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PROPERTY CONSULTANTS & VALUERS

Rode's Report

2023:1

House prices are deflating after Covid mini-boom – p. 181

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Rode's Report
on the South African Property Market

2023:1

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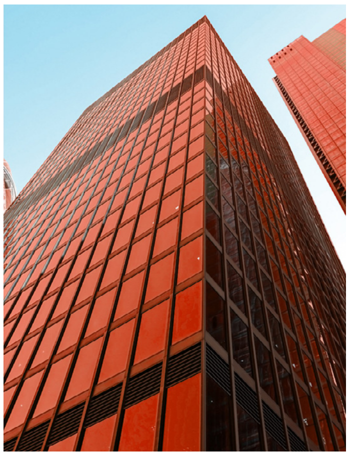
Overview

As one of the large independent property valuation firms in South Africa, *Rode & Associates* offers the property industry:

- **Property journals** – Quarterly countrywide surveys which feed three research publications. One of the three publications contains 6-year forecasts of the crucial value-forming attributes of property in the major cities of South Africa. The forecasts are done using econometric models.
- **Time series database** – Over 7 000 property time series covering more than three decades. These time series are sourced from our quarterly surveys.
- **Property valuation** – Our valuations expertise cover retail, residential, commercial (including office buildings), industrial, agricultural and specialised properties such as hotels, hospitals, dormitories, self-storage facilities, airports, filling stations and the like
- **Property consultancy** – This covers a wide spectrum of areas.



Based in Cape Town, *Rode* serves clients from all over South Africa and Namibia (surveys in Windhoek only).

GROUNDBREAKING RESEARCH

Over the years, *Rode's* research has led to ground-breaking property models and methodologies. This includes the regular, rigorous surveying of market rental levels and capitalization rates through the expert-panel method of polling to provide more uniform and realistic market valuations. Other breakthroughs include:

- A unique econometric model to forecast the South African real estate market
- The statistical determination of standard capitalization rates
- Property demand forecasts
- The estimation of market rentals in shopping centres and for industrial premises of various sizes
- Special methodologies to value income-producing properties
- The development of regression models to estimate the capitalization rates of office properties, industrial properties and shopping centres
- The application of multiple regression techniques to value houses
- Rode's Valuation Method – also known as the opportunity cash flow (OCF) method – to value income-producing properties
- A further refinement to the valuation of land with residential township potential using the direct-comparison method
- A further refinement to the valuation of bare dominiums.

Rode Valuations

As one of South Africa's large valuation firms, *Rode* annually values property portfolios which include shopping centres, agricultural property, residential, commercial and industrial property. *Rode* also undertakes municipal property valuations, as well as specialized valuations such as hotels, hospitals, bare dominiums, airports, etc. *Rode* has been the annual overall top performer in the pmr.africa awards since 2016.

Rode's property valuation services are underpinned by the rigorous surveying of, *inter alia,* market rental levels and capitalization rates. *Rode's* valuation services also rely extensively on techniques such as regression models, as well as the opportunity cash flow (OCF) method. This ensures uniform and realistic market valuations and is *Rode's* competitive edge.

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Rode specialises in the valuation of farms and smallholdings and understands the value-drivers within this sector.

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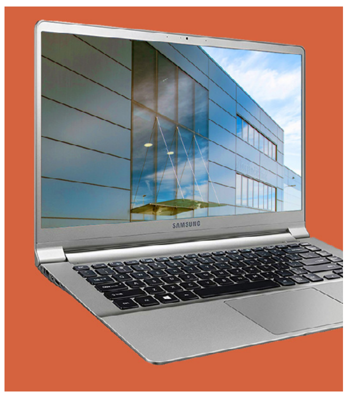
Rode Consult

Rode Consult renders property-related research services to the public and private sectors.



As consultants, *Rode & Associates* are often called upon to do difficult tasks. So, for instance in 1990 Rode analysed and forecast the property market in Maseru for the Lesotho National Development Corporation (LNDC). This project involved, *inter alia,* forecasting demand trends in Maseru. Another example is estimating the demand for housing, including retirement villages.

Studies often utilise econometric analysis to forecast trends.

Examples of other assignments include:

- Compiling a **macro overview** of the South African housing market for the national Department of Housing;
- **Demand forecasts** for specific office nodes, industrial townships, and flats markets;
- **Forecasts of rental levels** using econometric modelling;
- Property-portfolio analysis;
- **Long-term forecasts of property values** in South Africa;
- An analysis of the **property market in towns and municipalities;**
- Acting as an **expert witness** in arbitration and litigation;
- Assessment of **market potential for commercial property ventures** such as new or existing office complexes, retail centres, light industrial nodes, etc. To do this, property market indicators are identified and analyzed, e.g. supply and demand analysis (type & size), rentals (R/m²), selling prices, escalation rates (%), vacancies (%), take-up rates (%).
- **Advisory services** to implement the *Government Immovable Asset Management Act, Act 19 of 2007 (GIAMA);*
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Major recent clients of the division include: the City of Cape Town, the Western Cape Government, the Auditor-General of South Africa (AGSA), engineering firms and property developers.

Rode Publications

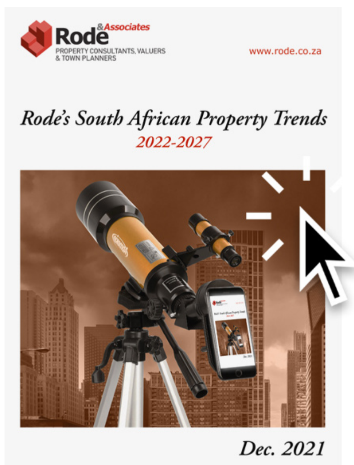
RODE'S REPORT ON THE SOUTH AFRICAN PROPERTY MARKET

Rode's Report analyses and reports on most sectors of the property market in the metropolitan areas and some secondary cities. It covers, inter alia, rental levels per m² by property type, grade, size and node/township; capitalization rates by type of property, grade and location; building costs by type; building activity; etc. It excludes the retail property market. The publication is updated quarterly and available only in digital format.

RODE'S RETAIL REPORT ON SOUTH AFRICA

Rode's Retail Report reports on the state of the retail property market by analysing the most recent retail sales and trading-density statistics. Retail property information includes street-front shop rentals per m² by size for about 120 street-front micro-locations in six metropolitan areas. The publication also reports on developments of new shopping centres and major extensions to existing shopping centres. The publication is updated quarterly and available only in digital format.

RODE'S SOUTH AFRICAN PROPERTY TRENDS



Trends contains forecasts of crucial property variables like rentals and capitalization rates by city, six years into the future. The forecasts are updated every six months using econometric models and cover the major South African metropolitan areas, thus giving a complete framework for property investment planning and viability studies. The publication is updated biannually and is available only in digital format.

TIME SERIES LITE

Use *Rode's* reliable historical data to aid your research, strategic decision-making and presentations. This digital database provides online access to more than 2 000 property-related time series – many going back more than three decades. The database includes key property time series like capitalization rates, and office and industrial rentals. The data covers all metropolitan areas and some secondary cities. It is updated quarterly and available only in digital format.

TIME SERIES PRO

This is an extension of *Rode's Time Series Lite* database and contains about 7 000 property-related time series – many going back more than three decades. A must for the serious property analyst. *Time Series* is updated quarterly and available only in digital format (Excel).

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Code	Company	**Telephone number**
AA	Ask Ash	0825746747
AAG	Arden Avant-Garde	0106300375
ABA	Abacus Divisions	0123455555
ACU	Acumen Properties	0825574768
AI	Aida Pretoria	0123483720
AN	Annenberg Property Group	0214657780
AP/OP	API Property Group/OfficePlace	0126440522
AP/OP	API Property Group/OfficePlace	0311008108
AP/OP	API Property Group/OfficePlace	0219112906
ARN	Arnie Katz Realty	0413731333
AS	Airspace SA	0614725023
AV	5th Avenue Properties	0112346111
AWP	Andrew Wood Properties	0832363848
AX	Avron Properties cc t/a Montague Gardens Property	0215520001
BCR	Bedfordview Commercial Rentals (Pty) Ltd	0114500588
BLA	Black Pepper Properties	0114631909
BON	Bonnins Estates	0312668446
BP	Brickfield Properties	0723476703
BPM	Blue Asset & Property Management	0829716402
BR	Broll Property Group	0514303008
BR	Broll Property Group	0114414108
BR	Broll Property Group	0413635559
BVF	Boshoff Visser Property Group	0448732801
CA	Chas Everitt	0219154800
CAP	CapProp	0837845895
CAR	Carleon Properties	0117891007
CBR	CBRE Excellerate	0119118259
CIR	Circle Properties	0219813263
CM	Capitol Commercial Properties	0219141840
COR	Core Property Group	0217972552
CPS	3Cube Property Solutions	0103006441
CR	Colliers International	0117832111
CRI	CRI Properties	0123467777
DD	Diamond Properties	0214340001
DE	Dedekind Real Estate	0366372297
DM	Dalmax Properties (Pty) Ltd	0317641525
DN	David Newham Property Management	0219480934
DOR	Dormehl Phalane Property Group Pietermaritzburg	0333425129

