	8	62,19%
Resilient	2	316,30%	6	70,55%
SA Corporate	20	111,42%	16	41,16%
Siyathenga	19	116,43%	14	47,56%
Vukile	9	208,47%	10	54,60%

* Cumulative growth over period.

Source: Catalyst Fund Managers



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Chapter 7: Office rentals

Robust double-digit growth

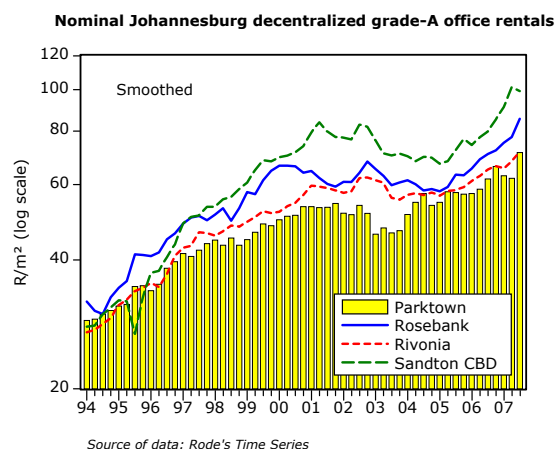
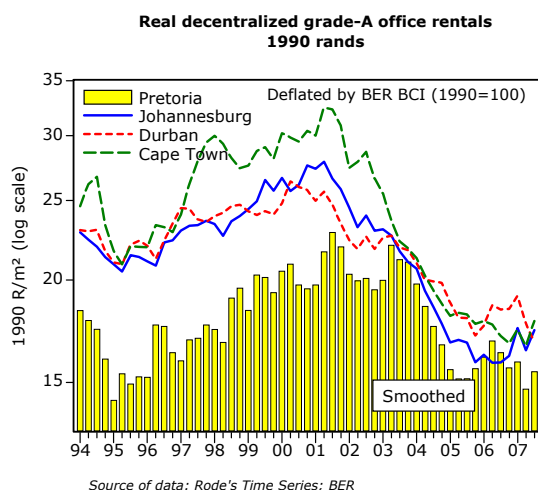
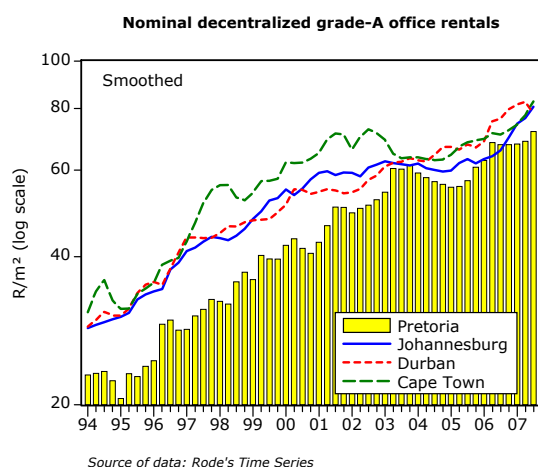
Written by John S. Lottering

Decentralized offices

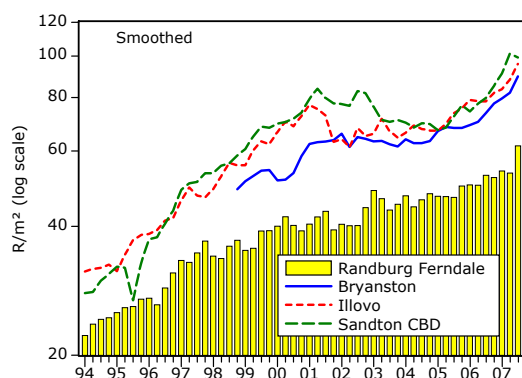
Prime office rentals in most of the country's top decentralized office nodes showed strong double-digit nominal growth during the third quarter of the year. What's more, this growth was in excess of building-cost inflation (as measured by the BER Building

Cost Index), which is expected to have grown by roughly 9,6%. Interestingly, it seems as if Johannesburg and Cape Town decentralized will be leading the pack into the office market boom, with nominal rentals collectively up by 23% and 17%, respectively. On a collective basis, Pretoria and Durban decentralized could only manage nominal growth rates of 6% and 3%.

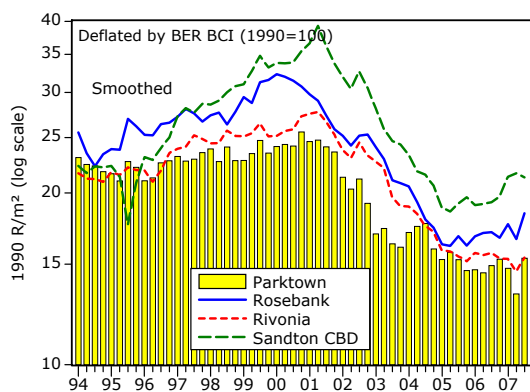
At the nodal level, prime office rentals in all of the popular Johannesburg decentralized office nodes managed to achieve impressive yearly growth rates in excess of building-cost inflation. Major office nodes such as Sandton CBD, Illovo, Bryanston and Rosebank all recorded 20%-plus yearly growth rates, while in Randburg Ferndale, Parktown and Rivonia, nominal rentals were up by 17%, 15% and 10%, respectively. Thus, the long-awaited boom is on.



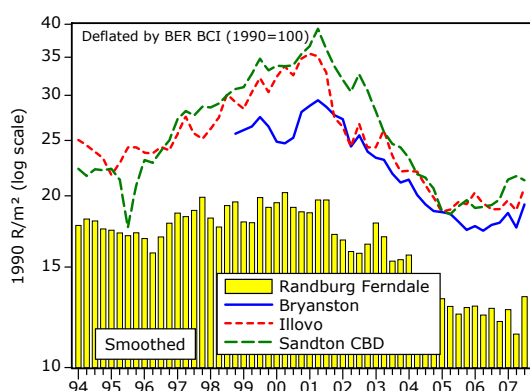
Nominal Johannesburg decentralized grade-A office rentals



Source of data: Rode's Time Series

Real Johannesburg decentralized grade-A office rentals
1990 rands

Source of data: Rode's Time Series; BER

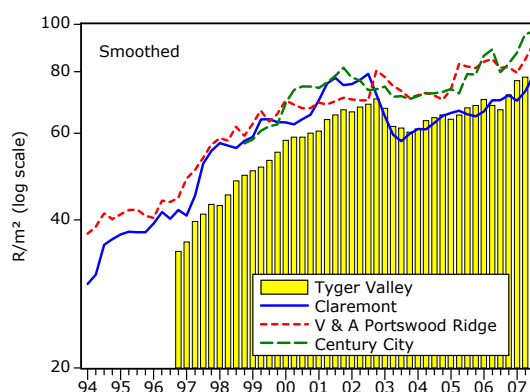
Real Johannesburg decentralized grade-A office rentals
1990 rands

Source of data: Rode's Time Series; BER

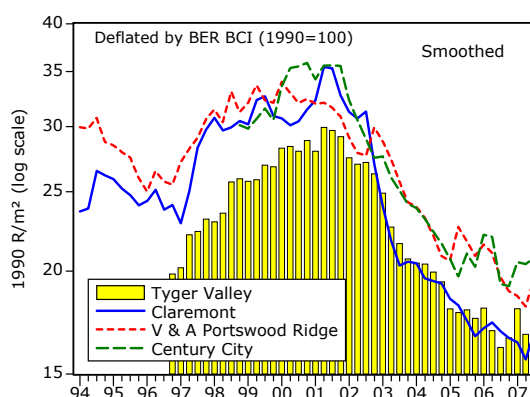
During the reporting quarter, nominal rentals in prominent Cape Town decentralized office nodes, such as Century City and Tyger Valley were up by 21% and 14%, re-

spectively. In Claremont and the V & A Portwood Ridge, nominal rentals were on average 12% higher than a year ago; thus, all of these Cape Town decentralized nodes could achieve positive *real* rental growth.

Nominal Cape Town decentralized grade-A office rentals

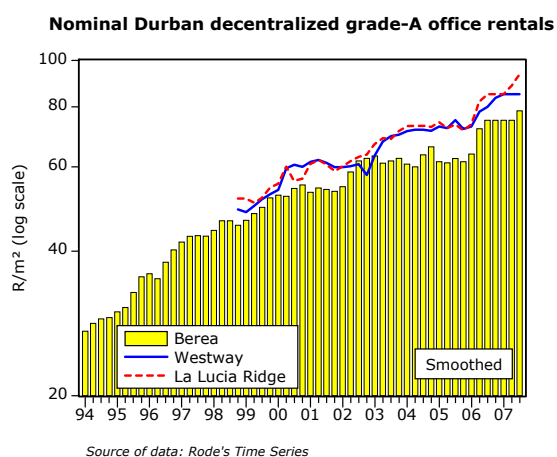
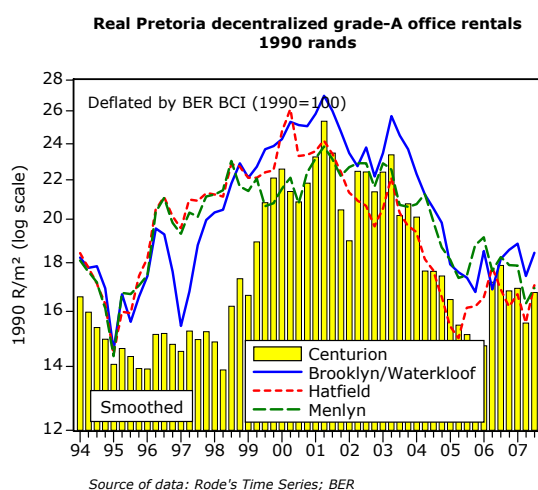
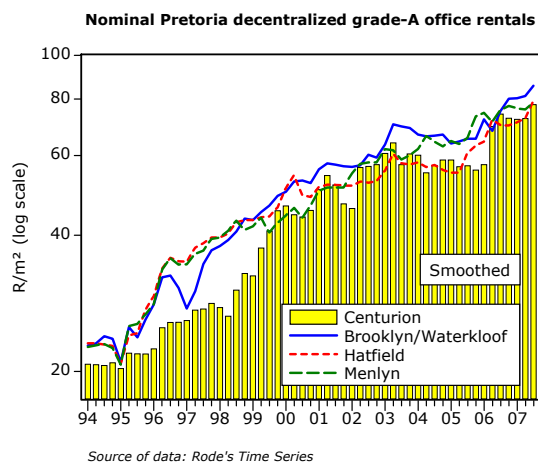


Source of data: Rode's Time Series

Real Cape Town decentralized grade-A office rentals
1990 rands

Source of data: Rode's Time Series; BER

In Pretoria decentralized, Brooklyn/Waterkloof (14%) and Hatfield (13%) were the top performers in terms of nominal rental growth. In contrast, Centurion and Menlyn could only muster growth rates of 5% and 4%, respectively. Therefore, only nominal rentals in only Brooklyn/Waterkloof and Hatfield were able to outperform building costs over the last year. In contrast, *real* rentals in Centurion and Menlyn are currently lower than they were a year ago.



rates in the reporting quarter. Nominal rentals in La Lucia ridge grew in line with building-cost inflation, while in the office nodes of Westway and Berea meagre growth rates of 6% and 5% were recorded.

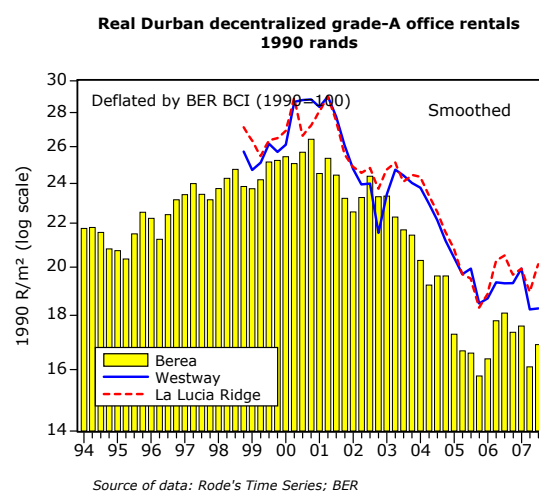


Table 7.1 shows the nominal rental performance of some top decentralized office nodes relative to building-cost inflation. Evident from the table is the impressive building-cost-inflation beating performance of nominal market rentals over the last year. Over the last 10 and 5 years, however, the average compound growth rates in market rentals were below those of building-cost inflation.

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

The decentralized office nodes of Durban showed the most disappointing growth

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

	Last 10 years*	Last 5 years*	Last year
Sandton CBD	3,5	5,8	24,2
Randburg Ferndale	4,6	4,8	17,2
Brooklyn/Waterkloof	7,3	5,0	13,7
Hatfield	5,9	7,1	13,1
Berea (Durban)	5,3	5,0	4,7
Tyger Valley (CT)	4,3	3,7	14,1
BER Building Cost Index	11,8	12,6	9,6
Haylett Index	7,4	7,2	9,4
CPI	5,5	3,6	7,0

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

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

Recap: nominal versus real rentals

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

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

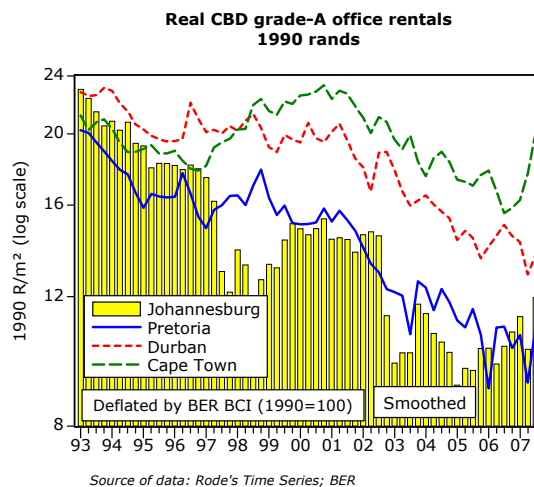
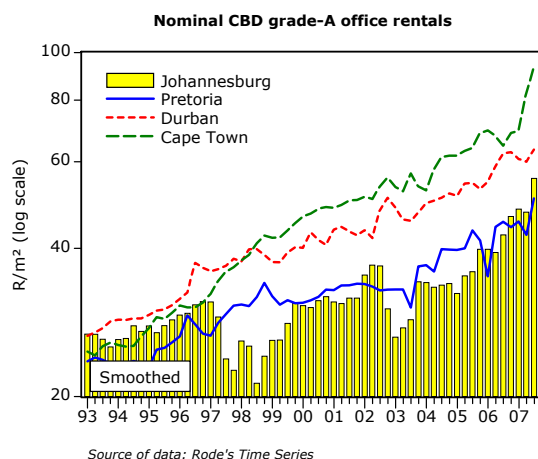
When *real* rentals are falling, it means that one can at present build less with the rental income from a building than one could in the previous period(s). The opposite applies when *real* rentals are rising. Therefore, if we say that *real* rentals in the Cape Town CBD are currently less than they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

CBD offices

In the reporting quarter, nominal market rentals for prime office space in the Johannesburg and Cape Town CBDs were up by a rip-roaring 30% and 44% respectively, resulting in robust *real* rental growth in both these CBDs. In terms of rental levels, our

survey results show that average market rentals in the Cape Town CBD were about R95,00/m²/month, compared to R59,00/m²/month in the Johannesburg CBD. Thus, there is still a big difference between what the market is willing to pay for prime office space in these two CBDs. The Johannesburg growth is of course off a low base.

In the CBD of Pretoria, rentals were, on the back of low vacancies, 12% higher than they were a year ago, while the CBD of Durban could only achieve growth of 2%.



Pioneer rentals

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

Table 7.2

Pioneer office rentals

Highest gross nominal market rental rate achieved
Rands per rentable m², gross leases (excl VAT)
During quarter 2007:3

	Pioneer	Normal Grade A	Difference %
Johannesburg dec.	82,00	81,00	1
Pretoria dec.	N/A	74,46	N/A
Durban CBD	N/A	65,00	N/A
Durban dec.	75,00	73,33	2
Bloemfontein dec.	75,00	61,67	22
Port Elizabeth dec	147,50	60,66	143
East London	N/A	47,86	N/A
East London dec	95,00	62,08	53
Cape Town CBD	120,00	81,67	47
Cape Town dec.	103,80	86,01	21

*"**Pioneer**" refers to the highest rental actually achieved – and could be a once-off outlier deal; hence "pioneer" is not "market". The difference between pioneer and the highest market rentals may be used as a blunt tool to gauge the prospects for market rental growth in the short term.*

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

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

Table 7.3
Market rental rates for office buildings
Quarter 2007:3

Rands per rentable m², gross leases (excl VAT)

	Grade A+	Grade A mean	Grade B mean	Grade C mean	Broker contributor codes
Johannesburg CBD		59,13	48,33	30,50	AV, BM, BR, PA
Braamfontein		65,60	48,00	41,50	AV, AW, BM, BR, PA
Sandton CBD	127,50	96,67	77,43	67,50	AV, AW, BM, BR, DT, PA, PK
Dunkeld West	118,33	83,33	60,00	N/A	AV, BM, BR, PA
Wierda Valley	103,75	90,50	73,75	N/A	AV, BM, BR, PA
Randburg Ferndale	70,00	65,67	56,00	39,20	AV, BM, BR, PA, PK, RX
Rivonia	88,75	72,50	61,25	51,90	AV, AW, BC, BM, BR, PA
Rosebank	109,17	88,75	73,33	53,33	AV, BM, BR, PA
Illovo	115,00	98,33	80,00	57,50	AV, BM, BR, DT, PA
Illovo Boulevard	123,75	95,00	N/A	N/A	AV, BM, BR, PA
Chislehurst	98,33	85,00	80,00	N/A	AV, BM, BR, PA, PK
Parktown	87,50	75,00	61,00	49,25	AV, BM, BR, PA
Richmond/Milpark	N/A	62,50	44,00	32,50	AV, BR, PA
Bedfordview	88,33	75,17	60,83	52,50	AV, BM, BR, PA
Bruma	85,00	77,50	60,75	50,75	AV, BM, BR, PA
Meadowbrook	N/A	38,00	N/A	N/A	SP
Woodmead	104,80	86,42	73,00	63,00	AW, BC, BM, BR, PA, RX
Sunninghill	98,75	78,00	75,00	62,00	AV, AW, BC, BM, BR, PA
Bryanston/Epsom Downs	110,50	92,50	73,13	N/A	AV, BC, BM, BR, PA, RX
Fourways	101,50	92,00	77,50	N/A	AV, BM, BR, PA, VE
Houghton	101,25	93,00	62,50	40,00	AV, BM, BR, DT, PA, PK
Melrose Arch	147,00				AV, AW, BM, BR, PA
Hyde Park	101,67	86,67	76,67	54,00	AV, BM, BR, PA
Eastgate/ Kramerville	N/A	N/A	61,00	47,00	AV, PA
Ormonde	87,00	80,00	66,00	63,00	PA
Midrand	83,50	69,50	58,13	47,50	AV, AW, BR, QU
Germiston	N/A	N/A	38,00	30,00	MK
Benoni CBD	N/A	N/A	N/A	N/A	
Benoni dec	N/A	N/A	N/A	N/A	
Boksburg CBD	N/A	N/A	N/A	N/A	
Boksburg North	N/A	N/A	N/A	N/A	
Boksburg (Mall area)	N/A	N/A	N/A	N/A	
Pretoria CBD		54,56	46,70	32,14	BR, EV, FP
Lynnwood Glen	112,50	67,00	61,67	59,17	BR, EV, FP, SF
Lynnwood	80,00	70,74	60,00	N/A	BR, FP, SF
Lynnwood Manor	80,00	72,00	65,00	72,00	BR, FP, SF
Lynnwood Ridge	84,00	74,67	61,33	73,50	BR, FP, SF
Faerie Glen	93,98	89,50	N/A	N/A	BR, EV, FP, SF
Val de Grace	80,00	64,50	55,00	40,00	BR, FP, SF
Menlyn	96,50	79,75	74,39	70,00	BR, EV, FP, SF
Menlo Park (Brooks St.)	101,85	70,00	55,00	N/A	BR, FP
Brooklyn/Waterkloof	99,25	87,38	69,00	N/A	BR, EV, FP, SF
Nieuw Muckleneuk	114,00	71,38	64,00	N/A	BR, EV, FP, SF
Hatfield	73,97	81,67	75,50	68,00	BR, EV, FP, HT
Centurion	99,33	80,00	70,00	N/A	BR, EV, SF
Highveld Technopark	91,50	73,18	66,67	N/A	BR, EV, FP, SF
Sunnyside	N/A	N/A	37,66	42,25	EV, FP
Arcadia	65,00	60,69	50,00	45,00	BR, EV, FP, SF
Murrayfield	N/A	N/A	55,00	N/A	BR, FP

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

Table 7.3 (continued)
Market rental rates for office buildings
Quarter 2007:3
Rands per rentable m², gross leases (excl VAT)

	Grade A+	Grade A mean	Grade B mean	Grade C mean	Broker contributor codes
Klerksdorp	N/A	N/A	N/A	N/A	
Vereeniging		N/A	40,00	30,00	DG
Vanderbijlpark		N/A	45,00	30,00	DG
Nelspruit		90,00	73,50	55,00	RZ, SV
Polokwane		80,83	65,83	41,67	AI, ES, TG
Bloemfontein CBD		51,67	43,33	36,67	CC, ED, EK, NR
Westdene	71,67	61,67	53,33	41,67	CC, ED, EK, NR
Durban CBD		65,00	45,00	35,00	MW,
Durban Berea	N/A	70,00	65,00	60,00	JH, MW
Essex Terrace	N/A	65,00	65,00	60,00	JH, MW
Westway	87,50	85,00	80,00	N/A	JH, MW
La Lucia Ridge	100,00	95,00	85,00	N/A	JH, MW
Westville	N/A	70,00	70,00	60,00	JH, MW
Pinetown	N/A	55,00	42,50	35,00	JH, LS
Hillcrest-Kloof (Upper Highway)	85,00	N/A	75,00	N/A	JH
Empangeni	N/A	N/A	N/A	N/A	
Richards Bay	75,00	60,00	52,00	25,00	FO
P/Maritzburg CBD		50,00	50,00	35,00	CE, NP
Pmb peripheral CBD*		60,00	52,50	40,00	CE, NP
Pmb decentralized		80,00	62,50	45,00	CE, NP
Port Elizabeth		45,00	31,70	23,50	BD, BE, JP, MJ, PE, SK
Port Elizabeth dec.	75,00	60,66	52,08	41,25	BD, BE, JP, MJ, SK
East London		47,86	35,83	34,17	BG, BJ, DQ, ER, GO, WM, ZZ
East London dec.	90,00	62,08	47,08	34,58	BG, DQ, ER, GO, WM, ZZ

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

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

Table 7.3 (continued)
Market rental rates for office buildings
Quarter 2007:3
Rands per rentable m², gross leases (excl VAT)

	Grade A+	Grade A mean	Grade B mean	Grade C mean	Broker contributor codes
Cape Town CBD		95,00	69,64	50,63	CK, CP, CR, DW, GB, GO, MD, OC, OP, ZZ
V&A Portsworld Ridge	125,00	92,50	73,33	50,00	CP, CR, GB, OP
Granger Bay	N/A	N/A	N/A	N/A	GO, OP
Kenilworth (Racecourse)	80,00	75,00	65,00	40,00	BB, OP, WA
Westlake	90,00	81,67	71,88	65,00	BB, CR, GB, OP, WA
Claremont Lower**	70,00	72,50	50,00	41,67	BB, DW, MD, OP, WA
Claremont Upper	105,00	87,50	69,50	52,50	BB, CR, DW, GB, OP, WA
Pinelands	N/A	75,00	60,00	N/A	CR, DW, OP
Athlone	N/A	N/A	N/A	N/A	
Rondebosch/Newlands	87,50	77,50	64,22	47,50	BB, CR, DW, OP, WA
Wynberg	77,50	68,33	57,50	43,00	BB, CR, MD, OP, WA
Table View/Parklands	N/A	N/A	N/A	N/A	OP
Century City	111,40	96,00	85,00	N/A	DP, DW, GB, MD, OC, OP
Goodwood (N1 City)	85,00	75,00	72,50	65,00	CM, CR, OC
Tygerberg Hills	102,50	95,00	N/A	N/A	CM, OC, OP
Bellville CBD		45,00	43,33	37,50	CM, CR, DL, DN, DW, MD, OC, OP
Tyger Valley area	88,63	75,63	72,50	65,00	CK, CM, CR, DN, OC, NE, OP
Durbanville	85,00	77,50	75,00	65,00	CM, CR, DN, OC, OP
Kuils River	N/A	N/A	N/A	N/A	
George	75,00	65,00	52,50	35,00	ZB
Windhoek	105,00	87,50	67,50		JS, TE

** Claremont Lower: east of railway line

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

Table 7.4
Standard deviation of market rental rates for office buildings
Quarter 2007:3

	Grade A+	Grade A	Grade B	Grade C
Johannesburg CBD		R8,05	R7,64	R10,85
Braamfontein		R3,78	R8,37	R7,77
Sandton CBD	R9,57	R8,76	R7,04	R3,54
Dunkeld West	R16,07	R5,77	R7,07	N/A
Wierda Valley	R1,77	R6,66	R4,79	N/A
Randburg Ferndale	R0,00	R3,79	R10,15	R5,07
Rivonia	R7,50	R9,87	R6,27	R9,65
Rosebank	R10,10	R7,50	R5,77	R7,64
Illovo	R7,07	R16,07	R7,07	R3,54
Illovo Boulevard	R13,77	R0,00	N/A	N/A
Chiselhurst	R5,77	R8,34	R7,07	N/A
Parktown	R10,61	R11,55	R8,60	R7,23
Richmond/Milpark	N/A	R3,54	R5,66	R3,54
Bedfordview	R2,89	R2,25	R3,82	R3,54
Bruma	N/A	R7,50	R4,35	R7,23
Meadowbrook	N/A	N/A	N/A	N/A
Woodmead	R7,92	R8,30	R4,73	R2,83
Sunninghill	R7,50	R9,27	R0,00	N/A
Bryanston/Epsom Downs	R7,16	R7,58	R9,44	N/A
Fourways	R3,77	R8,37	R10,61	N/A
Houghton	R8,84	R8,12	R3,54	R0,00
Melrose Arch	R4,47			
Hydepark	R7,64	R5,77	R7,64	R5,66
Eastgate/Kramerville	N/A	N/A	R1,41	R2,83
Ormonde	N/A	N/A	N/A	N/A
Midrand	R4,92	R7,37	R3,75	R3,54
Germiston	N/A	N/A	N/A	N/A
Benoni CBD	N/A	N/A	N/A	N/A
Benoni dec	N/A	N/A	N/A	N/A
Boksburg CBD	N/A	N/A	N/A	N/A
Boksburg North	N/A	N/A	N/A	N/A
Boksburg (Mall area)	N/A	N/A	N/A	N/A
Pretoria CBD		R14,77	R8,45	R4,95
Lynnwood Glen	R10,61	R2,83	R7,64	R1,18
Lynnwood	N/A	R3,71	R7,07	N/A
Lynnwood Manor	N/A	R4,24	R8,66	N/A
Lynnwood Ridge	R3,61	R5,51	R5,51	N/A
Faerie Glen	R9,52	R0,71	N/A	N/A
Val de Grace	N/A	R6,36	R0,00	N/A
Menlyn	R23,33	R9,50	R5,11	N/A
Menlo Park (Brooks St.)	N/A	N/A	R7,07	N/A
Brooklyn/Waterkloof	R6,90	R6,92	N/A	N/A
Nieuw Muckleneuk	R0,00	R7,95	N/A	N/A
Hatfield	R1,46	R10,41	R6,36	N/A
Centurion	R10,07	R10,00	R8,66	N/A
Highveld Technopark	R9,19	R5,47	R2,89	N/A
Sunnyside	N/A	N/A	N/A	R18,03
Arcadia	N/A	R9,53	R7,07	N/A
Murrayfield	N/A	N/A	N/A	N/A

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

Table 7.4 (continued)
Standard deviation of market rental rates for office buildings
Quarter 2007:3

	Grade A+	Grade A	Grade B	Grade C
Klerksdorp	N/A	N/A	N/A	N/A
Vereeniging		N/A	N/A	N/A
Vanderbijlpark		N/A	N/A	N/A
Nelspruit CBD		R28,28	R16,26	R0,00
Polokwane		R3,82	R1,44	R7,64
Bloemfontein CBD		R7,64	R7,64	R5,77
Westdene	R2,89	R2,89	R2,89	R10,41
Durban CBD		N/A	N/A	N/A
Durban Berea	N/A	R14,14	N/A	N/A
Essex Terrace	N/A	N/A	N/A	N/A
Westway	N/A	N/A	N/A	N/A
La Lucia Ridge	N/A	N/A	N/A	N/A
Westville	N/A	N/A	N/A	N/A
Pinetown	N/A	R0,00	R3,54	R0,00
Hillcrest-Kloof (Upper Highway)	N/A	N/A	N/A	N/A
Empangeni	N/A	N/A	N/A	N/A
Richards Bay	N/A	N/A	N/A	N/A
P/Maritzburg CBD		N/A	R7,07	R0,00
Pietermaritzburg periphery*		N/A	R3,54	R0,00
Pietermaritzburg decentralized		R7,07	R3,54	N/A
Port Elizabeth CBD		R7,07	R8,03	R3,61
Port Elizabeth decentralized		R3,30	R2,63	R4,27
East London CBD		R7,56	R2,86	R2,04
East London decentralized	N/A	R18,27	R11,20	R0,59
Cape Town CBD		R20,00	R9,18	R6,57
V&A Portwood Ridge	N/A	R10,61	R10,41	N/A
Granger Bay	N/A	N/A	N/A	N/A
Kenilworth (Racecourse)	R7,07	R7,07	R7,07	N/A
Westlake	R0,00	R2,89	R9,44	N/A
Claremont Lower**	N/A	R10,61	R14,14	R7,64
Claremont Upper	R7,07	R8,66	R7,98	R17,68
Pinelands	N/A	R7,07	N/A	N/A
Athlone	N/A	N/A	N/A	N/A
Rondebosch/Newlands	R3,54	R3,54	R4,37	R10,61
Wynberg	R3,54	R2,89	R8,66	R9,63
Table View/Parklands	N/A	N/A	N/A	N/A
Century City	R7,40	R9,62	R0,00	N/A
Goodwood (N1 City)	N/A	R0,00	R3,54	N/A
Tygerberg Hills	R3,54	N/A	N/A	N/A
Bellville CBD		R14,14	R12,58	N/A
Tyger Valley area	R8,58	R7,18	R6,61	R10,61
Durbanville	R14,14	R3,54	R5,00	N/A
Kuilsriver	N/A	N/A	N/A	N/A
George	N/A	N/A	N/A	N/A
Windhoek	R21,21	R17,68	R3,54	

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

** Claremont Lower: east of railway line

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

Table 7.5
Change in market rental rates for office buildings
Quarter 2007:3 less quarter 2007:2

	Grade A+	Grade A mean	Grade B mean	Grade C mean
Johannesburg CBD		12,13	10,71	2,50
Braamfontein		3,80	2,20	5,25
Sandton CBD	17,50	-8,33	-1,57	-2,50
Dunkeld West	30,00	5,83	-5,00	N/A
Wierda Valley	3,75	3,83	5,42	N/A
Randburg Ferndale	5,00	13,17	10,00	-0,80
Rivonia	3,13	3,08	0,42	2,32
Rosebank	19,17	10,75	5,33	-3,33
Illovo	3,75	8,33	10,00	-5,00
Illovo Boulevard	8,75	-3,33	N/A	N/A
Chislehurst	4,21	-1,75	2,50	N/A
Parktown	22,33	12,50	7,00	3,25
Richmond/Milpark	N/A	1,25	-4,33	-7,50
Bedfordview	8,33	7,67	3,33	5,50
Bruma	10,00	10,00	5,75	5,75
Meadowbrook	N/A	N/A	N/A	N/A
Woodmead	3,55	0,17	3,80	5,50
Sunninghill	10,00	2,00	6,67	7,00
Bryanston/Epsom Downs	16,75	9,50	2,63	N/A
Fourways	1,50	0,75	-7,50	N/A
Houghton	8,92	9,20	-15,00	0,00
Melrose Arch	5,33			
Hyde Park	6,33	1,07	-0,83	4,00
Eastgate/Kramerville	N/A	N/A	3,50	-1,00
Ormonde	N/A	N/A	16,00	23,00
Midrand	2,70	-1,33	-2,54	-6,25
Germiston	N/A	N/A	0,00	0,00
Benoni CBD	N/A	N/A	N/A	N/A
Benoni dec	N/A	N/A	N/A	N/A
Boksburg CBD	N/A	N/A	N/A	N/A
Boksburg North	N/A	N/A	N/A	N/A
Boksburg (Mall area)	N/A	N/A	N/A	N/A
Pretoria CBD		13,37	9,01	7,11
Lynnwood Glen	27,50	2,33	9,27	7,92
Lynnwood	-0,73	3,11	5,00	N/A
Lynnwood Manor	2,50	2,25	2,00	22,00
Lynnwood Ridge	2,80	2,92	3,33	18,50
Faerie Glen	5,23	13,50	N/A	N/A
Val de Grace	N/A	4,83	7,10	-3,00
Menlyn	7,26	3,75	9,99	15,00
Menlo Park (Brooks St.)	19,35	6,67	0,00	N/A
Brooklyn/Waterkloof	7,08	5,77	-0,60	N/A
Nieuw Muckleneuk	19,50	-14,19	-2,69	N/A
Hatfield	-4,37	8,47	8,38	13,00
Centurion	18,08	7,40	5,80	N/A
Highveld Technopark	12,90	5,18	4,67	N/A
Sunnyside	N/A	N/A	-5,59	13,85
Arcadia	N/A	1,10	3,44	15,00
Murrayfield	N/A	N/A	5,00	N/A

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

Table 7.5 (continued)
Change in market rental rates for office buildings
Quarter 2007:3 less quarter 2007:2

	Grade A+	Grade A mean	Grade B mean	Grade C mean
Klerksdorp	N/A	N/A	N/A	N/A
Vereeniging		N/A	-8,00	N/A
Vanderbijlpark		N/A	-3,00	0,00
Nelspruit		20,00	11,50	0,00
Polokwane		9,17	11,46	-0,33
Bloemfontein CBD		0,00	0,83	0,00
Westdene	-0,83	-2,08	-1,67	-2,08
Durban CBD		5,00	0,00	5,00
Durban Berea	N/A	-5,00	-2,50	5,00
Essex Terrace	N/A	N/A	5,00	5,00
Westway	N/A	0,00	0,00	N/A
La Lucia Ridge	N/A	5,00	5,00	N/A
Westville	N/A	N/A	5,00	5,00
Pinetown	N/A	0,00	-2,50	0,00
Hillcrest-Kloof (Upper Highway)	N/A	N/A	15,00	N/A
Empangeni	N/A	N/A	N/A	N/A
Richards Bay	67,50	0,00	12,00	0,00
Pietermaritzburg CBD		0,00	0,00	0,00
Pmb peripheral CBD**		5,00	0,00	2,50
Pmb decentralized		0,00	2,50	5,00
Port Elizabeth		2,50	3,08	2,44
Port Elizabeth dec.	0,00	-0,03	1,35	0,92
East London		2,86	4,17	4,17
East London dec.	0,00	2,29	1,67	0,83
Cape Town CBD		8,50	2,50	1,46
V&A Portsworld Ridge	10,00	5,00	5,83	0,00
Granger Bay	N/A	N/A	N/A	N/A
Kenilworth (Racecourse)	-6,25	-1,33	-1,67	-10,00
Westlake	-2,50	1,67	4,38	0,00
Claremont Lower	0,00	5,83	-2,50	6,67
Claremont Upper	3,00	4,50	8,50	4,17
Pinelands	N/A	-5,00	-3,33	N/A
Athlone	N/A	N/A	N/A	N/A
Rondebosch/Newlands	2,50	-4,17	-2,45	-0,83
Wynberg	0,00	0,83	-1,50	0,00
Table View/Parklands	N/A	N/A	N/A	N/A
Century City	4,72	-2,50	2,50	N/A
Goodwood (N1 City)	-5,00	0,00	7,50	5,00
Tygerberg Hills	7,50	18,50	N/A	N/A
Bellville CBD		N/A	-5,83	-3,75
Tyger Valley area	-4,31	-2,50	8,75	1,67
Durbanville	2,50	11,50	14,80	8,33
Kuils River	N/A	N/A	N/A	N/A
George	-5,00	-10,00	-2,50	-5,00
Windhoek	10,00	5,00	5,00	

