

Long-term development outlook encouraging for investors

Developer confidence remains high in Johannesburg and a longer-term outlook is more encouraging for investors. This is according to an analysis of the Johannesburg retail property market.



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The analysis is the newest inclusion to the JLL Q1 2015 research report that is now available. Additional reports of the Johannesburg office market, Johannesburg industrial market and Cape Town office market have also been released, with the following notable highlights:

In the Johannesburg market, demand for office accommodation remains unchanged in the current climate contributing to slower growth in rental rates, but the long-term outlook is encouraging for the city. The development pipeline will see an additional 430,000m² being added to overall office stock within the next two years. The overall vacancy rate in Johannesburg showed a marginal increase attributable to an increase in supply rather than a decline in demand and it is anticipated that the Johannesburg office market will continue to be a tenant-driven market.

However, consumers have seen a more challenging start to the New Year in the Johannesburg retail market which is putting a dampener on the prospects of retail sales growth. Unfortunately, a balanced outlook across all sectors is unlikely and better performance is expected from centres located in affluent areas than those with a lower income.

Industrial occupation has continued to be supported by local trade activity in Johannesburg, despite it having come under increased pressure in recent months. Industrial vacancies increased notably from Q4 2014, while the average rental rate for industrial properties remained largely unchanged in Q1 2015. Economic conditions forewarn of a further deterioration in industrial activity in the economy, but can still present an opportunity for tenants to position themselves for the long term.

The first quarter of 2015 has seen a continuation of flat market conditions in the Cape Town office market. The overall vacancy rate in Cape Town remained stable the quarter, with pressure on rental rates most visible in Grade P properties. It is anticipated that low demand will see rental rates declining in some of the best buildings.

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