DT	Deltahof	0826022777
DW	Divaris Property Brokers	0215311551
ED	Edric Trust	0514489431
EK	Ellenberger & Kahts	0514301511
ENV	Engel & Völkers	0119293096
EPG	Edge Property Group	0212076016
EQV	Equity Valuers	0514300907
ERA	ERA Sun Properties	0437404556
ES	Eli Ströh	0152873300
ETC	Etchells and Young Property Brokers	0117915134
EXH	Executive Homes	0114855019
GAM	Granite Asset Management	0861177770
GB	Galetti Corporate Real Estate	0117831195
GB	Galetti Corporate Real Estate	0214186308
GI	Growthpoint Properties	0119446449
GI	Growthpoint Properties	0119446073
GI	Growthpoint Management Services	0315845100
GR	Grove Properties	0834561924
GRV	Garden Route Valuers	0762308680
GW	Goldswain Investments	0437222876
HN	Harcourts Patrick & Co	0333423340
HN	Harcourts Maritz	0126530386
HP	Horizon Capital	0214258586
IPC	IPC/Rob Lopes Rentals	0413630000
JA	Jawitz Properties	0217945500
JB	Jack Bass CRE	0210231301
JLL	Jones Lang LaSalle	0115072200
JR	J Margolius & Associates	0861825848
JUS	Just Property Amanzimtoti	0319037434
JUS	Just Property Winelands (Paarl)	0218721487
JUS	Just Property Atlantic Seaboard	0212017007
KA	M.A. Krog & Associates	0832973140
KEL	Kellaprince Property Group	0137544400
LA	Landlords "We do Rentals"	0219751770
LIB	Liberty 2 Degrees	0114485687
MAF	Mafadi Western Cape	0210013410
MAS	Massyn Acquisitions	0123452576
ME	Mendace Properties	0828998304
MO	Moolman Group of Companies	0152914700
MPR	Millar's Properties	0123420527
MPV	Masisizane Property Valuations	0834693555

MR	Marder Properties	0114531220
MUL	Multi Properties	0448746907
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MY	Mike Shefer Estates	0413738676
NAN	Nangate Investments	0824113839
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NET	Networth Group	0152988141
NEX	Nexus Property Group	0214183911
NH	Netwater Properties	0113261614
NR	National Real Estate	0514059990
OMN	Omnigro	0212762000
ORI	Oriprops	0137546562
OSO	Office Space Online	0115933111
PC	Propco (1985)	0315691334
PG	Pam Golding Properties Nelspruit	0137542300
PH	President Estate & General Agents	0118738707
PHP	Platinum Hill Properties	0214244242
PLA	Platinum Global	0514474711
PM	PDL Property Management	0137527333
PN	Propergation Property Solutions	0219146444
PPG	Pulse Property Group	0437000327
PPR	Parallel Property	0110837171
PR	Property Fellas	0114546615
PRS	ProperSell	0117816281
PRU	Properties R US	0218632046
PVN	Property Valuations Namibia	0026461241100
PW	Property Window	0538311319
PX	Pillay Properties	0216857710
QU	Quadrant Properties	0115309840
RA	Real Estate & Property Services	0110271400
REA	RealFMG	0118071760
REW	Real Estate @ Work	0836328011
RIO	RIO Property	0837082098
RIZ	Rize Property Professionals	0835567257
RK	Renprop	0114636161
RM	Remax Border East London	0437485847
RNP	RNP Properties	0116262630
RO	Reef Property Consultants	0114501700
SA	Sarkhot & Associates	0318305434
SC	Stockton Property Consultants	0114259857
SCM	Sotheby's Commercial	0217012446

SE	Stipec Eiendomskonsultante	0152954537
SF	Seeff Polokwane	0152971140
SF	Seeff Properties Amanzimtoti	0319031234
SH	Share-List Property	0317647101
SHP	Shalan Properties	0836527341
SLT	Sandak-Lewin Trust	0214190440
SPI	Spire Property Solutions	0216854020
SPI	Spire Property Solutions	0878050556
SPS	Strategic Property Solutions	0315760387
SQ	Steer And Company	0214261026
SR	Sancus Realty	0218899759
SS	Six Squared Property Consultants	0823872234
SUM	Summerton Edelson Commercial	0415811768
SWI	Swindon Property Brokers	0824056940
SWI	Swindon Property Brokers	0112686315
TCP	Turnkey Commercial Properties	0833067916
TE	Trust & Estate Co.	0026461231224
TG	Theo Goosen Estate Agents	0152959014
TH	Trevor Hosiosky Investment Properties	0118035545
TI	Torva Property Investments	0117835370
TR	Trafalgar	0313017017
TR	Trafalgar	0112145200
TR	Trafalgar	0437266066
TR	Trafalgar	0413656840
TR	Trafalgar	0431250125
TR	Trafalgar	0123265963
TR	Trafalgar	0214105500
TRD	3rd Storey (Pty) Ltd	0795171696
VP	Vermaak Properties	0215552495
WD	Webprop	0219100180
WHF	Warehouse Finder	0860009531
WK	Wakefields	0317090213
WP	Watprop	0118870473
WPM	Watchprop Property Management	0219819756
ZZ	Anonymous	

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1. The Bureau for Economic Research (BER) for the use of its building-cost data (BER BCI).
2. AECOM for the use of its building-cost data for various building types.
3. All the panellists who so kindly gave of their time and expertise in responding to our surveys. The complete list of panellists who contribute to the RR, together with their codes, appears on p. xii. For each of the survey tables in the RR you will find, listed against every node or area, the codes for all the panellists who contributed information this quarter.
4. Loraine West, who has the task of making sure the grammar and style are up to scratch.
5. Other property practitioners throughout South Africa, experts in their fields, too numerous to mention individually. Without the generous assistance of these professionals, much of our research would be impossible.
6. Samantha Harkers-Kies, who manages the surveys and compiles the annexures, and Lynette Smit and Juwayra Januarie for their technical assistance.
7. The JSE Securities Exchange and Statistics South Africa for the use of their data.

Foreword

Dear Reader

Welcome to the first issue of *Rode's Report on the South African Property Market* (RR) for 2023, which reports on surveys conducted in the first quarter.

As usual, we report on the movements of several critical property variables, ranging from capitalization rates, market rentals, operating costs, vacancies, escalation rates and land values to house prices.

Lynette Smit and Samantha Harkers-Kies oversee our survey panel. We appeal to all market participants who feel they have sufficient property-market knowledge to become a panellist, to please contact Lynette. Her cell no. is 082 323 5799 and her email lynette@rode.co.za. It's for the benefit of everyone in the industry. As a panellist you will also get invaluable exposure.

If you want to communicate with a specific niche market, you can also contact Lynette for RR advertising rates.

Enjoy the read!

Kobus Lamprecht
Editor

5 April 2023

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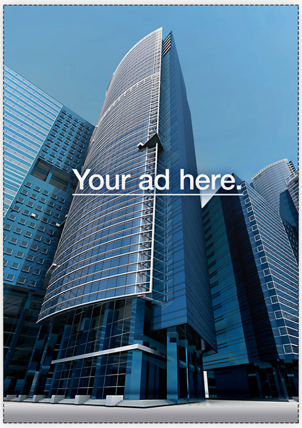

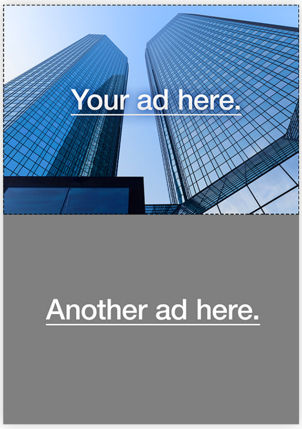

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Mind the gap

How stalling market-rental growth affects tenant installation allowances

Pieter-Jozua Erasmus

When tenants are considering leasing new offices, they mainly consider attributes such as the location, monthly rental and grade of building when comparing various office buildings with each other. However, one crucial aspect is often overlooked and that is the internal installation cost of the proposed new office space.

Landlords normally provide incoming tenants with a tenant installation allowance (TIA) to assist tenants with the cost of building their new office space. This allowance may be used for the interior fixtures such as air-conditioning, dry-walling, flooring, kitchenettes, ceilings, etc. The formula to calculate the TIA is always negotiated, but the market norm is that landlords provide as an allowance one month's office rental per year of the lease (parking and balcony/ patio costs excluded). For example, if you conclude a three-year lease for a 250 m² office at a rental of R160/m², the TIA would be calculated as follows: 250 m² x R160/m² x 3 years = R120 000 plus VAT. It is important to note that this is applicable to spaces where an existing installation is already present, i.e. "second-hand space". New buildings (with no prior/existing office installation) are treated differently. In these cases, a TIA of R3 200 to R3 500/useable m² plus VAT is provided. This may sound steep, but the incoming tenant will have to fit out the space from a raw, grey-box state to fully installed.[1] This will include the cost of air-conditioning and ceilings, which are normally present in pre-used office spaces.

The rule-of-thumb TI allowance is directly linked to the rental payable by the incoming tenant. But, if we consider that during the past 10 to 14 years we have lived through a world financial crisis, the Zuma presidency, pitiful economic growth, the Corona virus and increasing inflation levels, one does not have to be a property economist to know that office rental rates have been under pressure for many years. Since market office-rental rates have seen meagre growth over this period, it means TI allowances – when using the old rule of thumb – have been lagging construction of office interiors over the same period.

Capitol's industry colleague and contractor, François Burggraaff from Sashona Walling, has provided us with a comparison of installation costs used in 2014 vs 2022. The table below shows the cost of certain items and the resultant growth in costs over this period. And this is exactly where the "gap" has been created. Little rental growth is causing flatlining of TI allowances, while construction costs have soared over the same period. Tenants are, therefore, faced with an ever-growing gap between the TIA provided by the landlord and the cost of installing the new offices. Thus, office installation costs are one of the biggest hurdles in concluding office leases in the current economic climate. It means one should question the practice by some landlords to white-box their preoccupied office units (demolishing the interior layout when an outgoing tenant vacates an office).

[1] For a definition of grey box and white box, see **Annexure 1** of this issue of *Rode's Report*.

Item	TI costs/useable m²		Increase
	2014	2022	
2,7-m high partitioning	R980	R1 640	67%
Full-height painted doors	R2 150	R3 450	60%
Normal plug	R600	R1 050	75%
Dedicated plug	R50	R1 150	53%
Data routes in partitioning	R250	R450	80%
Light switch	R 300	R480	60%
600x600 LED light panel	R600	R850	41%
600x1200 suspended ceiling (vinyl)	R220	R340	54%
Berber Point carpets	R175	R310	77%
Painting (washable acrylic)	R44	R74	66%
Painting (doors)	R380	R520	36%
Unweighted average increase			61%

In these interesting times, some landlords have incentivised tenants by granting additional TI allowances depending on the lease period, rental, and escalation rate offered. This certainly helps tenants to bridge the gap between installation costs and the old rule-of-thumb TI allowance.