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

Table 7.6
Typical rent-free period in months
Average periods on offer in quarter 2007:3

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

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

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

Table 7.7: Market parking rentals
Monthly parking
Rands per bay per month (excl. VAT)
As in quarter 2007:3

	Covered reserved parking				Under shade net	Open-air parking
	Gr A+	Gr A	Gr B	Gr C		
Johannesburg CBD			463	430	330	280
Braamfontein			474	442	287	255
Sandton CBD	525	462	392	410	302	208
Dunkeld West	477	431	330	285	260	203
Wierda Valley	475	405	333	300	283	223
Randburg Ferndale	245	300	268	255	214	165
Rivonia	397	357	315	288	264	200
Rosebank	463	398	346	303	260	203
Illovo	460	425	380	297	275	233
Illovo Boulevard	500	427	450	350	289	239
Chislehurst	458	392	310	280	267	231
Parktown	413	365	326	283	235	180
Richmond/Milpark	355	285	245	217	203	170
Bedfordview	395	343	297	280	238	186
Bruma	370	330	315	287	232	188
Meadowbrook	N/A	N/A	N/A	N/A	N/A	N/A
Woodmead	429	393	339	290	276	214
Sunninghill	420	370	325	315	239	196
Bryanston/Epsom Downs	471	403	343	328	281	212
Fourways	446	392	318	300	273	215
Houghton	483	401	325	267	268	212
Melrose Arch	580	438	N/A	N/A	N/A	N/A
Hyde Park	455	404	333	290	263	211
Eastgate/Kramerville	N/A	N/A	315	288	240	201
Ormonde	370	350	330	295	260	216
Midrand	368	335	293	261	215	171
Germiston	N/A	N/A	300	250	200	120
Benoni CBD	N/A	N/A	N/A	N/A	N/A	N/A
Benoni dec	N/A	N/A	N/A	N/A	N/A	N/A
Boksburg CBD	N/A	N/A	N/A	N/A	N/A	N/A
Boksburg North	N/A	N/A	N/A	N/A	N/A	N/A
Boksburg (Mall area)	N/A	N/A	N/A	N/A	N/A	N/A
Pretoria CBD		330	235	260	N/A	250
Lynnwood Glen	375	350	300	275	243	187
Lynnwood	350	333	N/A	N/A	225	162
Lynnwood Manor	350	375	305	300	225	173
Lynnwood Ridge	406	300	228	N/A	156	177
Faerie Glen	404	375	315	N/A	246	183
Val de Grace	N/A	250	190	300	230	125
Menlyn	395	351	318	N/A	210	196
Menlo Park (Brooks St.)	540	250	200	N/A	180	195
Brooklyn/Waterkloof	450	341	350	350	260	213
Nieuw Muckleneuk	500	333	350	N/A	335	180
Hatfield	350	338	285	265	286	232
Centurion	403	340	300	280	268	193
Highveld Technopark	345	310	287	290	246	162
Sunnyside	N/A	N/A	160	150	N/A	180
Arcadia	N/A	293	340	N/A	200	180
Murrayfield	N/A	N/A	135	N/A	N/A	N/A

Table 7.7 (continued)
Market parking rentals
 Monthly parking
 Rands per bay per month (excl. VAT)
 As in quarter 2007:3

	Covered reserved parking				Under shade net	Open-air parking
	Gr A+	Gr A	Gr B	Gr C		
Klerksdorp		N/A	N/A	N/A	N/A	N/A
Vereeniging		N/A	N/A	N/A	N/A	N/A
Vanderbijlpark		N/A	N/A	N/A	55	N/A
Nelspruit		265	215	185	148	100
Polokwane		227	185	157	138	105
Bloemfontein CBD		238	208	170	150	110
Westdene	281	263	225	188	150	93
Durban CBD	N/A	545	485	385	N/A	N/A
Durban Berea	N/A	303	320	300	150	100
Essex Terrace	N/A	378	320	300	265	210
Westway	450	388	320	N/A	280	220
La Lucia Ridge	500	453	385	N/A	250	250
Westville	280	N/A	360	N/A	235	225
Pinetown	N/A	285	250	N/A	205	150
Hillcrest-Kloof (Upper Highway)	350	N/A	N/A	N/A	180	N/A
Empangeni	N/A	N/A	N/A	N/A	N/A	N/A
Richards Bay		250	150	N/A	150	N/A
P/maritzburg CBD		240	255	190	200	150
Pmb peripheral CBD*		240	230	190	200	150
Pmb decentralized		315	270	200	225	150
Port Elizabeth		N/A	N/A	N/A	150	N/A
Port Elizabeth dec.	N/A	230	225	N/A	158	144
East London		N/A	N/A	N/A	N/A	N/A
East London dec.	N/A	N/A	N/A	N/A	N/A	N/A
Cape Town CBD		776	701	510	350	338
V&A Portsworld Ridge	842	650	N/A	N/A	350	N/A
Granger Bay	1127	1279	N/A	N/A	N/A	778
Kenilworth (Racecourse)	575	500	425	350	350	267
Westlake	588	481	425	350	350	250
Claremont Lower	700	517	500	350	375	250
Claremont Upper	600	650	483	N/A	N/A	300
Pinelands	500	500	500	N/A	230	266
Athlone	N/A	N/A	N/A	N/A	N/A	N/A
Rondebosch/Newlands	600	617	488	N/A	N/A	N/A
Wynberg	600	424	425	N/A	N/A	250
Table View/Parklands	350	N/A	N/A	N/A	N/A	N/A
Century City	350	N/A	N/A	N/A	N/A	N/A
Goodwood (N1 City)	635	599	467	N/A	400	250
Tygerberg Hills	450	400	375	350	288	163
Bellville CBD		460	400	350	N/A	225
Tyger Valley area	N/A	356	317	233	148	130
Durbanville	520	492	492	375	290	165
Kuils River	500	467	413	350	250	175
George	300	250	200	150	150	100
Windhoek	525	500	400	400	300	225

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

Table 7.8
Change in market parking rentals
Quarter 2007:3 less quarter 2007:2
Monthly parking

	Covered reserved parking				Under shade net	Open-air parking
	Gr A+	Gr A	Gr B	Gr C		
Johannesburg CBD			38	80	37	37
Braamfontein			25	57	-38	-53
Sandton CBD	-41	-3	-3	52	-10	-11
Dunkeld West	52	46	2	35	-10	3
Wierda Valley	0	-14	-25	-100	-28	-16
Randburg Ferndale	-98	-10	-20	11	10	9
Rivonia	-6	-11	-14	-10	7	4
Rosebank	31	-4	-14	-4	-7	-12
Illovo	10	15	-8	-45	-8	16
Illovo Boulevard	-5	-23	0	N/A	-1	4
Chislehurst	5	-21	-80	N/A	-20	-26
Parktown	22	19	22	15	3	10
Richmond/Milpark	30	8	-18	7	-3	13
Bedfordview	-5	9	15	43	-22	-7
Bruma	20	13	15	87	0	21
Meadowbrook	N/A	N/A	N/A	N/A	N/A	N/A
Woodmead	12	33	31	40	24	29
Sunninghill	-13	8	-50	65	9	-5
Bryanston/Epsom Downs	70	39	24	18	3	-1
Fourways	0	24	31	N/A	33	22
Houghton	50	25	30	47	6	-12
Melrose Arch	-1	0	N/A	N/A	N/A	N/A
Hyde Park	-37	-37	-27	10	-40	-9
Eastgate/Kramerville	N/A	N/A	25	28	48	21
Ormonde	N/A	N/A	N/A	N/A	N/A	N/A
Midrand	1	-20	-22	-32	-49	1
Germiston	N/A	N/A	0	0	0	0
Benoni CBD	N/A	N/A	N/A	N/A	N/A	N/A
Benoni dec	N/A	N/A	N/A	N/A	N/A	N/A
Boksburg CBD	N/A	N/A	N/A	N/A	N/A	N/A
Boksburg North	N/A	N/A	N/A	N/A	N/A	N/A
Boksburg (Mall area)	N/A	N/A	N/A	N/A	N/A	N/A
Pretoria CBD		30	-13	43	N/A	103
Lynnwood Glen	-13	25	33	55	8	-4
Lynnwood	12	27	N/A	N/A	15	19
Lynnwood Manor	87	42	40	80	18	13
Lynnwood Ridge	55	33	30	N/A	-19	1
Faerie Glen	39	73	32	N/A	-3	-11
Val de Grace	N/A	25	0	100	37	13
Menlyn	56	15	50	N/A	-20	5
Menlo Park (Brooks St.)	215	-13	0	N/A	15	43
Brooklyn/Waterkloof	13	-13	38	102	16	19
Nieuw Muckleneuk	100	-17	38	N/A	58	-25
Hatfield	15	27	-2	13	30	36
Centurion	68	72	31	40	28	13
Highveld Technopark	3	27	50	45	13	-5
Sunnyside	N/A	N/A	-36	-25	N/A	28
Arcadia	N/A	9	67	N/A	7	7
Murrayfield	N/A	N/A	-65	N/A	N/A	N/A

Table 7.8 (continued)
Change in market parking rental
 Quarter 2007:3 less quarter 2007:2
 Monthly parking

	Covered reserved parking				Under shade net	Open-air parking
	Gr A+	Gr A	Gr B	Gr C		
Klerksdorp		N/A	N/A	N/A	N/A	N/A
Vereeniging		N/A	N/A	N/A	N/A	N/A
Vanderbijlpark		N/A	N/A	N/A	0	N/A
Nelspruit		-15	-35	-45	-23	0
Polokwane		15	15	18	12	3
Bloemfontein CBD		6	0	10	0	-15
Westdene	6	13	25	-13	13	0
Durban CBD	N/A	0	0	0	N/A	N/A
Durban Berea	N/A	-83	0	0	-100	N/A
Essex Terrace	N/A	-8	0	0	15	-10
Westway	N/A	3	-65	N/A	N/A	-20
La Lucia Ridge	75	28	25	N/A	10	10
Westville	N/A	N/A	10	N/A	N/A	-15
Pinetown	N/A	0	0	N/A	-25	-50
Hillcrest-Kloof (Upper Highway)	N/A	N/A	N/A	N/A	N/A	N/A
Empangeni	N/A	N/A	N/A	N/A	N/A	N/A
Richards Bay		0	-50	N/A	0	N/A
P/maritzburg CBD		0	-5	0	0	0
Pmb peripheral CBD*		10	-5	10	10	0
Pmb decentralized		0	0	20	0	0
Port Elizabeth		N/A	N/A	N/A	-12	N/A
Port Elizabeth dec.	N/A	1	0	N/A	-3	-10
East London		N/A	N/A	N/A	N/A	N/A
East London dec.	N/A	N/A	N/A	N/A	N/A	N/A
Cape Town CBD		-14	20	-50	-75	-13
V&A Portswood Ridge	-75	-50	N/A	N/A	0	N/A
Granger Bay	126	529	N/A	N/A	N/A	N/A
Kenilworth (Racecourse)	50	60	75	50	0	-17
Westlake	38	13	8	0	0	-10
Claremont Lower	100	-11	50	0	25	33
Claremont Upper	-50	17	-20	N/A	N/A	25
Pinelands	-25	-25	-25	N/A	-150	-49
Athlone	N/A	N/A	N/A	N/A	N/A	N/A
Rondebosch/ Newlands	-83	60	38	N/A	N/A	N/A
Wynberg	0	-14	75	N/A	N/A	66
Table View/Parklands	0	N/A	N/A	N/A	N/A	N/A
Century City	0	N/A	N/A	N/A	N/A	N/A
Goodwood (N1 City)	98	7	0	N/A	0	-38
Tygerberg Hills	N/A	-25	25	0	46	-38
Bellville CBD		20	0	0	N/A	14
Tyger Valley area	N/A	-13	4	0	-45	2
Durbanville	-13	46	72	13	25	-20
Kuils River	0.00	33	43	0	0	-8
George	0	0	-50	-100	-50	-50
Windhoek	0	0	0	0	0	0

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

Table 7.9
Office rental escalation rates on new leases (%)
Average escalation rate on net rentals for quarter 2007:3

	Mean	Q07:3 less Q07:2		Mean	Q07:3 less Q07:2
Johannesburg CBD	8,8	0,5	Klerksdorp	N/A	N/A
Braamfontein	8,9	0,6	Vereeniging	10,0	0,0
Sandton CBD	9,1	0,4	Vanderbijlpark	10,0	0,0
Dunkeld West	9,2	0,8	Nelspruit	8,5	0,5
Wierda Valley	9,2	0,3	Polokwane	8,8	0,0
Randburg Ferndale	9,3	0,8	Bloemfontein CBD	8,3	0,0
Rivonia	8,9	0,0	Westdene	9,0	0,7
Rosebank	8,8	-0,3	Durban CBD	8,0	0,0
Illovo	9,4	0,9	Berea	8,0	0,0
Illovo Boulevard	9,2	0,3	Essex Terrace	8,0	0,0
Chislehurst	9,4	0,3	Westway	9,0	1,0
Parktown	9,0	0,3	La Lucia Ridge	9,0	1,0
Richmond/Milpark	9,3	0,3	Westville	9,0	1,0
Bedfordview	9,2	0,0	Pinetown	8,3	-0,3
Bruma	9,2	0,0	Hillcrest-Kloof (Upper Highway)	10,0	N/A
Meadowbrook	9,0	N/A	Empangeni	N/A	N/A
Woodmead	9,4	0,1	Richards Bay	9,0	0,0
Sunninghill	9,4	0,8	Pietermaritzburg CBD	8,5	0,0
Bryanston/Epsom Downs	9,1	0,3	Peripheral CBD	8,5	-0,5
Fourways	9,4	0,5	Decentralized	9,5	0,0
Houghton	9,3	1,0	Port Elizabeth CBD	N/A	N/A
Melrose Arch	9,0	0,5	Port Elizabeth dec.	7,3	-0,4
Hyde Park	8,8	0,1	East London CBD	9,9	1,0
Eastgate/Kramerville	9,0	1,0	East London dec.	8,9	0,1
Ormonde	N/A	N/A	Cape Town CBD	8,8	0,0
Midrand	8,9	0,0	V&A Portswood Ridge	9,0	0,5
Germiston	9,0	0,0	Granger Bay	9,0	0,0
Benoni CBD	N/A	N/A	Kenilworth (Racecourse)	9,3	0,4
Benoni dec	N/A	N/A	Westlake	9,5	0,1
Boksburg CBD	N/A	N/A	Claremont Lower	9,4	0,5
Boksburg North	N/A	N/A	Claremont Upper	9,4	0,1
Boksburg (Mall area)	N/A	N/A	Pinelands	8,0	-0,3
Pretoria CBD	10,0	0,7	Athlone	N/A	N/A
Lynnwood Glen	10,0	0,7	Rondebosch/ Newlands	9,2	0,3
Lynnwood	10,0	0,7	Wynberg	9,5	0,4
Lynnwood Manor	10,0	0,0	Table View/Parklands	N/A	N/A
Lynnwood Ridge	10,0	0,0	Century City	N/A	N/A
Faerie Glen	10,0	0,7	Goodwood (N1 City)	9,5	0,4
Val de Grace	10,0	0,7	Tygerberg Hills	9,0	0,7
Menlyn	10,0	0,7	Bellville CBD	9,0	0,7
Menlo Park (Brooks St.)	10,0	0,0	Tyger Valley area	9,3	0,8
Brooklyn/Waterkloof	10,0	0,7	Durbanville	9,5	0,5
Nieuw Muckleneuk	10,0	0,7	Kuilsriver	10,0	1,7
Hatfield	10,0	0,5	George	8,0	0,0
Centurion	10,0	0,7	Windhoek	9,5	0,0
Highveld Technopark	10,0	0,7			
Sunnyside	10,0	1,3			
Arcadia	10,0	0,7			
Murrayfield	10,0	0,0			

Chapter 8: Office demand and vacancies

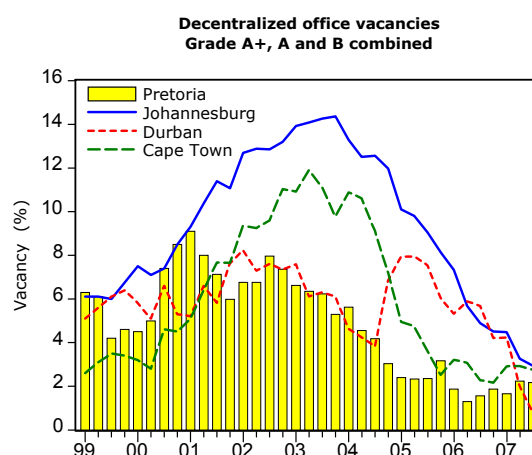
Durban records strongest office take-up

Written by John S. Lottering

Vacancies in all of the decentralized office nodes remained low, either declining marginally or moving sideways from their previous quarter levels. In Johannesburg and Cape Town decentralized the average vacancy rates remained at roughly 3%, office vacancies in Pretoria averaged around the 2% mark, while vacancies in Durban decentralized showed the largest drop from 2% to 0,8% currently.

Interestingly, regarding the new take-up of office space, Durban decentralized (8,3%) also recorded the strongest take-up rate for the 12-month period ended September 2007, followed by Cape Town decentralized (7%), Johannesburg decentralized (6,4%)

and Pretoria decentralized (4,4%) (refer to **Table 8.1**).



Source of data: Rode's Time Series; Sapoa

Important note:

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

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

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

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

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

Source of original data: Sapoa Vacancy Surveys

Node	6 months		12 months	
	Take-up	% of stock	Take-up	% of stock
Johannesburg CBD	256.016	18,9%	256.016	18,9%
Braamfontein ⁽¹⁾	28.552	8,2%	47.944	13,8%
Johannesburg central subtotal	284.568	16,7%	303.960	17,8%
Johannesburg decentralized	259.568	5,2%	320.065	6,4%
Johannesburg metro total	544.136	8,1%	624.025	9,3%
Cape Town CBD ⁽¹⁾	39.926	5,6%	34.030	4,8%
Cape Town decentralized ⁽²⁾	53.780	5,2%	70.968	7,0%
Cape Peninsula total	93.706	5,4%	104.998	6,1%
Durban CBD ⁽³⁾	21.294	8,4%	25.125	10,0%
Durban decentralized	15.898	4,2%	30.318	8,3%
Durban metro total	37.192	5,9%	55.443	9,0%
Pretoria CBD	5.260	1,4%	6.445	1,8%
Pretoria decentralized	46.093	3,2%	62.623	4,4%
Pretoria metro total	51.353	2,9%	69.068	3,9%
National CBDs	351.048	11,6%	369.560	12,2%
National decentralized	375.339	4,8%	483.974	6,2%

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

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

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

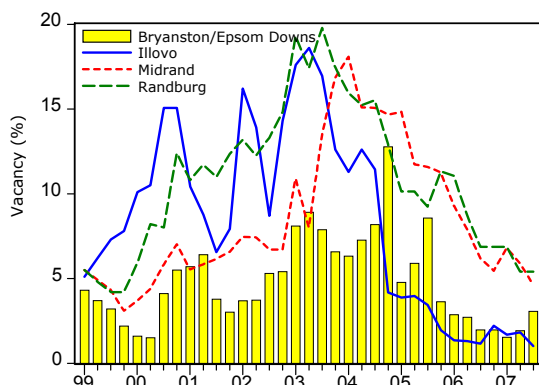
Sapoa's vacancy survey, in the Cape Peninsula, which is the source for the accompanying graphs and the tables at the end of this chapter, does not include the nodes of Westlake, N1 City, or Somerset West.

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

Turning to the major Johannesburg decentralized office nodes, the accompanying graphs show that Rivonia (9%) was once again the only node to record a vacancy rate above the 5% level, the critical level below which we believe, assuming a

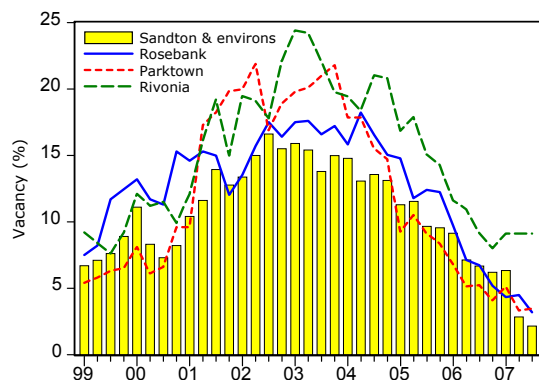
strongly growing economy, market rentals start to take-off aggressively. In other top decentralized office nodes like Midrand and Randburg, vacancies stood at 5%, while in Sandton CBD, Rosebank, Bryanston/Epsom Downs and Illovo only 3% or less of prime office space was unoccupied.

**Decentralized Johannesburg office vacancies
Grade A+, A and B combined**



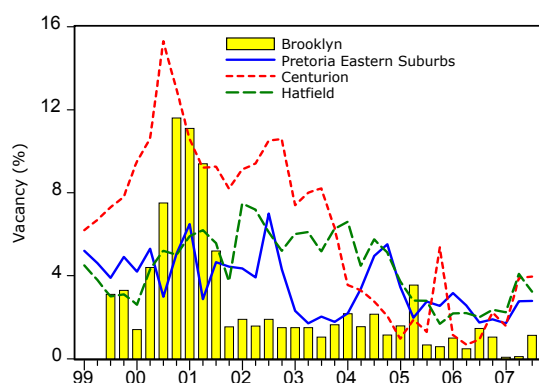
Source of data: Rode's Time Series; Sapoa

**Decentralized Johannesburg office vacancies
Grade A+, A and B combined**



Source of data: Rode's Time Series; Sapoa

**Pretoria decentralized office vacancies
Grade A+, A and B combined**



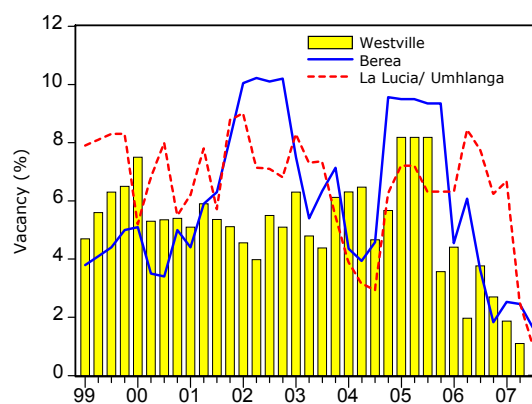
Source of data: Rode's Time Series; Sapoa

Zooming into Pretoria decentralized, the reader will see that vacancy rates in all of the top nodes are currently also below the 5% mark. In terms of rank, roughly 4% of prime-quality office space was vacant in Centurion, in Pretoria Eastern Suburbs and Hatfield about 3%, while in Brooklyn only

1% of office space was available to be rented.

In Durban decentralized, prime-quality office vacancies were also very low and declining. In the office node of Westville virtually no prime-quality office space was available, while in Berea and La Lucia Ridge/ Umhlanga less than 2% of prime office space was vacant.

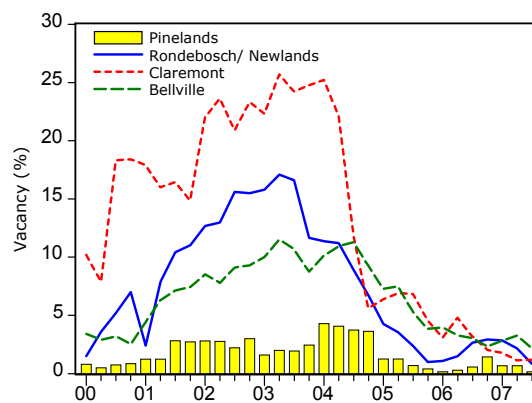
**Durban decentralized office vacancies
Grade A+, A and B combined**



Source of data: Rode's Time Series; Sapoa

Cape Town decentralized's vacancy situation looked similar to that of the rest of the country's decentralized nodes, that is, very low. During the third quarter of the year, prime office space in Pinelands and Rondebosch/ Newlands was practically fully let, while Claremont and Bellville recorded very low vacancy rates of 1% and 2% respectively.

**Cape Town decentralized office vacancies
Grade A+, A and B combined**



Source of data: Rode's Time Series; Sapoa

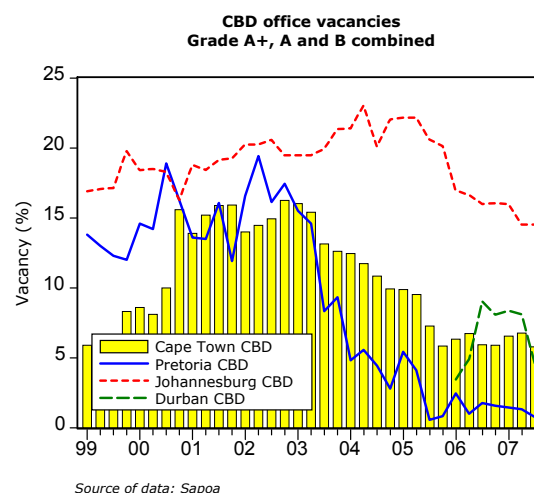
Table 8.2
Committed new office developments as at September 2007

Node	m ²	% unlet	% of stock
Johannesburg decentralised	340.697	28%	8%
Cape Town decentralised	67.500	42%	7%
Durban decentralised	44.393	31%	14%
Pretoria decentralised	273.700	68%	20%
Johannesburg Central	0	N/A	N/A
Cape Town CBD	52.000	96%	7%
Durban CBD	6.831	100%	1%
Pretoria CBD	0	N/A	N/A
Total decentralized	726.290	45%	11%
Total CBD	58.831	97%	4%

Source: Sapoa

The low vacancy situation has not escaped the attention of developers. From **Table 8.2** the reader will note that committed new developments in all of the major decentralized nodes amounted to roughly 7% to 20% of the current office stock. Also interesting is the fact that a large proportion of these new developments is still unlet, which suggests that most are speculative, and that developers believe that the good times are here to stay for a while.

As far as the CBDs are concerned, the accompanying graph shows that prime-quality office vacancy rates in the CBDs of Johannesburg (14,5%) and Pretoria (1%) were roughly at the same levels they were during the previous quarter. Vacancies in the Cape Town CBD (4,6%) moved marginally south while vacancies in the Durban CBD dropped from 8% in the previous quarter to 5% currently.



For the most recent vacancy rates of the individual office nodes, see **Table 8.3**.

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

Table 8.3
Sapoa office vacancy factors (%)

Grades A+, A & B

	Septem- ber 2006	December 2006	March 2007	June 2007	Septem- ber 2007
Bedfordview					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	10,50	8,40	4,80	2,90	1,15
Grade B	6,71	6,09	1,98	1,98	0,10
Total	8,82	7,37	3,55	2,49	0,68
Braamfontein					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	9,97	4,00	4,00	4,28	1,88
Grade B	18,55	13,48	13,48	16,00	17,27
Total	13,78	8,21	8,21	9,48	8,72
Bryanston/Epsom Downs					
Grade A+	0,00	0,00	0,00	0,00	0,00
Grade A	2,40	2,40	1,81	2,29	3,79
Grade B	3,77	3,77	3,99	4,16	3,74
Total	1,96	1,96	1,53	1,91	3,06
Bruma					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	0,00	0,00	0,00	0,00	0,00
Grade B	9,28	9,03	7,90	7,90	7,90
Total	3,94	3,83	3,35	3,35	3,35
CBD Johannesburg					
Grade A+	0,00	0,00	0,00	0,00	0,00
Grade A	6,49	6,49	6,49	7,33	7,33
Grade B	27,10	27,31	27,10	23,47	23,47
Total	15,99	16,05	15,99	14,52	14,52
Constantia Kloof Basin					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	0,02	2,58	2,52	1,91	1,91
Grade B	0,00	0,00	0,00	0,00	0,00
Total	0,02	2,55	2,49	1,89	1,89
Fourways					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	1,68	2,86	3,25	5,14	5,96
Grade B	0,00	0,00	0,00	0,00	15,63
Total	1,64	2,80	3,18	5,02	6,17
Houghton/Killarney					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	3,69	4,33	3,29	1,47	0,00
Grade B	3,51	4,20	4,20	3,24	5,11
Total	3,64	4,29	3,53	1,98	1,46

Source of data: Sapoa

Table 8.3 (continued)
Sapoa office vacancy factors (%)

Grades A+, A & B

	Septem- ber 2006	December 2006	March 2007	June 2007	Septem- ber 2007
Hyde Park/Dunkeld					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	1,29	2,32	1,03	1,22	3,19
Grade B	3,57	2,10	0,94	2,54	1,94
Total	2,89	2,17	0,97	2,15	2,31
Illovo					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	0,06	0,53	0,79	0,75	0,24
Grade B	6,37	10,76	6,22	7,52	4,88
Total	1,15	2,21	1,68	1,82	1,01
Melrose/Waverley					
Grade A+	0,00	0,00	0,00	0,00	0,00
Grade A	0,00	0,00	0,00	0,00	0,00
Grade B	2,64	2,64	2,64	0,00	0,00
Total	0,43	0,43	0,43	0,00	0,00
Midrand					
Grade A+	0,57	0,29	0,29	0,29	0,29
Grade A	6,18	6,79	8,14	6,28	4,08
Grade B	10,11	6,91	9,13	9,13	8,54
Total	6,18	5,45	6,80	5,89	4,64
Milpark					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	0,00	0,00	0,00	0,00	0,00
Grade B	2,41	3,39	1,88	0,78	1,37
Total	2,11	2,96	1,65	0,69	1,19
Morningside					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	8,38	4,33	4,33	4,33	4,33
Grade B	N/A	N/A	N/A	N/A	N/A
Total	8,38	4,33	4,33	4,33	4,33
Parktown					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	6,82	5,52	7,38	4,82	5,43
Grade B	4,60	3,55	4,26	2,75	2,70
Total	5,22	4,09	5,12	3,32	3,46
Randburg					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	7,92	7,92	7,92	2,05	2,05
Grade B	6,42	6,42	6,42	6,88	6,88
Total	6,87	6,87	6,87	5,40	5,40

Source of data: Sapoa

Table 8.3 (continued)
Sapoa office vacancy factors (%)

Grades A+, A & B

	Septem- ber 2006	December 2006	March 2007	June 2007	Septem- ber 2007
Rivonia					
Grade A+	N/A	N/A	0,00	0,00	0,00
Grade A	2,77	1,98	10,15	10,15	10,15
Grade B	10,94	9,69	8,82	8,82	8,82
Total	9,14	8,00	9,11	9,11	9,11
Rosebank					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	2,65	1,81	2,54	5,75	5,22
Grade B	8,89	6,96	5,29	3,81	2,10
Total	6,73	5,18	4,34	4,48	3,19
Sandton & Environs					
Grade A+	1,30	1,30	1,30	0,00	0,00
Grade A	5,65	5,81	5,84	2,79	2,27
Grade B	12,28	10,60	11,19	4,81	3,23
Total	6,66	6,19	6,32	2,83	2,15
Sunninghill					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	1,47	0,74	1,63	0,77	0,77
Grade B	N/A	N/A	N/A	N/A	N/A
Total	1,47	0,74	1,63	0,77	0,77
Woodmead					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	1,10	1,12	1,28	1,00	1,00
Grade B	15,17	14,61	11,24	8,43	8,43
Total	2,00	1,96	1,89	1,46	1,46
Bellville					
Grade A+	0,00	0,00	0,00	0,00	0,00
Grade A	3,62	2,65	3,29	4,01	2,44
Grade B	3,11	2,65	2,99	2,96	2,57
Total	3,04	2,31	2,82	3,27	2,16
CBD Cape Town					
Grade A+	0,00	3,29	3,29	3,29	3,29
Grade A	5,29	5,25	6,82	7,33	5,41
Grade B	7,31	7,02	6,47	6,24	6,58
Total	5,93	5,90	6,55	6,76	5,79
Century City					
Grade A+	0,00	0,00	0,00	0,00	0,00
Grade A	2,57	3,24	8,54	7,88	11,64
Grade B	0,00	0,00	32,52	26,01	17,88
Total	2,07	2,62	8,88	7,95	10,82

Source of data: Sapoa

Table 8.3 (continued)
Sapoa office vacancy factors (%)

Grades A+, A & B

	Septem- ber 2006	December 2006	March 2007	June 2007	Septem- ber 2007
Claremont					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	2,68	1,07	1,05	0,95	0,74
Grade B	4,34	4,31	4,49	1,81	2,92
Total	3,17	2,03	1,76	1,13	1,19
Pinelands					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	0,56	1,37	0,74	0,74	0,16
Grade B	0,87	2,00	0,00	0,00	0,00
Total	0,58	1,43	0,67	0,67	0,15
Rondebosch/Newlands					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	2,99	3,43	2,66	2,65	0,88
Grade B	1,95	1,95	3,20	1,25	0,76
Total	2,64	2,93	2,84	2,18	0,84
Waterfront					
Grade A+	0,00	0,00	0,00	0,00	0,00
Grade A	0,00	1,43	0,60	1,81	1,74
Grade B	5,32	3,64	0,00	0,00	4,00
Total	0,81	1,76	0,51	1,54	2,08
Berea					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	4,00	1,53	3,06	3,06	0,95
Grade B	3,33	2,08	2,08	1,95	2,22
Total	3,63	1,83	2,53	2,46	1,64
CBD Durban					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	4,21	3,24	3,29	3,24	3,16
Grade B	13,02	12,03	12,47	12,03	5,74
Total	9,04	8,09	8,36	8,09	4,58
Umhlanga/La Lucia					
Grade A+	2,12	3,78	19,94	19,94	0,00
Grade A	3,90	1,99	1,66	1,66	1,04
Grade B	34,05	33,35	33,35	1,41	1,41
Total	7,77	6,24	6,68	2,50	1,04
Westville					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	6,60	3,44	1,28	1,44	0,00
Grade B	2,15	2,29	2,29	0,86	0,02
Total	3,77	2,70	1,87	1,10	0,01

Source of data: Sapoa

Table 8.3 (continued)
Sapoa office vacancy factors (%)

Grades A+, A & B

	Septem- ber 2006	December 2006	March 2007	June 2007	Septem- ber 2007
Arcadia					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	1,72	1,45	1,34	0,19	0,10
Grade B	1,45	1,45	1,45	0,00	0,00
Total	1,63	1,45	1,38	0,13	0,07
Brooklyn					
Grade A+	N/A	N/A	0,00	0,00	0,00
Grade A	1,12	0,39	0,00	0,00	1,07
Grade B	2,71	3,44	0,00	0,46	1,45
Total	1,46	1,05	0,00	0,10	1,13
CBD Pretoria					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	2,11	2,11	1,49	2,35	0,73
Grade B	1,56	1,28	1,40	0,72	0,78
Total	1,76	1,58	1,44	1,32	0,76
Centurion					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	0,54	0,00	0,00	0,47	0,59
Grade B	1,17	3,73	2,66	6,16	6,22
Total	0,92	2,23	1,59	3,88	3,96
Hatfield/Hillcrest					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	1,76	2,26	1,22	5,21	4,19
Grade B	2,39	2,54	4,00	2,15	1,58
Total	1,99	2,36	2,24	4,09	3,23
Highveld Technopark					
Grade A+	0,86	0,00	3,67	0,00	0,00
Grade A	0,00	1,37	3,14	1,59	1,73
Grade B	10,51	10,51	0,46	0,46	0,00
Total	1,79	2,90	3,12	1,41	1,45
Menlyn					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	0,69	0,00	0,35	1,16	0,77
Grade B	3,98	7,00	7,00	12,92	12,92
Total	1,12	0,93	1,23	2,72	2,35

Source of data: Sapoa

Table 8.3 (continued)
Sapoa office vacancy factors (%)

Grades A+, A & B

	Septem- ber 2006	December 2006	March 2007	June 2007	Septem- ber 2007
Pretoria Eastern Suburbs					
Grade A+	N/A	N/A	N/A	N/A	N/A
Grade A	1,30	1,75	3,32	5,36	5,34
Grade B	2,08	2,03	0,29	0,29	0,22
Total	1,74	1,90	1,70	2,77	2,78
Lynnwood					
Grade A+	0,00	0,00	10,71	0,00	0,00
Grade A	3,81	2,06	1,96	0,00	0,10
Grade B	0,87	0,72	0,42	0,91	0,00
Total	2,06	1,18	1,59	0,50	0,04
Johannesburg central					
Grade A+	0,00	0,00	0,00	0,00	0,00
Grade A	7,57	6,22	6,22	6,99	6,47
Grade B	25,43	24,58	24,43	22,00	22,25
Total	15,54	14,44	14,40	13,51	13,36
Johannesburg decentral- ized					
Grade A+	0,68	0,60	0,54	0,07	0,07
Grade A	3,79	3,80	3,87	2,63	2,40
Grade B	7,68	6,65	6,18	4,91	4,41
Total	4,89	4,51	4,48	3,26	2,94
Pretoria decentralized					
Grade A+	0,32	0,00	0,69	0,44	0,30
Grade A	1,50	1,66	2,06	2,79	2,85
Grade B	2,25	3,11	1,80	2,71	2,54
Total	1,56	1,87	1,68	2,24	2,17
Durban decentralized					
Grade A+	2,12	3,78	19,94	19,94	0,00
Grade A	4,27	2,15	1,72	1,75	0,76
Grade B	7,78	7,42	7,42	1,25	0,86
Total	5,67	4,21	4,23	2,00	0,79
Cape Town decentralized					
Grade A+	0,00	0,00	0,00	0,00	0,00
Grade A	2,34	2,23	2,93	3,16	2,95
Grade B	2,89	2,70	3,93	3,04	2,94
Total	2,28	2,16	2,91	2,92	2,75
<i>Source of data: Sapoa</i>					

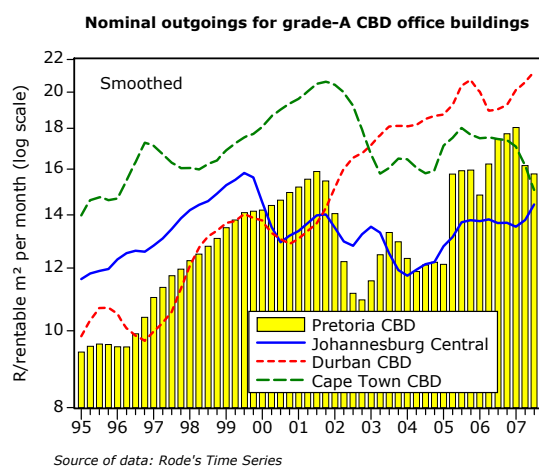
Chapter 9: Operating expenses of office buildings

Op costs in Cape Town CBD declining steadily

Written by John S. Lottering

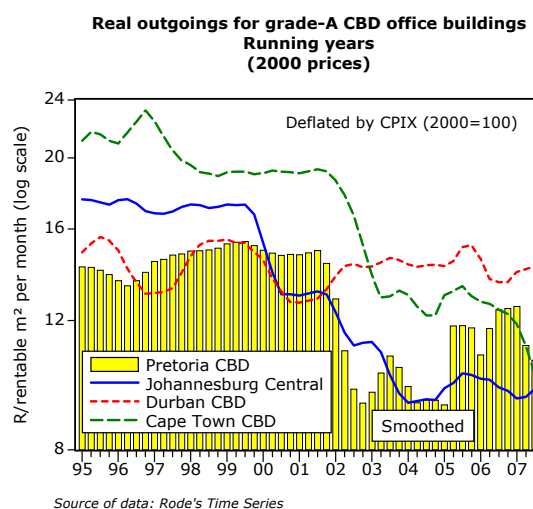
CBDs

During the reporting quarter, operating costs in the CBDs of Pretoria and Cape Town were about 9% and 13% lower than a year ago. Interestingly, this quarter represents the fifth consecutive quarter of declining operating costs in the CBD of Cape Town. Declining operating expenses and, more recently, strongly growing nominal gross rentals, means good net rental growth for the CBD of Cape Town. This together with low and marginally declining capitalization rates all bode well for market values of property in the Cape Town CBD.



