

Landlords cash in on premium Rosebank office properties

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Landlords in the burgeoning office hub of Rosebank are not shy to charge premium-grade office tenants top-end rentals, given the demand for space in the district.



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The once quiet, leafy suburb is becoming the office location of choice for many medium-sized corporations and professionals who prefer a well-located but not overly congested node with pedestrian-friendly facilities.

Various premium (P) grade offices are being opened in Rosebank and the rents on many of these have surpassed those in Sandton, the latest data from professional services firm Jones Lang LaSalle (JLL) show.

The South African Property Owners Association (Sapoa) defines P grade office space as "top quality, generally modern space, which is a pacesetter in establishing rentals, and which includes the latest or a recent generation of building services, ample parking, a prestige lobby and good views, or a good environment".

In the third quarter of 2016, tenants renting premium grade offices in Rosebank were spending R237/m², up 3% quarter on quarter and 12% year-on-year.

Their counterparts in Sandton were spending R207/m² on average, which represented no increase compared with the

second quarter of the year. Year on year, their rent was up 2.6% on average.

Melrose Arch, which historically has charged office rentals among the highest in the country, saw its tenants pay R193/m² on average in the third quarter. This was flat quarter on quarter and down 1.3% year on year.

Rosebank is also achieving the highest office rentals for A grade buildings among Gauteng's leading business nodes.

Sapoa defines A grade office space as "office space generally not older than 15 years or which has had major renovation, has high-quality modern finishes, airconditioning, adequate onsite parking and is getting rents near the top of the range".

In the third quarter of 2016, the average gross rental per square metre was R192 for Rosebank, up 12.9% year-on-year and R176 for Sandton, up 1.1% year on year. Illovo's average was R162, Bryanston's was R156 and Melrose's R145.

"Developments in Rosebank continue to attract investors into the area. The node has become a popular place with increased developments in the pipeline for commercial, residential and retail property.

"Rosebank remains a desirable and profitable investment option for those looking to expand their property portfolio other than in Sandton or the Johannesburg CBD and the node is fast becoming the city's third business centre after Sandton and the inner city," says JLL.

A number of big office developments are deep into their construction phase or nearing completion in Rosebank. One of these is Rosebank Towers, which is owned and managed by Redefine Properties.

The listed real estate investment trust is also moving its head office to the towers, which are introducing 30,000m² of office space to the Rosebank node.

Redefine Properties is also redeveloping the old Rosebank Mews shopping centre which is right next to the Rosebank Gautrain station.

The new development - Rosebank Link - will consist of 18,300m² of lettable office space.

Growthpoint Properties, which is one of Redefine's rivals, is developing 144 Oxford Road, a 35,000m² office complex in the hub.

Barrow Properties is developing a 22,000m² office, called Corner Oxford and Glenhove.

Overall vacancies in Rosebank decreased from 8.6% in the second quarter of 2015, to 6.8% in the second quarter of 2016.

P grade accommodation has maintained an insignificant vacancy rate since the fourth quarter of 2014.

Barrow's Paul Barrow says few Johannesburg suburbs are as well-placed as Rosebank is to take advantage of improving infrastructure and amenities.

One node which may challenge Rosebank and Sandton in terms of demand and where landlords could potentially see market-beating rental appreciation in the next few years is Waterfall City.

The node, located in Midrand, is still quite new but is set to house audit advisory giant, PwC's South African head office.

The Gautrain route has been touted to extend through the node.

Source: Business Day

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