Now we must consider what happened to the rental rates of A-grade decentralized offices in Cape Town over the same period. For clarity, the term "decentralized" refers to all office nodes in Cape Town, except the Cape Town CBD and the V&A Waterfront. If we consider the 61% by which construction costs have increased, as indicated in the table, the creation of the gap will make sense if the office-rental growth was lower than that of the construction costs. And so it is. The rental growth has been only 29% over the corresponding period and, using the old rule of thumb, the tenant's TIA has also grown by a mere 29% – much slower than the growth in construction costs, which was about 61% over the period 2014 to 2022 (see the table).

To summarize, tenants nowadays must dig much deeper into their own pockets to construct their new internal office areas, unless the landlord comes to the party. Ten to fifteen years ago, we saw that tenants comfortably managed to do a basic installation with the TIA offered, but that is no longer the case. Therefore, tenants and landlords will have to be more creative to navigate this rising phenomenon. It will have to be a partnership where both parties are prepared to come to the table with, say, a higher TIA, higher rental rates and a longer lease period, to make a transaction financially viable. Or does this signal the point where tenants wanting their own front door have to accept that generic, open-plan spaces are the future? Δ

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Chapter 1: State of the property market

State of the property market in quarter 1 of 2023

This issue's front page depicts South African house prices that in *real* terms are deflating. This is being caused by the sharp rise in the prime interest rate to 11,25% by end March 2023 from 7% in October 2021, as well as a moribund economy. This comes after the mini-boom during Covid when prices were lifted by the sharp interest rate drop at the time.

Many homebuyers have been caught off guard by the extent of the interest rate hikes, despite warnings by many that interest rates will eventually have to rise. Vigilant readers will remember the front page of *Rode's Report 2021:3* that read "Beware the coming interest rate hikes".

That said, a positive for the property market is that the top of the current upward cycle of interest rates is close, with interest rates likely to move lower towards the end 2023 or in 2024 − at least, that seems to be the consensus opinion among economists. A wild card is the impact of the surge in the oil price at the beginning of April and the eventual outcome of the Putin war.

Apart from higher interest rates, the huge electricity crisis is also top of mind of property companies and tenants. The cost to keep properties running during load shedding is enormous. As not all cost can be recovered from tenants, this will negatively impact the earnings and ultimately dividends declared by REITs. Of course, this also adds to the tenants' cost of occupancy, which eventually reduces their ability to absorb rental hikes.

The property sector also faces numerous other challenges, such as high vacancies, rising operating costs and a lack of municipal service delivery – not to mention the global, and especially the SA economy, that faces a period of low growth.

Encouragingly, the recent financial results for the period ended December generally did look better, especially for REITs exposed to retail and industrial property. The oversupplied office market remains a drag on the results of REITs and other funds that are heavily exposed to this sector.

A summary of the main findings by property type follows.

Quantitative overview of the property market

Table 1.1 on the next page provides a snapshot of how the property market has performed over the past four quarters by comparing the latest information (quarter 2023:1) with data collected a year earlier.

Office market

The office market remains challenging due to its significant oversupply. However, Rode data shows that vacancy rates have moved lower from higher levels, while nominal market-rental growth has also picked up from a low base. That said, REITs are still generally reporting large negative rental reversion rates as rentals have escalated by much more than market rentals.

The outlook for the office market is clouded by the poor economic outlook and the remote-working trend, with hybrid working models proving popular. The electricity crisis has worsened prospects for the economy and office demand.

Nationally, weighted gross market rentals for decentralized grade-A space rose by 3,2% in *nominal* terms in the first quarter of 2023 compared to the first quarter of 2022. This shows that rentals have bottomed out after falling by 5,2% in 2021 and by 1,2% in 2020. But to give perspective, the first-quarter national nominal rental rate was still 3% below 2019 levels (that is, before the Covid pandemic). In *real* terms, rentals are still in negative territory after deducting the BER's roughly 6% estimate of building-cost inflation. The positive is that the cooling of building-cost inflation will generally result in a smaller decline in *real* rentals than that seen in 2022.

Regionally, Cape Town has been the clear top performer over the past few quarters. In the first quarter of 2023, grade-A nominal rentals increased by 13% in Cape Town decentralized compared to the first quarter of 2022. Decentralized rentals rose by 2,3% in Johannesburg and by 1,7% in Pretoria. Durban took a turn for the worse, with decentralized rentals *down* 2,3%. For readers it is important to understand that these increases are year on year, meaning the first-quarter 2023 level is compared to the low level of the first quarter of 2022. In *real* terms, only Cape Town managed to record above-inflation rental growth compared to a year ago. The Mother City's rentals now also exceed the average 2019 level.

Industrial market

Rode's first-quarter 2023 survey results show that the industrial property market is still best placed of the three major non-residential property sectors thanks to its superior rental growth and low vacancy rates. However, there are signs that the market is starting to slow, such as a weaker cap rate and slower rental growth. This is not surprising given the state of the economy and resultant hits to the manufacturing and retail sectors.

Table 1.1 Rental performance as at quarter 2023:1 % change from four quarters earlier (on smoothed data)		
	Nominal	**Real***
A-grade decentralized office rentals		
Sandton CBD	1,1	-4,4
Rosebank	4,0	-1,7
Randburg Ferndale	-1,1	-6,4
Centurion	14,2	7,9
Hatfield	0,9	-4,6
La Lucia/Umhlanga Ridge	-2,1	-7,4
Berea	-4,9	-10,1
Tyger Valley	21,2	14,6
Century City	11,7	5,7
South Africa	**3,2**	**-2,4**
Prime industrial rentals (500 m² units)		
Central Witwatersrand	4,6	-1,1
East Rand	7,4	1,5
Durban	3,5	-2,1
Cape Town	4,9	-0,8
South Africa	**5,1**	**-0,6**
*Nominal values deflated by BER Building Cost Index		

Nominal gross market rentals for space of 500 m^2 in the first quarter of 2023 grew by 5,1% compared to the first quarter of 2022. This is slower than the 5,7% growth recorded in the fourth quarter of 2022. In *real* terms, rentals are still declining, but only slightly as building-cost inflation (BER BCI) was estimated to have cooled to about 6%.

The industrial market has been boosted by continued low vacancies. It is puzzling that vacancy rates have not worsened given the poor economic environment – perhaps landlords have kept vacancy rates low at the expense of rental levels as reversion rates on new leases have been negative for most REITs. Vacancy rates are low, especially for warehouses linked to logistics, thanks to strong online sales.

Regionally, the East Rand surprised on the upside, with rental growth of 7,4% compared to the first quarter of 2022. The East Rand struggled during the pandemic with nominal rental growth of only 1% in 2020 and 2021, which implies that it is playing catch-up. Nominal rental growth in Cape Town and the Central Witwatersrand was also relatively strong at about 5%, while growth was slightly slower at 3,5% in Durban.

Residential market

The housing market continues to slow down due to lower effective demand for property as a result of the weakening economy, the higher cost of living and rising interest rates. Nominal prices grew by 2,5% in the first two months of 2023 compared to the same period in 2022, based on FNB data. This indicates a slowdown after growth of 4,2% in 2022 and 3,5% in 2021. Thus, in *real* terms, house prices are still declining sharply, after deducting the consumer inflation (CPI) rate of close to 7%.

In this issue, we explain that the interest rate hikes have started to affect prices and activity levels more materially and the impact is not over yet.

Turning to flats, vacancy rates on a national level averaged 6,8% in the first quarter of 2023, unchanged from the fourth quarter of 2022, according to Rode's residential survey data. This is better than the 8,3% average of 2022. However, vacancy rates are still slightly above the 5,3% average recorded in the three years from 2017 to 2019 that preceded the pandemic.

On a regional level, the Western Cape continues to stand out with its low flat vacancy rate of 2%, down further from 3,2% in the fourth quarter of 2022 and well below the national average. In contrast, Gauteng (flats in Johannesburg and Pretoria) saw its vacancy rate worsen to 10,1% from 8,2%. KwaZulu-Natal's vacancy rate also worsened to 14% from 10,8%. All in all, house prices and rentals are still declining in *real* terms in most parts of the country. ■

Chapter 2: Capitalization rates

Cap rates of industrial property showing some weakness

Kobus Lamprecht

The results of Rode's first-quarter 2023 capitalization rate survey show that cap rates of directly held industrial and office properties remained roughly the same as in the fourth quarter of 2022 but are somewhat higher than in 2022. In contrast, cap rates of regional shopping centres declined (improved) slightly in the first quarter of 2023.

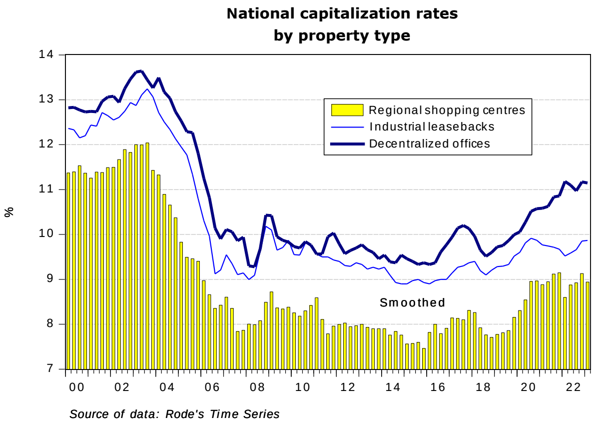
On the one hand, cap rates have been pushed up by a riskier environment due to expectations of weaker global and South African economic growth in 2023, including the local electricity supply crisis. On the other hand, a factor that has put downward pressure on cap rates in the first quarter of 2023 has been the SA long-term bond yield, which has declined in line with a pullback in global yields due to expectations of lower inflation, and ultimately a decrease in interest rates towards the end of 2023. The mini banking crisis in some parts of Europe and the US has also led market participants to think the end of the current hiking cycle is near. Note, however, that long-bond yields are not the only driver of capitalization rates.