In the Johannesburg CBD operating costs increased by roughly 6%, while in the CBD of Durban they were 11% higher than they were a year ago. As at the third quarter of 2007, consumer prices (as measured by

the CPIX) grew by 6,5% implying that over the last year the CBD of Durban was the only CBD to record positive real operating-cost growth.



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

Table 9.1 summarizes the mean gross operating expenses for quarter 2007:3, as reported by landlords for named properties in the major CBDs.

Table 9.1
Mean gross outgoings for named CBD prime office buildings
As reported by owners
Year ended September 2007 in R/rentable m² per month

	Total outgoings		
	Mean	SD	n
Johannesburg & Braamfontein	R15,32	R2,35	7
Sandton CBD	R24,10	R2,83	7
Pretoria CBD	R17,48	R6,06	2
Durban CBD	R21,20	R1,58	6
Cape Town CBD	R13,64	R2,62	8

n = Number of buildings in sample

SD = Standard deviation.

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

Drivers of operating costs

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

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

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

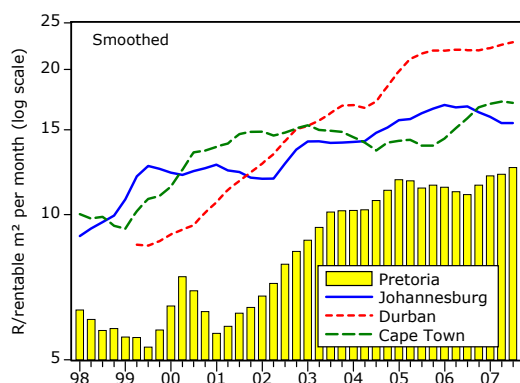
- Buildings have different market values per m², and hence their rates and taxes per m² will be different. (Of course, different market values per m² *within a node*, are largely related to differing market rentals and vacancy rates, which, in turn, are a function of factors such as the age or quality of a building and the quality of the covenant(s).)
- Larger buildings tend to enjoy economies of scale, and this reduces the operating costs per m².
- Age or wear-and-tear aside, maintenance expenses should differ owing to the unique architectural characteristics (design and materials) of each building. A skyscraper, for example, will have a lift-maintenance expense while a 3-storey office building without lifts will have none.

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

Decentralized office nodes

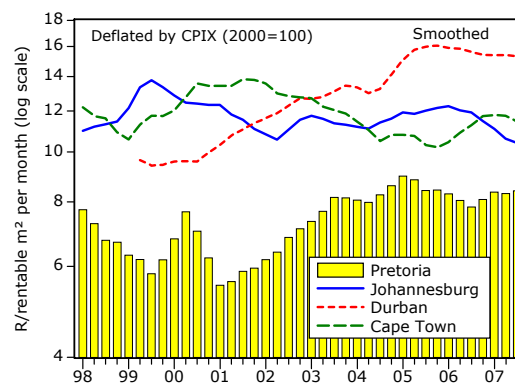
Nominal operating expenses in the decentralized office nodes of Pretoria (+13%) and Cape Town (+8%) were the only ones to record growth in excess of consumer inflation (6,5%). Thus, real operating-expense growth in these nodes was positive over the last year. In the decentralized office nodes of Durban, operating expenses were on average about 4% up on a year earlier, while in Johannesburg decentralized operating costs were 8% lower than they were in the third quarter of 2006.

Nominal outgoings for grade-A decentralised office buildings



Source of data: Rode's Time Series

Real outgoings for grade-A decentralised office buildings
Running years
(2000 prices)



Source of data: Rode's Time Series

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

Grateful thanks to our panellists for the information they supply. Codes of the brokers and landlords who contributed to this quarter's survey appear in the table on p. 41. An explanation of the codes can be found on p. xvi.

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

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

Table 9.2
Typical gross outgoings for prime office buildings
 As reported by brokers
 R/rentable m² per month: quarter 2007:3

	Mean	SD	n
Johannesburg decentralized nodes:			
Sandton	19,10	3,44	5
Dunkeld West	17,00	1,83	4
Wierda Valley	16,75	5,74	4
Randburg Ferndale	12,58	3,26	6
Rivonia	15,90	1,24	5
Rosebank	18,75	2,75	4
Illovo	16,40	6,66	5
Illovo Boulevard	21,00	3,37	4
Chiselhurst	18,60	2,97	5
Parktown	16,75	2,50	4
Richmond/Milpark	13,00	3,00	3
Bedfordview	15,25	2,22	4
Bruma	14,50	3,11	4
Meadowbrook	32,00	N/A	1
Woodmead	16,00	1,10	6
Sunninghill	15,20	1,79	5
Bryanston/Epsom	15,80	2,05	5
Fourways	16,20	2,49	5
Houghton	16,60	4,04	5
Melrose Arch	23,75	4,72	4
Hydepark	16,00	2,83	4
Eastgate/Kramerville	11,50	2,12	2
Ormonde	N/A	N/A	0
Midrand	13,13	2,95	4
Pretoria decentralized nodes:			
Lynnwood Glen	13,16	0,49	2
Lynnwood	14,39	1,26	2
Lynnwood Manor	12,25	1,77	2
Lynnwood Ridge	14,75	0,35	2
Faerie Glen	17,16	3,05	2
Val de Grace	15,00	N/A	1
Menlyn	16,57	2,71	3
Menlo Park (Brooks St.)	12,00	N/A	1
Brooklyn/Waterkloof	14,20	6,08	2
Nieuw Muckleneuk	15,50	4,24	2
Hatfield	16,93	8,28	3
Centurion	15,00	N/A	1
Highveld Technopark	12,38	3,71	2
Sunnyside	8,50	4,95	2
Arcadia	10,96	12,37	2
Murrayfield	10,00	N/A	1

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

Table 9.2 (continued)
Typical gross outgoings for prime office buildings
As reported by brokers
R/rentable m² per month: quarter 2007:3

	Mean	SD	n
Germiston	N/A	N/A	0
Benoni CBD	N/A	N/A	0
Benoni dec	N/A	N/A	0
Boksburg CBD	N/A	N/A	0
Boksburg North	N/A	N/A	0
Boksburg (East Rand Mall area)	N/A	N/A	0
Klerksdorp	N/A	N/A	0
Vereeniging	N/A	N/A	0
Vanderbijlpark	N/A	N/A	0
Nelspruit	9,00	1,41	2
Polokwane	9,83	1,04	3
Bloemfontein CBD	N/A	N/A	0
Westdene	11,00	N/A	1
Durban decentralized nodes:			
Durban Berea	23,00	N/A	1
Essex Terrace	22,00	N/A	1
Westway	23,00	N/A	1
La Lucia Ridge	25,00	N/A	1
Westville	21,00	N/A	1
Pinetown	10,50	N/A	1
Hillcrest-Kloof (Upper Highway)	N/A	N/A	0
Empangeni	N/A	N/A	0
Richards Bay	10,00	N/A	1
Pietermaritzburg CBD	13,00	N/A	1
Pietermaritzburg peripheral CBD	12,00	N/A	1
Pietermaritzburg decentralized	10,00	N/A	1
Port Elizabeth CBD	N/A	N/A	0
Port Elizabeth decentralized	13,50	N/A	1
East London CBD	7,59	N/A	1
East London decentralized	N/A	N/A	0

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

Table 9.2 (continued)
Typical gross outgoings for prime office buildings
As reported by brokers
R/rentable m² per month: quarter 2007:3

	Mean	SD	n
Cape Town decentralized nodes:			
V&A Portswood Ridge	N/A	N/A	0
Granger Bay	N/A	N/A	0
Kenilworth (Racecourse)	12,50	3,54	2
Westlake	12,50	3,54	2
Claremont Lower	12,50	3,54	2
Claremont Upper	14,50	0,71	2
Pinelands	N/A	N/A	0
Athlone	N/A	N/A	0
Rondebosch/Newlands	12,50	3,54	2
Wynberg	15,00	N/A	1
Table View/Parklands	N/A	N/A	0
Century City	N/A	N/A	0
Goodwood (N1 City)	13,00	N/A	1
Tygerberg Hills	15,00	N/A	1
Bellville CBD	10,25	2,47	2
Tyger Valley area	13,67	3,21	3
Durbanville	12,00	N/A	1
Kuils River	N/A	N/A	0
George	N/A	N/A	0
Windhoek	10,00	7,07	2

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

Table 9.3
Escalation rates on operating costs

Node	2007:3	Node	2007:3
Johannesburg CBD	8,8	Klerksdorp	N/A
Braamfontein	8,9	Vereeniging	8,0
Sandton CBD	9,7	Vanderbijlpark	8,0
Dunkeld West	9,3	Nelspruit	9,5
Wierda Valley	9,3	Polokwane	8,8
Randburg Ferndale	9,3	Bloemfontein CBD	9,0
Rivonia	9,4	Westdene	10,5
Rosebank	9,2	Durban CBD	N/A
Illovo	9,4	Durban Berea	N/A
Illovo Boulevard	9,2	Essex Terrace	N/A
Chiselhurst	9,4	Westway	13,5
Parktown	9,0	La Lucia	11,0
Richmond/Milpark	9,3	Westville	111,0
Bedfordview	9,5	Pinetown	10,0
Bruma	9,2	Hillcrest-Kloof (Upper Highway)	11,0
Meadowbrook	9,0	Empangeni	N/A
Woodmead	9,7	Richards Bay	9,0
Sunninghill	9,3	Pietermaritzburg CBD	N/A
Bryanston/Epsom	9,4	Peripheral CBD	N/A
Fourways	8,8	Decentralised	N/A
Houghton	9,5	Port Elizabeth CBD	N/A
Melrose Arch	9,0	Port Elizabeth dec.	7,0
Hyde Park	9,2	East London CBD	8,0
Eastgate/Kramerville	9,0	East London	N/A
Ormonde	N/A	Cape Town CBD	10,0
Midrand	9,4	V&A Portsworld Ridge	10,0
Germiston	N/A	Granger Bay	10,0
Benoni CBD	N/A	Kenilworth (Racecourse)	10,0
Benoni dec	N/A	Westlake	10,0
Boksburg CBD	N/A	Claremont Lower	10,0
Boksburg North	N/A	Claremont Upper	10,0
Boksburg (East Rand Mall area)	N/A	Pinelands	N/A
Pretoria CBD	12,0	Athlone	N/A
Lynnwood Glen	12,0	Rondebosch/Newlands	10,0
Lynnwood	12,0	Wynberg	10,0
Lynnwood Manor	12,0	Table View/Parklands	N/A
Lynnwood Ridge	12,0	Century City	N/A
Faerie Glen	12,0	Goodwood (N1 City)	10,0
Val de Grace	12,0	Tygerberg Hills	9,0
Menlyn	12,0	Bellville CBD	9,0
Menlo Park (Brooks St.)	12,0	Tyger Valley area	9,5
Brooklyn/Waterkloof	12,0	Durbanville	9,3
Nieuw Muckleneuk	12,0	Kuils River	10,0
Hatfield	11,3	George	N/A
Centurion	12,0	Windhoek	9,5
Highveld Technopark	12,0		
Sunnyside	12,0		
Arcadia	12,0		
Murrayfield	12,0		

Chapter 10: Non-industrial land values

Office, shopping-centre and filling-station stand values

Updated by John S. Lottering

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

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

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

Office-land values

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

In your opinion, what is the market value (R/bulk m²) of a vacant stand with an average location in the following nodes? Note: Use the bulk that is legally permissible and economically viable.

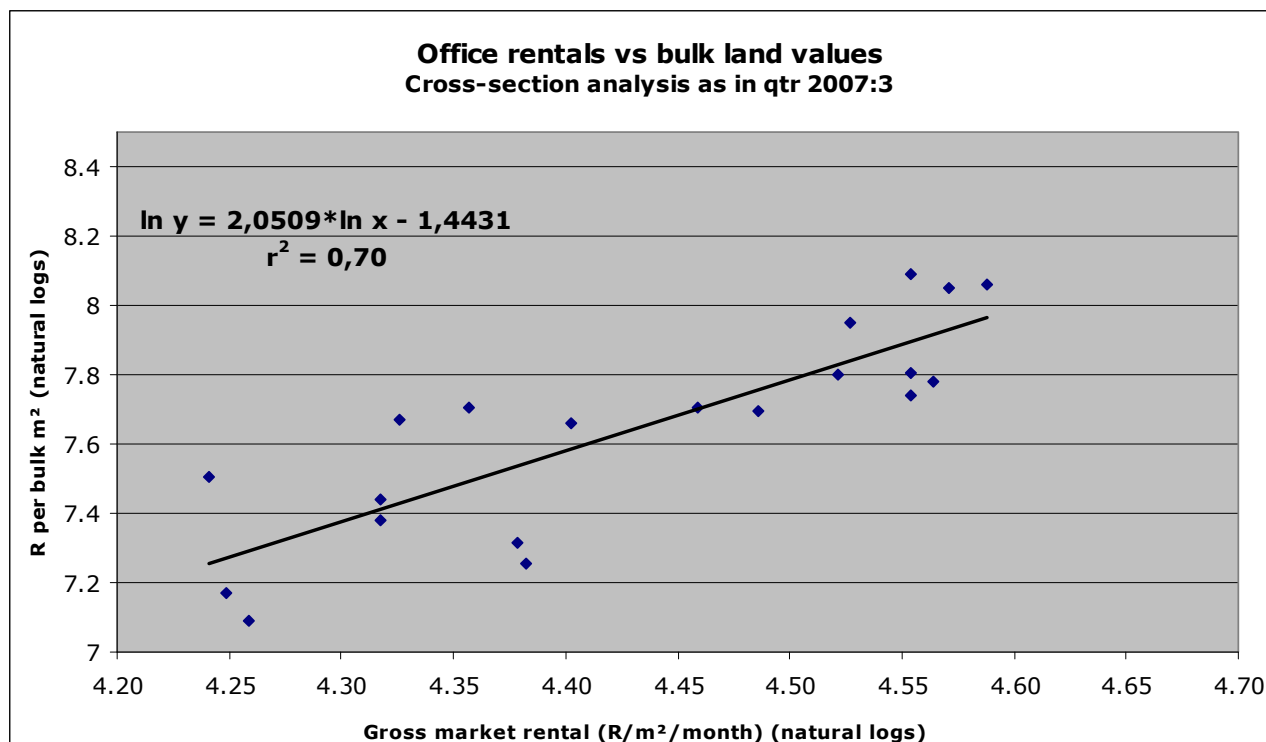
The results of the third-quarter office-land survey are summarised in **Table 10.1**.

The market rental and, related to this, the capitalization rate, are the key determinants of market value of an income-generating building. Hence, it follows that rental levels will also be a fundamental factor affecting land value. The accompanying graph demonstrates this relationship as in quarter 2007:3.

As explained in the introduction to this chapter, the reader will note that we regressed the natural logs of the market rental rates of existing grade-A office buildings in the various office nodes (as reported elsewhere in this issue of *RR*) on their corresponding land values (as reported in this article), also in natural log form. When using natural logs, the beta coefficient of the independent or predictor variable (gross market rental), is a handy tool to gauge the impact of a change in the predictor on the dependent variable (land value). In our example below, the beta coefficient is 2,0509. This means that a 1% increase in market rent results in a roughly 2% increase in land value.

Table 10.1
Office-stand values in quarter 2007:3

Location	R/bulk m ²			SD			n
	Low	High	Best estimate	Low	High	Best estimate	
Johannesburg:							
Sandton CBD	R2.449	R4.066	R3.137	R71	R1.537	R551	3
Rosebank	R2.668	R3.649	R2.200	R1.762	R1.825	R0	3
Illovo	R3.250	R5.149	R3.170	R2.088	R3.643	R355	3
Illovo Boulevard	R2.569	R5.608	R3.258	R566	R4.718	R501	3
Parktown	R2.291	R3.146	R1.600	R1.414	R1.626	n/a	2
Woodmead	R707	R3.873	R2.225	R3.465	R2.475	R672	2
Sunninghill	R2.121	R3.354	R2.225	R495	R1.414	R672	2
Bryanston	R2.836	R3.767	R2.836	R1.664	R1.758	R902	3
Fourways	R2.530	R3.455	R2.446	R1.504	R1.607	R506	3
Midrand	R1.433	R2.251	R1.813	R278	R608	R451	4
Strubens Valley, greater	R1.183	R1.876	R1.293	R672	R424	R416	3
East Rand Mall area	N/A	N/A	R2.200	N/A	N/A	N/A	1
Lakeside Mall area	N/A	N/A	N/A	N/A	N/A	N/A	0
Pretoria:							
Brooklyn/Waterkloof	R1.225	R1.897	R1.565	R354	R141	R247	2
Lynnwood	R894	R1.597	R1.342	R141	R141	R212	2
Menlyn	R1.049	R1.897	R1.500	R71	R141	R0	2
Hatfield	R949	R1.597	R1.396	R71	R141	R141	2
Centurion	R1.012	R1.716	R1.456	R18	R23	R61	2
Highveld Technopark	N/A	N/A	N/A	N/A	N/A	N/A	0
Cape Peninsula:							
Cape Town CBD	R1.474	R2.681	R2.450	R449	R1.127	R1.097	4
Westlake	R1.651	R2.456	R2.121	R289	R557	R177	3
Century City	R1.948	R2.522	R2.393	R100	R640	R200	4
Goodwood (N1 City)	R1.500	R1.897	R1.700	R0	R141	n/a	2
Tyger Valley area	R1.598	R2.289	R2.147	R100	R577	R351	3
Somerset Mall area	R1.162	R2.000	R2.324	R424	R636	R495	2
Durban:							
La Lucia Ridge	R2.000	R2.500	R2.300	N/A	N/A	N/A	1
Westville	R1.800	R2.000	R2.000	N/A	N/A	N/A	1
Berea	N/A	N/A	N/A	N/A	N/A	N/A	0
Westway	N/A	N/A	N/A	N/A	N/A	N/A	0
Durban Point	N/A	N/A	N/A	N/A	N/A	N/A	0



Bulk explained

The market value of office land and shopping-centre land is generally expressed as the value per **bulk** square metre.

Bulk square metres refer to the gross building area (GBA) of a building. According to *The Sapoia Method for Measuring Floor Areas in Commercial and Industrial Buildings*, GBA covers:

"The entire building area, but it excludes patios, plant boxes, sun-screening, escape stairs, machine rooms, parking (basements or above ground), lift-motor rooms, service rooms, caretakers' flats, etc.

"GBA is mainly used by planning consultants in order to plan and execute a building in accordance with the permissible Floor Area Ratio (FAR) as derived from the zoning of the property.

"GBA is fixed for the life of the building but it should be noted that different local authorities may interpret the National Building Regulations that regulate the FAR definition in a slightly different manner."

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

$$\text{Bulk land value} = \exp((2,0509 * \ln(\text{gross market rental})) - 1,4431)$$

where

bulk land value = land value in
rands per bulk m²

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

The regression equation is based on the information from 20 office nodes and has a correlation coefficient of $r = 0,84$. Often the fit of the regression equation can be mediocre, which can be attributed to the fact that, unlike the rental market, the market for office land (or any non-residential land for that matter) is a rather inefficient one — that is, not only do stands differ in many respects (viz. shape, location, soil conditions, etc.), but buyers and sellers are limited, and information on the sales that do take place is, therefore, incomplete. In addition, developers' projects and, hence, costs and project period, could also differ markedly. In short, the market is inefficient in the classic sense. However, in such a market, our regression equation should give the analyst or valuer a starting-point from which to make a rough estimate of the bulk rate of a stand in any node where market rentals are known – a first estimate if you will.

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

$$\text{Bulk land value} = \exp((2,0509 * 4,38) - 1,4431) \approx R1.900/\text{bulk m}^2$$

Note that this equation should rather not be used to estimate the land values for nodes with average grade-A office rentals of less than R69/m², or greater than R98/m².

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

Shopping centres

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

In your opinion, what is the market value of vacant stands appropriately zoned and with the necessary bulk for a regional, community, and neighbourhood shopping centre? Assume that these stands are ready for construction and that the major external infrastructure investments that municipalities normally force the developer to pay for, are already in place. That is, external roads, off-ramps, bridges, new electrical sub-stations, and the like, are in place.

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

Filling stations

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

The question we pose to respondents is as follows:

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

We are informed that in order to qualify as a filling-station site, a pumping capacity of 350.000 litres per month is what oil companies generally require as a minimum. Of

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

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

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

Table 10.2
National shopping-centre stand values in quarter 2007:3*

Type of shopping centre	R/bulk m ²			SD			n
	Low	High	Best estimate	Low	High	Best estimate	
Regional	R647	R1.120	R940	R236	R350	R287	4
Community	R690	R1.047	R794	R193	R384	R289	4
Neighbourhood	R761	R1.109	R766	R465	R544	R318	4

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

Table 10.3
National filling-station land survey in quarter 2007:3

R per site			SD			n
Low	High	Best estimate	Low	High	Best estimate	
R1.590.493	R2.478.640	R1.946.960	R270.185	R450.555	R222.539	7

Critical assumptions:

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

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

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

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

How developers value land

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

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

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

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

- | | |
|-----------------------------------|--|
| • Abland (Pty) Ltd | • Omnicron Commercial Property Brokers (Pty) Ltd |
| • Abland (Pty) Ltd | • Rabie Property Group (Pty) Ltd |
| • Bales Delaporte | • Ronloth Marketing (Pty) Ltd |
| • BP Southern Africa (Pty) Ltd | • Stratford Property Ventures |
| • Bradford McCormack & Associates | • Stratprop |
| • Cavalier Group | • Total SA (Pty) Ltd - Cape Town |
| • Chevron South Africa (Pty) Ltd | • Total SA (Pty) Ltd - Eastern Cape |
| • Kirchmann-Hurry Investments Ltd | • Total SA (Pty) Ltd - Gauteng |
| • Madison Property Fund Managers | • Wall & Smith Property Consultants |
| • McWilliam Murray Realty | • Watprop |

Our heartfelt thanks to them.

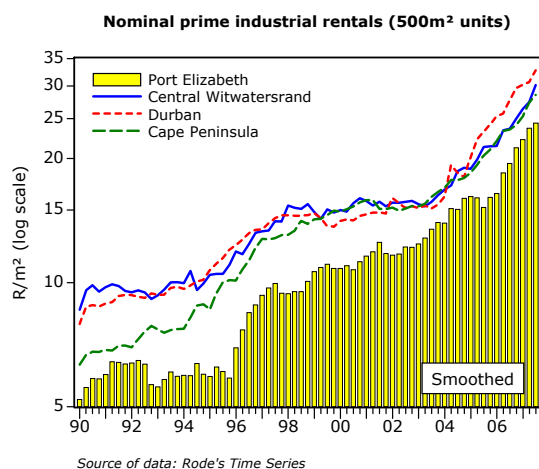
Chapter 11: Industrial rentals and vacancies

Upswing now entrenched

Written by John S. Lottering

Strong demand for industrial space, coupled with high and robustly growing replacement costs, continued to keep upward pressure on market rentals during the third quarter of the year.

Vigorous, 20%-plus year-on-year rental-growth rates were recorded in all of the big industrial areas, barring Durban, where market rentals for prime industrial space were up by 18% on the same quarter a year earlier.



Building-cost inflation is expected to have grown by 9,6% during the third quarter, resulting in solid positive *real* rental growth. In fact, real rentals have been moving steadily north since 2005, implying that the industrial upswing phase is now entrenched. This is, of course, good news

to developers for the viability of new industrial developments.

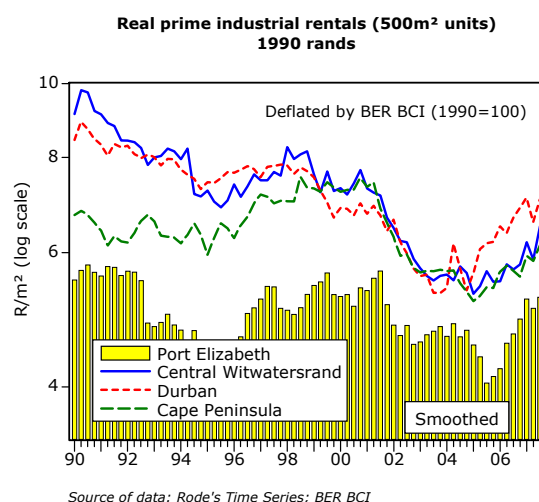


Table 11.1 considers the performance of industrial rentals relative to the previous 10-, 5- and one-year periods. The reader will note that we are currently seeing a strong revival in industrial rentals, following a weak rental performance during the last decade. This picture looks similar to that of the office property market, except that the office market has still not taken off as convincingly as the industrial market.

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

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 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.

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

	Last 10 years*	Last 5 years*	Last year
Central Wits	6,8	14,9	27,7
East Rand	9,1	15,0	23,5
Durban	9,8	20,0	18,4
Cape Peninsula	7,3	14,0	21,2
Port Elizabeth	9,8	14,8	25,3
BER Building Cost Index	11,8	12,6	9,6
Haylett Index	7,4	7,2	9,4
CPI	5,1	3,6	7,0

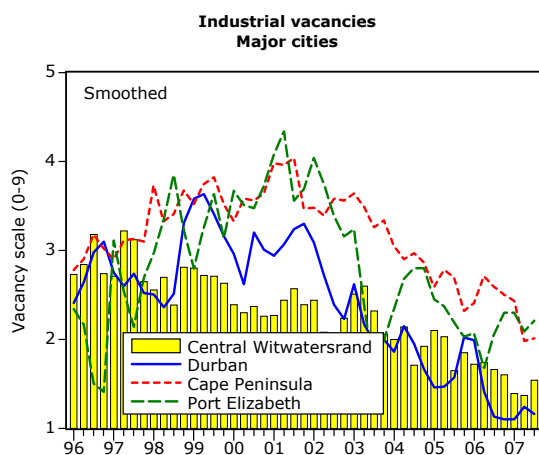
Source of data: Rode's Time Series; Stats SA; Bureau for Economic Research

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

Table 11.2
Pioneer rental rates
for new, state-of-the-art industrial developments
during quarter 2007:3
Highest gross rental rates achieved (2.500m² units)
Rands per rentable square m² (excl VAT)

	Pioneer	Normal Prime	Difference (%)
Central Witwatersrand	48,00	27,43	74,99
West Rand	45,00	24,47	83,90
East Rand	45,00	24,44	84,12
Far East Rand	40,00	18,14	120,51
Vereeniging	N/A	N/A	N/A
Pretoria	45,00	25,21	78,50
Klerksdorp	N/A	N/A	N/A
Polokwane	30,00	14,50	106,90
Nelspruit	40,00	24,63	62,40
Durban	50,00	32,75	52,67
Pietermaritzburg	N/A	N/A	N/A
Ladysmith	10,00	5,00	100,00
Newcastle	18,00	6,50	176,92
Isithebe	N/A	N/A	N/A
Lower Umfolozi	N/A	N/A	N/A
Cape Peninsula	65,00	24,53	164,98
George	24,50	20,00	22,50
Port Elizabeth	40,00	20,74	92,86
East London	N/A	N/A	N/A
Bloemfontein	25,00	15,57	60,57
Windhoek	30,00	23,75	26,32

Industrial vacancies



During the reporting quarter, vacancies in the major industrial areas remained low. On our vacancy scale of 1 to 9, Durban scored 1,2 (which we estimate is roughly equivalent to 0,7%); Central Witwatersrand scored 1,5 (roughly 2,5%); the Cape

Peninsula scored 2 (about 3,5%) and Port Elizabeth had the highest score of 2,2 (about 4,1%)

The remainder of this chapter includes:

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

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

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

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

Readers are reminded that the vacancy figures in the graph above are not actual vacancy percentages, but rather graduations on a 0-9 vacancy scale. For more information, see the notes to the industrial tables on p. 114. Furthermore, the vacancies are for all the unit sizes (250m², 500m², 1.000m², 2.500m² and 5.000m²) combined, as surveyed by Rode. In reality, vacancies could differ across the different-sized units.

Table 11.3
Change in prime industrial rentals
and vacancies over the past quarter
Quarter 2007:3 over quarter 2007:2

	Rands change	% change	Prime vacancy change*
Central Witwatersrand			0,2
250m ²	3,28	11,3%	
500m ²	3,54	12,8%	
1.000m ²	3,26	12,3%	
2.500m ²	2,79	11,3%	
5.000m ²	3,35	14,4%	
West Rand			0,1
250m ²	4,69	18,8%	
500m ²	4,36	17,6%	
1.000m ²	4,03	17,6%	
2.500m ²	3,81	18,4%	
5.000m ²	4,13	22,4%	
East Rand			-0,1
250m ²	0,27	0,9%	
500m ²	-0,31	-1,1%	
1.000m ²	-0,04	-0,1%	
2.500m ²	-1,10	-4,3%	
5.000m ²	-1,52	-6,2%	
Far East Rand			-0,1
250m ²	-0,50	-2,2%	
500m ²	-1,57	-7,0%	
1.000m ²	-2,21	-10,5%	
2.500m ²	-2,14	-10,6%	
5.000m ²	-2,26	-11,3%	
Pretoria			-0,3
250m ²	8,03	24,2%	
500m ²	-1,66	-5,3%	
1.000m ²	0,29	1,0%	
2.500m ²	-0,77	-2,9%	
5.000m ²	-1,46	-6,1%	

* Points change, see notes on p. 114.

Table 11.3 (continued)
Change in prime industrial rentals
and vacancies over the past quarter
Quarter 2007:3 over quarter 2007:2

	Rands change	% change	Prime vacancy change*
Polokwane			0,2
250m ²	3,85	17,9%	
500m ²	2,76	14,8%	
1.000m ²	1,26	7,5%	
2.500m ²	5,13	51,9%	
5.000m ²	N/A	N/A	
Nelspruit			0,3
250m ²	0,88	2,9%	
500m ²	1,25	4,6%	
1.000m ²	1,13	4,4%	
2.500m ²	1,88	8,2%	
5.000m ²	2,25	11,1%	
Vereeniging			N/A
250m ²	N/A	N/A	
500m ²	N/A	N/A	
1.000m ²	N/A	N/A	
2.500m ²	N/A	N/A	
5.000m ²	N/A	N/A	
Durban			-0,2
250m ²	4,09	12,6%	
500m ²	2,69	8,7%	
1.000m ²	2,33	7,7%	
2.500m ²	1,40	4,5%	
5.000m ²	0,86	2,7%	
Pietermaritzburg			-0,3
250m ²	-2,33	-9,7%	
500m ²	0,30	1,4%	
1.000m ²	-0,80	-3,8%	
2.500m ²	1,25	6,7%	
5.000m ²	N/A	N/A	

* Points change, see notes on p. 114.

