

Excellent value on offer in commercial property market - Aucor

The prevailing low interest rate environment, which is at historically low levels following the reserve bank's July interest rate decision, has sparked renewed interest and activity in the commercial property market, especially through auctions.



According to Mark Kleynhans, head of commercial property at Aucor, the low interest rate environment is driving a shift in the mindset of banks and investors, especially with regard to the manner in which commercial real estate transactions are structured. "Historically buyers would always look at the yield on an investment property versus the cost of bank funding to determine return on investment and now that banks are once again willing to lend at competitive rates, generally offering rates at prime or lower for the right client, there is great value on offer in the commercial property market."

Market is buoyant and receptive

This position is further reinforced when looking at how Aucor Property has entrenched itself with numerous successful auctions since re-launching the brand in May this year. "We have had a phenomenal response from all stakeholders and clients. Whilst this year is not done yet we had our most successful auction to date on 16 October in Johannesburg when we confirmed R85 million worth of sales on the floor on the day. This shows that the market is buoyant and receptive to this service that we offer. We have also seen an influx of quality investment grade stock from our corporate clientèle which further supports this position," Kleynhans explains.

"We know that buyers are looking for better value on deals as they generally have to commit more capital, and many are turning to auctions to find this value. In this market auctions are proving to be the best sales channel to support investors who have the liquidity to meet current lending requirements. This is because more sellers are choosing to rather go to auction to get a definitive sale on the day due to the unsuspensive nature of the transaction.

"All funding approvals and admin are done before the auction commences, demand is drummed up in advance to, more often than not, elicit a sale on the day. The auction is also the one sales channel that advertises the stock on all platforms to get the visual exposure that investors need to see the value. The only discussion left on auction day is the sales price."

Institutional investors

Kleynhans says that this process speeds up the transaction considerably, which is what is drawing sellers and, subsequently, buyers. "We also have a great deal of institutional investors that are trading held stock out of the back end, especially banks, corporates and listed funds. These factors mean that there is a great deal of quality stock on auction at the moment.

"As such buyers are finding properties that will deliver the value they need to realise a return in the current environment. With the interest rate projection stable for 2013, with talk of the need for a possible interest rate cut by the International Monetary Fund to cushion the South African economy against the effects of the global slowdown, we can expect this trend to continue. This will ensure that commercial property will remain a top performing asset class if you find the right quality and value. And there is no better value to found at the moment than on auction," concludes Kleynhans.

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