The **industrial** market remains fundamentally in the best position of the three major non-residential property types thanks to its low vacancies and *relatively* strong rental growth. Cap rates of directly held industrial property worsened as 2022 progressed and moved sideways in the first quarter of 2023. Perhaps, there are some doubts whether the sector's strong performance is sustainable.

The **retail** property market made a strong comeback in 2022 but has been under pressure over the past few months as evidenced by the weaker retail sales performance. *Real* retail sales declined by 0,8% in January 2023 compared to January 2022. This is reflected in the cap rates of regional shopping centres remaining high compared to pre-Covid levels. Nonetheless, cap rates have improved somewhat from fourth-quarter 2022 levels as discussed later.

Turning to the **office** market, it is still the riskiest property type by far, as demonstrated by its high cap rates. Office cap rates in the first quarter of 2023 averaged the same as in the fourth quarter of 2022 but are up compared to 2022 and pre-Covid (2019) levels. The survey results reflect a sector that remains under pressure from an oversupply.

Nationally, the weighted cap rates were 11,1% for grade-A multi-tenanted decentralized office properties, 9,8% for prime industrial leasebacks and 8,9% for regional shopping centres (see the chart).



Below, we first briefly discuss the outlook for capitalization rates, followed by the movement in these rates for the different non-residential property types.

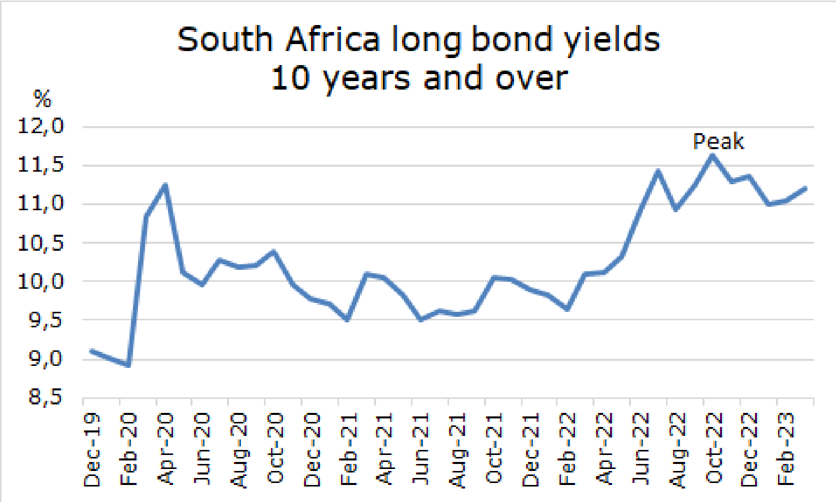
Cap rate outlook

Interest rates in general can affect the income yields investors expect on property in three ways, viz. (1) the substitution principle (alternative, long-term investments like 10-year government bonds experience a change in yields), (2) changes in the cost of financial gearing (shorter-term interest rates), and (3) changes in the market's rating of listed property funds like REITs. The market's rating of REITs is especially important as REITs are big buyers of institution-quality directly-held properties, and a poor rating of REITs (high forward yields) means these funds want to pay less for the same expected cash stream (thereby raising capitalization rates of directly-held properties). In fact, since the Covid-19 pandemic, REITs have been net sellers of properties, which goes a long way in explaining the rise in cap rates. The reason for this sell-off is the need to contain the loan-to-value (LTV) ratios in the light of declining market values.

The outlook for the growth in income streams from directly held non-residential property continues to be marred by poor property fundamentals, such as above-average vacancy rates and, therefore, weak market rentals. Industrial property could be seen as an exception. Poor fundamentals should generally affect capitalization rates negatively in the next year or so, meaning cap rates will tend to stay high and could even worsen, holding all other factors constant.

As explained above, another predictor of capitalization rates is long-bond yields. The yield of SA's long-term bond (10 years and longer) moved upwards for the most part of 2022 in line with growing inflation globally and locally. The Reserve Bank has lifted short-term interest rates by 4,25% points since it started hiking rates in November 2021, resulting in a prime rate of 11,25% by the end of March - see **Annexure 7**. This means the prime rate is now above the roughly pre-pandemic level of 10% in 2019. Surprisingly, the Reserve Bank hiked interest rates by 0,5% in March, despite the US lifting its rate by only 0,25% in the same month, as South Africa's inflation is proving very sticky due to the upward pressure on production cost from load shedding.

However, looking at the monthly trend in long-bond yields shown in the chart, it has moved lower, albeit in a volatile manner, since its peak of 11,6% in October 2022. The latest level was 11,2% in March. The decline since that peak was due to market expectations that the current rate-hiking cycle was near its top as inflation is set to fall more with lower energy prices, among other factors. However, as we write this, OPEC+ at the beginning of April decided to reduce oil production further, which led to a surge in oil prices. This befuddles previous optimistic inflation forecasts. Much also depends on the outcome of the Putin war.



Source of data: IHS Markit

Office capitalization rates

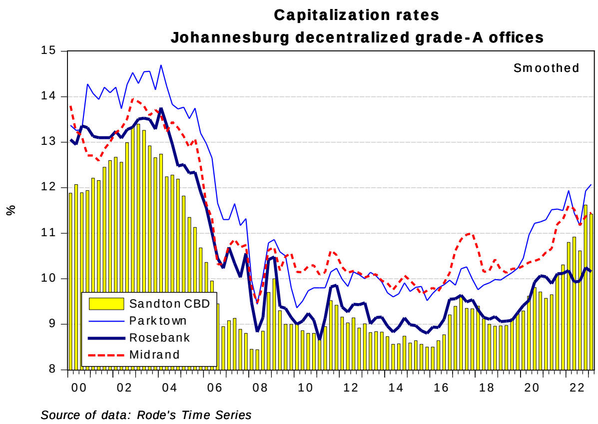
Nationally

Office capitalization rates of grade-A multi-tenanted properties in South Africa decentralized averaged 11,1 % in the first quarter of 2023, roughly unchanged from the fourth quarter of 2022. These rates are slightly higher than the 2022 average and the pre-Covid (2019) level of just under 10%. The survey results reflect a sector that remains under pressure from an oversupply, and it could stay this way for a long time, considering the weak economic growth prospects and the lasting impact of the work-from-home trend.

Johannesburg

The office capitalization rate of grade-A multi-tenanted properties in Johannesburg decentralized was 11,7% in the first quarter of 2023, unchanged from the fourth quarter of 2022. Cap rates are still up significantly from their pre-Covid (2019) average of 10%.

Fundamentals in Johannesburg decentralized have improved somewhat over the past few quarters but are still poor. The decentralized vacancy rate for grades A+, A and B office space combined edged up slightly to 16,4% in the first quarter of 2023, but is still well below the high levels of close to 20% of a year ago, according to Rode's vacancy survey discussed in **Chapter 6**. Nominal, decentralized grade-A market rentals in the first quarter rose by about 2% compared to a year ago (see **Chapter 5**), which was slower than the 4,8% growth of the fourth quarter of 2022. The slowing rental growth trend is apparent in most of the major Johannesburg nodes, but rentals are still up compared to the low base of the first quarter of 2022. This shows that rentals bottomed out after the Covid lows.



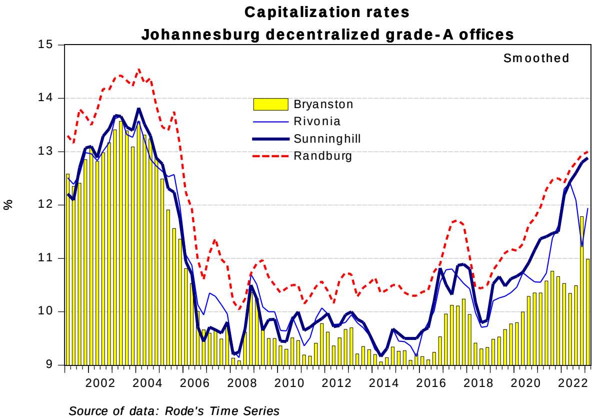
Source of data: Rode's Time Series

The two accompanying graphs show which decentralized nodes in Johannesburg are not investors' favourites (the nodes with the highest capitalization rate). They are

Randburg, Sunninghill, Parktown and Midrand. Of course, there are others, but these are the ones that stand out on the two graphs.

The top office nodes (the nodes with the lowest cap rate) in Johannesburg in the first quarter of 2023 were Rosebank CBD and Waterfall. Sandton CBD used to be considered a top node, but it has lost significant ground, as shown in the chart, due to its high oversupply. For example, brokers that took part in Rode's office market survey perceive Sandton's average vacancy rate for grade A$^+$, grade A and grade B combined as about 17%, while the aforementioned two nodes have vacancy rates of about 11% (see **Chapter 6**).

Note that we do not consider the poor fundamentals of Sandton CBD as permanent – rather, they are the result of overenthusiastic developers oversupplying the node temporarily.



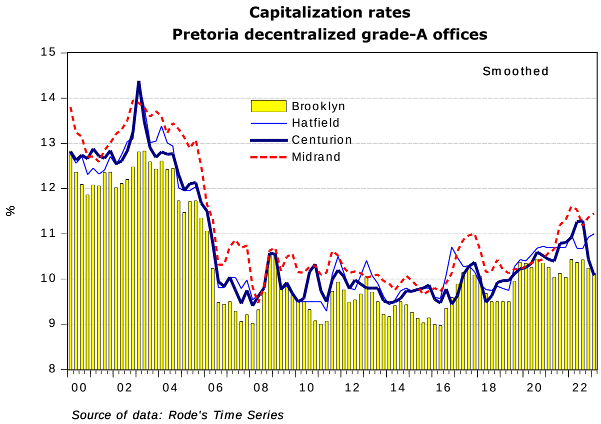
In the first quarter, capitalization rates of grade-A multi-tenanted properties in Johannesburg decentralized ranged from 9,9% in Waterfall to as high as 13% in Randburg/Ferndale. It was a mixed performance across the different nodes compared to the fourth quarter of 2022, with some (such as Sandton and Bryanston) showing improvement and others (like Rivonia) weakening.