Table 11.3 (continued)
Change in prime industrial rentals
and vacancies over the past quarter
Quarter 2007:3 over quarter 2007:2

	Rands change	% change	Prime vacancy change*
Ladysmith			0,0
250m ²	N/A	N/A	
500m ²	0,00	0,0%	
1.000m ²	0,00	0,0%	
2.500m ²	0,00	0,0%	
5.000m ²	0,00	0,0%	
Newcastle			0,0
250m ²	0,00	0,0%	
500m ²	0,00	0,0%	
1.000m ²	0,00	0,0%	
2.500m ²	0,00	0,0%	
5.000m ²	0,00	0,0%	
Lower Umfolozi			N/A
250m ²	N/A	N/A	
500m ²	N/A	N/A	
1.000m ²	N/A	N/A	
2.500m ²	N/A	N/A	
5.000m ²	N/A	N/A	
Cape Peninsula			0,3
250m ²	0,56	1,8%	
500m ²	0,69	2,5%	
1.000m ²	0,72	2,7%	
2.500m ²	0,25	1,1%	
5.000m ²	-0,94	-4,0%	
George			-3,0
250m ²	0,00	0,0%	
500m ²	0,00	0,0%	
1.000m ²	2,00	10,0%	
2.500m ²	0,00	0,0%	
5.000m ²	0,00	0,0%	

* Points change, see notes on p. 114.

Table 11.3 (continued)
Change in prime industrial rentals
and vacancies over the past quarter
Quarter 2007:3 over quarter 2007:2

	Rands change	% change	Prime vacancy change*
Port Elizabeth			0,2
250m ²	-0,32	-1,2%	
500m ²	0,16	0,7%	
1.000m ²	-0,20	-0,9%	
2.500m ²	0,11	0,5%	
5.000m ²	-0,12	-0,6%	
East London			-0,2
250m ²	0,69	3,3%	
500m ²	1,24	7,4%	
1.000m ²	1,44	10,6%	
2.500m ²	0,97	7,6%	
5.000m ²	2,09	24,0%	
Bloemfontein			0,3
250m ²	0,15	0,6%	
500m ²	0,53	2,6%	
1.000m ²	1,15	6,8%	
2.500m ²	0,00	0,0%	
5.000m ²	0,00	0,0%	
Windhoek			0,8
250m ²	-1,00	-3,2%	
500m ²	-1,00	-3,4%	
1.000m ²	0,00	0,0%	
2.500m ²	1,25	5,6%	
5.000m ²	-0,63	-3,1%	

* Points change, see notes on p. 114.

Table 11.4
Mean prime industrial market rentals as in quarter 2007:3
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Central Witwatersrand									
Cambridge Park	-	-	48,00	-	-	1,0	3,825	-0,103	-0,65
Wynberg proper	26,00	24,50	22,50	20,50	19,50	2,0	3,841	-0,047	-0,60
Strijdom Park	36,00	35,00	32,50	32,50	31,50	1,5	3,849	-0,052	-0,52
Kya Sand	35,00	34,25	32,50	32,50	30,00	2,0	4,019	-0,133	-0,89
Clayville/ Olifantsfontein	25,00	25,00	25,00	18,00	18,00	1,5	3,687	-0,089	-0,77
Chloorkop	24,00	23,33	22,33	19,67	18,67	1,7	4,005	-0,100	-0,62
Amalgam	31,50	30,00	27,50	25,00	24,00	1,0	4,241	-0,100	-0,95
Crown Mines	48,50	45,00	41,50	36,00	35,00	1,0	3,895	-0,117	-0,74
Industria	25,00	25,00	22,00	19,50	18,50	1,0	3,917	-0,106	-0,62
Booyens/ Booyens Reserve/ Ophirton	27,50	26,50	25,00	21,50	21,00	1,0	3,891	-0,103	-0,64
Village Main/ Village Deep/ New Centre	27,50	26,00	25,00	21,50	21,00	1,0			
Benrose	26,00	24,75	22,50	22,00	-	1,0	4,006	-0,113	-0,58
Steeledale/ Electron/ Tulisa	30,50	27,67	24,33	22,00	25,00	1,3	3,688	-0,074	-0,40
Aeroton	27,00	26,00	24,00	22,50	22,00	1,0			
Devland/ Nancefield	25,00	20,00	18,00	17,00	-	1,0			
Cleveland/ Heriotdale	28,00	26,25	26,00	24,00	-	1,0			
Newlands/ Martindale	-	-	-	-	-	-			
Kew/ Wynberg East	20,75	20,00	19,25	17,75	15,75	4,0	3,538	-0,089	-0,56
Bramley View/ Lombardy West	25,00	23,00	20,00	18,00	18,00	3,0	3,855	-0,118	-0,97
Marlboro South (Alexandra)	11,50	11,00	9,00	9,00	9,00	6,0	2,904	-0,089	-0,61
Halfway House: hi-tech strip	37,00	36,00	35,80	35,00	34,80	2,3	3,717	-0,020	-0,36
Halfway House: Richards Drive	36,20	35,60	35,60	35,00	34,50	2,0	3,675	-0,016	-0,30

Table 11.4 (continued)
Mean prime industrial market rentals as in quarter 2007:3
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Commercia	27,33	26,67	22,00	21,00	20,00	1,3	3,989	-0,126	-0,44
Kramerville/ Eastgate X12 &	41,67	40,67	37,67	35,00	33,67	1,3	4,156	-0,076	-0,74
Centurion	-	-	-	-	-	-			
Linbro Park	46,25	45,00	43,86	41,25	40,20	1,6	4,118	-0,051	-0,39
Wesco Park/ Eastgate X3,X11,X6,X8/									
Mariboro North (New)	40,00	38,67	36,67	33,50	34,33	1,8	4,032	-0,063	-0,61
City Deep	34,50	33,50	35,00	34,00	33,00	1,3	3,623	-0,015	-0,13
North Riding	40,00	40,00	39,00	36,50	38,00	1,3	3,865	-0,031	-0,66
Samrand Centurion	36,00	36,00	-	-	-	1,0			
Barbeque Downs	45,00	45,00	38,00	35,00	35,00	1,0	4,367	-0,099	-0,94
Selby Ext 12/ 13/ 15/ 19/ 20/ 24/ City West	34,00	33,00	30,00	25,00	24,50	1,0	4,201	-0,121	-0,65
Selby Ext 5/ 10/ 14/ 18	32,50	31,50	30,00	25,00	24,50	1,0	4,094	-0,107	-0,75
Selby Ext 11	30,00	30,00	28,50	25,00	24,50	1,0	3,868	-0,080	-0,64
Selby Ext 3/ 4/ 6	31,00	30,00	30,00	26,50	26,00	1,0	3,798	-0,064	-0,76
Denver (Old)	17,50	15,50	13,50	13,25	13,00	1,0	3,384	-0,104	-0,64
Denver (New)	30,50	28,75	27,00	26,25	28,00	1,0	3,621	-0,043	-0,34
Kyalami Business Park	42,00	40,75	38,67	34,75	35,00	2,0	4,143	-0,072	-0,82
Reuven	25,00	28,50	27,00	25,00	23,50	1,0	3,610	-0,051	-0,33
Selby (Old)/ Selby X2/ Park	27,50	27,50	26,00	25,00	23,50	1,0	3,638	-0,056	-0,43
Robertsham	27,50	27,50	24,00	22,50	20,00	1,0	3,950	-0,111	-0,70
Fordsburg/ Mayfair	-	-	-	-	-	-			
Central Witwatersrand	32,29	31,24	29,65	27,43	26,61	1,6			

Table 11.4 (continued)
Mean prime industrial market rentals as in quarter 2007:3
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
West Rand									
Lea Glen	32,50	32,50	35,00	35,00	35,00	1,0			
Honeydew X19, 20, 21 & 22	32,50	32,50	32,00	32,00	30,00	0,7	3,599	-0,020	-0,33
Stormmill	33,33	32,33	31,50	30,00	27,33	2,0	3,903	-0,070	-0,51
Chamdor	22,33	22,33	20,33	17,67	16,00	1,7	3,764	-0,116	-0,49
Factoria	31,50	31,50	27,50	24,00	21,50	1,0	4,263	-0,140	-0,74
Randfontein: Delporton/ Aureus	-	-	-	-	-	-			
Boltonia	28,00	28,00	25,00	20,00	18,00	0,0	4,289	-0,162	-0,97
Roodepoort:	26,50	26,50	24,00	21,50	18,00	0,5	4,043	-0,130	-0,90
Industria North	25,00	25,00	22,50	20,50	18,00	1,0	3,888	-0,114	-0,89
Robertville	-	-	-	-	-	-			
Laserpark	34,00	33,50	35,00	35,00	33,00	1,3			
West Rand	29,65	29,21	26,94	24,47	22,56	1,1			
East Rand									
Elandsfontein	25,50	25,00	23,67	21,00	20,33	1,2	3,720	-0,085	-0,58
Eastleigh/ Sebenza Ext 14	29,00	28,50	26,75	25,00	22,00	0,8	3,863	-0,086	-0,86
Spartan Ext 16 (Sebenza Link) + Ext 1,3,7	30,20	29,50	27,83	25,20	23,00	1,2	3,940	-0,093	-0,62
Isando	29,17	27,67	27,83	23,20	22,40	1,4	3,915	-0,096	-0,56
Jet Park	35,00	34,00	32,80	32,00	31,00	1,8	3,786	-0,043	-0,38
Alrode & Xs	25,00	24,00	21,00	19,50	17,00	1,0	3,922	-0,127	-0,63
Alrode South	22,00	21,00	18,50	16,50	14,50	1,5	3,887	-0,140	-0,92
Alberton	31,50	28,50	24,50	23,00	20,00	1,5	4,242	-0,145	-0,91
Aeroporto/ Spartan Ext 2	35,60	34,83	32,83	31,00	29,50	1,3	3,941	-0,065	-0,84

Table 11.4 (continued)
Mean prime industrial market rentals as in quarter 2007:3
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Rustivia	29,25	28,75	26,75	25,67	24,33	1,0	3,721	-0,062	-0,48
Delville	22,20	20,20	18,70	16,83	16,00	1,3	3,721	-0,115	-0,75
Roodekop	20,50	19,50	19,17	17,00	16,33	1,0	3,485	-0,084	-0,44
Wadeville: Industrial zoning	25,33	24,14	21,71	19,83	17,83	1,6	3,904	-0,120	-0,64
Route 24/ Meadowdale	35,43	34,67	33,63	32,50	31,00	1,5	3,796	-0,041	-0,51
Germiston S/ Industries E	21,00	19,67	18,00	16,33	15,75	1,5	3,629	-0,106	-0,69
Driehoek/ Industries W	28,20	26,58	24,40	22,25	24,00	1,3	3,761	-0,080	-0,48
Knights	22,30	21,40	19,80	20,17	28,00	1,2			
Spartan Proper	24,80	24,20	22,40	21,75	20,33	1,5	3,594	-0,069	-0,45
Founders View	35,00	33,75	31,25	31,00	30,00	1,0	3,846	-0,054	-0,57
Longmeadow	48,00	45,33	45,33	43,50	42,67	1,6	4,064	-0,038	-0,35
East Rand	28,90	27,54	26,73	24,44	22,89	1,3			
Far East Rand									
Boksburg North & East	25,00	23,33	21,00	19,00	18,50	1,3	3,801	-0,107	-0,83
Benoni South	20,00	18,00	18,00	19,00	18,00	1,0	3,035	-0,015	-0,32
New Era/ Vulcania	18,00	18,00	15,00	15,00	15,00	1,0	3,278	-0,071	-0,86
Nuffield	-	-	-	-	-	-			
Fulcrum	-	-	-	-	-	-			
Apex	20,00	20,00	18,00	18,00	18,00	1,0	3,220	-0,041	-0,86
La Boré Brakpan	-	-	-	-	-	-			
Morehill Ext 8 Benoni	25,00	20,00	18,00	18,00	18,00	1,0	3,662	-0,098	-0,83
Far East Rand	22,57	20,86	18,86	18,14	17,67	1,1			

Table 11.4 (continued)
Mean prime industrial market rentals as in quarter 2007:3
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Pretoria									
Mitchell St	28,75	25,00	24,00	20,00	18,00	3,0	4,191	-0,152	-0,97
Pretoria Industrial Township	28,75	25,00	24,00	20,00	19,00	1,5	4,111	-0,139	-0,96
Koedoespoort	32,50	31,25	30,00	26,50	22,50	1,5	4,175	-0,120	-0,70
Waltloo/ Despatch	32,50	28,33	26,50	24,00	22,75	1,0	4,095	-0,120	-0,50
Silverton/ Silvertondale	35,00	33,33	34,00	31,50	28,00	1,0	3,875	-0,057	-0,73
Samcor Park	35,00	33,33	34,00	30,00	28,00	1,0	3,944	-0,068	-0,80
Sunderland Ridge	18,00	17,00	17,00	15,00	15,00	1,0	3,251	-0,065	-0,95
Hermanstad	21,00	19,75	19,00	17,50	15,00	2,3	3,604	-0,100	-0,62
Kirkney	18,00	17,00	17,00	15,00	15,00	1,0	3,251	-0,065	-0,95
Hennospark X15 & X7	50,00	45,00	41,25	37,50	35,00	2,0	4,546	-0,118	-0,77
Gateway	50,00	45,00	41,25	37,50	35,00	1,5	4,546	-0,118	-0,77
Lytleton Manor X4/X6	40,00	37,50	35,00	32,50	30,00	2,0	4,211	-0,094	-1,00
Pretoria North	18,00	17,00	17,00	15,00	15,00	1,0	3,251	-0,065	-0,95
Silvertondale X1	35,00	33,33	31,50	30,50	25,00	1,0	4,049	-0,088	-0,80
Brits	27,50	25,00	22,50	20,00	15,00	4,0	4,390	-0,189	-0,97
Klerksoord	20,00	20,00	18,00	18,00	15,00	1,0	3,518	-0,089	-0,91
Rosslyn	25,00	23,75	21,50	20,25	15,00	2,0	4,064	-0,149	-0,71
Pretoria	31,97	29,63	27,57	25,21	22,19	1,6			
Polokwane									
Lebowakgomo	-	-	-	-	-	-			
Superbia	28,75	25,00	20,25	17,50	-	1,0			
Industria	23,75	18,75	17,50	12,50	-	1,0			

Table 11.4 (continued)
Mean prime industrial market rentals as in quarter 2007:3
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Ladine Ex 16 & 17	28,75	25,00	20,25	17,50	-	1,0			
Futura	21,25	18,75	14,75	12,50	-	1,0			
Laboria	21,25	16,25	14,75	12,50	-	1,0			
Magna Via	-	-	-	-	-	-			
Seshego	-	-	-	-	-	-			
Polokwane	24,75	20,75	17,50	14,50	1,00				
Nelspruit									
Nelspruit East	27,50	25,50	23,00	22,50	20,50	2,0	3,805	-0,092	-0,75
Nelspruit West	31,00	28,00	26,00	24,50	22,50	1,0	3,985	-0,103	-0,79
Rocky's Drift	25,00	22,50	22,00	20,00	19,00	1,5	3,711	-0,092	-0,75
Riverside Park	40,00	38,00	35,50	31,50	28,00	1,5	4,373	-0,120	-0,95
Nelspruit	30,88	28,50	26,63	24,63	22,50	1,5			
Durban									
Springfield Park	33,00	33,00	33,00	35,50	35,00	1,0			
Mayville	-	25,00	25,00	25,00	-	1,0			
Phoenix	-	25,00	25,00	30,00	30,00	1,5			
North Coast Rd / Briardene	45,00	35,00	33,50	38,50	35,00	1,0	3,716	-0,020	-0,08
Umgeni Rd/ Stamford Hill	34,00	34,00	30,00	35,00	-	1,0			
Umbilo/ Sydney Rd/ Gale St	-	30,00	30,00	35,00	40,00	1,0			
Jacobs	-	30,00	30,00	35,00	35,00	1,0			
Mobeni	-	25,00	25,00	30,00	35,00	1,0			
Prospecton	30,00	30,00	30,00	35,00	35,00	1,0			
Pinetown Central	37,50	37,50	36,50	33,50	30,00	1,0	4,062	-0,073	-0,72

Table 11.4 (continued)
Mean prime industrial market rentals as in quarter 2007:3
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
New Germany	35,25	35,00	33,00	31,33	28,50	1,0	3,965	-0,069	-0,63
Isipingo	-	-	-	25,00	25,00	1,0			
Rosburgh/ South Coast Rd	-	-	-	30,00	30,00	1,0			
Edwin Swales Drive	-	-	-	35,00	40,00	1,0			
Glen Anil	36,00	33,50	31,50	25,00	30,00	1,0	4,012	-0,084	-0,39
Brickfield Rd	30,00	30,00	-	-	-	1,0			
Verulam	-	-	-	-	-	-			
Canelands	-	-	-	-	-	2,0			
Tongaat	-	-	-	-	-	-			
New Westmead/ Mahogany	37,25	33,00	32,33	34,13	34,17	1,3	3,560	-0,007	-0,04
Westmead	38,50	35,67	35,67	34,17	32,50	1,0	3,884	-0,047	-0,36
Mariann Park/ Southmead	-	-	-	-	-	-			
Maxmead	36,25	34,00	33,33	30,00	31,25	1,0	3,869	-0,055	-0,43
Ringroad Industrial Park	40,00	35,00	35,00	30,00	35,00	1,0	3,889	-0,050	-0,36
Avoca/ Red Hill/ Northgate	40,00	35,00	30,00	30,00	35,00	1,5	3,872	-0,051	-0,40
Falcon Park	32,50	32,00	30,00	32,50	31,25	1,0	3,510	-0,008	-0,10
River Horse Park	50,00	50,00	50,00	38,00	40,00	1,5	4,496	-0,098	-0,86
Mount Edgecombe	36,00	33,00	33,00	30,00	30,00	1,0	3,872	-0,057	-0,60
Umbogintwini/ Southgate	30,00	30,00	30,00	35,00	35,00	1,0			
Umgeni Park	38,50	36,00	-	35,00	35,00	1,0			
Hammersdale	-	-	-	-	-	-			
Cato Ridge	-	-	-	-	-	-			
Durban	36,52	33,56	32,65	32,75	32,98	1,1			

Table 11.4 (continued)
Mean prime industrial market rentals as in quarter 2007:3
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²						Vacancy	a	b	r
	250	500	1.000	2.500	5.000					
Pietermaritzburg										
Willowton	20,00	-	-	-	-	-	1,0			
Mkomdeni/ Shortts Retr	25,00	-	-	20,00	-	-	1,0			
Camps Drift	-	25,00	-	-	-	-	1,0			
Pietermaritzburg Central	20,00	20,00	20,00	-	-	-	1,0			
Allandale	-	-	-	-	-	-	0,0			
Howick	-	-	-	-	-	-	0,0			
Pietermaritzburg	21,67	22,50	20,00	20,00	0,70					
Ladysmith										
Ezakeni/ Pieters	-	-	-	-	-	-	-			
Danskraal	-	7,00	6,00	5,00	4,00	2,0				
Nambiti	-	7,00	6,00	5,00	4,00	2,0				
Colenso	-	-	-	-	-	-	-			
Ladysmith	7,00	6,00	5,00	4,00	2,00					
Newcastle										
Madadeni	8,00	8,00	7,00	6,00	5,50	2,0		2,881	-0,137	-0,98
Central	25,00	25,00	20,00	-	-	1,0				
Vlam Crescent	16,00	16,00	-	-	-	1,0				
Riverside Ind	12,00	10,00	8,00	7,00	6,50	2,0		3,585	-0,207	-0,98
Newcastle	15,25	14,75	11,67	6,50	6,00	1,5				
Cape Peninsula										
Viking Place	32,38	29,00	26,00	29,00	25,00	1,7		3,818	-0,070	-0,50
Glosderry	34,00	32,50	30,33	29,00	30,00	0,7		3,822	-0,056	-0,65

Table 11.4 (continued)
Mean prime industrial market rentals as in quarter 2007:3
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Paarden Eiland/ Metro	37,08	32,83	30,17	27,25	26,33	1,6	4,211	-0,115	-0,62
Montague Gardens	36,20	33,11	31,78	30,29	28,20	2,0	4,017	-0,081	-0,53
Marconi Beam	37,11	35,00	34,25	30,80	27,33	1,8	4,137	-0,093	-0,63
Killarney Gardens	31,50	29,25	27,33	25,60	20,33	2,6	4,209	-0,135	-0,63
Racing Park	32,80	31,29	28,30	26,00	21,00	3,5	4,193	-0,125	-0,64
Atlantis	17,50	17,50	15,25	12,50	12,50	2,5	3,570	-0,126	-0,57
City Fringe	35,25	32,50	31,25	30,00	-	1,5			
Woodstock/ Salt River/ Observatory	31,00	28,33	28,00	28,00	26,00	2,0	3,659	-0,047	-0,61
Athlone 1 & 2	30,00	29,00	28,00	26,00	24,00	-	3,821	-0,073	-0,98
Lansdowne Nerissa	-	-	-	-	-	-			
Ottery Hillstar	32,50	31,00	29,50	27,50	27,00	0,0	3,891	-0,069	-0,97
Ottery Sunset	32,50	31,00	29,50	27,50	27,00	0,0	3,833	-0,064	-0,90
Diep River	36,50	33,50	29,00	29,00	27,50	0,0	4,071	-0,092	-0,88
Monwood/ Philippi	-	-	-	-	-	-			
Retreat/ Steenberg	38,33	37,00	33,50	31,50	29,00	0,5	4,177	-0,094	-0,94
Capricorn Park	36,00	35,00	32,50	31,50	33,00	3,0	3,812	-0,044	-0,69
Springfield	-	-	-	-	-	-			
Maitland	28,88	26,70	24,30	20,33	19,00	2,8	4,189	-0,148	-0,79
Ndabeni	29,00	28,00	26,00	23,50	20,75	2,0	4,006	-0,111	-0,90
Airport	33,50	31,43	29,17	25,25	24,00	1,8	4,179	-0,120	-0,69
Epping 1 & 2	26,43	25,46	23,71	21,20	21,25	2,1	3,718	-0,081	-0,52
WP Park	31,00	29,67	27,00	26,00	23,00	1,0	3,919	-0,088	-0,65
Elsies River (excl. Central Park)	23,50	21,25	19,75	16,50	15,00	2,5	3,944	-0,145	-0,62

Table 11.4 (continued)
Mean prime industrial market rentals as in quarter 2007:3
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²						Vacancy	a	b	r
	250	500	1.000	2.500	5.000					
Parow Beaconvale	28,17	26,00	24,17	21,20	20,25		2,3	3,962	-0,115	-0,58
Tygerberg Business Park	31,00	28,20	26,20	24,60	24,00		2,8	3,878	-0,086	-0,59
Parow Industria	28,17	25,50	22,40	20,60	20,75		2,7	3,952	-0,117	-0,60
Parow East	31,33	28,40	25,50	24,00	22,00		1,6	4,074	-0,118	-0,71
Bellville Oakdale	47,50	44,50	44,25	31,00	30,00		0,8	4,570	-0,130	-0,41
Bellville Stikland/ Kaymor	31,00	28,38	25,67	23,60	23,00		1,7	3,996	-0,105	-0,80
Bellville Triangle	27,20	25,40	23,40	21,00	20,00		1,4	3,880	-0,105	-0,77
Bellville South/ Sacks Circle	27,00	25,14	22,83	21,00	20,60		2,6	3,798	-0,095	-0,55
Kraaifontein	24,50	22,00	20,50	19,00	18,50		2,0	3,679	-0,094	-0,51
Brackenfell Industria	26,86	24,86	23,75	22,50	21,00		1,8	3,701	-0,078	-0,49
Everite Brackenfell	29,43	26,71	24,50	23,00	21,25		2,2	3,951	-0,106	-0,88
Kuils River	27,80	23,25	22,00	20,67	19,67		2,3	3,899	-0,114	-0,61
Blackheath	24,33	23,17	21,60	21,75	20,25		3,0	3,499	-0,059	-0,37
Saxenburg Industrial Park	29,33	26,17	24,00	24,25	22,75		3,5	3,759	-0,078	-0,47
Okavango Park	31,80	29,60	26,50	25,00	24,00		1,6	3,992	-0,098	-0,89
Cape Peninsula	31,10	28,74	26,86	24,53	22,76		2,1			
George										
George	23,00	22,00	22,00	20,00	18,00		4,0	3,584	-0,078	-0,95
George	23,00	22,00	22,00	20,00	18,00		4,0			
Port Elizabeth										
Deal Party	23,67	22,92	20,92	19,67	17,50		1,3	3,729	-0,100	-0,72
North End	25,33	23,25	21,83	18,40	19,67		2,7	3,807	-0,109	-0,50
Korsten/ Neave/ Sidwell/ Sydenham	23,80	22,40	21,00	19,50	17,95		2,0	3,679	-0,092	-0,72

Table 11.4 (continued)
Mean prime industrial market rentals as in quarter 2007:3
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²						Vacancy	a	b	r
	250	500	1.000	2.500	5.000					
South End Walmer	33,33	28,33	24,50	25,00	20,00		1,0	4,254	-0,146	-0,64
Uitenhage: Volkswagen area/Nelson Mandela										
Bay Logistics Park	16,67	15,00	15,00	13,50	13,50		1,0	3,184	-0,071	-0,62
Uitenhage: Hella/Kruisrivier	17,50	15,00	12,00	12,00	12,00		-			
Struandale	25,00	21,13	20,90	19,50	17,00		2,3	3,694	-0,086	-0,78
Markman Township	19,50	18,33	16,75	14,77	12,80		4,0	3,579	-0,119	-0,52
Perseverance	27,75	21,25	19,75	18,42	15,13		2,0	4,197	-0,176	-0,57
Walmer	37,17	32,33	29,20	29,20	28,33		2,0	4,021	-0,087	-0,37
Greenbushes	26,00	24,33	22,50	21,50	21,00		3,3	3,683	-0,079	-0,57
Fairview	37,90	37,50	35,50	39,17	36,17		2,3	3,654	-0,008	-0,05
Port Elizabeth	26,76	24,44	22,44	20,74	18,99		2,3			
East London										
Arcadia	24,00	19,67	17,67	16,43	15,00		0,9	3,986	-0,155	-0,87
Gately/ Woodbrook	20,00	17,00	16,00	15,83	11,67		1,0	3,813	-0,150	-0,90
Wilsonia	-	13,25	11,50	9,67	9,17		2,0			
Braelyn	20,00	18,00	14,67	12,00	-		1,0			
Northend	21,83	21,33	15,33	-	-		1,0			
East London	21,56	17,85	15,03	13,60	10,77		1,2			
Bloemfontein										
Hilton	26,25	25,00	20,50	19,00	18,00		1,3	3,995	-0,135	-0,55
East End	21,67	20,50	16,00	16,50	16,00		1,7	3,706	-0,121	-0,47
Harvey Road	35,00	27,50	22,50	19,00	18,00		1,5	4,629	-0,211	-0,83
Old Industrial	21,00	20,00	17,75	15,00	14,00		1,7	4,014	-0,173	-0,48

Table 11.4 (continued)
Mean prime industrial market rentals as in quarter 2007:3
(R/m² p.m.; gross lease; excl VAT)

	Area size leased in m ²					Vacancy	a	b	r
	250	500	1.000	2.500	5.000				
Hamilton: Mill St	21,50	18,00	16,50	13,50	12,50	1,5	4,046	-0,183	-0,81
Hamilton: G Lubbe St	20,50	17,50	16,00	12,50	11,50	1,5	4,137	-0,205	-0,72
Estoir	21,50	17,50	16,00	13,50	12,50	1,0	3,998	-0,178	-0,78
Bloemfontein	23,89	21,15	18,05	15,57	14,64	1,5			
Windhoek									
North	30,00	27,00	25,00	23,00	18,00	4,0	4,273	-0,155	-0,97
Lafrenz	25,00	23,00	22,00	20,00	17,00	3,0	3,893	-0,120	-0,98
South	35,00	32,00	30,00	27,00	23,00	2,0	4,300	-0,133	-0,99
Prosperita	32,00	30,00	28,00	25,00	20,00	3,0	4,317	-0,148	-0,96
Windhoek	30,50	28,00	26,25	23,75	19,50	3,0			

Table 11.5
Standard deviation from mean prime industrial market rentals
as in 2007:3

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Central Witwatersrand						
Cambridge Park	-	-	-	-	-	BM
Wynberg proper	2,24	3,32	3,79	3,32	4,20	AP, AW, BM, DO, RA
Strijdom Park	2,00	0,00	3,54	3,54	4,95	AP, BM, PK, RA
Kya Sand	0,00	1,50	3,54	3,54	7,07	AP, BM, PK, RA
Clayville/ Olifantsfontein	-	-	-	-	-	AP, IC
Chloorkop	1,73	2,89	2,52	1,53	1,15	AP, DO, MR
Amalgam	4,95	2,83	3,54	7,07	5,66	AP, RO
Crown Mines	9,19	14,14	9,19	5,66	7,07	RO
Industria	1,41	1,41	2,83	4,95	3,54	AP, KA
Booyens/ Booyens Reserve/ Ophirton	3,54	2,12	2,83	6,36	5,66	AP, RO
Village Main/ Village Deep/ New Centre	2,50	1,73	2,83	6,36	5,66	AP, BM, RO
Benrose	8,49	7,42	4,95	5,66	-	AP, RO
Steeledale/ Electron/ Tulisa	3,28	4,51	4,51	5,29	-	AP, MR, RO
Aeroton	7,07	5,66	5,66	6,36	5,66	AP, RO
Devland/ Nancefield	-	-	-	-	-	MR
Cleveland/ Heriotdale	8,49	8,13	5,66	8,49	-	AP, RO
Newlands/ Martindale	-	-	-	-	-	
Kew/ Wynberg East	2,99	3,37	3,95	1,71	2,87	AP, AW, DO, RA
Bramley View/ Lombardy West	-	-	-	-	-	AP
Marlboro South (Alexandra)	2,12	1,41	1,41	1,41	1,41	AP, RA
Halfway House: hi-tech strip	2,45	1,73	1,30	2,45	2,95	AJ, AP, AW, BM, DO, QU

Table 11.5 (continued)
Standard deviation from mean prime industrial market rentals
as in 2007:3

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Halfway House: Richards Drive	1,64	1,34	1,34	2,45	3,32	AP, AW, BM, DO, QU
Commercia	6,43	7,57	8,49	9,90	8,49	AP, DO, QU
Kramerville/ Eastgate X12 &	2,89	3,79	4,62	3,00	2,31	AP, BM, DO, RA
Centurion	-	-	-	-	-	
Linbro Park	5,50	5,71	6,20	5,44	8,44	AJ, AP, AW, BM, DO, MH, MR, RA, VE
Wesco Park/ Eastgate X3,X11,X6,X8/ Marlboro						
North (New)	2,00	3,51	2,89	4,20	4,04	AP, AW, DO, RA
City Deep	0,71	2,12	7,07	8,49	7,07	AJ, AP, RO
North Riding	-	-	1,41	2,12	-	AJ, AP, VE
Samrand Centurion	-	-	-	-	-	AP
Barbeque Downs	-	-	-	-	-	AP
Selby Ext 12/ 13/ 15/ 19/ 20/ 24/ City West	8,49	7,07	7,07	4,24	3,54	AP, RO
Selby Ext 5/ 10/ 14/ 18	3,54	4,95	2,83	4,24	3,54	AP, RO
Selby Ext 11	2,83	2,83	4,95	4,24	3,54	AP, RO
Selby Ext 3/ 4/ 6	1,41	2,83	2,83	2,12	1,41	AP, RO
Denver (Old)	3,54	2,12	2,12	2,47	-	AP, RO
Denver (New)	4,95	4,60	4,24	5,30	-	AP, RO
Kyalami Business Park	3,56	2,99	1,15	0,50	0,00	AP, AW, DO, QU, VE
Reuven	-	4,95	7,07	4,24	4,95	AP, RO
Selby (Old)/ Selby X2/ Park	3,54	3,54	5,66	4,24	4,95	AP, RO
Robertsham	3,54	3,54	5,66	3,54	2,83	AP, RO
Fordsburg/ Mayfair	-	-	-	-	-	

Table 11.5 (continued)
Standard deviation from mean prime industrial market rentals
as in 2007:3

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
West Rand						
Lea Glen	3,54	3,54	-	-	-	AP, KA
Honeydew X19, 20, 21 & 22	3,54	3,54	0,00	-	-	AJ, RA, SP
Stormmill	2,89	2,52	4,95	7,07	6,81	AP, KA, RO
Chamdor	6,03	6,03	5,69	4,04	3,46	AP, KA, RA
Factoria	4,95	4,95	3,54	5,66	4,95	AP, KA
Randfontein: Delporton/ Aureus	-	-	-	-	-	
Boltonia	-	-	-	-	-	AP
Roodepoort:	2,12	2,12	1,41	2,12	0,00	AP, KA
Industria North	0,00	0,00	0,71	3,54	0,00	AP, KA
Robertville	-	-	-	-	-	
Laserpark	1,73	2,12	-	-	-	AJ, AP, PK, SP
East Rand						
Elandsfontein	3,32	3,74	3,51	2,94	4,04	AE, AP, BM, DO, MH, MR
Eastleigh/ Sebenza Ext 14	1,15	1,00	1,26	0,00	2,83	AP, DO, GM, MH, MR
Spartan Ext 16 (Sebenza Link) + Ext 1,3,7	2,86	3,94	4,07	3,83	2,45	AP, BM, DO, GM, MH, MR
Isando	2,40	3,33	7,11	4,09	3,51	AE, AJ, AP, BM, DO, GM, MH, MR
Jet Park	3,08	3,16	4,21	4,32	6,08	AE, AP, DO, GM, MH, MR
Alrode & Xs	5,00	6,00	3,61	4,82	2,65	AP, GM, RO
Alrode South	2,83	1,41	2,12	0,71	0,71	AP, GM
Alberton	4,95	2,12	0,71	2,83	0,00	AP, GM
Aeroporto/ Spartan Ext 2	1,95	0,98	1,72	1,67	1,00	AE, AP, BM, DO, GM, MH, MR

Table 11.5 (continued)
Standard deviation from mean prime industrial market rentals
as in 2007:3

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Rustivia	4,35	4,79	3,30	2,31	3,79	AE, AP, DO, MH, MR
Delville	2,28	2,28	1,79	2,02	-	AP, DO, GM, MR, RO, ZZ
Roodekop	3,79	3,70	4,19	4,58	5,13	AP, GM, MR, RO
Wadeville: Industrial zoning	3,50	4,06	4,03	4,12	3,25	AP, DO, GM, MH, MR, RO, ZZ
Route 24/ Meadowdale	2,70	2,58	1,85	2,08	2,83	AE, AP, AW, BM, DO, GM, MH, MR, RX
Germiston S/ Industries E	1,67	1,54	1,82	2,07	3,30	AP, DO, GM, MH, MR, RO
Driehoek/ Industries W	3,63	4,45	3,44	3,86	5,66	AP, DO, GM, MR, RO, ZZ
Knights	5,65	6,47	6,42	7,01	-	AP, DO, GM, MH, RO
Spartan Proper	3,11	2,49	3,58	3,95	4,51	AE, AP, DO, GM, MH, MR
Founders View	3,54	2,50	2,75	1,73	-	AP, DO, MH, MR, VE
Longmeadow	6,78	2,52	5,43	4,43	6,43	AP, AW, BM, DO, MH, MR
Far East Rand						
Boksburg North & East	3,00	1,53	1,73	1,41	2,12	AP, MH, MR
Benoni South	-	-	-	1,41	-	AP, MR
New Era/ Vulcania	-	-	-	-	-	AP
Nuffield	-	-	-	-	-	
Fulcrum	-	-	-	-	-	
Apex	-	-	-	-	-	AP
La Boré Brakpan	-	-	-	-	-	
Morehill Ext 8 Benoni	-	-	-	-	-	AP

