

Joburg CBD's new commercial nodes offer positive property opportunity

“Amid turbulent times for the property market, the commercial sector of the market, while not unscathed, has held its own over the past year and retained its investor appeal, particularly among cash investors seeking the right yields,” said Dr Andrew Golding, CE of the Pam Golding Property group, at an acquisition event late last week.

"More than any other province, Gauteng is a hub of infrastructural change because of major projects, including the Gautrain and Rea Vaya BRT (Bus Rapid Transport System), as well as unprecedented road and traffic upgrades.

“Whole commercial growth nodes are emerging, while the improved transport systems will see far greater movement and integration across regions as well as changes to traditional urban structures. These major infrastructural projects present positive opportunities for the commercial property sector and will have a profound effect on the way commercial and office tenants view lease renewals in the forthcoming year.

"The reason for this is simple - the status of locations is affected as new key nodes emerge, with proximity to public transport being a priority for businesses.

“Consider a commercial tenant who occupies 4500/m² of office space with 200 employees in downtown Johannesburg CBD , within walking distance of customary bus and taxi ranks, finds that a brand new BRT station will open further away, attracting far more commuter usage. That tenant will definitely want to move closer to the BRT station and is unlikely to renew his/her existing lease.

“As a result, landlords need to take cognisance of such trends as they may be faced with depleted occupancies and the converse will occur in new hubs around the Gautrain and BRT stations.”

Attractive rental rates

David Reid, GM of PGC Gauteng continued, "The renewal of Johannesburg CBD is resulting in increasing interest in office space in areas such as Main Street from the Magistrate's Court to Gandhi Square, which has become akin to a financial district, with coffee shops, restaurants, cobbled walkways and an appealing ambience.

“This is coupled with more attractive rental rates of R80-R100/m², when compared with some decentralise nodes such as Sandton or Rosebank, where rates range between R90 and R100/m². Plein Street and Doornfontein are other areas, which will be upgraded and will start attracting interest from investors in commercial property.

"However generally vacancies are higher than before and according to the SAPOA/IPD Vacancy Report, t Johannesburg CBD reflects vacancies of 10.7 percent which shows an increase of 20 percent compared with the same period a year ago, while Sandton's vacancies of 7.2 percent are up by 28 percent. Sandton has the added impact of rapid expansion and development releasing space onto the market, thereby compounding the vacancy problem.

Landlords must be more flexible

"This changing landscape certainly means that landlords need to be much more flexible regarding rental rates, escalations, length of the lease and tenant installation contributions. Due to economic constraints, the business sector is re-evaluating the nature of its premises and space utilisation, simplifying them in order to be more economical and cost effective. In turn this will result in their looking to areas which offer both sound value for money as well as accessibility for staff.

"While the industrial market, including warehousing and distribution operations, is showing considerable resilience in the current downturn, it's not uncommon to find traditionally large warehouses from around 4 000-10 000m² becoming vacant.

"We are already seeing increased industrial vacancies in areas such as the East and West Rand, Elandsfontein, Isando and Krugersdorp. However this situation presents opportunities for those seeking space, as in traditionally older industrial areas prices for warehousing are as low as R12/m², ranging to modern warehousing priced up to around R54/m² in newly developed industrial property close to off ramps and passing traffic.

"Increasing vacancies make for challenging times for developers and investors, however the extraordinary infrastructural improvements that we are seeing around us in Gauteng, coupled with the ability of landlords to address constrictions in the rental market, offer the best means to survive this current trend," concludes Reid.

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