The differences in capitalization rates can be used as a guide to the market's perception of these nodes. The higher the capitalization rate, the worse the expected growth in income streams and/or the higher the perceived risk of the node (or individual property).

Thus, risk and expected growth in rentals are intimately linked. We also see this link in the way rating agencies like Standard & Poor's evaluate the creditworthiness of countries (high economic growth reduces risk of default even when the debt-to-GDP ratio is high).

Pretoria

Our respondents believe investors currently require a minimum net income return of 10,4% to induce them to buy or sell prime multi-tenanted office properties in Pretoria decentralized.[1] This percentage is slightly better than the fourth quarter of 2022 and it is also better than the 10,7% average in 2022. Pretoria did not experience the better nominal rentals and vacancy rates generally observed in other major cities in 2022 and appears to be playing catch-up. This is clear from the recent rental rate and vacancy rate improvement, discussed in **Chapters 5** and **6**.



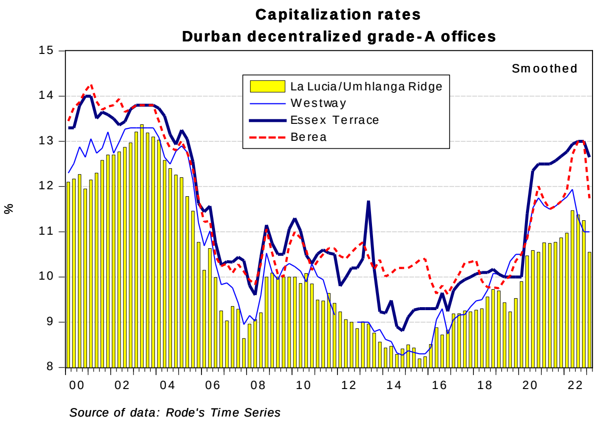
On a nodal level, cap rates are the lowest in Brooklyn, Menlyn/Lynnwood and Centurion.

[1] Note that we report on *standard* capitalization rates. These assume the property is let at market-related rentals as distinct from escalated contractual rentals, which may be far higher than market levels. See the Glossary (**Annexure 1**).

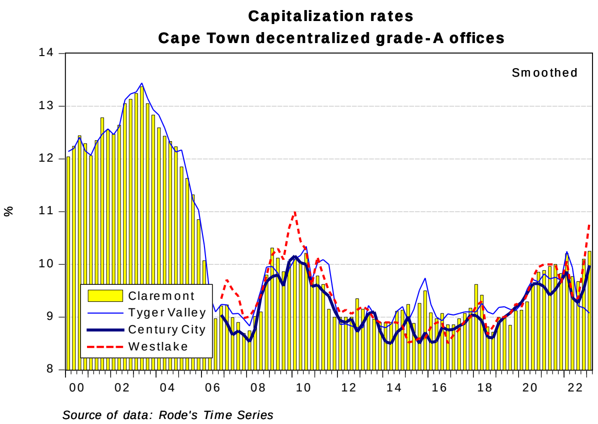
Note Centurion's sharp improvement in the first quarter, which is line with the better rentals Rode has observed recently. Cap rates are comparatively worse in Hatfield.

Durban

The average capitalization rate for grade-A Durban decentralized office property was 11,5% in the first quarter of 2023, better than in the fourth quarter of 2022. Durban's cap rate is still the highest of the four major cities, despite the improvement of late. In other words, brokers perceive Durban to be the riskiest. Cap rates unsurprisingly have remained the lowest in the flagship node of La Lucia/Umhlanga.



Cape Town

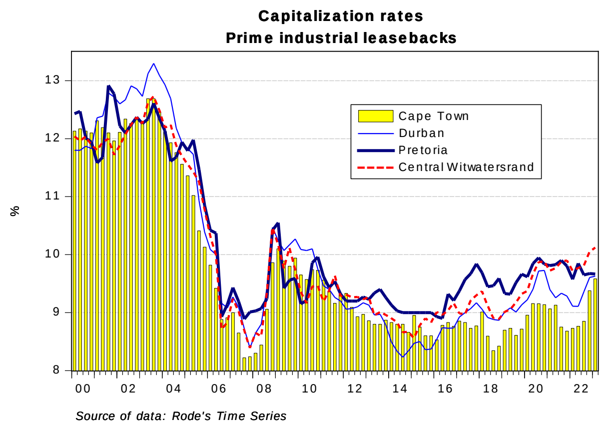


Grade-A capitalization rates in Cape Town decentralized worsened to 10% in the first quarter of 2023 from 9,6% in the fourth quarter of 2022; thus, most nodes saw higher cap rates. The latest data is surprising given the strong rental recovery and better fundamentals seen over the past year or so. Nonetheless, the Mother City still has the lowest (best) office cap rate of the major cities.

Industrial capitalization rates

In the first quarter of 2023, capitalization rates of industrial leasebacks in the country's major industrial areas were about the same as in the fourth quarter of 2022. Our respondents opined that investors in prime industrial properties with a leaseback covenant required a minimum *net* income yield of 9,9% in the country's top cities and nodes. In today's market, this is not a bad return, provided the tenant is of a AAA quality, considering that government bond yields of 10 years plus averaged 11,2% in March. Looking at the bigger picture, cap rates are up slightly from the average 2022 level of 9,7% and still higher than the (pre-pandemic) 2019 figure of 9,4%.

It is too early to draw a conclusion from the latest cap rate data, but there are a few signs that the industrial market is slowing, like the weaker rental growth. However, vacancy rates are still low and declining. For more on the industrial property market, read **Chapter 7**.



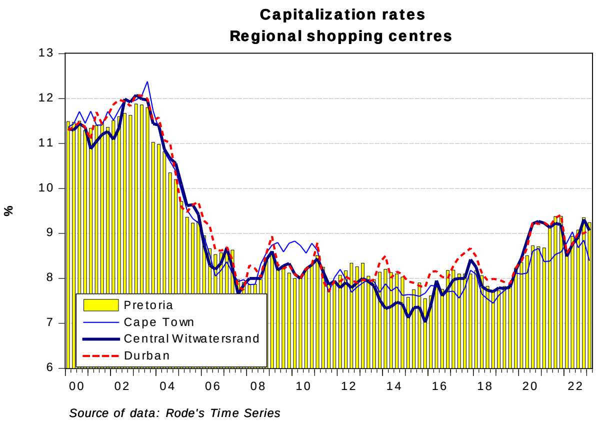
Regionally, it was a mixed performance, with some conurbations showing improving cap rates and others weakening. Cap rates remained the lowest in Cape Town at 9,6% in the first quarter of 2023, albeit rising sharply since the third quarter of 2022.

Shopping centre capitalization rates

The chart shows the capitalization rate trend of regional shopping centres in the major conurbations. Regional centres are the second-largest type of shopping centre and have 50 000 to 100 000 m² of rentable space (see **Annexure 1** for shopping centre definitions).

Rode's survey results show that capitalization rates of regional shopping centres in South Africa averaged 8,9% in the first quarter of 2023, down from 9,1% in the fourth quarter of 2022. This improvement is surprising given the weaker prospects for the retail market. Of course, the lower long-bond yield could have played a role here. Most of the major cities surveyed by Rode have seen better cap rates in the current quarter. Nationally, weighted regional-centre cap rates averaged roughly the same in 2022, but remain well up from the 2019 average of 7,9%, which makes sense as mall vacancy rates are still relatively high, while rentals have been under pressure.

We found that, nationally, the cap rates for the smaller community and neighbourhood centres averaged 9,5% and 10,1% respectively, both lower (better) compared to the fourth quarter of 2022.



Reflecting concerns about the outlook for the sector, retail confidence fell further to 34 index points in the first quarter of 2023 from 42 points in the fourth quarter of 2022, according to the BER at Stellenbosch University. The neutral level is 50, which separates expansion from contraction. This data is not surprising, given expectations of weaker consumer spending amid high inflation and high interest rates. This could put upward pressure on retail cap rates in 2023.

Rode's discussion on the performance of retail sales and trading densities, as well as vacancy rates by shopping centre size, is provided in our sister publication *Rode's Retail Report*.

Discount rates

The discount rate is traditionally calculated as the cap rate plus the expected constant growth rate of the cash flow in perpetuity. The cap rate reflects the risk of the subject property, and the discount rate reflects the total return reasonably expected by the market. In good times (which are gone for a long time to come) a typical discount rate calculation looked like this:

Cap rate	9%
Constant growth of cash flow	5%
Discount rate	14%

But today, both the cap rate and the growth in cash flow have changed. The former is much higher and the latter much lower. Thus, an example would look something like this today:

Cap rate	11%
Constant growth of cash flow	1%
Discount rate	12%

The problem is that numerous valuers do not realize that we are now in a period of ultra-low cash-flow growth, say, 1% per year, and these valuers are still using, say, 14% as a discount rate. Using a lower discount rate when using the DCF valuation method would of course increase the value, holding all other factors constant. This is counter-intuitive, given today's depressing fundamentals. So, what is wrong?

The answer is that the first year's cash flow should, in our example, grow at 1% per year for, say, the first five years before capitalizing year 6's expected market net income in perpetuity at the end of year 5. A cash-flow growth rate of only 1% implies high vacancies and negative reversions at renewals. If the subject property has a AAA tenant with fixed escalations of 7% until the end of, say, year 5, then the cash flow for the first five years would not grow at 1% p.a. But, when capitalizing in perpetuity, the net *market* income of year 6 should reflect the 1% p.a. growth rate during the first five years. Thus, the low rental reversions, low market-rental growth and high vacancies will more than make up for the market-boosting effect of the lower discount rate during the first five years.