Table 11.5 (continued)
Standard deviation from mean prime industrial market rentals
as in 2007:3

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Pretoria						
Mitchell St	1,77	0,00	1,41	0,00	-	AP, BY
Pretoria Industrial Township	1,77	0,00	1,41	0,00	1,41	AP, BY
Koedoespoort	3,54	5,30	7,07	4,95	3,54	AP, BY
Waltloo/ Despatch	6,61	7,64	9,19	8,49	6,72	AP, BY, FP
Silverton/ Silvertondale	0,00	2,89	1,41	2,12	-	AP, BY, FP
Samcor Park	0,00	2,89	1,41	0,00	-	AP, BY, FP
Sunderland Ridge	-	-	-	-	-	AP
Hermanstad	5,66	3,89	1,73	3,54	0,00	AP, BY, FP
Kirkney	-	-	-	-	-	AP
Hennospark X15 & X7	7,07	7,07	5,30	3,54	7,07	AP, BY
Gateway	7,07	7,07	5,30	3,54	7,07	AP, BY
Lyttleton Manor X4/X6	-	-	-	-	-	BY
Pretoria North	-	-	-	-	-	AP
Silvertondale X1	0,00	2,89	2,12	3,54	-	AP, BY, FP
Brits	-	-	-	-	-	BY
Klerksoord	-	-	-	-	-	AP
Rosslyn	7,07	5,30	4,95	3,18	0,00	AP, BY
Polokwane						
Lebowakgomo	-	-	-	-	-	
Superbia	1,77	0,00	3,18	-	-	ES, TG
Industria	1,77	1,77	3,54	-	-	ES, TG

Table 11.5 (continued)
Standard deviation from mean prime industrial market rentals
as in 2007:3

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Ladine Ex 16 & 17	1,77	0,00	3,18	-	-	ES, TG
Futura	1,77	5,30	3,89	-	-	ES, TG
Laboria	1,77	1,77	3,89	-	-	ES, TG
Magna Via	-	-	-	-	-	
Seshego	-	-	-	-	-	
Nelspruit						
Nelspruit East	3,54	3,54	2,83	2,12	2,12	RZ, SV
Nelspruit West	1,41	2,83	2,83	3,54	3,54	RZ, SV
Rocky's Drift	0,00	0,71	0,00	2,83	4,24	RZ, SV
Riverside Park	0,00	0,00	0,71	2,12	2,83	RZ, SV
Durban						
Springfield Park	4,24	4,24	4,24	0,71	-	JH, PC
Mayville	-	-	-	-	-	PC
Phoenix	-	-	-	-	-	JH, PC
North Coast Rd / Briardene	-	14,14	12,02	4,95	-	JH, PC
Umgeni Rd/ Stamford Hill	5,66	5,66	-	-	-	JH, PC
Umbilo/ Sydney Rd/ Gale St	-	-	-	-	-	PC
Jacobs	-	-	-	-	-	PC
Mobeni	-	-	-	-	-	PC
Prospecton	-	-	-	-	-	PC
Pinetown Central	3,54	3,54	2,12	4,09	0,00	JH, LS, PC
New Germany	3,89	4,24	4,24	4,16	2,12	JH, LS, PC

Table 11.5 (continued)
Standard deviation from mean prime industrial market rentals
as in 2007:3

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Isipingo	-	-	-	-	-	PC
Rosburgh/ South Coast Rd	-	-	-	-	-	PC
Edwin Swales Drive	-	-	-	-	-	PC
Glen Anil	8,49	12,02	9,19	-	-	JH, PC
Brickfield Rd	-	-	-	-	-	PC
Verulam	-	-	-	-	-	
Canelands	-	-	-	-	-	JH
Tongaat	-	-	-	-	-	
New Westmead/ Mahogany	6,72	8,54	8,74	4,97	6,29	JH, LS, OM, PC
Westmead	4,95	6,03	6,03	5,20	3,54	JH, LS, PC
Mariann Park/ Southmead	-	-	-	-	-	
Maxmead	5,30	5,29	5,77	0,00	5,30	JH, LS, PC
Ringroad Industrial Park	-	7,07	7,07	-	-	JH, PC
Avoca/ Red Hill/ Northgate	-	7,07	-	-	-	JH, PC
Falcon Park	-	-	-	3,54	5,30	LS, PC
River Horse Park	-	-	-	-	-	JH, PC
Mount Edgecombe	-	4,24	4,24	-	-	JH, PC
Umbogintwini/ Southgate	-	-	-	-	-	PC
Umgeni Park	4,95	8,49	-	-	-	JH, PC
Hammersdale	-	-	-	-	-	
Cato Ridge	-	-	-	-	-	

Table 11.5 (continued)
Standard deviation from mean prime industrial market rentals
as in 2007:3

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Pietermaritzburg						
Willowton	-	-	-	-	-	CE
Mkomdeni/ Shortts Retr	-	-	-	-	-	CE
Camps Drift	-	-	-	-	-	CE
Pietermaritzburg Central	-	-	-	-	-	CE
Allandale	-	-	-	-	-	CE
Howick	-	-	-	-	-	CE
Ladysmith						
Ezakheni/ Pieters	-	-	-	-	-	
Danskraal	-	0,00	0,00	0,00	0,00	DE, RM
Nambiti	-	0,00	0,00	0,00	0,00	DE, RM
Colenso	-	-	-	-	-	
Newcastle						
Madadeni	-	-	-	-	-	PR
Central	-	-	-	-	-	PR
Vlam Crescent	-	-	-	-	-	PR
Riverside Ind	-	-	-	-	-	PR
Cape Peninsula						
Viking Place	3,35	5,20	3,46	1,41	-	AN, AX, DL, DN
Glosderry	2,65	2,50	2,52	1,41	-	AN, BB, GB
Paarden Eiland/ Metro	7,14	5,74	5,08	3,59	3,21	AN, AX, CR, DN, GB, PY
Montague Gardens	3,61	4,11	4,32	5,25	5,36	AN, AX, CR, DD, DL, DN, DP, GB, KB, PY

Table 11.5 (continued)
Standard deviation from mean prime industrial market rentals
as in 2007:3

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Marconi Beam	3,69	3,21	3,11	5,63	5,13	AN, AX, CR, DD, DL, DP, GB, KB, PY
Killarney Gardens	2,95	2,23	2,69	3,78	9,50	AN, AX, CR, DD, DL, DN, DP, GB, KB, PY
Racing Park	4,87	4,07	3,63	4,24	-	AN, AX, CR, DD, DL, DP, KB
Atlantis	3,54	6,36	3,89	-	-	AN, GB
City Fringe	3,89	3,54	1,77	-	-	AN, GB
Woodstock/ Salt River/	1,41	2,89	0,00	-	-	AN, CR, GB
Athlone 1 & 2	-	-	-	-	-	AN
Lansdowne Nerissa	-	-	-	-	-	
Ottery Hillstar	2,12	1,41	0,71	0,71	1,41	BB
Ottery Sunset	2,12	1,41	0,71	0,71	1,41	AN, BB
Diep River	3,54	0,71	1,41	1,41	0,71	AN, BB
Monwood/ Phillippi	-	-	-	-	-	
Retreat/ Steenberg	0,58	2,65	0,71	0,71	1,41	AN, BB, GB
Capricorn Park	2,83	1,41	0,71	2,12	-	AN, BB
Springfield	-	-	-	-	-	
Maitland	2,10	3,31	3,67	3,21	1,41	AN, AX, CR, DN, GB
Ndabeni	1,41	2,83	2,83	0,71	1,06	AN, AX
Airport	3,62	3,41	4,96	3,20	5,29	AN, AX, CR, DL, DN, GB, KB
Epping 1 & 2	3,60	3,87	3,90	2,28	0,96	AN, AX, BB, CR, DL, DN, GB, KB
WP Park	3,61	4,73	2,65	3,46	-	AN, AX, KB
Elsies River (excl. Central Park)	4,73	5,25	6,24	2,12	0,00	AN, CR, DL, DN, KB
Parow Beaconvale	4,36	4,52	4,71	4,55	2,87	AN, AQ, CR, DL, DN, KB, ZM

Table 11.5 (continued)
Standard deviation from mean prime industrial market rentals
as in 2007:3

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Tygerberg Business Park	4,86	4,60	3,19	2,97	3,27	AN, AQ, DL, DN, KB, ZM
Parow Industria	3,13	3,45	4,56	4,28	4,43	AN, AQ, CR, DL, DN, KB, ZM
Parow East	3,20	4,16	2,95	4,00	3,46	AN, AQ, DL, DN, KB, ZM
Bellville Oakdale	15,00	15,20	10,28	-	-	AQ, DL, DN, KB, ZM
Bellville Stikland/ Kaymor	3,38	2,62	1,63	1,52	1,83	AN, AQ, DL, DN, GB, KB, NE, ZM
Bellville Triangle	2,95	2,88	2,97	1,83	1,63	AN, AQ, GB, KB, ZM
Bellville South/ Sacks Circle	4,29	4,06	4,31	3,16	3,44	AN, AQ, CR, DN, GB, KB, ZM
Kraaifontein	4,95	5,66	4,95	4,24	4,95	AQ, KB
Brackenfell Industria	4,63	3,53	4,35	4,12	3,74	AN, AQ, DL, DN, KB, NE, ZM
Everite Brackenfell	1,90	2,06	1,73	1,41	0,96	AN, AQ, DL, DN, KB, NE, ZM
Kuils River	4,15	3,50	3,61	4,16	4,51	AN, AQ, DL, DN, KB
Blackheath	3,20	4,02	4,51	4,35	4,03	AN, AQ, DL, KB, NE, ZM
Saxenburg Industrial Park	3,78	4,83	4,06	3,77	2,99	AN, AQ, DN, KB, NE, ZM
Okavango Park	2,05	0,89	1,29	1,63	2,00	AN, AQ, KB, NE, ZM
George						
George	-	-	-	-	-	ZB
Port Elizabeth						
Deal Party	2,16	2,46	2,46	2,79	1,76	BD, BE, MJ, PE, SK, WJ
North End	5,16	4,17	3,76	5,22	2,52	BD, BE, MJ, PE, SK, WJ
Korsten/ Neave/ Sidwell/ Sydenham	2,17	2,51	2,24	3,08	1,28	BD, BE, MJ, PE, WJ
South End Walmer	10,41	5,77	0,71	-	-	MJ, PE, SK, WJ

Table 11.5 (continued)
Standard deviation from mean prime industrial market rentals
as in 2007:3

	Area size leased in m ²					Contributor codes
	250	500	1.000	2.500	5.000	
Uitenhage: Volkswagen area/Nelson Mandela Bay Logistics Park	2,89	0,00	0,00	2,12	2,12	BE, MJ, WJ
Uitenhage: Hella/Kruisrivier	3,54	-	-	-	-	WJ
Struandale	0,00	4,29	3,75	4,69	3,46	BD, MJ, PE, WJ
Markman Township	5,24	4,50	2,82	2,25	2,59	BD, BE, MJ, PE, WJ
Perseverance	2,06	5,47	5,33	5,46	4,66	BD, BE, MJ, PE, SK, WJ
Walmer	7,49	10,93	5,31	5,31	7,64	BD, BE, MJ, PE, SK, WJ
Greenbushes	1,73	2,08	3,54	4,95	5,66	MJ, PE, WJ
Fairview	6,09	6,61	7,16	7,22	6,83	BD, BE, MJ, PE, WJ
East London						
Arcadia	2,65	0,82	0,82	0,98	-	BG, BJ, DQ, ER, GO, WM, ZZ
Gately/ Woodbrook	0,00	0,00	0,00	0,41	0,82	BG, DQ, ER, GO, WM, ZZ
Wilsonia	-	1,84	1,22	0,82	0,82	BG, DQ, ER, GO, WM, ZZ
Braelyn	0,00	0,00	0,82	0,00	-	BG, DQ, ER, GO, WM, ZZ
Northend	0,41	1,03	1,63	-	-	BG, DQ, ER, GO, WM, ZZ
Bloemfontein						
Hilton	4,79	5,10	6,14	1,41	0,00	CC, ED, EK, NR
East End	2,89	5,26	5,29	4,95	5,66	CC, ED, EK, NR
Harvey Road	14,14	3,54	3,54	1,41	0,00	ED, EK
Old Industrial	3,61	5,77	6,75	7,07	8,49	CC, ED, EK, NR
Hamilton: Mill St	4,95	2,83	2,12	2,12	3,54	ED, EK
Hamilton: G Lubbe St	6,36	3,54	2,83	3,54	4,95	ED, EK
Estoir	4,95	3,54	2,83	2,12	3,54	ED, EK

Table 11.5 (continued)
Standard deviation from mean prime industrial market rentals
as in 2007:3

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

Table 11.6 Secondary industrial rental ratios To determine secondary rental levels, multiply the prime rate by the ratio		
Township/Metropolitan area	Average ratio	Standard deviation
Central Witwatersrand		
Strijdom Park	0,845	0,058
Kya Sand	N/A	N/A
Clayville/Olifantsfontein	0,906	0,018
Chloorkop	N/A	N/A
Amalgam/Selby Ext (old)/City W	0,795	0,059
Crown Mines	0,878	0,068
Industria	0,768	0,054
Booyens & Reserve/Ophirton/Robertsham/Reuven	0,786	0,059
Village Main/Deep/Older Selby/City & Sub/Jeppestown	0,793	0,077
Steeledale/Electron/Tulisa Park	0,782	0,093
Aeroton	N/A	N/A
Devland/Nancefield	N/A	N/A
Benrose	0,861	0,082
Denver	0,838	0,064
Cleveland/Heriotdale	0,864	0,070
Fordsburg/Newlands/Martindale	0,805	0,078
Kew/Wynberg East	0,833	0,076
Bramley View/Lombardy West	0,876	0,056
Marlboro South (Alexandra)	0,836	0,126
Halfway House: hi-tech strip	0,804	0,055
Halfway House: Richards Drive	N/A	N/A
Commercia	N/A	N/A
Kramerville/Eastgate X12 & X13	0,764	0,099
Wynberg West & X3, X4, X6, X7	N/A	N/A
Marlboro North (New)	N/A	N/A
Wesco Park/Eastgate X3, X11, X6, X8	0,834	0,124
City Deep (Old)	N/A	N/A
City Deep (New)	N/A	N/A
Central Witwatersrand average	0,826	0,073

Table 11.6 (continued) Secondary industrial rental ratios To determine secondary rental levels, multiply the prime rate by the ratio		
Township/Metropolitan area	Average ratio	Standard deviation
West Rand		
Chamdor	0,833	0,087
Technicon/Manufacta/Roodepoort	0,834	0,167
Industria North	0,862	0,050
Stormmill	0,746	0,094
Lea Glen	0,852	0,077
Robertville	0,803	0,055
Maraisburg	N/A	N/A
Florida X11	N/A	N/A
Laserpark (Honeydew/Roodepoort)	N/A	N/A
Randfontein/Delporton/Aureus	N/A	N/A
Boltonia/Factoria	N/A	N/A
West Rand average	0,822	0,088
East Rand		
Elandsfontein	0,819	0,072
Eastleigh/Sebenza	0,866	0,071
Spartan Ext 16 (Sebenza Link)	0,883	0,061
Isando	0,805	0,048
Jet Park	0,807	0,075
Alrode & Extensions	0,828	0,083
Spartan Ext 2 (Aeroporto)	N/A	N/A
Alberton	0,749	0,042
Roodekop	0,875	0,068
Wadeville: Industrial zoning	0,841	0,050
Wadeville: Commercial	0,812	0,098
Route 24/Meadowdale	0,783	0,058
Germiston S/Industries E & W	0,795	0,038
Driehoek/Knights/Delville	0,669	0,051
East Rand average	0,810	0,063
Far East Rand		
Boksburg North & East	0,793	0,071
Benoni South	0,818	0,073
New Era/Vulcania	0,843	0,057
Nuffield	0,890	0,037
Fulcrum	0,852	0,111
Apex X1, X2, X3	0,826	0,069
Far East Rand average	0,837	0,070

Table 11.6 (continued) Secondary industrial rental ratios To determine secondary rental levels, multiply the prime rate by the ratio		
Township/Metropolitan area	Average ratio	Standard deviation
Vereeniging		
Duncanville	0,783	0,052
Powerville	0,906	0,040
Vereeniging X1	0,829	0,080
Dickensonville	N/A	N/A
Duncanville X3	N/A	N/A
Vereeniging average	0,839	0,057
Vanderbijlpark		
NW7	N/A	N/A
CE6 (light)	N/A	N/A
Vanderbijlpark average	N/A	N/A
Klerksdorp		
Uraniaville	0,707	0,074
Klerksdorp X1	0,750	0,062
Klerksdorp average	0,729	0,068
Polokwane		
Lebowakgomo	N/A	N/A
Superbia	0,749	0,079
Industria	0,789	0,064
Ladine	0,792	0,079
Futura	0,803	0,058
Laboria	0,816	0,037
Magna Via	0,935	0,067
Seshego	N/A	N/A
Polokwane average	0,814	0,064
Pretoria		
Mitchell St.	0,767	0,097
Pretoria Industrial Township	0,880	0,080
Koedoespoort	0,865	0,077
Waltloo/Despatch	0,800	0,085
Sunderland Ridge	N/A	N/A
Hermanstad	0,799	0,056
Silvertondale	N/A	N/A
Silverton	0,883	0,047
Hennospark X15 & X7	N/A	N/A
Gateway	N/A	N/A
Kirkney	0,789	0,149
Lyttelton Manor	N/A	N/A
Pretoria North	N/A	N/A

Table 11.6 (continued) Secondary industrial rental ratios To determine secondary rental levels, multiply the prime rate by the ratio		
Township/Metropolitan area	Average ratio	Standard deviation
Pretoria continued		
Silvertondale X1	N/A	N/A
Brits	N/A	N/A
Rosslyn/Klerksoord	0,800	0,055
Pretoria average	0,823	0,081
Pietermaritzburg		
Willowtown	0,788	0,067
Mkondeni/Shortts Retreat	0,719	0,056
Camps Drift	0,747	0,072
Pietermaritzburg	0,751	0,065
Durban		
Springfield Park	N/A	N/A
Mayville	0,734	0,044
Phoenix	0,926	0,044
North Coast Road	0,743	0,058
Umgeni/Stamford Hill	0,746	0,047
Umbilo/Sydney Rd/Gale St.	0,771	0,034
Jacobs	0,727	0,038
Mobeni	0,829	0,061
Prospecton	0,809	0,029
Pinetown Central	0,813	0,042
New Germany	0,774	0,046
Isipingo	0,871	0,069
Rosburgh/South Coast Road	0,755	0,027
Edwin Swales Drive	0,865	0,016
Glen Anil	0,712	0,028
Brickfield Rd	0,752	0,034
Verulam	0,844	0,018
Tonga	0,925	0,043
New Westmead	N/A	N/A
Westmead	0,849	0,027
Mariann Park	N/A	N/A
Maxmead	N/A	N/A
Umhlatuzana	0,796	0,067
Avoca/Red Hill/Northgate	N/A	N/A
Falcon Park	N/A	N/A
Northgate Ind. Estate	N/A	N/A
Mount Edgecombe	N/A	N/A
Durban average	0,797	0,041

Table 11.6 (continued) Secondary industrial rental ratios To determine secondary rental levels, multiply the prime rate by the ratio		
Township/Metropolitan area	Average ratio	Standard deviation
Ladysmith		
Ezakheni/Pieters	N/A	N/A
Danskraal (incl. Newcastle Road area)	0,714	0,000
Nambiti	0,669	0,052
Colenso	N/A	N/A
Ladysmith average	0,692	0,026
Newcastle		
Madadeni	N/A	N/A
Central	N/A	N/A
Vlam Crescent	N/A	N/A
Riverside Ind.	0,876	0,063
Newcastle average	0,876	0,063
Lower Umfolozi		
Empangeni	0,854	0,080
Richards Bay	0,946	0,057
Lower Umfolozi average	0,900	0,069
Cape Peninsula		
Paarden Island/Metro	0,906	0,020
Montague Gardens	0,902	0,039
Killarney Industria	N/A	N/A
Atlantis	0,949	0,071
City	0,877	0,026
Port of CT: quayside (rent)	N/A	N/A
Port of CT: non-quayside (rent)	N/A	N/A
Woodstock/Salt River/Observatory	0,887	0,046
Athlone 1 & 2/Hein Rd	0,869	0,047
Lansdowne Nerissa/Springfield	0,888	0,035
Ottery/Hill Star/Wetton	0,896	0,030
Claremont Glosderry	0,879	0,016
Diep River	0,862	0,036
Philippi/Monwood	N/A	N/A
Retreat/Steenberg	0,881	0,022
Maitland/Ndabeni/Oude Molen	0,915	0,020
Airport	0,864	0,029
Epping 1 & 2	0,877	0,028
WP Park Goodwood	N/A	N/A
Elsies River	0,849	0,043
Parow Beaconvale	0,895	0,015

Table 11.6 (continued) Secondary industrial rental ratios To determine secondary rental levels, multiply the prime rate by the ratio		
Township/Metropolitan area	Average ratio	Standard deviation
Cape Peninsula continued		
Parow Industria	0,905	0,019
Parow East	0,882	0,017
Bellville Oakdale	0,864	0,044
Bellville Stikland	0,880	0,023
Bellville Triangle	0,871	0,012
Bellville South/Sacks Circle	0,888	0,052
Brackenfell	0,843	0,049
Kuils River	0,813	0,050
Blackheath	0,869	0,046
Eerste River/Faure	N/A	N/A
Somerset West/Strand	N/A	N/A
Cape Peninsula average	0,880	0,033
Port Elizabeth		
Deal Party	0,913	0,038
North End	0,891	0,030
Korsten/Neave/Sidwell/Sydenham	0,910	0,042
South End	0,909	0,071
Uitenhage/Despatch	N/A	N/A
Struandale	0,901	0,048
Markman Township	0,932	0,041
Perseverance	0,903	0,041
Port Elizabeth average	0,908	0,044
East London		
Gately/Woodbrook	0,902	0,059
Wilsonia	0,925	0,069
Arcadia/Northend	0,895	0,076
Braelyn	0,872	0,063
East London average	0,899	0,067
Bloemfontein		
Old Industria Area	0,732	0,063
Hamilton with siding	0,773	0,075
Hilton	0,703	0,100
East End	0,764	0,089
Harvey Road	0,828	0,065
Bloemindustria	N/A	N/A
Hamilton	0,769	0,129
Bloemfontein average	0,762	0,087

Notes to the industrial tables

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

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

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

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

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

The scale should be interpreted as follows:

0 = no vacancy

1 = 'low-' vacancy;

2 = 'low' vacancy

3 = 'low+' vacancy

4 = 'medium-' vacancy;

5 = 'medium' vacancy

6 = 'medium+' vacancy

7 = 'high-' vacancy;

8 = 'high' vacancy

9 = 'high+' vacancy

where: low = <10% vacancy;

medium = 10% - 20% vacancy;

high = >20% vacancy.

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

Table 11.7
Predominant market escalation rates (%)
for industrial leases
Average as in quarter 2007:3

	5-year leases		
	Mean	SD	N
Central Witwatersrand	9,33	0,87	9
West Rand	9,29	0,76	7
East Rand	9,33	0,81	12
Far East Rand	9,13	1,03	4
Pretoria	9,33	1,15	3
Vereeniging	N/A	N/A	0
Polokwane	8,75	0,35	2
Nelspruit	8,00	0,00	2
Klerksdorp	N/A	N/A	0
Durban	8,63	0,48	4
Pietermaritzburg	9,00	1,41	2
Ladysmith	8,00	0,00	2
Newcastle	8,00	N/A	1
Isithebe	N/A	N/A	0
Lower Umfolozi	N/A	N/A	0
Cape Peninsula	8,88	0,58	13
George	8,00	N/A	1
Port Elizabeth	9,00	0,00	2
East London	10,00	N/A	1
Bloemfontein	8,00	0,00	3
Windhoek	8,00	N/A	1
Notes:			
1. These are the averages of the predominant — i.e. most often achieved — market escalation rates as reported by our panel of experts.			
2. For the industrial leaseback escalation rate, see the table on p. 22.			

Table 11.8
Indicative operating expenses
for industrial buildings
As in quarter 2007:3 in Rands per m² per month

	Stand-alone			Park		
	R/m ²	SD	N	R/m ²	SD	N
Central Witwatersrand	5,63	2,59	4	6,17	2,02	3
West Rand	4,33	1,53	3	4,08	1,46	4
East Rand	4,59	1,96	8	3,94	1,39	4
Far East Rand	3,63	1,24	2	3,00	N/A	1
Pretoria	2,50	0,50	3	6,33	3,33	3
Vereeniging	N/A	N/A	0	N/A	N/A	0
Polokwane	6,50	2,12	2	N/A	N/A	0
Nelspruit	3,85	0,21	2	5,00	0,71	2
Klerksdorp	N/A	N/A	0	N/A	N/A	0
Durban	6,58	1,01	3	7,58	0,80	3
Pietermaritzburg	6,00	N/A	1	6,50	N/A	1
Ladysmith	N/A	N/A	0	N/A	N/A	0
Newcastle	N/A	N/A	0	N/A	N/A	0
Isithebe	N/A	N/A	0	N/A	N/A	0
Lower Umfolozi	N/A	N/A	0	N/A	N/A	0
Cape Peninsula	4,17	1,70	5	5,46	1,86	7
George	3,50	N/A	1	5,50	N/A	0
Port Elizabeth	N/A	N/A	0	N/A	N/A	1
East London	N/A	N/A	0	5,05	N/A	1
Bloemfontein	5,38	3,71	2	N/A	N/A	0
Windhoek	7,00	N/A	1	10,00	N/A	1

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

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

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

Chapter 12: Industrial stand values

Land prices continue to surge

Written by John S. Lottering

Robustly growing industrial rentals continued to underpin explosive industrial stand-value growth in all of the major industrial conurbations.

In the Cape Peninsula and Durban, the market values of serviced industrial stands grew during the year ended in the third quarter by more than 110%, while in the Central Witwatersrand and Port Elizabeth stand values were up by 71% and 79% respectively.

The accompanying graph shows that nominal stand prices have been outperforming building-cost inflation since 2005, round about the same time when *real* industrial rentals started to move north.

Tables 12.1 and **12.2** show the extent to which stand values have changed over the last decade. The reader will note that the impressive performance of industrial stand values over the last year has now also resulted in the 10- and 5- year compound growth rates exceeding building-cost inflation.

The remainder of this chapter includes market values for level, serviced stands in named industrial townships.

The industrial land-value tables contain regression parameters in order to allow readers to interpolate land values for area sizes other than those given in the tables. This is necessary because the relationship between price and square metreage is not linear. For more details on how to use these equations, refer to **Annexure 3** (annexure-page XIII).

This concludes our chapter on industrial stand values. ■

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

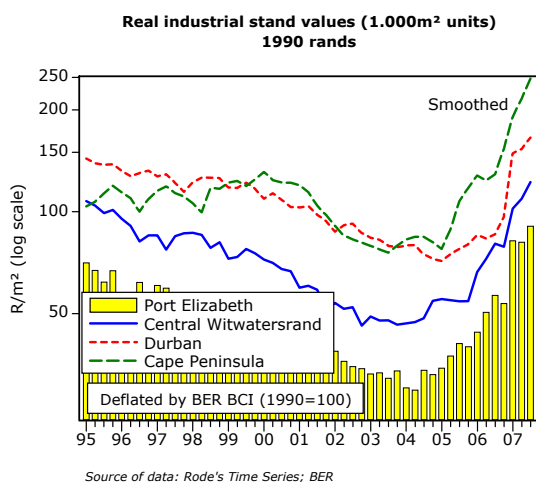
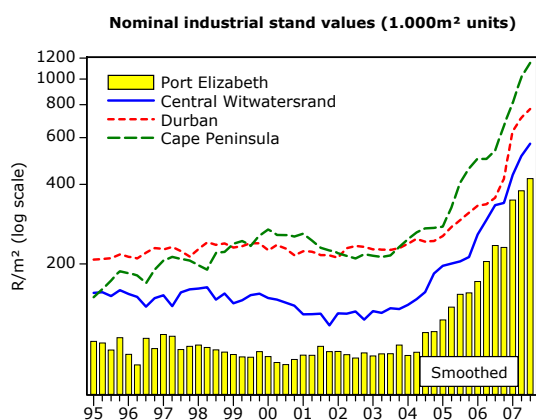


Table 12.1
Growth in nominal stand values (%) for 1.000m² stands
% annual compound growth on smoothed data

	Last 10 years*	Last 5 years*	Last year
Central Wits	15,2	53,7	70,6
East Rand	16,7	59,2	75,7
Durban	11,1	35,4	116,5
Cape Peninsula	21,8	76,7	114,9
Port Elizabeth	19,9	64,0	79,2
BER Building Cost Index	11,8	12,6	9,6
Haylett Index	7,4	7,2	9,4
CPI	5,1	3,6	7,0

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

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

Table 12.2
Mean values of nominal industrial stands of 1.000m²
(R/m²)(smoothed)

	1997:3	2002:3	2006:3	2007:3
Central Witwatersrand	156	132	334	569
East Rand	122	122	319	561
Durban	224	234	357	770
Cape Peninsula	209	210	535	1150
Port Elizabeth	95	88	235	421

Table 12.3
Mean market values for serviced and level industrial stands in quarter 2007:3
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	c
	1.000	2.000	5.000	10.000				
Central Witwatersrand								
Cambridge Park	-	-	-	-		6,546	-7,406	-0,16
Wynberg proper	450	433	400	383	0,7			
Strijdom Park	700	675	600	575	1,0	7,211	-9,603	-0,42
Kya Sand	575	567	567	500	1,0	6,763	-5,608	-0,48
Clayville/ Olifantfontein	450	450	450	450	3,0			
Chloorkop	475	475	450	425	2,0	6,667	-7,457	-0,19
Amalgam	850	850	825	750	1,0	7,118	-5,137	-0,59
Crown Mines	950	950	935	845	1,0	7,200	-4,683	-0,72
Industria	325	325	325	300	1,0	6,065	-4,183	-0,13
Booyens/ Booyens Reserve/ Ophirton	525	525	500	475	1,0	6,585	-4,472	-0,66
Village Main/ Village Deep/ New Centre	525	525	500	475	1,0	6,585	-4,472	-0,66
Benrose	-	-	500	450	0,5			
Steeledale/ Electron/ Tulisa Park	400	390	365	325	1,0	6,625	-8,892	-0,83
Aeroton	500	650	650	450	2,0	6,633	-3,475	-0,11
Devland/ Nancefield	-	-	-	-				
Cleveland/ Heriotdale	450	450	425	400	1,5	6,527	-5,712	-0,68
Newlands/ Martindale	250	250	-	-	0,0			
Kew/ Wynberg East	600	600	550	500	0,0	6,985	-8,133	-0,95
Bramley View/ Lombardy West	350	350	300	300	3,0	6,431	-8,079	-0,92
Marlboro South (Alexandra)	65	60	55	50	6,0	4,838	-9,960	-0,50
Halfway House: hi-tech strip	793	793	675	675	1,5	7,336	-0,105	-0,18

Table 12.3 (continued)
Mean market values for serviced and level industrial stands in quarter 2007:3
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	c
	1.000	2.000	5.000	10.000				
Halfway House: Richards Drive	677	677	575	575	1,5	7,145	-9,654	-0,21
Commercia	475	500	500	500	1,0			
Kramerville/ Eastgate X12 & X13	450	400	400	400	0,0	6,376	-4,415	-0,76
Centurion	1.000	1.000	1.000	700	1,0	7,896	-0,133	-0,76
Linbro Park	767	750	708	700	0,3	7,063	-6,605	-0,15
Wesco Park/ Eastgate X3,X11,X6,X8/ Marlboro North (New)	550	533	517	517	1,0			
City Deep	650	625	600	550	1,0	6,963	-6,956	-0,62
North Riding	-	-	-	-	0,0			
Samrand Centurion	700	700	700	700	1,0			
Barbeque Downs	1.000	1.000	700	700	1,0	8,230	-0,186	-0,92
Selby Ext 12/ 13/ 15/ 19/ 20/ 24/ City West	725	725	700	696	1,5			
Selby Ext 5/ 10/ 14/ 18	550	550	500	450	1,0	6,956	-8,945	-0,95
Selby Ext 11	550	550	500	450	1,0	6,956	-8,945	-0,95
Selby Ext 3/ 4/ 6	550	550	500	450	1,0	6,956	-8,945	-0,95
Denver (Old)	300	300	280	280	0,5	5,960	-0,036	-0,92
Denver (New)	650	650	575	550	1,0	7,075	-8,367	-0,75
Kyalami Business Park	-	-	680	680	0,0			
Reuven	-	-	-	-				
Selby (Old)/ Selby X2/ Park Central	550	550	500	450	1,0	6,956	-8,945	-0,95
Robertsam	950	950	900	780	1,0	7,454	-8,198	-0,89
Fordsburg/ Mayfair	-	-	-	-				
Central Witwatersrand	587	584	551	511	1,1			

Table 12.3 (continued)
Mean market values for serviced and level industrial stands in quarter 2007:3
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	c
	1.000	2.000	5.000	10.000				
West Rand								
Lea Glen	713	657	623	617	1,0	6,927	-5,637	-0,41
Honeydew X19, 20, 21 & 22	750	750	750	700	0,5	6,811	-2,586	-0,76
Stormmill	713	663	623	617	2,3	6,940	-5,771	-0,41
Chamdor	283	283	260	225	2,0	6,342	-9,953	-0,34
Factoria	375	375	350	275	0,0	6,872	-0,131	-0,46
Randfontein: Delporton/ Aureus	-	-	-	-				
Boltonia	300	300	300	200	0,0	6,827	-0,152	-0,76
Roodepoort: Technikon/Manufacta	525	450	425	360	0,5	7,275	-0,149	-0,68
Industria North	415	415	390	390	1,0	6,244	-3,086	-0,39
Robertville	-	-	-	-				
Laserpark	-	-	-	500	0,0			
West Rand	518	491	465	435	1,1			
East Rand								
Elandsfontein	650	650	650	500	0,3	7,204	-9,836	-0,76
Eastleigh/ Sebenza Ext 14	750	750	583	700	0,8	7,244	-9,375	-0,39
Spartan Ext 16 (Sebenza Link) + Ext 1, 3, 7	550	520	546	575	1,2			
Isando	500	500	500	500	0,0			
Jet Park	633	625	575	513	1,0	7,138	-9,749	-0,39
Alrode & Xs	500	500	325	300	1,0	8,028	-0,255	-0,93
Alrode South	300	300	200	200	1,0	7,213	-0,212	-0,92
Alberton	650	500	300	300	1,0	8,975	-0,366	-0,96

Table 12.3 (continued)
Mean market values for serviced and level industrial stands in quarter 2007:3
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	c
	1.000	2.000	5.000	10.000				
Aeroporto/ Spartan Ext 2	-	800	500	450	0,5			
Rustivia	-	-	-	-	0,0			
Delville	350	350	275	115	1,0	10,770	-0,660	-0,64
Roodekop	450	400	300	277	1,0	7,735	-0,236	-0,65
Wadeville: Industrial zoning	450	376	355	310	1,0	6,974	-0,137	-0,34
Route 24/ Meadowdale	1.100	925	900	775	0,8	7,866	-0,132	-0,50
Germiston S/ Industries E	288	265	243	205	0,7	6,638	-0,139	-0,93
Driehoek/ Industries W	500	550	550	500	1,3	6,462	-2,502	-0,11
Knights	363	325	298	275	1,0	6,695	-0,121	-0,38
Spartan Proper	-	-	-	-	0,0			
Founders View	1.000	1.000	1.000	1.000	0,5			
Longmeadow	1.000	1.000	1.000	1.000	0,0			
East Rand	580	556	496	453	0,8			
Far East Rand								
Boksburg North & East	400	358	383	450	1,0			
Benoni South	375	375	400	425				
New Era/ Vulcania	250	250	350	400				
Nuffield	125	120	120	90	2,0	5,718	-0,123	-0,82
Fulcrum	-	-	-	-				
Apex	250	250	350	400				
La Boré Brakpan	-	-	-	-				
Morehill Ext 8 Benoni	250	250	350	400				
Far East Rand	314	299	347	380	1,5			

Table 12.3 (continued)
Mean market values for serviced and level industrial stands in quarter 2007:3
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	c
	1.000	2.000	5.000	10.000				
Pretoria								
Mitchell St	350	350	350	300				
Pretoria Industrial Township	350	300	275	250	3,0	6,285	-0,057	-0,76
Koedoespoort	350	350	350	300				
Waltloo/ Despatch	375	375	375	350	2,0	6,118	-2,586	-0,76
Silverton/ Silvertondale	700	650	550	550	1,0			
Samcor Park	700	650	550	550				
Sunderland Ridge	700	650	650	650		6,719	-2,778	-0,76
Hermanstad	350	350	350	300				
Kirkney	350	350	350	300				
Hennopspark X15 & X7	1.000	1.000	900	850		7,469	-7,842	-0,65
Gateway	1.000	1.000	900	850		7,469	-7,842	-0,65
Lyttleton Manor X4/X6	650	650	500	500		7,453	-0,137	-0,92
Pretoria North	350	350	350	300		6,285	-0,057	-0,76
Silvertondale X1	650	600	550	475	3,0	7,409	-0,133	-0,76
Brits	-	-	-	-				
Klerksoord	350	350	350	300		6,285	-0,057	-0,76
Rosslyn	325	325	313	275	4,0	6,288	-6,956	-0,53
Pretoria	529	501	507	426	2,6			
Polokwane								
Lebowakgomo	-	-	-	-				
Superbia	215	195	-	-	1,0			

Table 12.3 (continued)
Mean market values for serviced and level industrial stands in quarter 2007:3
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	c
	1.000	2.000	5.000	10.000				
Industria	130	115	80	-	1,0			
Ladine Ex 16 & 17	85	158	150	-	1,0			
Futura	108	135	70	-	1,0			
Laboria	103	125	120	-	1,0			
Magna Via	-	-	-	-				
Seshego	-	-	-	-				
Polokwane	133	146	105	1				
Nelspruit								
Nelspruit East	450	400	360	315	1,0	7,145	-0,154	-0,47
Nelspruit West	475	425	400	350	0,5	7,096	-0,137	-0,46
Rocky's Drift	340	260	215	200	2,0	7,304	-0,223	-0,77
Riverside Park	-	750	650	575	1,5			
Nelspruit	422	417	406	360	1,3			
Durban								
Springfield Park	-	-	1.500	-	0,5			
Mayville	-	-	-	-				
Phoenix	-	-	1.000	1.000	1,0			
North Coast Rd / Briardene	1.175	1.100	-	1.100	1,0			
Umgeni Rd/ Stamford Hill	-	-	-	-	0,0			
Umbilo/ Sydney Rd/ Gale St	-	-	-	-				
Jacobs	-	1.250	-	-	1,0			
Mobeni	-	-	-	-				

Table 12.3 (continued)
Mean market values for serviced and level industrial stands in quarter 2007:3
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	c
	1.000	2.000	5.000	10.000				
Prospecton	-	-	-	1.500	1,0			
Pinetown Central	700	700	700	650	0,5	6,756	-2,778	-0,76
New Germany	600	600	600	500	0,7	6,902	-6,835	-0,76
Isipingo	-	-	600	-	1,0			
Rosburgh/ South Coast Rd	-	-	-	-				
Edwin Swales Drive	-	-	-	-				
Glen Anil	-	-	800	-	1,0			
Brickfield Rd	-	-	-	-				
Verulam	-	-	-	-				
Canelands	-	-	-	525	1,0			
Tongaat	-	-	-	-				
New Westmead/ Mahogany Ridge	700	700	700	650	0,7	6,756	-2,778	-0,76
Westmead	700	700	700	650	0,5	6,756	-2,778	-0,76
Mariann Park/ Southmead	600	600	550	525	2,5	6,894	-6,915	-0,50
Maxmead	700	700	700	650	0,5	6,756	-2,778	-0,76
Ringroad Industrial Park	-	-	-	-				
Avoca/ Red Hill/ Northgate	-	1.250	-	-	0,5			
Falcon Park	-	-	-	-	0,0			
River Horse Park	-	-	1.600	1.600	1,0			
Mount Edgecombe	-	-	1.000	1.000	1,0			
Umbogintwini/ Southgate	-	-	-	1.000	1,0			
Umgeni Park	-	-	-	-	0,0			

Table 12.3 (continued)
Mean market values for serviced and level industrial stands in quarter 2007:3
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	c
	1.000	2.000	5.000	10.000				
Hammersdale	-	200	200	180	6,0			
Cato Ridge	-	300	250	250	2,0			
Durban	794	736	763	812	1,0			
Pietermaritzburg								
Willowton	250	240	220	200	1,0	6,202	-9,664	-0,99
Mkomdeni/ Shortts Retr	300	280	325	290	3,0			
Camps Drift	-	-	-	-				
Pietermaritzburg Central	-	-	-	-				
Allandale	-	-	-	-				
Howick	-	-	-	-				
Pietermaritzburg	275	260	290	260	2,0			
Ladysmith								
Ezakeni/ Pieters	-	-	-	-				
Danskraal	-	12	10	6	3,0			
Nambiti	-	10	10	6	3,0			
Colenso	-	-	-	-				
Ladysmith	11	10	6	3				
Newcastle								
Madadeni	-	-	-	-				
Central	150	150	-	-	0,0			
Vlam Crescent	200	100	-	-	0,0			
Riverside Ind	80	35	7	10	1,0	11,260	-1,019	-0,92
Newcastle	143	95	7	10	0,3			

Table 12.3 (continued)
Mean market values for serviced and level industrial stands in quarter 2007:3
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	c
	1.000	2.000	5.000	10.000				
Cape Peninsula								
Viking Place	1.500	1.500	1.500	1.200	1,0	7,931	-8,366	-0,76
Glosderry	1.500	-	-	-	1,0			
Paarden Eiland/ Metro	1.850	1.750	1.483	1.100	0,5	8,972	-0,204	-0,85
Montague Gardens	1.743	1.583	1.350	1.210	0,9	8,631	-0,170	-0,55
Marconi Beam	1.750	1.592	1.350	1.170	0,8	8,706	-0,180	-0,62
Killarney Gardens	1.257	1.050	1.038	800	0,8	8,138	-0,151	-0,50
Racing Park	1.088	1.079	1.000	1.050	2,9	7,246	-3,712	-0,21
Atlantis	797	190	190	190	1,0	9,912	-0,534	-0,58
City Fringe	2.433	1.300	1.250	1.250	2,0	9,457	-0,265	-0,56
Woodstock/ Salt River/ Observatory	1.450	1.200	1.000	900	1,5	8,721	-0,210	-0,99
Athlone 1 & 2	-	-	-	-				
Lansdowne Nerissa	-	-	-	-				
Ottery Hillstar	850	700	600	500		8,265	-0,221	-1,00
Ottery Sunset	850	700	600	500		8,265	-0,221	-1,00
Diep River	1.000	950	850	800		7,606	-0,100	-1,00
Monwood/ Philippi	-	-	-	700				
Retreat/ Steenberg	1000	950	850	800				
Capricorn Park	800	800	800	-	1,0			
Springfield	-	-	-	-				
Maitland	1.450	1.400	1.200	1.100	1,0	8,131	-0,121	-0,97
Ndabeni	1.400	1.400	1.200	1.100		8,059	-0,113	-0,96

Table 12.3 (continued)
Mean market values for serviced and level industrial stands in quarter 2007:3
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	c
	1.000	2.000	5.000	10.000				
Airport	1.238	1.210	1.150	1.150	1,8	7,385	-4,000	-0,20
Epping 1 & 2	1.033	900	825	750	0,8	7,886	-0,141	-0,49
WP Park	1.225	1.200	1.150	1.500	1,0			
Elsies River (excl. Central Park)	538	525	400	375	1,3	7,500	-0,172	-0,82
Parow Beaconvale	938	900	835	780	1,3			
Tygerberg Business Park	1.200	1.130	1.060	975	1,2	7,652	-8,734	-0,25
Parow Industria	748	918	846	833	1,0			0,17
Parow East	1.200	1.133	983	975	0,3	7,679	-0,107	-0,16
Bellville Oakdale	1.767	1.033	700	700	0,7	11,140	-0,561	-0,52
Belville Stikland/ Kaymor	1.275	1.250	1.225	1.074	2,0	7,610	-6,709	-0,28
Bellville Triangle	993	980	940	870	0,8			
Belville South/ Sacks Circle	937	815	738	675	1,0	7,444	-0,107	-0,21
Kraaifontein	717	633	583	500	1,3	7,487	-0,137	-0,47
Brackenfell Industria	974	934	857	765	1,6	7,500	-0,100	-0,20
Everite Brackenfell	1.120	1.070	1.005	831	1,0	7,819	-0,117	-0,35
Kuils River	1.000	950	850	775	1,0	7,590	-0,106	-0,27
Blackheath	662	607	592	525	3,3	7,117	-9,628	-0,26
Saxenburg Industrial Park	1.117	1.060	988	850	3,0	7,801	-0,115	-0,37
Okavango Park	1.300	1.225	1.075	1.017	1,0	7,903	-0,108	-0,43
Cape Peninsula	1.187	1.073	968	877	1,4			
George								
George	500	450	420	380	4,0	6,988	-0,113	-0,99
George	500	450	420	380	4,0			

Table 12.3 (continued)
Mean market values for serviced and level industrial stands in quarter 2007:3
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	c
	1.000	2.000	5.000	10.000				
Port Elizabeth								
Deal Party	468	458	442	442				
North End	525	519	508	588				
Korsten/ Neave/ Sidwell/ Sydenham	456	465	444	431	9,0			
South End Walmer	750	750	725	725				
Uitenhage: Volkswagen area/Nelson Mandela Bay								
Logistics Park	300	300	300	300				
Uitenhage: Hella/Kruisrivier	200	200	200	200	3,0			
Struandale	356	335	351	339				
Markman Township	173	173	168	166	3,0			
Perseverance	326	341	321	320				
Walmer	460	433	500	500		6,139	-7,902	-0,24
Greenbushes	282	261	259	215		7,317	-8,799	-0,30
Fairview	875	750	717	717				
Port Elizabeth	443	406	403	402	5,0			
East London								
Arcadia	950	-	-	-	0,0			
Gately/ Woodbrook	300	250	165	60	1,0	10,460	-0,665	-0,94
Wilsonia	-	132	87	82	7,0			
Braelyn	-	425	-	-	1,0			
Northend	598	510	-	-	1,0			
East London	616	329	126	71	2,0			

Table 12.3 (continued)
Mean market values for serviced and level industrial stands in quarter 2007:3
(R/m² excl VAT)

	Area size in m ²				Vacancy grade	a	b	c
	1.000	2.000	5.000	10.000				
Bloemfontein								
Hilton	300	280	250	200	1,0	6,900	-0,168	-0,96
East End	185	180	160	150	1,0	5,857	-9,134	-0,84
Harvey Road	420	400	380	350	1,0	6,570	-0,076	-0,99
Old Industrial	400	380	375	300	1,0	6,775	-0,109	-0,87
Hamilton: Mill St	250	200	180	150	1,0	6,925	-0,207	-0,98
Hamilton: G Lubbe St	110	90	85	80	1,0	5,537	-0,127	-0,94
Estoir	200	180	140	95		7,695	-0,336	-0,95
Bloemfontein	256	244	224	178	1,0			
Windhoek								
North	-	-	-	-				
Lafrenz	-	-	-	-				
South	-	-	-	-				
Prosperita	-	-	-	-				
Windhoek								

Table 12.4
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2007:3

	Area size in m ²				Contributor codes
	1.000	2.000	5.000	10.000	
Central Witwatersrand					
Cambridge Park	N/A	N/A	N/A	N/A	
Wynberg proper	217,94	230,94	217,94	189,30	AP, DO, RA
Strijdom Park	141,42	176,78	141,42	176,78	AP, RA
Kya Sand	35,36	57,74	57,74	50,00	AP, RA, ZA
Clayville/ Olifantsfontein	N/A	N/A	N/A	N/A	AP, IC
Chloorkop	176,78	176,78	212,13	247,49	AP, MR
Amalgam	70,71	70,71	35,36	70,71	AP, RO
Crown Mines	0,00	0,00	21,21	63,64	AP, RO
Industria	106,07	106,07	106,07	141,42	AP, KA
Booyens/ Booyens Reserve/ Ophirton	35,36	35,36	0,00	35,36	AP, RO
Village Main/ Village Deep/ New Centre	35,36	35,36	0,00	35,36	AP, RO
Benrose	N/A	N/A	N/A	N/A	AP, RO
Steeledale/ Electron/ Tulisa Park	0,00	14,14	21,21	35,36	AP, RO
Aeroton	N/A	212,13	212,13	N/A	AP, RO
Devland/ Nancefield	N/A	N/A	N/A	N/A	
Cleveland/ Heriotdale	N/A	42,43	35,36	0,00	AP, RO
Newlands/ Martindale	N/A	N/A	N/A	N/A	KA
Kew/ Wynberg East	N/A	N/A	N/A	N/A	AP, AW
Bramley View/ Lombardy West	N/A	N/A	N/A	N/A	AP
Marlboro South (Alexandra)	21,21	14,14	7,07	0,00	AP, RA

Table 12.4 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2007:3

	Area size in m ²				Contributor codes
	1.000	2.000	5.000	10.000	
Halfway House: hi-tech strip	357,96	357,96	459,62	459,62	AP, DO, QU
Halfway House: Richards Drive	258,13	258,13	318,20	318,20	AP, DO, QU
Commercia	35,36	N/A	N/A	N/A	AP, QU
Kramerville/ Eastgate X12 & X13	N/A	N/A	N/A	N/A	RA
Centurion	N/A	N/A	N/A	N/A	AP
Linbro Park	251,66	278,39	287,59	424,26	AP, MH, MR, RA
Wesco Park/ Eastgate X3,X11,X6,X8/ Marlboro North (New)	264,58	275,38	288,68	288,68	AP, DO, RA
City Deep	70,71	35,36	70,71	70,71	AP, RO
North Riding	N/A	N/A	N/A	N/A	AP
Samrand Centurion	N/A	N/A	N/A	N/A	AP
Barbeque Downs	N/A	N/A	N/A	N/A	AP
Selby Ext 12/ 13/ 15/ 19/ 20/ 24/ City West	318,20	318,20	282,84	276,48	RA, RO
Selby Ext 5/ 10/ 14/ 18	N/A	N/A	N/A	N/A	RO
Selby Ext 11	N/A	N/A	N/A	N/A	RO
Selby Ext 3/ 4/ 6	N/A	N/A	N/A	N/A	RO
Denver (Old)	N/A	N/A	N/A	N/A	AP, RO
Denver (New)	N/A	N/A	35,36	70,71	AP, RO
Kyalami Business Park	N/A	N/A	N/A	N/A	AW, QU
Reuven	N/A	N/A	N/A	N/A	
Selby (Old)/ Selby X2/ Park Central	N/A	N/A	N/A	N/A	RO
Robertsham	N/A	N/A	N/A	N/A	RO
Fordsburg/ Mayfair	N/A	N/A	N/A	N/A	

Table 12.4 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2007:3

	Area size in m ²				Contributor codes
	1.000	2.000	5.000	10.000	
West Rand					
Lea Glen	164,42	70,24	46,19	41,63	AP, KA, RO
Honeydew X19, 20, 21 & 22	N/A	N/A	N/A	N/A	AP, RA
Stormmill	164,42	80,83	46,19	41,63	AP, KA, RO
Chamdor	76,38	76,38	69,28	66,14	AP, KA, RA
Factoria	106,07	106,07	70,71	106,07	AP, KA
Randfontein: Delporton/ Aureus	N/A	N/A	N/A	N/A	
Boltonia	N/A	N/A	N/A	N/A	AP
Rodepoort: Technikon/Manufacta	106,07	70,71	106,07	56,57	AP, KA
Industria North	49,50	49,50	14,14	14,14	AP, KA
Robertville	N/A	N/A	N/A	N/A	
Laserpark	N/A	N/A	N/A	N/A	AP, ZA
East Rand					
Elandsfontein	N/A	N/A	N/A	N/A	AE, AP, MH
Eastleigh/ Sebenza Ext 14	N/A	N/A	125,83	N/A	AP, DO, MH, MR
Spartan Ext 16 (Sebenza Link) + Ext 1, 3, 7	180,28	179,63	166,07	155,46	AE, AP, DO, MH, MR, ZA
Isando	N/A	N/A	N/A	N/A	DO, MH, ZA
Jet Park	152,75	125,83	150,00	131,50	AP, DO, MH, MR, ZA
Alrode & Xs	N/A	N/A	35,36	0,00	AP, RO
Alrode South	N/A	N/A	N/A	N/A	AP
Alberton	N/A	N/A	N/A	N/A	AP

Table 12.4 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2007:3

	Area size in m ²				Contributor codes
	1.000	2.000	5.000	10.000	
Aeroporto/ Spartan Ext 2	N/A	N/A	N/A	N/A	DO, MR
Rustivia	N/A	N/A	N/A	N/A	DO
Delville	N/A	N/A	35,36	120,21	AP, RO
Roodekop	N/A	N/A	86,60	92,92	AP, MR, RO
Wadeville: Industrial zoning	70,71	117,81	114,35	82,16	AP, DO, GM, MR, RO, ZZ
Route 24/ Meadowdale	N/A	247,49	282,84	176,78	AP, AW, DO, MH, MR
Germiston S/ Industries E	17,68	21,21	10,61	7,07	AP, DO, RO
Driehoek/ Industries W	N/A	141,42	100,00	132,29	AP, DO, MR, RO
Knights	123,74	106,07	116,67	106,07	AP, DO, RO
Spartan Proper	N/A	N/A	N/A	N/A	DO
Founders View	N/A	N/A	N/A	N/A	AP, DO
Longmeadow	0,00	0,00	0,00	0,00	AP, AW, DO, MR
Far East Rand					
Boksburg North & East	132,29	150,69	104,08	70,71	AP, GM, ZA
Benoni South	176,78	176,78	141,42	106,07	AP, ZA
New Era/ Vulcania	N/A	N/A	N/A	N/A	AP
Nuffield	N/A	N/A	N/A	N/A	GM
Fulcrum	N/A	N/A	N/A	N/A	-
Apex	N/A	N/A	N/A	N/A	AP
La Boré Brakpan	N/A	N/A	N/A	N/A	-
Morehill Ext 8 Benoni	N/A	N/A	N/A	N/A	AP

Table 12.4 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2007:3

	Area size in m ²				Contributor codes
	1.000	2.000	5.000	10.000	
Pretoria					
Mitchell St	N/A	N/A	N/A	N/A	
Pretoria Industrial Township	N/A	70,71	106,07	70,71	BY
Koedoespoort	N/A	N/A	N/A	N/A	AP
Waltloo/ Despatch	N/A	N/A	N/A	N/A	AP, BY
Silverton/ Silvertondale	N/A	N/A	0,00	N/A	AP, BY
Samcor Park	N/A	N/A	N/A	N/A	
Sunderland Ridge	N/A	N/A	N/A	N/A	AP
Hermanstad	N/A	N/A	N/A	N/A	
Kirkney	N/A	N/A	N/A	N/A	
Hennospark X15 & X7	N/A	N/A	141,42	N/A	AP, SF
Gateway	N/A	N/A	141,42	N/A	AP, SF
Lytleton Manor X4/X6	N/A	N/A	N/A	N/A	AP
Pretoria North	N/A	N/A	N/A	N/A	AP
Silvertondale X1	70,71	70,71	0,00	106,07	AP, BY
Brits	N/A	N/A	N/A	N/A	
Klerksoord	N/A	N/A	N/A	N/A	AP
Rosslyn	35,36	35,36	53,03	35,36	AP, BY
Polokwane					
Lebowakgomo	N/A	N/A	N/A	N/A	
Superbia	49,50	63,64	N/A	N/A	ES, TG

Table 12.4 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2007:3

	Area size in m ²				Contributor codes
	1.000	2.000	5.000	10.000	
Industria	56,57	49,50	N/A	N/A	ES, TG
Ladine Ex 16 & 17	N/A	116,67	N/A	N/A	ES, TG
Futura	74,25	120,21	N/A	N/A	ES, TG
Laboria	67,18	106,07	N/A	N/A	ES, TG
Magna Via	N/A	N/A	N/A	N/A	
Seshego	N/A	N/A	N/A	N/A	
Nelspruit					
Nelspruit East	141,42	141,42	127,28	120,21	RZ, SV
Nelspruit West	106,07	106,07	141,42	141,42	RZ, SV
Rocky's Drift	84,85	56,57	49,50	28,28	RZ, SV
Riverside Park	N/A	N/A	70,71	35,36	RZ, SV
Durban					
Springfield Park	N/A	N/A	N/A	N/A	JH, PC
Mayville	N/A	N/A	N/A	N/A	
Phoenix	N/A	N/A	N/A	N/A	PC
North Coast Rd / Briardene	106,07	N/A	0,00	N/A	JH, PC
Umgeni Rd/ Stamford Hill	N/A	N/A	N/A	N/A	JH
Umbilo/ Sydney Rd/ Gale St	N/A	N/A	N/A	N/A	
Jacobs	N/A	N/A	N/A	N/A	PC
Mobeni	N/A	N/A	N/A	N/A	
Prospecton	N/A	N/A	N/A	N/A	PC

Table 12.4 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2007:3

	Area size in m ²				Contributor codes
	1.000	2.000	5.000	10.000	
Pinetown Central	N/A	N/A	N/A	N/A	JH, LS
New Germany	N/A	N/A	N/A	N/A	JH, LS, PC
Isipingo	N/A	N/A	N/A	N/A	PC
Rosburgh/ South Coast Rd	N/A	N/A	N/A	N/A	
Edwin Swales Drive	N/A	N/A	N/A	N/A	
Glen Anil	N/A	N/A	N/A	N/A	JH, PC
Brickfield Rd	N/A	N/A	N/A	N/A	
Verulam	N/A	N/A	N/A	N/A	
Canelands	N/A	N/A	N/A	318,20	JH, PC
Tongaat	N/A	N/A	N/A	N/A	
New Westmead/ Mahogany Ridge	N/A	N/A	N/A	N/A	JH, LS, PC
Westmead	N/A	N/A	N/A	N/A	JH, LS
Mariann Park/ Southmead	N/A	N/A	70,71	106,07	LS, PC
Maxmead	N/A	N/A	N/A	N/A	JH, LS
Ringroad Industrial Park	N/A	N/A	N/A	N/A	
Avoca/ Red Hill/ Northgate	N/A	N/A	N/A	N/A	JH, PC
Falcon Park	N/A	N/A	N/A	N/A	JH
River Horse Park	N/A	N/A	N/A	0,00	JH, PC
Mount Edgecombe	N/A	N/A	N/A	0,00	JH, PC
Umbogintwini/ Southgate	N/A	N/A	N/A	N/A	PC
Umgeni Park	N/A	N/A	N/A	N/A	JH
Hammersdale	N/A	N/A	N/A	N/A	PC
Cato Ridge	N/A	N/A	N/A	N/A	PC

Table 12.4 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2007:3

	Area size in m ²				Contributor codes
	1.000	2.000	5.000	10.000	
Pietermaritzburg					
Willowton	N/A	N/A	N/A	N/A	CE
Mkomdeni/ Shortts Retr	N/A	N/A	106,07	84,85	CE
Camps Drift	N/A	N/A	N/A	N/A	
Pietermaritzburg Central	N/A	N/A	N/A	N/A	
Allandale	N/A	N/A	N/A	N/A	
Howick	N/A	N/A	N/A	N/A	
Ladysmith					
Ezakeni/ Pieters	N/A	N/A	N/A	N/A	
Danskraal	N/A	0,00	0,00	0,00	DE, RM
Nambiti	N/A	0,00	0,00	0,00	DE, RM
Colenso	N/A	N/A	N/A	N/A	
Newcastle					
Madadeni	N/A	N/A	N/A	N/A	
Central	N/A	N/A	N/A	N/A	PR
Vlam Crescent	N/A	N/A	N/A	N/A	PR
Riverside Ind	N/A	N/A	N/A	N/A	PR
Cape Peninsula					
Viking Place	N/A	N/A	N/A	N/A	AN
Glosderry	N/A	N/A	N/A	N/A	GB
Paarden Eiland/ Metro	191,49	191,49	125,83	141,42	AN, AX, CK, DN, GB

Table 12.4 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2007:3

	Area size in m ²				Contributor codes
	1.000	2.000	5.000	10.000	
Montague Gardens	325,87	343,03	350,00	384,71	AN, AX, CR, DN, GB, KB, MD, PY
Marconi Beam	331,66	371,09	396,86	338,67	AN, AX, GB, KB
Killarney Gardens	346,93	209,17	249,58	141,42	AN, AX, CR, DN, DP, GB, KB
Racing Park	112,60	128,64	141,42	304,14	AN, AX, CR, DD, DL, DN, DP, GB, KB
Atlantis	660,33	N/A	N/A	N/A	AN, DP, GB
City Fringe	1401,19	N/A	N/A	N/A	CK, DP, GB
Woodstock/ Salt River/ Observatory	70,71	N/A	N/A	N/A	GB, MD
Athlone 1 & 2	N/A	N/A	N/A	N/A	
Lansdowne Nerissa	N/A	N/A	N/A	N/A	
Ottery Hillstar	N/A	N/A	N/A	N/A	BB
Ottery Sunset	N/A	N/A	N/A	N/A	BB
Diep River	N/A	N/A	N/A	N/A	BB
Monwood/ Philippi	N/A	N/A	N/A	N/A	CK
Retreat/ Steenberg	N/A	N/A	N/A	N/A	BB
Capricorn Park	N/A	N/A	N/A	N/A	AN
Springfield	N/A	N/A	N/A	N/A	
Maitland	70,71	N/A	N/A	N/A	AN, GB
Ndabeni	N/A	N/A	N/A	N/A	AN
Airport	228,67	198,12	238,05	304,14	AN, CK, DN, KB, MD, NE
Epping 1 & 2	251,66	282,84	247,49	282,84	AN, GB, KB, MD
WP Park	388,91	424,26	494,97	N/A	AN, KB

Table 12.4 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2007:3

	Area size in m ²				Contributor codes
	1.000	2.000	5.000	10.000	
Elsies River (excl. Central Park)	88,39	106,07	0,00	35,36	AN, CR, KB
Parow Beaconsvale	495,61	470,81	452,66	298,66	AN, AQ, KB, ZM
Tygerberg Business Park	430,12	345,69	334,29	377,49	AN, AQ, DN, KB, ZM
Parow Industria	485,05	364,86	318,72	272,44	AN, AQ, KB, MD, ZM
Parow East	754,98	776,75	644,85	742,46	AQ, KB, ZM
Bellville Oakdale	251,66	723,42	707,11	707,11	AQ, KB, ZM
Bellville Stikland/ Kaymor	287,23	300,00	327,87	182,02	AN, AQ, DN, KB, NE, ZM
Bellville Triangle	465,00	470,74	467,69	410,73	AN, AQ, KB, ZM
Bellville South/ Sacks Circle	545,92	380,22	340,04	259,81	AN, AQ, CR, KB, ZM
Kraaifontein	246,64	152,75	125,83	141,42	AQ, DN, KB
Brackenfell Industria	413,98	399,10	359,33	355,76	AN, AQ, DN, KB, ZM
Everite Brackenfell	311,45	323,26	322,30	207,54	AN, AQ, DN, KB, ZM
Kuils River	400,00	377,49	350,00	232,74	AN, AQ, CR, KB
Blackheath	179,96	225,54	193,43	202,07	AN, AQ, CK, DL, DN, GB, KB, NE, ZM
Saxenburg Industrial Park	256,26	288,10	322,43	212,13	AN, AQ, DL, DN, KB, ZM
Okavango Park	282,84	275,38	239,79	175,59	AN, AQ, KB, ZM
George					
George	N/A	N/A	N/A	N/A	ZB
Port Elizabeth					
Deal Party	273,88	289,76	287,59	287,59	MJ, PE, SK, WJ
North End	188,75	154,62	194,19	194,45	MJ, PE, SK, WJ

Table 12.4 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2007:3

	Area size in m ²				Contributor codes
	1.000	2.000	5.000	10.000	
Korsten/ Neave/ Sidwell/ Sydenham	202,46	176,42	200,39	213,48	BD, MJ, PE, SK, WJ
South End Walmer	353,55	353,55	388,91	388,91	MJ, WJ
Uitenhage: Volkswagen area/Nelson Mandela					
Bay Logistics Park	N/A	N/A	N/A	N/A	MJ
Uitenhage: Hella/Kruisrivier	N/A	N/A	N/A	N/A	MJ
Struandale	155,96	129,42	162,81	154,40	BD, MJ, PE, SK, WJ
Markman Township	80,26	69,52	88,55	90,68	BD, MJ, PE, SK, WJ
Perseverance	165,60	147,16	170,90	172,29	BD, MJ, PE, SK, WJ
Walmer	163,71	144,54	0,00	0,00	BD, MJ, PE, SK
Greenbushes	110,94	99,36	54,34	44,44	BD, MJ, PE, SK, WJ
Fairview	259,81	180,28	225,46	225,46	BD, MJ, PE, WJ
East London					
Arcadia	122,47	N/A	N/A	N/A	BG, DQ, ER, GO, WM, ZZ
Gately/ Woodbrook	0,00	0,00	0,00	0,00	BG, DQ, ER, GO, WM, ZZ
Wilsonia	N/A	44,91	32,66	32,25	BG, DQ, ER, GO, WM, ZZ
Braelyn	N/A	183,71	N/A	N/A	BG, DQ, ER, GO, WM, ZZ
Northend	249,03	220,45	N/A	N/A	BG, DQ, ER, GO, WM, ZZ
Bloemfontein					
Hilton	N/A	N/A	N/A	N/A	EK
East End	21,21	N/A	N/A	N/A	CC, EK
Harvey Road	N/A	N/A	N/A	N/A	EK

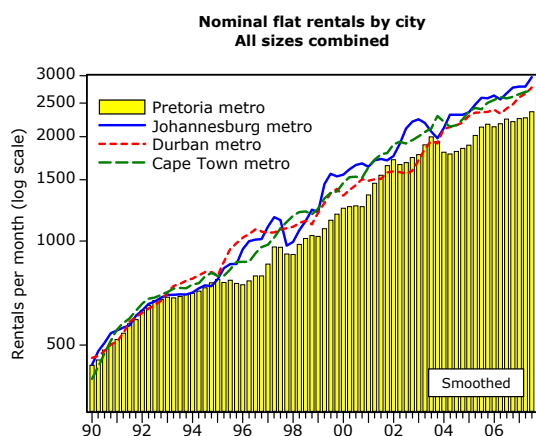
Table 12.4 (continued) Standard deviation from mean market values for serviced and level industrial stands in quarter 2007:3						
	Area size in m²				Contributor codes	
	1.000	2.000	5.000	10.000		
Old Industrial	N/A	N/A	N/A	N/A	EK	
Hamilton: Mill St	N/A	N/A	N/A	N/A	EK	
Hamilton: G Lubbe St	N/A	N/A	N/A	N/A	EK	
Estoir	N/A	N/A	N/A	14, 14	CC, EK	
Windhoek						
North	N/A	N/A	N/A	N/A		
Lafrenz	N/A	N/A	N/A	N/A		
South	N/A	N/A	N/A	N/A		
Prosperita	N/A	N/A	N/A	N/A		

Chapter 13: Flats market

Low flat vacancies, but still no rental magic

Written by John S. Lottering

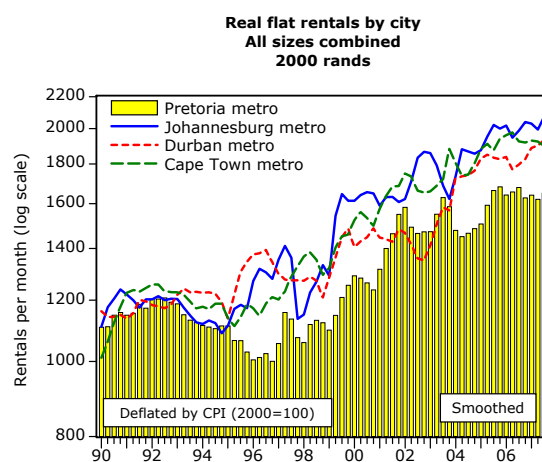
Although flat vacancies continue to be very low across all of the regions, there is still no magic in terms of rental growth. During the last two years, flat rentals grew by about 9% p.a. in the Durban metro and by roughly 7% p.a. in the Johannesburg metro. In the metropolitan areas of Pretoria, Cape Town and Port Elizabeth, two-year compounded growth rates of more or less 4% p.a. were recorded. Over the same period, consumer inflation was just short of 6% p.a. and, hence, only landlords in Durban and Johannesburg could achieve real rental growth.



Source of data: Rode's Time Series

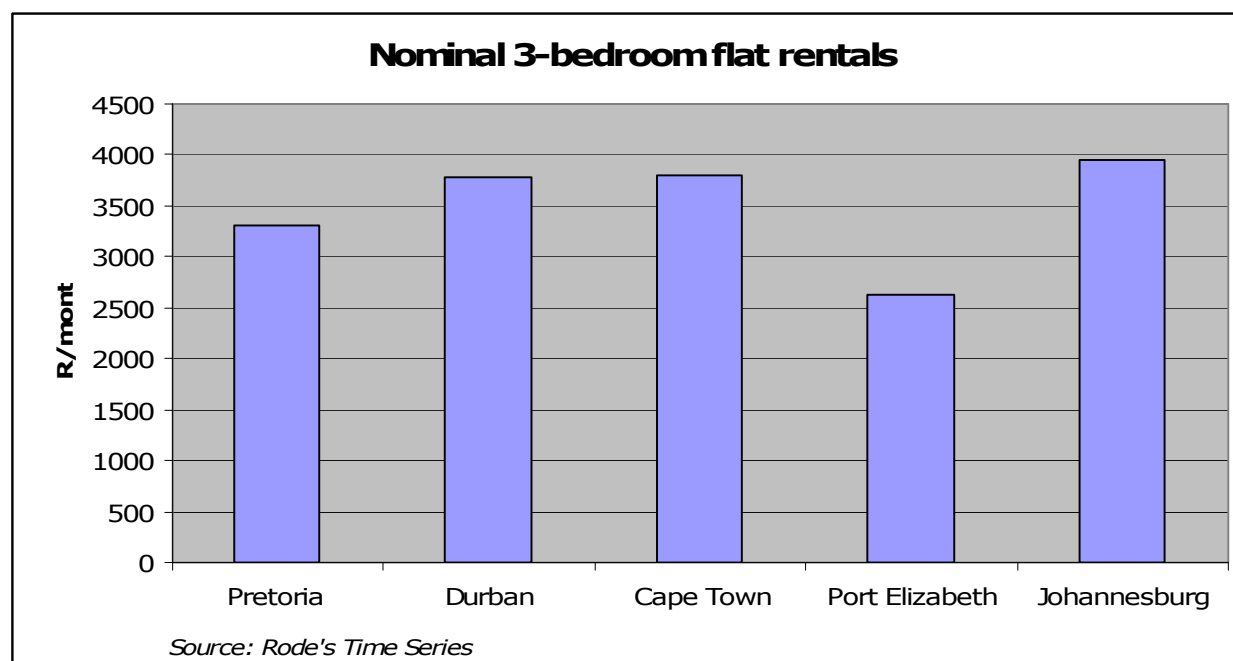
Table 13.1 shows that although flats' nominal-rental growth performance relative to consumer and building-cost inflation was nothing special over the last two years, over the last 5- and 10-year periods it did

manage to easily outperform consumer inflation. This is also evident in the accompanying graph which shows steeply northward moving real rentals in all of the metros since about 1997. However, since the end of 2005, real rentals in Durban and Johannesburg continued to trend north, while real rentals in Cape Town and Pretoria moved sideways.