In all SA's CBDs, except Cape Town, the capitalization rate is, say, 12%, while the expected growth in cash flow is, say, -2% per year (yes, minus 2). Thus, the discount rate is 10%, because that is the realistically expected total return over the next, say, five years! One can only wonder how many property portfolios are overvalued … Auditors should take note.

In our experience, many valuers get this wrong.

Leaseback escalation rates

Table 2.1 shows that the average leaseback escalation rate (on new or renegotiated leases) was 7,3% in the first quarter of 2023, down from 7,4% in the fourth quarter of 2022. However, this was up from a year ago when escalation rates averaged 7%, likely to compensate for higher inflation. To give further perspective, the average was 7,9% in 2019, before the Covid pandemic. The standard deviation of 0,9 percentage points in the first quarter of 2023 suggests escalation rates generally vary between 6% and 8,5%.

The escalation rate is an (often unsuccessful) attempt by the market to forecast the average growth in market rentals until the expiry of the lease. However, we argue the market's prognosis is far too optimistic, as the subscribers to *Rode's SA Property Trends* know.

Note that we define a leaseback as a lease agreement with a prime tenant and which has, *inter alia*, a term at inception of 10 years or longer. These leases are typically triple net (NNN), which means the tenant pays for all operating costs, including internal maintenance.

The initial **rental** on a new *custom-built* property with a long lease and a single tenant should never be accepted as reliable market evidence. This is so because the developer would insist on an initial net yield that reflects the (high) building costs and land value at the time of negotiating the lease – and which is only by chance equal to the ruling market rents at the inception of the lease. This is especially true in the current market, where new developments based on market-rental rates are hardly viable.

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

Table 2.1 Prime industrial leaseback escalation rates in South Africa Quarter 2023:1				
Mean	**SD**	**n**	**Change 2023:1 less 2022:4**	**Panellist codes**
7,3	0,9	19	-0,1%	ARN,AWP,ED,EQV,GB,HP,MAS,ME,PC,REW,SA,SH,SUM,TG,TH,TRD,WD,WHF,ZZ
Interpretation tip: *It is dangerous to rely on one quarter's figure, as it may be an outlier owing 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 assumes a cash transaction (not paper). All references in *Rode's Report* to "cap rates" and "capitalization rates" mean "standard capitalization rates".

Capitalization rates for CBDs (excluding the Cape Town CBD) are of little use because when office properties are sold, they are invariably converted to flats.

*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 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 panellist codes can be found on **p. xii**.*

Table 2.2 Survey of capitalization rates (%) Office buildings Means for quarter 2023:1												
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	12,9	0,1	2	11,3	1,0	3	13,3	0,3	2	14,5	0,5	2
Braamfontein	12,4	0,1	2	11,5	0,5	2	12,9	0,1	2	13,5	0,5	2
Parktown	12,0	0,0	2	11,0	0,0	2	13,0	0,5	2	14,0	-	1
Rosebank	10,1	0,4	3	9,7	0,2	3	10,8	0,6	3	12,3	0,7	2
Bedfordview	12,0	-	1	11,5	-	1	12,0	-	1	13,3	-	1
Sandton CBD	11,1	1,1	4	10,3	1,2	5	11,9	1,7	5	13,0	1,2	4
Rivonia	12,4	0,4	3	11,2	1,1	4	12,9	2,0	4	13,7	0,2	2
Bryanston	10,4	0,7	3	9,9	0,4	3	11,2	0,2	3	12,2	0,2	3
Sunninghill	12,9	0,3	3	11,8	0,9	3	13,7	1,1	3	14,0	0,5	2
Randburg Ferndale	13,0	0,0	2	12,0	0,0	2	13,4	0,4	2	15,0	1,0	2
Midrand	11,4	0,5	3	10,8	0,2	3	12,7	0,6	3	13,6	1,0	3
Waterfall	10,0	0,4	3	9,2	0,5	3	-	-	-	-	-	-
Germiston CBD	13,5	-	1	12,0	-	1	14,3	-	1	14,8	-	1
Pretoria CBD	-	-	-	11,0	-	1	11,9	0,9	2	12,8	0,8	2
Hatfield	11,0	-	1	10,5	-	1	11,5	-	1	11,8	0,8	2
Brooklyn	10,1	0,6	2	-	-	-	10,9	0,4	2	11,8	0,8	2
Centurion	10,1	0,9	3	10,0	-	1	11,2	0,5	3	12,2	0,8	3
Nieuw Muckleneuk	10,0	0,5	2	-	-	-	10,5	0,5	2	11,8	0,8	2
Menlyn/Lynnwood	10,0	0,5	2	10,0	-	1	10,5	0,5	2	11,8	0,8	2
Vaal Triangle	13,0	-	1	11,5	-	1	13,0	-	1	14,0	-	1
Mbombela	10,8	0,4	5	10,0	-	1	11,8	0,4	5	12,4	0,2	5
Polokwane	11,8	0,8	2	10,8	0,8	2	12,3	0,8	2	13,8	-	1
Durban CBD	12,8	-	1	11,9	0,1	2	13,0	0,0	2	14,0	0,0	2
Berea	-	-	-	10,5	1,5	2	11,4	1,6	2	12,0	2,0	2
Essex Terrace	-	-	-	11,5	2,5	2	-	-	-	-	-	-
Westway	-	-	-	-	-	-	-	-	-	-	-	-
La Lucia Ridge	10,3	1,3	2	9,8	0,8	2	-	-	-	11,4	1,4	2
Pietermaritzburg	10,6	0,9	2	10,1	0,6	2	-	-	-	12,0	1,0	2
Cape Town CBD	10,5	0,5	2	10,1	0,4	2	10,8	-	1	-	-	-
Bellville CBD	-	-	-	-	-	-	-	-	-	-	-	-
Bellville Tyger Valley	9,0	-	1	9,0	-	1	10,3	-	1	11,0	-	1
Century City	10,1	0,4	2	9,8	0,3	2	-	-	-	-	-	-
Westlake	11,0	-	1	10,5	-	1	-	-	-	-	-	-
Claremont	10,3	0,3	2	10,0	0,0	2	10,5	-	1	11,3	-	1
Gqeberha CBD	10,0	-	1	10,5	-	1	11,5	0,5	2	12,5	1,0	2
Gqeberha dec.	10,3	0,3	2	10,5	0,0	2	11,0	0,0	2	11,8	0,3	2
East London CBD	-	-	-	-	-	-	12,3	0,3	2	12,8	0,8	2
East London dec.	11,0	-	1	-	-	-	12,0	-	1	12,5	0,5	2
Bloemfontein CBD	11,0	0,4	3	10,7	0,2	3	11,3	0,5	3	11,6	0,5	3
Bloemfontein dec.	10,7	0,2	3	10,6	0,3	3	11,2	0,2	3	11,4	0,3	3
George Central	10,0	-	1	9,5	-	1	10,5	-	1	11,0	-	1
George dec.	9,8	-	1	9,3	-	1	10,3	-	1	10,8	-	1
Windhoek	9,4	0,4	2	9,3	0,3	2	9,4	0,4	2	9,9	0,1	2

n = Number of respondents
- = Not available or fewer than two respondents
SD = See Glossary of terms and abbreviations in **Annexure 1**.

Table 2.3
Change in capitalization rates (% points)
Office buildings
Means for quarter 2023:1 less quarter 2022:4

Best location	Grade A: Multi-tenant	Grade A: Lease-back	Grade B: Multi-tenant	Grade C: Multi-tenant	Panellist codes
Johannesburg CBD	0,1	0,0	0,3	0,5	REW,TH,TRD
Braamfontein	0,1	0,5	0,1	-0,5	REW,TH
Parktown	-0,3	0,0	0,0	0,0	OSO,TH
Rosebank	-0,3	-0,1	-0,4	0,0	OSO,SHP,TH
Bedfordview	1,5	1,5	0,4	0,8	TH
Sandton CBD	-1,0	-1,1	-0,6	-0,5	OSO,REW,SHP,TH,TRD
Rivonia	1,5	1,1	1,6	1,4	OSO,SHP,TH,TRD
Bryanston	-1,6	-1,6	-0,8	-1,1	OSO,SHP,TH
Sunninghill	0,1	0,6	0,6	0,0	OSO,SHP,TH
Randburg Ferndale	0,0	0,0	0,4	1,0	OSO,TH
Midrand	-0,1	0,5	2,0	-0,1	OSO,SHP,TH
Waterfall	0,3	-0,4	0,0	-0,3	OSO,SHP,TH
Germiston CBD	-0,5	0,0	-0,3	-0,3	TH
Pretoria CBD	-	0,0	0,0	0,0	CRI,TH
Hatfield	0,0	0,0	0,0	0,0	CRI,TH
Brooklyn	0,0	-	0,0	0,0	CRI,TH
Centurion	0,0	0,0	0,0	0,0	CRI,MAS,TH
Nieuw Muckleneuk	0,0	-	0,0	0,0	CRI,TH
Menlyn/Lynnwood	0,0	0,0	0,0	0,0	CRI,TH
Vaal Triangle	0,0	0,0	-0,3	0,0	TH
Mbombela	-0,1	-	-0,4	-0,4	KEL,MPV,ORI,PG,PM
Polokwane	0,3	0,0	0,3	0,0	TG,TH
Durban CBD	0,9	0,3	0,5	0,0	SA,TH,ZZ
Berea	-	-	-	-	SA,ZZ
Essex Terrace	-	-	-	-	SA,ZZ
Westway	-	-	-	-	SA
La Lucia Ridge	-1,0	-0,8	-	-1,4	SA,TH
Pietermaritzburg	-0,9	-0,6	-	-1,0	SA,TH
Cape Town CBD	0,0	0,1	0,3	-	HP,TH
Bellville CBD	-	-	-	-	WD
Bellville Tyger Valley	-0,3	1,0	-0,2	0,3	TH,WD
Century City	0,5	0,9	-	-	HP,TH
Westlake	-	-	-	-	HP
Claremont	0,0	0,0	-0,5	0,0	HP,TH
Gqeberha CBD	0,0	0,0	-0,3	-0,3	ARN,SUM
Gqeberha dec.	0,0	0,0	-0,3	-0,3	ARN,SUM
East London CBD	-	-	0,0	0,0	CAP,TH
East London dec.	0,0	-	0,0	0,0	CAP,TH
Bloemfontein CBD	0,3	0,1	0,3	0,0	ED,EK,EQV,TH
Bloemfontein dec.	0,2	0,2	0,1	0,0	EK,EQV,TH
George Central	0,8	0,5	0,7	0,7	TH
George dec.	0,0	0,1	0,2	-0,2	TH
Windhoek	-0,1	0,3	-0,1	0,4	PVN,TE