Source of data: Rode's Time Series; BER

Looking at flat rental levels reveals that standard-quality 3-bedroom flat rentals were the highest in Johannesburg (R3.900) during the reporting quarter. This was followed by Durban and Cape Town, where rentals averaged about R3.800 per month, Pretoria where they averaged R3.300, and Port Elizabeth where they were the lowest at about R2.600 per month.



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

Table 13.1
Nominal flat rental growth (%)
(all sizes combined)
annual compound growth on smoothed data

	Last 10 years*	Last 5 years*	Last 2 years*
Johannesburg	10,5	7,1	6,9
Pretoria	10,0	5,9	4,2
Durban	10,4	9,2	8,9
Cape Town	9,8	6,7	3,8
Port Elizabeth	10,8	10,3	4,1
CPI	5,1	3,6	5,8
CPIX	6,3	4,4	5,1
BER BCI	11,8	12,6	10,2

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

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

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

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

	% vacant			
	2006:4	2007:1	2007:2	2007:3
Johannesburg	1,46%	2,79%	3,58%	2,26%
Germiston	0,48%	n/a	0,22%	0,24%
Pretoria	5,00%	3,49%	2,23%	2,01%
Durban	2,44%	3,13%	2,27%	4,55%
Bloemfontein	1,97%	2,38%	2,22%	1,83%
Port Elizabeth	5,15%	n/a	2,00%	2,54%
East London	1,31%	0,64%	0,78%	2,22%
Cape Town	3,48%	1,66%	2,02%	1,97%

Table 13.2 contains a summary of flat vacancies during the last few quarters. The reader will note that vacancies have generally remained quite low. This is what makes flats so appealing to the risk-averse buy-to-let investor.

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

Table 13.3
Flat rentals: standard quality units
Average rand per month as at quarter 2007:3

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Johannesburg average*	R2.135		R2.798		R3.500		R4.191		
City (incl. Joubert Park/Braamfontein/Hillbrow/Berea/Parktown)	R1.625	R389	R2.100	R566	R2.613	R866	R3.188	R265	RW, ZZ
Yeoville/Bellevue/Highlands	R1.600	N/A	R2.000	N/A	R2.400	N/A	R3.200	N/A	ZZ
Jeppeshtown/Fordsburg/Malvern/Kensington/Lorentzville	N/A	N/A	R3.700	N/A	R5.500	N/A	N/A	N/A	TR
North-Eastern Suburbs (incl. Kew/Cyrlidene/Fairmount/Waverley/Lyndhurst/Bramley/Savoy)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Maraisburg/Crosby/Brixton	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Meldene (Melville, Westdene, Auckland Park)	R2.300	R424	R2.375	R530	R3.125	R35	R3.500	N/A	RW, TR, ZZ
Rosebank/Killarney/Illovo	R3.000	N/A	R4.000	R0	R5.500	N/A	R7.500	N/A	GO, WN
Greenside/Victory Park/Emmarentia/Linden/Parkview/Parkhurst	R2.125	R742	R2.717	R375	R3.250	R229	R4.188	R239	IC, RF, RW, ZZ
Randburg: Ferndale/Fontainebleau	R2.375	R177	R2.750	R354	R3.550	R672	R3.825	R247	RF, RW, ZZ
Randburg & Suburbs	R2.383	R126	R2.967	R351	R3.675	R695	R3.825	R247	IC, RF, ZZ
Windsor: East/West	R2.000	N/A	R2.200	R278	R3.100	R283	R3.225	N/A	IC, RW, ZZ
Craighall/Craighall Park	R3.000	N/A	R3.425	R813	R4.250	R1.768	R5.625	R2.652	GO, WN, RW

*Geometric mean: see Glossary of terms and abbreviations in Annexure 1 or visit www.rode.co.za.

Table 13.3 (continued)
Flat rentals: standard quality units
Average rand per month as at quarter 2007:3

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Sandton: North & Far North (incl. Bryanston/Fourways/Lonehill/Douglasdale)	N/A	N/A	R5.250	R1.061	R5.000	N/A	R6.750	R1.061	GO, RF, ZZ
Sandton: South to Central (incl. Sandown/Rivonia/Morningside/Sunninghill/Kyalami)	R3.250	R1.061	R4.000	R889	R5.350	R1.626	R7.000	N/A	GO, IC, ZZ
Bedfordview	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Old South (incl. Rosettenville/Turffontein/Kenilworth)	R1.000	N/A	R1.450	N/A	R1.800	N/A	R2.500	N/A	ZZ
New South (incl. Southdale/Mondeor/Glenvista/Linmeyer)	N/A	N/A	R2.400	N/A	R2.600	N/A	R3.500	N/A	ZZ
Germiston average*	R1.184		R1.802		R2.012		R2.641		
Primrose	R1.050	R71	R1.750	R312	R1.693	R151	R2.730	R665	BA, MK, PH
Germiston C & S	R1.150	R250	R1.900	R300	R2.217	R407	R2.200	R1.131	BA, MK, PH, ZZ
Germiston South - suburbs	R1.342	R270	R1.780	R278	R1.990	R269	R3.045	R643	BA, MK, PH
Elsburg	R1.213	R265	R1.781	R392	R2.194	R446	R2.659	R482	MK, PH, ZZ
Pretoria average*	R1.654		R2.093		R2.628		R3.374		
Akasia	R1.200	R283	R1.650	R636	R2.400	R141	R3.000	R0	AI, ME
Pretoria North/Dorandia/Florauna	R1.450	R71	R2.050	R71	R2.900	R849	R3.750	R1.061	AI, ME
Annlin/Wonderboom/Sinoville/Montana	R1.400	N/A	R2.550	R636	R3.050	R1.061	R4.000	N/A	AI, ME
Die Moot/Queenswood	R1.850	R636	R2.100	N/A	R2.300	N/A	R3.600	R566	AI, ME, TR

*Geometric mean: see Glossary of terms and abbreviations in Annexure 1 or visit www.rode.co.za.

Table 13.3 (continued)
Flat rentals: standard quality units
Average rand per month as at quarter 2007:3

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Eastlynnne/Eersterust	R1.500	N/A	N/A	N/A	N/A	N/A	N/A	N/A	AI
Silverton/Meyerspark/La Montagne	R2.000	N/A	N/A	N/A	R2.500	N/A	R4.200	N/A	AI, ME
Eastern suburbs (Menlo Park/Ashlea Gardens/all Lynnwoods/Die Wilgers/Faerie Glen/Garsfontein/Pretoriuspark/Constantia/Waterkloof Glen/Erasmuskloof)	R2.150	R212	R2.650	R141	R3.050	R424	R4.325	R247	AI, ME
Groenkloof/Brooklyn/most Waterkloofs/Monumentpark/Erasmusrand	R2.800	R0	R3.000	R707	R3.500	R707	R5.250	R1.061	AI, ME, ZZ
South-eastern suburbs (Elarduspark/Wingate Park/Moreletapark/Pierre van Ryneveld/Waterkloof)	N/A	N/A	R4.000	N/A	R4.500	N/A	R5.500	N/A	ME
Sunnyside	R1.700	R87	R1.883	R76	R2.500	R100	R3.200	R200	ME, TR, ZZ
Arcadia	R1.700	R87	R1.883	R76	R2.500	R100	R3.200	R200	ME, TR, ZZ
Pretoria Central	R1.400	R283	R1.775	R35	R2.250	R495	R2.700	R707	ME, TR
Pretoria West	R1.500	N/A	R1.500	N/A	R2.200	N/A	R2.200	N/A	ME
Kwaggasrand/West Park	R1.550	R71	R1.700	R283	R2.300	R141	R2.400	R283	ME, ZZ
Elandspoort/Danville	R1.500	N/A	R1.600	N/A	R1.800	N/A	R2.000	N/A	ME
Atteridgeville/Laudium	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	

*Geometric mean: see Glossary of terms and abbreviations in Annexure 1 or visit www.rodco.co.za.

Table 13.3 (continued)
Flat rentals: standard quality units
Average rand per month as at quarter 2007:3

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Nelspruit average*	R1.984		R2.525		R2.972		R3.568		
Nelinda	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Nelspruit CBD	R2.150	R495	R2.500	N/A	R2.950	R495	R3.250	R636	FN, ZZ
West Acres and extensions	R1.800	N/A	R2.500	N/A	R2.800	N/A	R3.500	N/A	FN
Sonheuwel and extensions	R2.000	N/A	R2.500	N/A	R3.150	R212	R3.750	R71	FN, ZZ
Nelspruit and extensions	R2.000	N/A	R2.600	R0	R3.000	N/A	R3.800	N/A	FN, ZZ
Nelsville	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Durban average*	R1.825		R2.517		R3.149		R3.917		
Upper highway: Kloof/Hillcrest	R1.750	R354	R2.800	R0	R3.500	R0	R4.900	R141	WK, ZZ
Pinetown area/Queensburgh	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Westville area	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Central City (incl. Lower Berea)	R1.867	R115	R2.300	R173	R2.933	R513	R3.000	R283	MX, TR, WK
Berea / Morningside / Glenwood	R1.967	R208	R2.667	R76	R3.333	R115	R4.350	R150	MX, TR, WK
South and North Beach	R2.083	R202	R2.567	R115	R3.125	R331	R4.000	R200	MX, TR, WK
Durban North/La Lucia/Umhlanga	R1.800	N/A	R3.200	N/A	R4.000	N/A	R5.500	N/A	WK
North (Dolphin) Coast/Ballito	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Montclair/Yellowwood Park	R1.475	R530	R1.900	R566	R2.350	R495	R2.500	N/A	TR, WK
Bluff area/Durban South	R1.925	R106	R2.400	R141	R2.750	R354	R3.500	R707	TR, WK
Durban South/Amanzimtoti/Warner Beach area	R1.800	N/A	R2.500	N/A	R3.500	N/A	R4.500	N/A	WK

*Geometric mean: see Glossary of terms and abbreviations in Annexure 1 or visit www.rode.co.za.

Table 13.3 (continued)
Flat rentals: standard quality units
Average rand per month as at quarter 2007:3

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Cape Town average*	R1.887		R2.272		R2.984		R3.723		
Camps Bay/Clifton/Bantry Bay	N/A	N/A	N/A	N/A	R4.400	R566	N/A	N/A	CP, PF
Sea Point	R2.250	R354	R2.500	R424	R3.350	R212	R4.500	N/A	CP, PF
Green Point/Three Anchor Bay	N/A	N/A	N/A	N/A	R3.200	N/A	R4.500	N/A	PF
City Bowl/Waterfront	R2.250	R354	R2.650	R212	R3.067	R513	R4.500	N/A	CP, JR, PF
Rondebosch/Rosebank/Claremont	R2.250	R354	R2.425	R247	R3.300	R283	R3.300	N/A	CP, PF
Kenilworth/Wynberg/Plumstead	R2.000	N/A	R2.300	N/A	R2.750	R71	N/A	N/A	CP, PF
Muizenberg/ Kalk Bay/ Fish Hoek	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Hout Bay	R1.800	N/A	R2.800	N/A	R3.500	N/A	R4.500	N/A	ZZ
Milnerton/Sanddrift	R2.100	R141	R2.338	R180	R3.113	R452	R3.900	R0	AA, CP, PF, ZZ
Tableview/Parklands	R1.850	N/A	R2.300	N/A	R2.875	R106	R3.500	R0	AA, PF
Blouberg/Melkbos	N/A	N/A	N/A	N/A	R3.400	N/A	R3.850	N/A	AA
Athlone	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Mitchell's Plain	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Pinelands	N/A	N/A	R2.900	N/A	R3.800	N/A	R5.000	N/A	ZZ
Brooklyn/Rugby/Maitland	R1.800	N/A	R2.200	R0	R2.600	R141	R3.000	N/A	AA, ZZ
Monte Vista/Goodwood/Parow/									
Bellville Central	R1.925	R106	2.130	R205	R2.675	R240	R2.850	R354	AA, JR, LM, PF, ST
Tyger Valley area/Durbanville	N/A	N/A	N/A	N/A	R3.450	N/A	R3.850	N/A	AA
Brackenfell/Kuils River	R1.750	R354	R2.138	R95	R2.550	R173	R3.800	N/A	AA, LM, PF, ST
Somerset West	R1.600	N/A	R1.900	R141	R2.225	R318	R3.400	R141	AA, ZZ
Strand	R1.550	R71	R1.817	R29	R2.267	R252	R3.000	N/A	AA, CP, ZZ
Gordon's Bay	R1.600	N/A	R1.750	R71	R2.150	R212	R3.000	N/A	AA, ZZ

*Geometric mean: see Glossary of terms and abbreviations in Annexure 1 or visit www.rod.co.za.

Table 13.3 (continued)
Flat rentals: standard quality units
Average rand per month as at quarter 2007:3

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Port Elizabeth average*	R1.359		R1.685		R2.123		R2.643		
Summerstrand/Humewood/ South End	R2.033	R153	R2.567	R208	R3.083	R284	R3.750	R354	CD, JP, ZZ
Walmer	R1.475	R106	R1.850	R212	R2.600	R361	R3.250	R354	CD, FR, JP
Central/North End	R1.200	R424	R1.467	R333	R1.733	R306	R2.200	R424	CD, FR, JP
Newton Park	R1.300	R283	R1.575	R247	R2.083	R144	R2.550	R71	CD, FR, JP
Westerling	R1.300	R283	R1.600	R212	R2.000	R0	R2.725	R177	CD, JP
Kabega	R1.250	R354	R1.625	R177	R2.100	R173	R2.617	R202	CD, FR, JP
Algoa Park	R1.125	R318	R1.350	R212	R1.600	R212	R1.850	R212	CD, JP
East London average*	R1.544		R1.982		R2.550		R3.065		
Southernwood/Quigney Beach/CBD	R1.350	R71	R1.817	R225	R2.333	R379	R2.950	R71	EL, LP, TR
Berea	R1.650	R71	R2.025	R247	R2.900	R100	R3.225	R35	EL, LP, TR
Amalinda	R1.500	N/A	R2.150	N/A	R2.500	R0	R3.200	R424	LP, TR
Gonubie Park	R1.700	N/A	R1.950	N/A	R2.500	N/A	R2.900	N/A	TR
Bloemfontein average*	R987		R1.496		R2.087		R2.761		
Bloemfontein	R850	R212	R1.350	R354	R1.800	R141	R2.400	R424	ED, MI
Westdene	R1.050	R495	R1.600	R424	R2.400	R566	R2.950	R71	ED, MI
Willows	R1.050	R495	R1.550	R354	R2.000	R0	R2.800	R141	ED, MI
Navalsig	R950	R354	R1.400	R424	R1.950	R71	R2.700	R0	ED, MI
Arboretum	R1.050	R495	R1.600	R707	R2.350	R636	R3.000	N/A	ED, MI

*Geometric mean: see Glossary of terms and abbreviations in Annexure 1 or visit www.rode.co.za.

Table 13.4
Flat rentals: up-market-quality units
Average rents per month as at quarter 2007:3

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Johannesburg average*	R2.730		R3.533		R4.453		R5.246		
North-Eastern Suburbs (incl. Kew/Cyrlidene/Fairmount/Waverley/Lyndhurst/Bramley/Savoy)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Maraisburg/Crosby/Brixton	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Meldene (Melville, Westdene, Auckland Park)	R2.950	R0	R3.300	R283	R3.800	R283	R4.750	R1.061	TR, ZZ
Rosebank/Killarney/Illovo	R3.450	R71	R4.350	R919	R6.000	R707	R9.000	N/A	GO, WN, TR
Greenside/Victory Park/Emmarentia/Linden/Parkview/Parkhurst	R3.000	N/A	R3.167	R577	R3.975	R35	R6.000	R2.121	IC, RW, ZZ
Randburg: Ferndale/Fontainebleau	R2.425	N/A	R2.700	N/A	R4.225	R1.025	R4.000	N/A	RW, TR, ZZ
Randburg & Suburbs	R2.750	R354	R3.425	R672	R4.250	R1.061	R4.000	N/A	ZZ
Windsor: East/West	R2.100	N/A	R2.831	R305	R3.275	R35	R3.700	N/A	IC, RW, TR, ZZ
Craighall/Craighall Park	R3.500	N/A	R4.500	R707	R6.500	N/A	R9.000	N/A	GO, WN, TR
Sandton: North & Far North (incl. Bryanston/Fourways/Lonehill/Douglasdale)	N/A	N/A	R8.000	N/A	R7.500	N/A	N/A	N/A	GO, TR
Sandton: South to Central (incl. Sandown/Rivonia/Morningside/Sunninghill/Kyalami)	R4.500	N/A	R5.750	R354	R7.000	R0	R9.000	N/A	GO, WN, TR
Bedfordview	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	

*Geometric mean: see Glossary of terms and abbreviations in Annexure 1 or visit www.rode.co.za.

Table 13.4 (continued)
Flat rentals: up-market-quality units
Average rents per month as at quarter 2007:3

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Old South (incl. Rosettenville/ Turffontein/Kenilworth)	R1.250	N/A	R1.550	N/A	R2.500	N/A	R2.850	N/A	ZZ
New South (incl. Southdale/ Mondeor/Glenvista/Linmeyer)	N/A	N/A	R2.800	N/A	R3.000	N/A	R4.500	N/A	ZZ
Germiston average*	R1.840		R2.396		R3.071		R3.287		
Primrose	R2.000	N/A	R2.379	R168	R2.962	R762	R3.191	R1.144	MK, PH, ZZ
Germiston C & S	R1.415	R544	R1.894	R857	R2.365	R1.039	R2.697	R1.278	MK, PH
Germiston South - suburbs	R2.250	R354	R2.812	R508	R3.850	R71	R3.617	R1.249	MK, PH, ZZ
Elsburg	R1.800	N/A	R2.600	N/A	R3.300	N/A	R3.750	N/A	MK
Pretoria average*	R2.221		R2.581		R3.061		R4.221		
Akasia	R1.800	N/A	R2.200	N/A	R2.500	N/A	R3.500	N/A	ME
Pretoria North/Dorandia/Florauna	R1.800	N/A	R2.200	N/A	N/A	N/A	N/A	N/A	ME
Annlin/Wonderboom/Sinoville/ Montana	R2.650	R1.202	N/A	N/A	N/A	N/A	R4.500	N/A	AI, ME
Die Moot/Queenswood	R1.800	N/A	R2.200	N/A	R2.500	N/A	R3.850	R495	AI, ME, TR
Silverton/Meyerspark/La Montagne	R2.900	R1.273	N/A	N/A	R2.800	N/A	R4.500	N/A	AI, ME
Eastern suburbs (Menlo Park/ Ashlea Gardens/all Lynwoods/ Die Wilgers/Faerie Glen/ Garsfontein/Pretoriuspark/ Constantia/Waterkloof Glen/Erasmuskloof)	R2.900	R566	R3.175	R460	R3.600	R919	R5.200	R283	AI, ME

*Geometric mean: see Glossary of terms and abbreviations in Annexure 1 or visit www.rode.co.za.

Table 13.4 (continued)
Flat rentals: up-market-quality units
Average rents per month as at quarter 2007:3

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Groenkloof/Brooklyn/most Waterkloofs/Monumentpark/Erasmusrand	R3.500	R0	R4.000	N/A	R4.250	R1.061	R8.000	R2.828	AI, ME, ZZ
South-eastern suburbs (Elarduspark/Wingate Park/Moreletapark/Pierre van Ryneveld/Waterkloof)	N/A	N/A	R4.500	N/A	R5.000	N/A	R6.500	N/A	AI, ME
Sunnyside	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Arcadia	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Pretoria West	R1.700	N/A	R1.800	N/A	R2.400	N/A	R2.400	N/A	ME
Kwaggasrand/West Park	R1.700	N/A	R1.800	N/A	R2.400	N/A	R2.400	N/A	ME
Nelspruit average*	R2.500		R3.072		R3.678		R4.183		
Nelinda	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Nelspruit CBD	R2.500	N/A	R3.000	N/A	R3.300	N/A	R3.600	N/A	FN
West Acres and extensions	R2.500	N/A	R3.000	N/A	R3.300	N/A	R4.200	N/A	FN
Sonheuwel and extensions	R2.500	N/A	R3.000	N/A	R4.200	N/A	R4.500	N/A	FN
Nelspruit and extensions	R2.500	N/A	R3.300	N/A	R4.000	R283	R4.500	N/A	FN, ZZ
Nelsville	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Durban average*	R2.121		R2.932		R3.767		R4.778		
Upper highway: Kloof/Hillcrest	R2.500	R0	R3.350	R212	R4.350	R212	R6.000	R707	WK, ZZ
Pinetown area/Queensburgh	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Westville area	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	

*Geometric mean: see Glossary of terms and abbreviations in Annexure 1 or visit www.rode.co.za.

Table 13.4 (continued)
Flat rentals: up-market-quality units
Average rents per month as at quarter 2007:3

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Central City (incl. Lower Berea)	R2.067	R115	R2.667	R289	R3.500	R707	R3.500	N/A	MX, TR, WK
Berea / Morningside / Glenwood	R2.533	R58	R3.167	R321	R4.067	R513	R5.500	R866	MX, TR, WK
South and North Beach	R2.367	R153	R2.900	R173	R3.733	R462	R4.667	R577	MX, TR, WK
Durban North/La Lucia/Umhlanga	R2.500	N/A	R4.000	N/A	R5.250	N/A	R7.000	N/A	WK
North (Dolphin) Coast/Ballito	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Montclair/Yellowwood Park	R1.200	N/A	R1.800	N/A	R2.200	N/A	R3.000	N/A	WK
Bluff area/Durban South	R2.200	N/A	R3.300	N/A	R4.000	N/A	R5.000	N/A	WK
Durban South/Amanzimtoti/Warner Beach area	R2.000	N/A	R2.800	N/A	R3.800	N/A	R4.800	N/A	WK
Cape Town average*	R2.313		R2.695		R3.566		R4.172		
Camps Bay/Clifton/Bantry Bay	R2.550	N/A	R3.200	N/A	R4.750	N/A	N/A	N/A	CP
Sea Point	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Green Point/Three Anchor Bay	N/A	N/A	N/A	N/A	R3.500	N/A	N/A	N/A	CP
City Bowl/Waterfront	R2.500	N/A	R2.800	N/A	R4.200	N/A	N/A	N/A	CP
Rondebosch/Rosebank/Claremont	N/A	N/A	R2.750	N/A	R3.800	N/A	N/A	N/A	CP
Kenilworth/Wynberg/Plumstead	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Muizenberg/ Kalk Bay/ Fish Hoek	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Hout Bay	R3.000	N/A	R3.300	N/A	R4.500	N/A	N/A	N/A	ZZ
Milnerton/Sanddrift	R2.900	N/A	R3.200	N/A	R3.925	R389	R4.600	N/A	AA, ZZ
Tableview/Parklands	N/A	N/A	N/A	N/A	R3.300	N/A	N/A	N/A	AA
Blouberg/Melkbos	N/A	N/A	N/A	N/A	R4.250	N/A	N/A	N/A	AA

*Geometric mean: see Glossary of terms and abbreviations in Annexure 1 or visit www.rode.co.za.

Table 13.4 (continued)
Flat rentals: up-market-quality units
Average rents per month as at quarter 2007:3

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Athlone	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Mitchell's Plain	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Pinelands	N/A	N/A	R3.500	N/A	R4.800	N/A	R5.500	N/A	ZZ
Brooklyn/Rugby/Maitland	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Monte Vista/Goodwood/Parow/Bellville Central	R2.500	N/A	R2.500	N/A	R3.000	N/A	R3.300	N/A	ST, LM
Tyger Valley area/Durbanville	N/A	N/A	N/A	N/A	R3.475	R247	N/A	N/A	AA, ST
Brackenfell/Kuils River	R1.800	N/A	R2.300	N/A	R2.800	N/A	N/A	N/A	LM
Somerset West	R2.000	N/A	R2.200	N/A	R2.500	N/A	R3.900	R141	AA, ZZ
Strand	R1.900	R141	R2.150	R71	R3.333	R577	R4.050	R636	AA, CP, ZZ
Gordon's Bay	R2.000	N/A	R2.200	N/A	R2.500	N/A	R4.000	N/A	ZZ
Port Elizabeth average*	R1.778		R2.074		R2.603		R3.172		
Summerstrand/Humewood/South End	R2.700	R424	R3.333	R208	R4.300	R265	R5.167	R289	CD, JP, ZZ
Walmer	R2.525	R460	R2.850	R212	R3.300	R0	R3.925	R106	CD, JP
Central/North End	R1.475	R530	R1.800	R283	R2.225	R389	R2.625	R318	CD, JP
Newton Park	R1.625	R318	R1.875	R177	R2.475	R35	R3.000	R212	CD, JP
Westering	R1.625	R318	R1.850	R212	R2.400	R141	R3.000	R0	CD, JP
Kabega	R1.625	R318	R1.825	R247	R2.400	R141	R3.000	R0	CD, JP
Algoa Park	R1.300	R283	R1.525	R318	R1.800	R283	R2.250	R354	CD, JP

*Geometric mean: see Glossary of terms and abbreviations in Annexure 1 or visit www.rode.co.za.

Table 13.4 (continued)
Flat rentals: up-market-quality units
Average rents per month as at quarter 2007:3

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Broker contributors
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
East London average*	R1.690		R2.234		R2.794		R3.260		
Southernwood/Quigney Beach/ CBD	R1.450	N/A	R2.150	N/A	R2.800	N/A	R3.000	N/A	TR
Berea	R1.850	N/A	R2.400	N/A	R3.100	N/A	R3.850	N/A	TR
Amalinda	R1.600	N/A	R2.300	N/A	R2.600	N/A	N/A	N/A	TR
Gonubie Park	R1.900	N/A	R2.100	N/A	R2.700	N/A	R3.000	N/A	TR
Bloemfontein average*	R1.174		R1.737		R2.437		R3.051		
Bloemfontein	R1.125	R247	R1.600	R141	R2.150	R495	R2.700	R424	ED, MI
Westdene	R1.200	R283	R1.850	R212	R2.750	R354	R3.350	R212	ED, MI
Willows	R1.200	R283	R1.800	R141	R2.300	R283	R3.150	R495	ED, MI
Navalsig	R1.125	R247	R1.650	R212	R2.300	R283	R2.900	R141	ED, MI
Arboretum	R1.225	R389	R1.800	R424	R2.750	R354	R3.200	N/A	ED, MI

*Geometric mean: see Glossary of terms and abbreviations in Annexure 1 or visit www.rode.co.za.

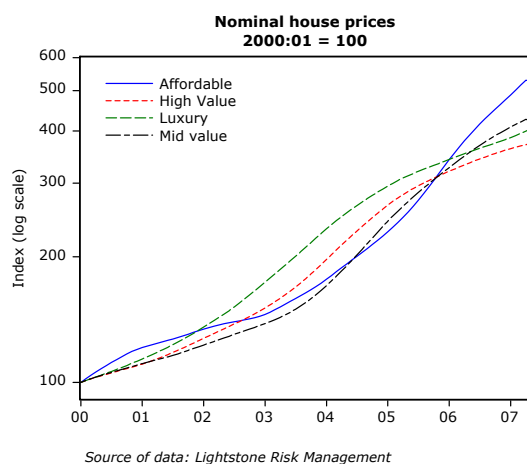
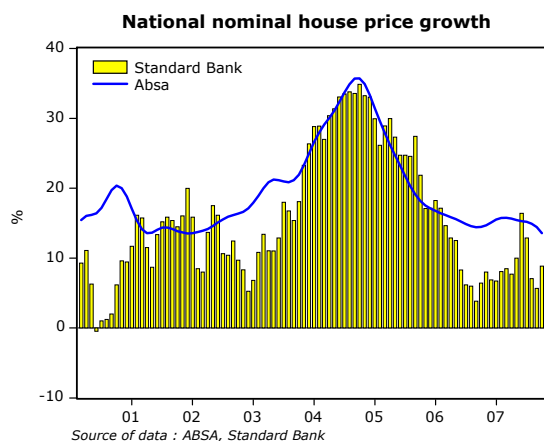
Chapter 14: House market

Double-digit growth; but for how long?

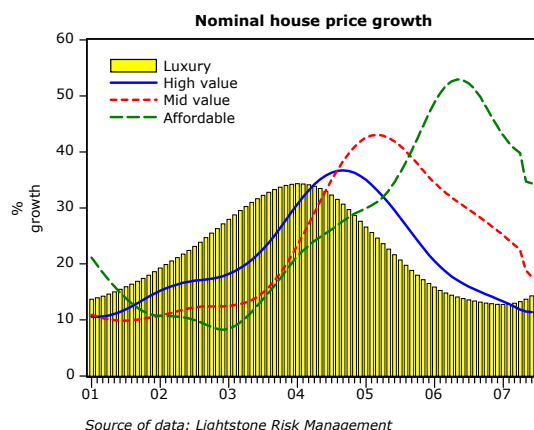
Written by John S. Lottering

Despite the general consensus of a cooling-off of the residential property market, national house prices still continued to grow by double-digit rates during the month of October 2007. According to Absa, national house prices were in October still about 14% higher than they were a year ago, while Standard Bank's house-price index recorded a growth rate of 10%.

House-price growth has, in general, been trending south since its peak in 2004, and is expected to remain under pressure in the foreseeable future, largely due to the affordability constraint. Furthermore, the lagged effect of continued higher interest rates and now tighter borrowing requirements through the National Credit Act should dampen the demand for housing, which could result in house-price growth of less than 10% in the not too distant future.



As far as the various price bands are concerned, Lightstone Risk Management's figures show that the lower-priced categories have been outperforming their more expensive counterparts since early 2006, which was, of course, due to the increased unaffordability of the other categories. As at June 2007, luxury houses were 14% up on a year earlier, high-priced houses +11%, mid-priced houses +18% and affordable houses +34%. Interestingly, although the growth rates of mid-priced and affordable houses are still exceptionally high, these are respectively still as much as 12 and 18 percentage points lower than the growth rates recorded in June 2006. This confirms that the house market is losing steam across all price bands.



quarter of the year, nominal house-price growth in Johannesburg (12,4%), Pretoria (16,3%) and Port Elizabeth (11,3%) were all down from their previous two quarters' growth rates. In contrast, nominal house-price growth in Durban and Cape Town accelerated over the last three quarters. Comparing these nominal growth rates with building-cost inflation, shows that the growth of nominal house prices generally outperformed building-cost inflation, resulting in positive real house-price growth.

Residential income yields

Lightstone's house price bands:

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

Tables 14.2 and **14.3** summarize the gross-income yields on houses and townhouses respectively. These yields, just like capitalization rates on non-residential property, contain important information regarding the buy-to-let house market. Notable is the fact that the higher yields are in the economically depressed areas, reflecting the trade-off between risk and return. That is, the higher the risk of investing in an area, the higher the required return (in this case, income return).

The regional picture

Table 14.1 summarises the most recent house-price inflation data, which the reader can compare with building-costs (as per the Haylett index and Absa's BCI) and consumer inflation (CPI). During the third

This concludes our chapter on the house market. ■

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

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

Table 14.1
Nominal house price growth by city & class
 % change on a year earlier

City	Rode*				Absa		
	2007:1				2007:1	2007:2	2007:3
	Lower	Middle	Upper	Total	Total	Total	Total
Johannesburg	27,1	15,5	28,9	17,8	19,1	16,7	12,4
Pretoria	17,5	13,5	17,9	23,4	18,4	17,7	16,3
Durban	16,6	16,3	17,2	16,1	9,8	17,8	19,7
Cape Town	18,2	7,7	-1,5	16,2	9,7	10,2	11,0
Port Elizabeth	11,2	21,9	21,3	6,4	20,1	14,9	11,3
National	21,4	15,3	17,4	29,8	15,7	15,5	14,7
Haylett index					11,7	12,2	9,4
Absa BCI					10,8	11,1	9,7
CPI					5,9	7,0	7,0

Source: Rode's House Price Indices; Stats SA; JBCC CPAP Haylett formula; Absa

* Note that the figures for quarter 2007:1 are provisional

Table 14.2
Gross-income yields (%): Houses
Quarter 2007:3

	Low	Middle	High
Gauteng			
Johannesburg (Meldene)	5,56%	N/A	N/A
Randburg & suburbs	N/A	6,00%	N/A
Centurion (Kloofsig/Lyttelton Manor/ Doornkloof/Zwartkop)	N/A	4,85%	N/A
Centurion (Clubview & surrounding areas)	5,45%	4,54%	3,60%
Boksburg	6,96%	6,86%	8,00%
Eastern Cape			
Port Elizabeth	6,49%	6,60%	5,84%
Uitenhage	5,37%	6,21%	5,88%
King William's Town	7,50%	6,55%	5,50%
KwaZulu-Natal			
Newcastle	4,92%	4,89%	4,93%
Mpumalanga			
Nelspruit	7,77%	7,57%	7,24%
Standerton	4,50%	5,53%	4,67%
North West			
Klerksdorp (Randlespark)	5,76%	8,92%	N/A
Klerksdorp (Elandsheuwel)	N/A	5,52%	N/A
Orkney	9,00%	8,90%	8,80%
Northern Cape			
Kimberley	6,02%	6,13%	4,75%
Colesberg	5,95%	6,05%	N/A
Western Cape			
Somerset West	4,67%	4,80%	5,10%
Strand	5,25%	4,80%	4,80%
Gordons Bay	4,50%	4,67%	4,20%
George	3,75%	3,50%	3,90%

Table 14.3
Gross-income yields (%): Townhouses
Quarter 2007:3

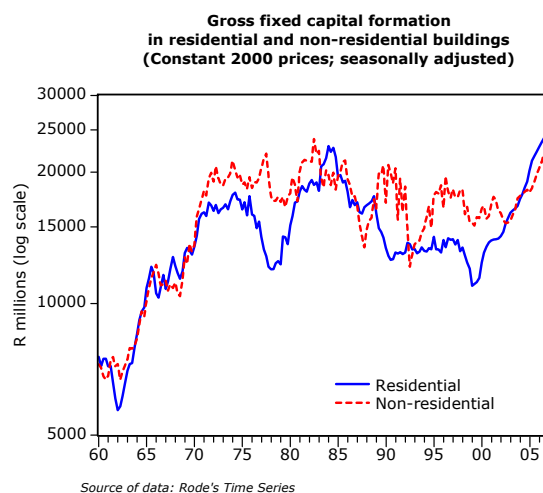
	Standard	High-priced
Gauteng		
Centurion	6,52%	4,53%
Boksburg	7,00%	8,00%
Eastern Cape		
Port Elizabeth	6,36%	4,00%
Uitenhage	5,67%	7,20%
King William's Town	9,00%	6,00%
KwaZulu-Natal		
Newcastle	5,06%	5,72%
Mpumalanga		
Nelspruit	8,22%	7,93%
Standerton	3,65%	5,25%
Northern Cape		
Kimberley	6,96%	6,02%
Colesberg	N/A	6,00%
Western Cape		
Somerset West	4,67%	5,45%
Strand	4,80%	4,80%
Gordon's Bay	4,50%	5,05%

Chapter 15: Building activity and building costs

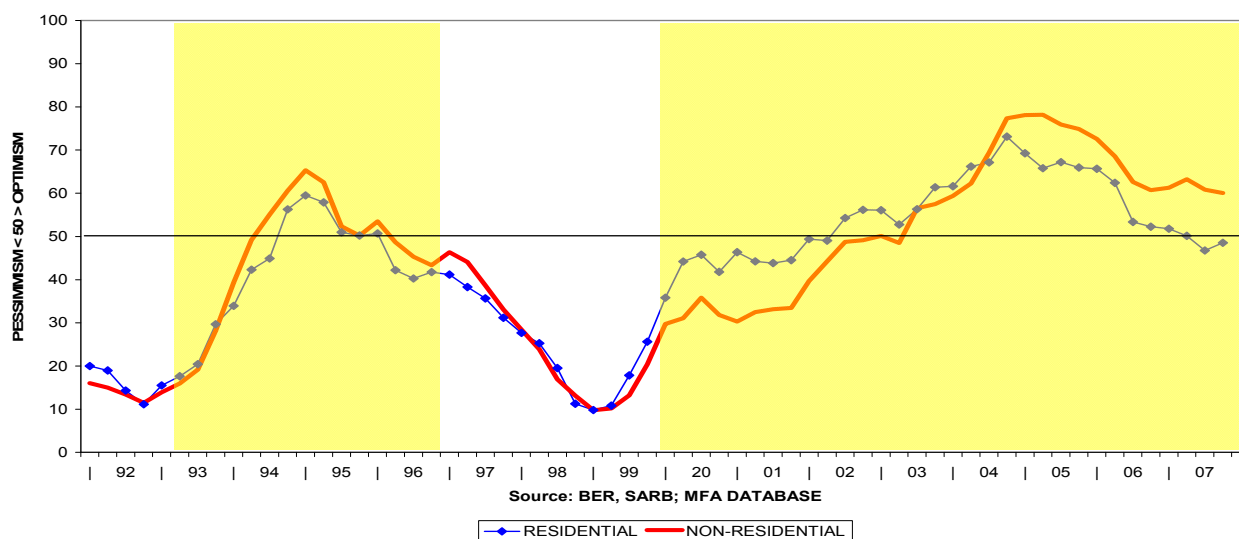
Residential contractors' optimism wanes

Written by John S. Lottering

Building activity in the residential and, especially non-residential, sector continued to grow energetically in the second quarter of the year, which in turn kept building-cost inflation growing strongly. Over the next few months, however, we expect most of the activity to take place on the non-residential side, as the long commercial property cycle resumes its upswing phase, making the development of new commercial buildings more viable. Our view of non-residential building activity is corroborated by the BER's¹ survey (published by Medium-Term Forecasting Associates), which shows that non-residential contractors are more optimistic about future building conditions than their residential counterparts.



COMPARISON RESIDENTIAL & NON-RESIDENTIAL BUILDING CONTRACTORS BUSINESS MOOD



¹ Bureau for Economic Research at the University of Stellenbosch.

Table 15.1
New non-residential buildings (private sector) (m²)
% change on a year earlier

	Offices	Shopping space	Industrial buildings	Other*	Total
12 months ended August 2007 (% change on a year earlier)					
Completed	43,4	0,0	67,1	-10,6	35,3
Plans passed	27,8	5,7	5,0	0,9	8,8
6 months ended August 2007 (% change on a year earlier)					
Completed	120,3	-19,3	62,4	-16,6	40,9
Plans passed	3,6	1,9	-4,5	-10,3	-1,9

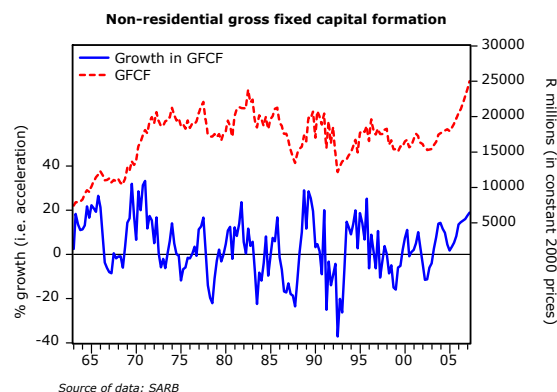
* Other non-residential space includes churches, sports and recreation clubs, schools, crèches, hospitals and all other non-residential space.

Source of data: Stats SA

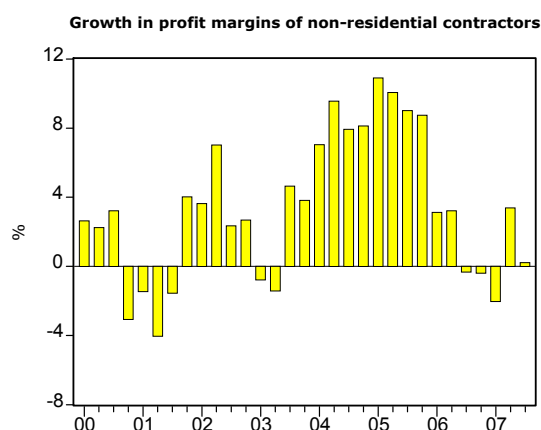
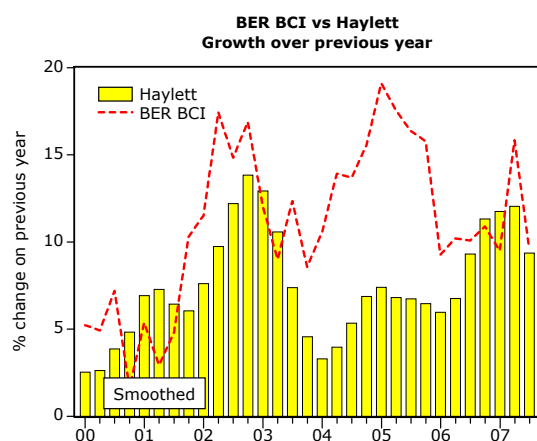
The non-residential market

Non-residential real gross fixed capital formation grew by an astonishing yearly rate of 19% during the second quarter of the year. What's more, it can be expected that building activity in this sector will gain even more impetus in the coming months, with office and industrial vacancies low and the economy set to continue to perform well.

From statistics on buildings completed during the 12- and 6-month periods ended August 2007 — refer to **Table 15.1** — it is clear that most of the building activity took place on the office and industrial fronts. For the six-month period up to August 2007, the square meterage of office space completed was up by a whopping 120% on the same period a year earlier. But over the past six months there was a marked deceleration in building plans passed; however it is not clear to us how much of this can be attributed to statistical noise and how much to rising interest rates.



As far as building-cost inflation goes, the BER Building Cost Index — which measures building-input costs plus the profit margins of non-residential contractors — is expected to have grown by 9,6% during the reporting quarter. The Haylett index, which only measures building-input costs, is expected to have grown by 9,4%. Of course, the insignificant difference between these two indices means that contractors were unable to stretch their profit margins much during the reporting quarter.



The residential market

Despite continuing on its deceleration trend, which started in 2005, the real value of new residential buildings added still grew by 8% during the second quarter of the year. The last time real residential gross fixed capital formation declined was in 1999, when real house prices were also declining and the economy was, as a whole, still feeling the side-effects of the Asian financial crisis. Over the next few months, we expect residential gross fixed capital formation to continue to decelerate as the residential property market enters its "consolidation" phase.

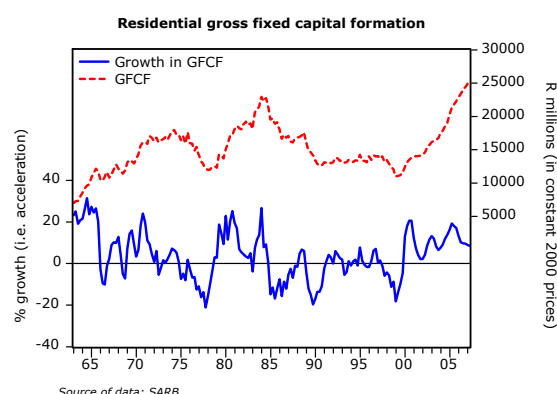


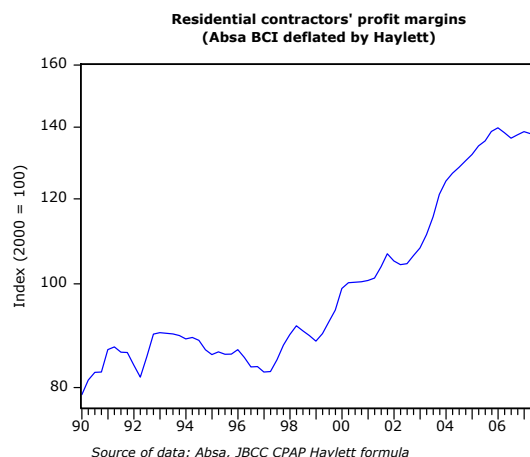
Table 15.2
New residential buildings (private sector) (m²)
% change on a year earlier

	Houses		Flats & townhouses	Other*	Total
	Smaller than 80m²	Larger than 80m²			
12 months ended August 2007 (% change on a year earlier)					
Completed	19,4	1,6,	1,5	193,9	4,7
Plans passed	2,6	1,3	-11,0	-24,3	-2,8
6 months ended August 2007 (% change on a year earlier)					
Completed	36,3	3,8	3,8	239,3	8,5
Plans passed	2,4	3,7	4,6	-39,1	3,1
* Other residential buildings include institutions for the disabled, boarding houses, old-age homes, hostels, hotels, guest-houses, casinos, entertainment centres, etc.					
Source of data: Stats SA					

Interestingly, an acceleration in residential buildings completed and plans passed over the last six months seems to suggest that there might still be some strength left in the residential building sector (refer **Table 15.2**). Our readers should note that these statistics are notoriously volatile; hence, we calculate the growth for the current 6- or 12-month period relative to the previous year's corresponding 6- or 12-month period, and in this way also smooth out any statistical noise.

The accompanying graph depicts the strong structural improvement in residential contractors' profit margins that occurred during the period 1999 to 2003. This corresponds with the house-price boom, which resulted in increased residential building activity and, hence, stronger demand for the services of residential contractors. Since 2003, however, profit margins moved sideways on the back of a moderating house market. One of the implications of the graph is that there is lots of scope

for contractors to trim their profit margins — should the need arise. This is another reason not to buy existing houses at inflated prices. This is so because in the long run, prices of existing stock are supported by replacement costs.



This concludes our section on building activity and building 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 regulated the F.A.R definition in a slightly different manner."

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

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

Civils: colloquial for **civil construction**.

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

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

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

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

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

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

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

Escalation rate: The rate by which a rental is hiked once a year in terms of a lease. The ruling market escalation rate can be seen as an attempt by the market to forecast the growth in market rentals over the duration of the lease, but this attempt is obviously rarely successful. Thus it is important to differentiate between an escalated rental and a **market rental**.

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

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:** A property in which space is easily lettable because it satisfies each of the following prerequisites:
 - a. Generally in a good condition;
 - b. Satisfactory macro access (i.e. access to freeway);

- c. Satisfactory micro access (i.e. from street to building);
- d. Proper loading facilities;
- e. Eaves >4 m (excluding micro/ mini units);
- f. Clear spans;
- g. On ground level;
- h. Adequate three-phase electrical power.

The eight conditions above are *prerequisites* for space to be considered prime. However, a building may possess additional enhancements that could improve 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 yard space and a good location (as opposed to access).

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

Comparative grading of industrial and office space

Industrial	Offices
Prime +	A
Prime	B
Prime -	C
Secondary	D

Industrial park: An industrial park is a

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

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

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

JSE: JSE Securities Exchange South Africa.

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

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

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

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

Market value: The most probable price that a voluntary, informed and prudent purchaser will pay a voluntary, informed and prudent seller in a normal open-market (arms-length) transaction at the date of valuation – after allowing for proper marketing prior to the valuation date – when neither party is under any compulsion to sell or to purchase, other than their normal desire to transact. See also **price**.

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

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

Metro: Metropolitan.

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

n: Number of respondents.

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

Office building grades defined by quality of finishes and facilities:

- Grade A: Generally not older than 10 years, unless renovated; prime location; high-quality finishes; adequate on-site parking; air-conditioning. Commands a gross market rental as indicated in the accompanying table. Examples are: Surrey House (Johannesburg CBD);

Libridge (Braamfontein); 540 Pretorius Street (Pretoria CBD); Old Mutual Centre (Durban CBD); Safmarine House (Cape Town CBD); Southern Life Plaza (Bloemfontein); Nedcor (Port Elizabeth, Greenacres); Metropolitan Life (East London).

- **Grade B:** Generally 10 to 20 years old, unless renovated; accommodation to modern standards; prime location; air-conditioning; on-site parking. Commands a gross market rental as indicated in the accompanying table. Examples are: 11 Diagonal Street (FNB House) (Johannesburg); Noswall Hall (Braamfontein); De Bruyn Park (Pretoria CBD); Durban Bay House (Durban CBD); Foregate Square (Cape Town CBD); VSN Centre (Port Elizabeth CBD); Standard Bank (Germiston); Omni Centre (Bloemfontein); Standard Bank (East London).
- **Grade C:** Generally 20 to 30 years old, unless renovated; in fairly good condition, although finishes are not up to modern standards; good location; may have on-site parking; unlikely to be centrally air-conditioned; commands a gross market rental as indicated in the accompanying table. Examples are: 15 Loveday Street (Johannesburg CBD); Braamfontein Centre (Braamfontein); Maritime House

(Durban CBD); St George's Centre (Cape Town CBD); Old Mutual (Port Elizabeth); Perm (Germiston); Lefko Building (Bloemfontein); Central Square (East London).

- **Grade D:** A building reaching the end of its functional life; old and in poor condition; near the bottom of the rental rate range; typically no air-conditioning and no on-site parking; may have good location.

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

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

Office 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

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

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

irrespective of whether there is still a valid lease over the space. Often expressed as a percentage of the stock in rentable m².

Operating costs: See **outgoings**.

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

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

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

The following items are excluded:

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

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

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

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

Rental:

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

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

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

Required rate: see **hurdle rate**.

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

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

Sapoa: South African Property Owners Association.

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

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

Shopping centre configurations:

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

Shopping centre types:

- **Super regional:** More than 100.000 rentable m² of shop space; substantial comparison-shopping; principal tenants are three or more major department stores; more than 250 shops. Examples are: Eastgate and Sandton City (Johannesburg); Menlyn Park (Pretoria); Gateway (Durban metro); Canal Walk (Cape metro).

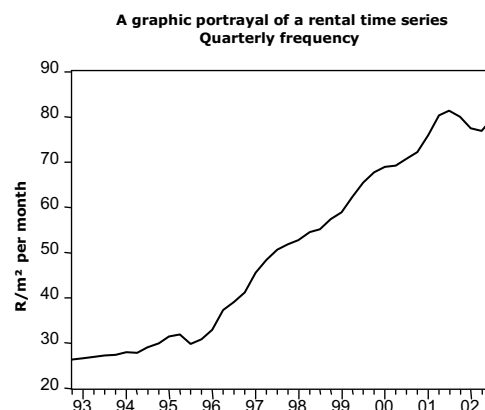
- **Regional:** 30.000 to 100.000 rentable m² of shop space; principal tenant(s) are one or more major department stores; approximately 40 to 250 shops. Examples are: Westgate, Fourways Mall, Cresta (Johannesburg); Brooklyn Mall (Pretoria); The Pavilion (Durban metro); Sanlam Centre in Parow, Tyger Valley,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

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

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

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

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



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

VAT: value-added tax.

Wholesale value: In the context of property syndication, this means the estimated price that a share or shares of a syndicated property-holding company would fetch (excluding winding-up costs) should the holding company be dissolved and the underlying property sold as a normal, non-syndicated property. See also **retail price**.

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

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

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

References:

1. International Council of Shopping Centres
2. Sapoa
3. Bureau of Market Research, University of South Africa

Technical background to the Rode surveys

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

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

The cons of tracking actual transactions are:

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

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

less active nodes, but to a lesser extent.

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

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

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

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

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

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

capitalization rate you provided in this questionnaire)?"

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

Hurdle rate: The question put to landlord panellists is:

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

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

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

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

The question put to the panellists is:

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

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

We ask the panellists to assume office lettings of 250m² in the case of grades A+, A & B and 150m² in the case of grade C (150m² in smaller towns for all office grades); occupation within 3 months, a lease period of 4 years and an average position within the building.

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

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

* The bulk that is legally permissible and economically viable.

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

* The bulk that is legally permissible and economically viable.

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

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

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

Industrial rentals: The question put to panellists is:

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

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

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

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

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

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

How to interpolate industrial rental rates and land values

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

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

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

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

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

interpolation we want to perform. An r close to -1 is a good fit.

An example:

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

Assume the following equation:

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

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

Step 1:

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

Thus:

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

Step 2:

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

Approximate building cost rates as at April 2007

Source: *Estimating Guidelines for Clients and Colleagues*, Davis Langdon Farrow Laing (Pty) Ltd, April 2007.

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 2007. It is stressed that these rates are purely of an indicative nature and should be used with circumspection, as they are dependent upon a number of variables.

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

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

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

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

Building type

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

Offices

1. Low-rise office park development with standard specification	/m ²	R4.000 – R4.800
2. Low-rise prestigious office park development	/m ²	R5.300 – R8.000
3. High-rise tower block with standard specification	/m ²	R6.100 – R8.000
4. High-rise prestigious tower block	/m ²	R8.000 – R9.500

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

Parking

1. Parking on grade including integral landscaping and ground preparation	/m ²	R260 – R340
2. Structured parking above ground	/m ²	R2.100 – R2.700
3. Parking in semi-basement	/m ²	R2.000 – R2.900
4. Parking in basement	/m ²	R2.100 – R3.300

Retail

1. Suburban strip shopping — value centre	/m ²	R3.800 – R5.900
2. Regional shopping centre comprising supermarket chain store, national chains, line shops and enclosed malls	/m ²	R5.900 – R6.900

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

Industrial

1. Industrial warehouse including small office area and change facilities within structure (architect/engineer-designed)		
1.1 Steel frame, corrugated steel cladding and roof sheeting	/m ²	R2.000 – R3.000
1.2 Steel frame, brickwork to sill height, corrugated steel cladding above and roof sheeting	/m ²	R2.100 – R3.200
1.3 Steel frame, brickwork to ceiling height, corrugated steel cladding above and roof sheeting	/m ²	R2.300 – R3.400
2. Administration office block (standard finishes)	/m ²	R3.800 – R4.800
3. Ablution and change room block	/m ²	R4.100 – R5.000

Residential

1. Site services to low cost housing stand (250 – 350m ²)	/no	R19.500 – R26.000
2. Low-cost housing	/m ²	R1.600 – R2.500
3. Simple low-rise apartment block	/m ²	R3.700 – R4.800

Building type

Residential (continued)

4.	Duplex townhouse — economic specification	/m ²	R3.700 – R4.800
5.	Prestige apartment block	/m ²	R4.900 – R8.000
6.	Private dwelling houses:		
	• Economic	/m ²	R2.500
	• Standard	/m ²	R3.600
	• Middle Class	/m ²	R4.000
	• Luxury	/m ²	R5.800
	• Exclusive	/m ²	R8.000
	• Exceptional ('Super luxury')	/m ²	R13.000 – R26.000
7.	Outbuildings	/m ²	R1.600 – R2.500
8.	Carport (shaded):		
	• Single	/no	R2.200
	• Double	/no	R4.000
9.	Carport (covered):		
	• Single	/no	R3.300
	• Double	/no	R6.000
10.	Swimming pool		
	• Not exceeding 50k	/no	R43.000
	• Exceeding 50kl and not exceeding 100kl	/no	R49.000 – R76.000
11.	Tennis court		
	• Standard	/no	R100.000
	• Floodlit	/no	R120.000

Clinics

1.	Clinic — approximately 150-bed, 5-theatre (excl doctors' accommodation)	/bed	R270.000 – R435.000
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Hotels

1.	Limited service hotel	/key	R310.000 – R455.000
2.	Resort Style	/key	R1.135.000 – R1.300.000
3.	Luxury	/key	R1.300.000 – R1.850.000

Note: The rate stated above for a luxury hotel is based on a hotel having a ratio of $\pm 35\text{m}^2$ of back-of-house and public areas such as conference rooms, entrance foyers, lounges and restaurants per room. This ratio can vary considerably with different types of hotels, e.g. limited service and resort hotels, CBD business hotels or casino complexes.

Studios

1.	Studios — dancing, art exhibitions, etc.	/m ²	R6.800 – R9.100
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Building type

Conference Centres

1. Conference centre to international standards	/m ²	R13.000 – R16.500
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Retirement Centres

1. Retirement Centres	/m ²	R4.800 – R5.600
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Note: The above rate includes community centre, dining hall, carports, security, site works and landscaping but excludes frail care facilities.

Schools

1. Primary school	/m ²	R3.500 – R4.400
2. Secondary school	/m ²	R3.800 – R4.900

Stadiums

1. Stadiums to PSL Standards including partial roofing and seating to main stand and VIP areas, public seating on concrete stands and facilities, change rooms, including field preparation, irrigation, drainage, access control, PA system and floodlighting.	/seat	R8.000 – R11.000
2. Stadiums to FIFA Standards including roofed public seating, private suites, bar facilities, toilets, change rooms, press and VIP areas and the like including field preparation, irrigation, drainage, access control, PA system, Video displays, floodlighting and CCTV.	/seat	R21.000 – R26.000

Prisons

1. New generation prison	/inmate	R140.000 – R162.500
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Building services

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

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

Electrical installation

1. Office buildings — standard installation	/m ²	R210 – R300
2. Office buildings — sophisticated installation	/m ²	R310 – R430
3. Residential	/m ²	R250 – R350
4. Shopping centres	/m ²	R280 – R380
5. Hotels	/m ²	R470 – R600

Electronic installation

1. Access control (office buildings)	/m ²	R50 – R120
2. Fire detection (office buildings)	/m ²	R40 – R80
3. CCTV (office buildings)	/m ²	R90 – R130
4. Data installation (office buildings)	/m ²	R210 – R550

Building services

Fire protection installation

- | | | |
|--|-----------------|------------|
| 1. Sprinkler system — overall including hydrants and hose reels (office buildings) | /m ² | R75 – R150 |
|--|-----------------|------------|
-

Air-conditioning installation

- | | | |
|--|-----------------|---------------------|
| 1. Ventilation to parking/services areas | /m ² | R95 – R225 |
| 2. Office buildings: console units | /m ² | R310 – R405 |
| 3. Office buildings: console/split units | /m ² | R400 – R550 |
| 4. Office buildings: package units | /m ² | R510 – R680 |
| 5. Office buildings: central plant | /m ² | R720 – R950 |
| 6. Residential: split units | /m ² | R530 – R770 |
| 7. Shopping centres: split units | /m ² | R470 – R600 |
| 8. Shopping centres: package units | /m ² | R470 – R950 |
| 9. Hotels: public areas | /m ² | R800 – R1.200 |
| 10. Hospitals: split units to wards | /m ² | R950 – R1.200 |
| 11. Hotels: console units | /key | R9.500 – R13.500 |
| 12. Hotels: split units | /key | R20.000 – R27.000 |
| 13. Hotels: central plants | /key | R35.000 – R46.000 |
| 14. Hospitals: operating theatres | /theatre | R120.000 – R450.000 |
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Notes

1. Regional variations: The above rates are based on the Gauteng region and costs will vary in the different provinces. Construction costs in the Western Cape, and Kwazulu-Natal, specifically upper class residential, for example, are approximately 30% higher than Gauteng due to the demand for this accommodation. Specific costs for any region can be given upon request from any 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.

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

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

Work group 180 (February 1991 = 100)

Forecast from: September 2007 Forecast date: September 2007

Month	2005		2006		2007		2008		2009		2010		2011	
	Index	% ch	Index	% ch	Index	% ch	Index	% ch	Index	% ch	Index	% ch	Index	% ch
Jan	262,2	8,3	277,3	5,8	311,2	12,2	337,8	8,5	356,4	5,5	383,1	7,5	413,4	7,9
Feb	262,8	7,0	278,7	6,1	310,5	11,4	339,6	9,4	358,7	5,6	384,8	7,3	415,4	8,0
Mar	264,4	7,0	279,3	5,6	311,6	11,6	340,4	9,3	360,9	6,0	388,1	7,5	416,7	7,4
Apr	266,6	7,1	282,0	5,8	317,0	12,4	343,0	8,2	363,9	6,1	392,0	7,7	420,5	7,3
May	267,1	6,6	285,9	7,0	321,9	12,6	346,9	7,8	369,6	6,5	399,5	8,1	426,8	6,8
Jun	267,9	6,0	290,9	8,6	324,5	11,6	348,3	7,3	371,1	6,6	402,2	8,4	428,8	6,6
Jul	271,0	6,8	295,1	8,9	326,1	10,5	350,4	7,4	374,3	6,8	405,1	8,2	430,8	6,3
Aug	272,5	6,8	301,8	10,8	329,0	9,0	351,7	6,9	376,5	7,1	407,8	8,3	432,0	5,9
Sep	273,2	6,8	302,9	10,9	329,0	8,6	352,6	7,2	378,2	7,3	409,0	8,1	433,7	6,0
Oct	273,7	6,4	304,1	11,1	330,8	8,8	353,5	6,9	380,1	7,5	410,8	8,1	434,3	5,7
Nov	274,6	6,2	307,4	11,9	334,2	8,7	355,1	6,2	382,1	7,6	412,7	8,0	435,8	5,6
Dec	275,3	6,3	309,0	12,2	334,8	8,4	355,4	6,1	382,2	7,5	412,7	8,0	435,4	5,5
Avg.	269,3	6,8	292,9	8,8	323,4	10,5	347,9	7,6	371,2	6,7	400,7	7,9	427,0	6,6

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%
1992:2	49,4	4,0%	2000:1	96,1	14,1%
1992:3	52,4	9,3%	2000:2	99,4	14,8%
1992:4	55,4	12,4%	2000:3	101,5	13,5%
1993:1	56,7	14,6%	2000:4	103,0	11,7%
1993:2	57,9	17,1%	2001:1	105,3	9,5%
1993:3	58,8	12,2%	2001:2	107,5	8,1%
1993:4	59,4	7,4%	2001:3	111,4	9,7%
1994:1	60,2	6,3%	2001:4	115,9	12,5%
1994:2	61,6	6,3%	2002:1	118,9	12,9%
1994:3	62,6	6,4%	2002:2	122,1	13,6%
1994:4	62,7	5,5%	2002:3	126,7	13,8%
1995:1	63,6	5,6%	2002:4	131,8	13,8%
1995:2	65,3	6,1%	2003:1	137,4	15,6%
1995:3	65,9	5,3%	2003:2	143,1	17,2%
1995:4	66,9	6,7%	2003:3	149,0	17,6%
1996:1	68,6	7,7%	2003:4	156,1	18,4%
1996:2	68,3	4,5%	2004:1	163,6	19,1%
1996:3	68,2	3,6%	2004:2	170,3	19,0%
1996:4	68,9	3,0%	2004:3	175,3	17,7%
1997:1	69,4	1,3%	2004:4	180,1	15,3%
1997:2	71,0	4,1%	2005:1	186,0	13,7%
1997:3	74,0	8,4%	2005:2	192,4	13,0%
1997:4	77,1	11,9%	2005:3	198,1	13,0%
1998:1	79,7	14,8%	2005:4	203,9	13,2%
1998:2	82,3	15,8%	2006:1	208,5	12,1%
1998:3	83,5	12,8%	2006:2	212,1	10,2%
1998:4	84,0	9,1%	2006:3	219,6	10,8%
1999:1	84,2	5,7%	2006:4	226,3	11,0%
1999:2	86,6	5,2%	2000:1	231,0	10,8%
1999:3	89,4	7,1%	2007:2	237,4	11,9%
1999:4	92,2	9,7%	2007:3	241,0	9,8%
Source: ABSA. Calculated from Absa home mortgage data, viz. value of houses to be built divided by number of m ² .					

BER Building Cost Index (non-residential tender prices)

1990=100

	First quarter	Second quarter	Third quarter	Fourth quarter	Average
1995	145,4	152,1	152,9	158,8	152,3
% ch	15,3	15,8	13,0	12,0	14,0
1996	162,5	166,2	170,5	175,4	168,7
% ch	11,8	9,3	11,5	10,5	10,7
1997	179,9	178,8	186,1	185,6	182,6
% ch	10,7	7,6	9,1	5,8	8,3
1998	186,7	192,7	184,8	192,5	189,2
% ch	3,8	7,8	-0,7	3,7	3,6
1999	196,9	198,7	195,5	209,0	200,0
% ch	5,5	3,1	5,8	8,6	5,7
2000	204,4	209,4	211,1	207,0	208,0
% ch	3,8	5,4	8,0	-1,0	4,0
2001	221,0	211,0	224,8	231,8	222,2
% ch	8,1	0,8	6,5	12,0	6,8
2002	246,0	253,6	253,3	275,0	257,0
% ch	11,3	20,2	12,7	18,6	15,7
2003	269,1	276,0	288,4	292,8	281,6
% ch	9,4	8,8	13,8	6,5	9,6
2004	302,3	316,2	326,8	341,1	321,6
% ch	12,4	14,6	13,3	16,5	14,2
2005	363,3	368,3	380,1	394,1	376,5
% ch	20,2	16,5	16,3	15,6	17,1
2006	387,8	411,2	415,9	439,4	413,6
% ch	6,8	11,7	9,4	11,5	9,9
2007	421,2	488,3	455,8		
% ch	8,6	18,7	9,6		

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
1985	25,0	25,0	25,0	25,0	23,0	22,0	21,0	21,0	19,5	18,5	16,5	16,5	21,5
1986	15,5	15,5	15,5	15,5	14,5	14,5	14,5	14,0	13,5	13,5	13,5	12,0	14,3
1987	12,5	12,5	12,5	12,5	12,5	12,5	12,5	12,5	12,5	12,5	12,5	12,5	12,5
1988	13,0	13,0	14,0	14,0	15,0	15,0	16,0	16,0	16,0	16,0	18,0	18,0	15,3
1989	18,0	19,0	19,0	19,0	20,0	20,0	20,0	20,0	20,0	21,0	21,0	21,0	19,8
1990	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0	21,0
1991	21,0	21,0	21,0	20,0	20,0	20,0	20,0	20,0	20,0	20,3	20,3	20,3	20,3
1992	20,3	20,3	20,3	19,3	19,3	19,3	18,3	18,3	18,3	18,3	17,3	17,3	18,8
1993	17,3	16,3	16,3	16,3	16,3	16,3	16,3	16,3	16,3	16,3	15,3	15,3	16,2
1994	15,3	15,3	15,3	15,3	15,3	15,3	15,3	15,3	16,3	16,3	16,3	16,3	15,6
1995	16,3	17,5	17,5	17,5	17,5	17,5	18,5	18,5	18,5	18,5	18,5	18,5	17,9
1996	18,5	18,5	18,5	19,5	20,5	20,5	19,5	19,5	19,5	19,3	20,3	20,3	19,5
1997	20,3	20,3	20,3	20,3	20,3	20,3	20,3	20,3	20,3	19,3	19,3	19,3	20,0
1998	19,3	19,3	18,3	18,3	18,3	22,3	24,0	25,5	25,5	24,5	23,5	23,0	21,8
1999	22,0	21,0	20,0	19,0	19,0	18,0	17,5	16,5	16,5	15,5	15,5	15,5	18,0
2000	14,5	14,5	14,5	14,5	14,5	14,5	14,5	14,5	14,5	14,5	14,5	14,5	14,5
2001	14,5	14,5	14,5	14,5	14,5	13,8	13,5	13,5	13,0	13,0	13,0	13,0	13,8
2002	14,0	14,0	15,0	15,0	15,0	16,0	16,0	16,0	17,0	17,0	17,0	17,0	15,8
2003	17,0	17,0	17,0	17,0	17,0	15,5	15,5	14,5	13,5	12,0	12,0	11,5	15,0
2004	11,5	11,5	11,5	11,5	11,5	11,5	11,5	11,0	11,0	11,0	11,0	11,0	11,3
2005	11,0	11,0	11,0	10,5	10,5	10,5	10,5	10,5	10,5	10,5	10,5	10,5	10,6
2006	10,5	10,5	10,5	10,5	10,5	11,0	11,0	11,5	11,5	12,0	12,0	12,5	11,2
2007	12,5	12,5	12,5	12,5	12,5	13,0	13,0	13,5	14,0	14,0			

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.

Rode house price index: National: all classes

1990=100

Year	Qtr 1	% ch	Qtr 2	% ch	Qtr 3	% ch	Qtr 4	% ch	Year
1992	128,3	5,8	127,2	-0,9	127,0	-0,2	125,1	-1,5	126,9
% ch	16,4		14,9		6,6		3,1		10,0
1993	128,3	2,6	125,7	-2,0	127,3	1,3	128,9	1,2	127,6
% ch	0,0		-1,2		0,3		3,1		0,5
1994	134,3	4,2	144,8	7,8	145,7	0,6	153,0	5,0	144,4
% ch	4,6		15,2		14,4		18,7		13,2
1995	150,8	-1,5	157,5	4,5	150,8	-4,3	153,0	1,5	153,0
% ch	12,3		8,8		3,5		0,0		5,9
1996	159,2	4,0	160,3	0,7	158,1	-1,4	162,0	2,5	159,9
% ch	5,6		1,8		4,8		5,9		4,5
1997	164,8	1,7	167,6	1,7	164,8	-1,7	166,5	1,0	165,9
% ch	3,5		4,5		4,3		2,8		3,8
1998	170,9	2,7	170,9	0,0	174,3	2,0	169,3	-2,9	171,4
% ch	3,7		2,0		5,8		1,7		3,3
1999	172,6	2,0	173,7	0,6	167,0	-3,9	183,3	9,7	174,2
% ch	1,0		1,6		-4,2		8,3		1,6
2000	195,0	6,4	197,8	1,4	192,8	-2,5	200,1	3,8	196,4
% ch	13,0		13,9		15,4		9,2		12,8
2001	201,8	0,8	215,8	6,9	227,0	5,2	226,4	-0,2	217,7
% ch	3,4		9,1		17,7		13,2		10,8
2002	252,2	11,4	251,1	-0,4	272,9	8,7	285,3	4,5	265,4
% ch	25,0		16,4		20,2		26,0		21,9
2003	320,6	12,4	324,5	1,2	353,1	8,8	375,0	6,2	343,3
% ch	27,1		29,2		29,4		31,4		29,4
2004	419,8	12,0	424,8	1,2	459,0	8,0	508,9	10,9	453,1
% ch	30,9		30,9		30,0		35,7		32,0
2005	555,4	9,1	596,9	7,5	606,4	1,6	649,6	7,1	602,1
% ch	32,3		40,5		32,1		27,6		32,9
2006	672,0	3,5	707,3	5,3	724,1	2,4	740,4	2,2	710,9
% ch	21,0		18,5		19,4		14,0		18,1
2007	802,0	8,3							
% ch	19,3								

Source:

Rode House Price Index: Ex Rode & Associates CC. May be used provided the source is acknowledged. The last few quarters are always subject to revision