Table 2.4
Survey of capitalization rates (%)
Industrial buildings
Means for quarter 2023:1

Best location	Prime leaseback (AAA Tenant)			Prime quality non-leaseback			Secondary quality building			Prime industrial Park		
	Mean	SD	n	Mean	SD	n	Mean	SD	n	Mean	SD	n
Central Wits	10,1	0,2	5	10,3	0,2	5	11,2	0,6	5	10,2	0,5	5
West Rand	10,1	0,4	3	10,4	0,7	3	11,6	0,4	3	10,6	0,8	3
East Rand	9,5	0,4	6	10,2	0,6	6	11,4	0,6	6	9,9	0,6	6
Far East Rand	10,1	0,1	4	10,5	0,5	4	11,3	0,4	4	10,5	0,6	4
Pretoria	9,6	0,6	2	10,6	0,1	2	11,0	-	1	10,0	0,5	2
Vaal Triangle	10,8	-	1	11,3	-	1	12,0	-	1	11,0	-	1
Mbombela	-	-	-	10,5	0,0	4	11,8	0,0	4	9,5	0,0	4
Polokwane	10,8	-	1	11,0	-	1	11,0	0,7	2	10,8	-	1
Durban	9,6	1,1	7	9,7	0,5	7	10,7	0,7	7	9,6	0,5	7
Pietermaritzburg	9,6	0,6	2	10,0	0,8	2	10,5	0,5	2	9,8	0,3	2
Cape Town	9,6	0,7	3	10,0	0,8	3	10,1	0,1	2	9,8	0,6	3
Gqeberha (ex PE)	9,5	0,4	3	9,8	0,2	3	10,8	0,8	3	10,2	0,6	3
East London	10,1	0,1	2	10,9	0,1	2	11,9	0,1	2	10,9	0,1	2
Bloemfontein	10,6	0,3	3	11,0	0,0	2	11,3	0,3	3	10,8	0,2	3
George	9,8	-	1	10,3	-	1	10,5	-	1	10,0	-	1
Windhoek	9,1	0,1	2	9,1	0,1	2	9,4	0,4	2	9,4	0,4	2

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

Table 2.5
Change in capitalization rates (% points)
Industrial buildings
Means for quarter 2023:1 less quarter 2022:4

Best location	Prime leaseback	Prime non-leaseback	Secondary quality building	Prime industrial park	Panellist codes
Central Wits	0,0	-0,3	-0,6	-0,5	CPS,OSO,REW,SHP,TH
West Rand	-0,4	-0,6	-0,4	-0,7	OSO,SHP,TH
East Rand	-0,1	-0,5	-0,5	-0,5	CPS,GB,ME,OSO,SHP,TH
Far East Rand	-0,3	-0,6	-0,7	-0,7	GB,OSO,SHP,TH
Pretoria	-0,1	-0,1	-0,8	-0,1	MAS,TH
Vaal Triangle	-0,3	-0,3	-0,3	-0,3	TH
Mbombela	-	0,0	0,2	-0,2	KEL,MPV,PG,PM
Polokwane	0,8	0,4	-1,0	-0,3	TG,TH
Durban	-0,1	-0,4	0,0	-0,3	AP,AWP,PC,SA,SH,TH,ZZ
Pietermaritzburg	-0,3	0,0	-1,6	0,1	SA,TH
Cape Town	0,0	0,2	-0,1	-0,1	HP,TH,WD
Gqeberha	0,0	0,0	0,0	0,0	ARN,CAP,SUM
East London	-0,1	-0,1	-0,1	-0,1	CAP,TH
Bloemfontein	-0,3	-0,3	-0,3	-0,3	ED,EK,EQV,TH
George	0,3	0,6	0,1	0,4	TH
Windhoek	0,4	0,4	0,1	0,1	PVN,TE

Table 2.6
Survey of capitalization rates (%): Shopping centres
Means for quarter 2023:1

Best location	Super-regional			Regional			Small regional			Community		
	Mean	SD	n	Mean	SD	n	Mean	SD	n	Mean	SD	n
Witwatersrand	8,4	0,9	2	8,9	0,9	2	9,0	1,0	2	9,4	0,9	2
Pretoria	8,4	0,9	2	9,1	0,6	2	9,3	0,8	2	9,6	0,6	2
Vaal Triangle	9,8	-	1	10,3	-	1	10,5	-	1	10,8	-	1
Mbombela	-	-	-	8,0	0,0	4	8,5	0,0	4	8,5	0,0	4
Polokwane	10,3	-	1	10,5	-	1	10,8	-	1	11,0	-	1
Durban	8,5	0,7	3	9,1	0,8	4	9,1	0,5	4	9,1	0,8	4
Pietermaritzburg	9,1	0,4	2	8,9	0,8	3	9,6	0,6	2	9,8	0,8	2
Cape Town	8,1	0,6	2	8,5	0,5	2	8,8	0,8	2	9,1	0,6	2
Gqeberha-Kariega	8,3	0,3	2	8,7	0,5	3	9,5	0,0	2	9,8	0,3	2
East London	9,8	-	1	10,0	-	1	10,1	0,1	2	10,8	0,3	2
Bloemfontein	9,6	0,1	2	9,7	0,5	3	10,1	0,1	2	10,2	0,5	3
Platteland	10,0	0,0	2	10,5	-	1	10,6	0,1	2	11,0	0,0	2
Townships	-	-	-	-	-	-	9,6	1,1	2	9,9	1,4	2
George	9,3	-	1	9,5	-	1	9,8	-	1	10,0	-	1
Windhoek	8,8	0,3	2	9,0	0,0	2	9,0	0,0	2	9,1	0,1	2

n = Number of respondents
\- = Not available
SD = See Glossary of terms and abbreviations in **Annexure 1**.

Table 2.6 (continued)
Survey of capitalization rates (%): Shopping centres
Means for quarter 2023:1

Best location	Neighbourhood			Local convenience			Big box/Retailer warehouse		
	Mean	SD	n	Mean	SD	n	Mean	SD	n
Witwatersrand	10,0	1,0	2	10,8	1,3	2	9,8	0,8	2
Pretoria	10,5	0,7	3	11,0	1,0	2	10,0	0,5	2
Vaal Triangle	11,5	-	1	12,3	-	1	10,8	-	1
Mbombela	9,0	0,0	4	10,0	0,0	4	9,5	0,0	4
Polokwane	11,8	-	1	12,0	-	1	10,8	-	1
Durban	9,4	1,1	4	10,6	0,8	3	9,8	0,6	4
Pietermaritzburg	10,3	0,8	2	10,9	0,6	2	9,9	0,6	2
Cape Town	9,8	0,8	2	10,1	0,6	2	9,3	0,3	2
Gqeberha-Kariega	9,9	0,4	2	10,0	0,5	2	10,0	0,5	2
East London	11,3	-	1	11,4	0,4	2	10,8	0,3	2
Bloemfontein	10,9	0,4	2	11,4	0,4	2	10,5	0,0	2
Platteland	11,5	-	1	12,3	-	1	11,0	-	1
Townships	10,4	1,4	2	-	-	-	-	-	-
George	10,1	0,6	2	11,0	-	1	9,8	-	1
Windhoek	9,1	0,1	2	9,1	0,1	2	9,4	0,4	2

n = Number of respondents
\- = 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 2023:1 less quarter 2022:4

Best location	Super regional	Regional	Small regional	Community	Panellist codes
Witwatersrand	-0,6	-0,6	-1,0	-0,9	REW,TH
Pretoria	-0,6	-0,4	-0,8	-0,6	REW,TH,TRD
Vaal Triangle	0,0	0,0	-0,3	0,0	TH
Mbombela	-	0,0	0,0	0,0	KEL,MPV,PG,PM
Polokwane	0,0	0,0	0,0	0,0	REW,TH
Durban	0,0	0,1	-0,4	-0,6	REW,SA,TH,ZZ
Pietermaritzburg	-0,1	-1,1	-0,6	-0,8	REW,SA,TH
Cape Town	-0,4	-0,5	-0,8	-0,6	REW,TH
Gqeberha-Kariega	0,0	-0,3	0,0	0,0	ARN,REW,SUM
East London	0,3	0,3	0,0	0,0	CAP,TH
Bloemfontein	0,1	-0,1	-0,1	-0,2	EK,EQV,TH
Platteland	0,0	0,0	0,0	0,0	BVF,EK,EQV,MAS,TH
Townships	-	-	-1,1	-1,4	REW,TH
George	0,3	0,3	0,4	0,0	BVF,TH
Windhoek	0,0	0,3	0,3	0,4	PVN,TE

Table 2.7 (continued)
Change in capitalization rates (% points): Shopping centres
Means for quarter 2023:1 less quarter 2022:4

Best location	Neighbourhood	Local convenience	Big box/ Retailer warehouse	Panellist codes
Witwatersrand	-1,0	-1,3	-1,0	REW,TH
Pretoria	-0,5	-1,0	-0,8	REW,TH,TRD
Vaal Triangle	0,0	0,0	-0,5	TH
Mbombela	0,0	0,0	-0,3	KEL,MPV,PG,PM
Polokwane	0,0	0,0	-0,3	REW,TH
Durban	-0,6	-0,3	0,0	REW,SA,TH,ZZ
Pietermaritzburg	-0,8	-0,6	-0,4	REW,SA,TH
Cape Town	-0,8	-0,6	-0,3	REW,TH
Gqeberha-Kariega	0,0	0,0	0,0	ARN,REW,SUM
East London	0,0	0,0	0,1	CAP,TH
Bloemfontein	-0,3	0,0	-0,4	EK,EQV,TH
Platteland	0,0	0,0	0,0	BVF,EK,EQV,MAS,TH
Townships	-1,4	-	-	REW,TH
George	-0,3	0,0	0,2	BVF,TH
Windhoek	0,4	0,4	0,6	PVN,TE

Table 2.8
Survey of capitalization rates (%): Street-front shops
Means for quarter 2023:1

Best location	Metro CBD			Decentralized		
	Mean	SD	n	Mean	SD	n
Johannesburg	11,9	0,7	3	-	-	-
Pretoria	12,5	0,0	2	12,0	-	1
Vaal Triangle	12,8	-	1	12,3	-	1
Mbombela	12,0	0,0	5	10,6	0,1	5
Polokwane	11,1	0,6	2	-	-	-
Durban	11,6	0,9	4	11,0	0,8	3
Pietermaritzburg	11,8	1,2	3	11,1	0,6	2
Cape Town	10,8	0,3	2	-	-	-
Gqeberha	9,5	0,5	2	10,3	0,3	2
East London	12,0	0,0	2	10,8	0,8	2
Bloemfontein	11,1	0,5	3	10,9	0,3	3
George	9,4	0,9	2	9,8	-	1
Windhoek	9,3	0,3	2	9,1	0,1	2

n = Number of respondents
- = Not available
SD = See Glossary of terms and abbreviations in **Annexure 1**.

Table 2.9
Change in capitalization rates (% points): Street-front shops
Means for quarter 2023:1 less quarter 2022:4

Best location	Metro CBD	Decentralized	Panellist codes
Johannesburg	-0,8	-	REW,TH,TRD
Pretoria	0,0	0,0	REW,TH
Vaal Triangle	0,0	0,0	TH
Mbombela	-0,4	-0,3	KEL,MPV,ORI,PG,PM
Polokwane	0,8	-	TG,TH
Durban	-0,9	-1,0	REW,SA,TH,ZZ
Pietermaritzburg	-0,4	-0,6	REW,SA,TH
Cape Town	0,3	-	REW,TH
Gqeberha	0,0	0,0	ARN,SUM
East London	0,0	0,0	CAP,TH
Bloemfontein	0,3	0,0	EK,EQV,TH
George	-0,1	-0,3	BVF,TH
Windhoek	-0,3	-0,4	PVN,TE

Chapter 3: Capitalization rate equations

How to estimate capitalization rates – anywhere

Kobus Lamprecht

This chapter provides the reader with a handy, *updated* tool to estimate the market capitalization rates of office and industrial properties anywhere in South Africa, provided the valuer is confident about the subject property's gross market-rental rate. For a definition of 'gross' market rent, see the Glossary in **Annexure 1**.

As the reader will see below, in this cross-sectional study,[1] market-rental rates are amazingly successful in explaining the level of capitalization rates. On reflection, though, this should not be all that surprising, considering that all the good and bad pertaining to a property is encapsulated in the ruling market-rental rate. Here we think of rental-level drivers such as:

- Location
- Typology (offices vs industrial property vs shopping centres, etc.)
- Risk (examples of varying risk profiles are a leaseback compared with a multi-tenanted property; the robustness of the covenant)
- Grade/age.

Thus, the moderately strong relationship between market-rental rates and capitalization rates allows the researcher to build a regression model with which to estimate the capitalization rate.

An important risk factor typically not reflected in a rental is the design of the building, as it affects its ability to be re-let. Here one thinks of purpose-built buildings.

Office building equation

In our regression analysis of office buildings, we use the market capitalization rates (dependent variable) and gross market-rental rates (predictor or independent variable) of grades A, B and C buildings combined in the areas surveyed by *Rode's Report* (RR). The source of the national equation given below is this issue of RR. The regression is based on 51 observations in decentralized nodes across the country.

The updated equation is:

office capitalization rate % = 15,674 – (0,034 gross rental)*

where:

gross rental = the market gross rental rate per rentable m^2 per month for grade A, B or C office buildings in quarter 2023:1.

The r-squared = 0,71 (which means the level of market rentals explains 71% of the variation in capitalization rates, without controlling for other predictors). The standard error (SE) is 0,63 and n = 51.

[1] A cross-sectional analysis is a type of observational study that analyses data from a population, or a representative subset, at a specific point in time. This is in contrast to longitudinal analyses, for instance using historical trends to do forecasts.

Readers should note that it is not advisable to use this function for gross market-rental rates that fall much outside the range of R70/m²/month to R183/m²/ month.

Example:

If the market gross office rental rate is R150 per rentable m^2 per month, then the office capitalization rate % is:

*= 15,674 – (0,034 * 150)*
= 10,5%.

Industrial property equation

This national equation expresses the relationship between the capitalization rates and gross market-rental rates of prime non-leasebacks. Please note, the gross market-rental rates *are those applicable to 1 000 m^2 units*. The source of the data is this issue of *Rode's Report*.

The industrial regression equation, which is based on 14 observations, includes most major primary and secondary industrial cities.

The updated equation is:

*industrial capitalization rate % = 13,193 – (0,0529 * gross rental)*

where:

gross rental = the gross market rental per rentable m^2 per month as in quarter 2023:1 for prime non-leaseback industrial space of 1 000 m^2 in primary and secondary cities.

The r-squared = 0,72 (which means market-rental levels explain 72% of the variations in capitalization rates, without controlling for other predictors). The standard error (SE) is 0,27 and n = 14.

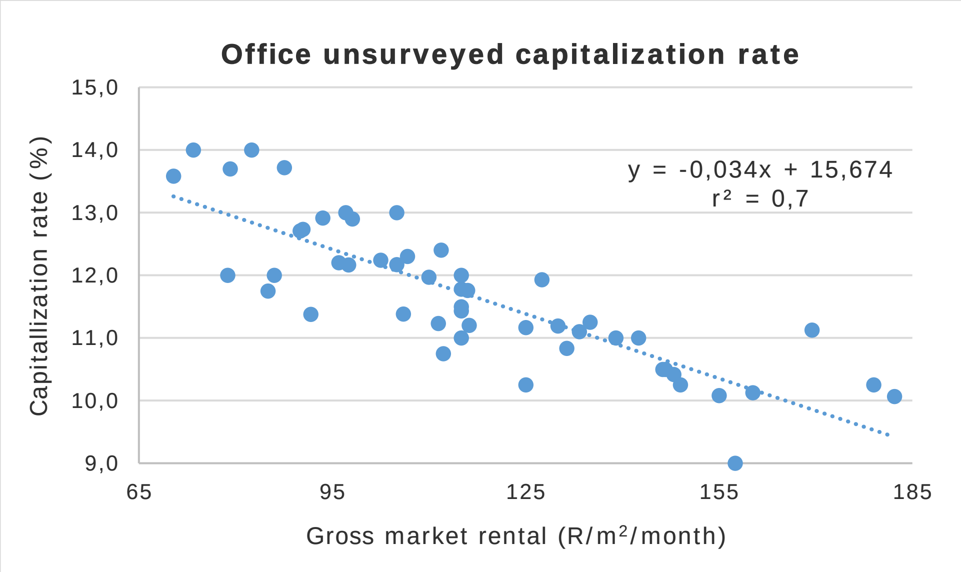
It is not advisable to use this function for gross market-rental rates that fall much outside the range of R28/m²/month to R68/ m²/month. Also, remember to use the rental rate applicable to a notional floor area of 1 000 m² (even if the subject property's actual floor area is completely different).

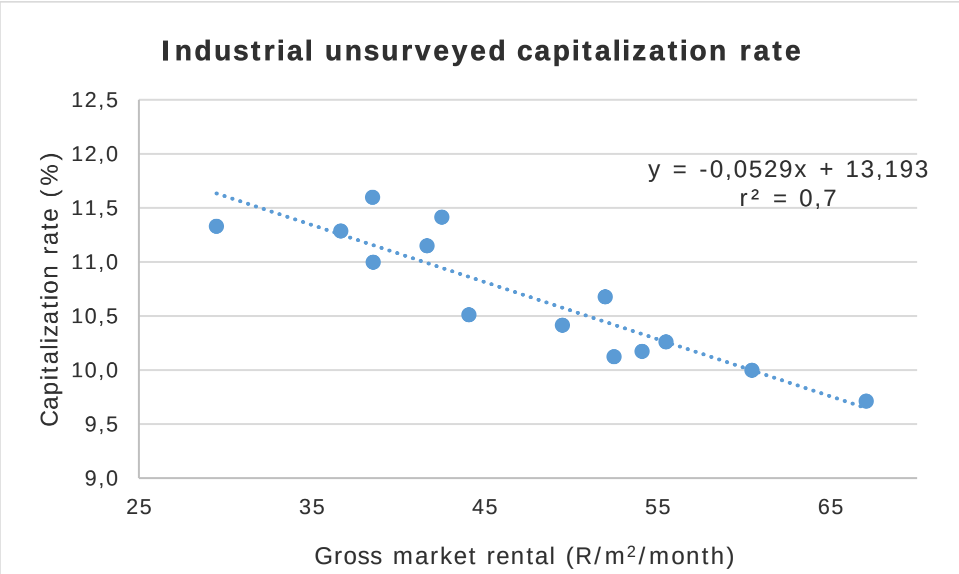
Example:

If the gross industrial rental for a 1 000 m² building, located in a primary or secondary city, is R50 per rentable m^2 per month, then the industrial capitalization rate % is:

*= 13,193 – (0,0529 * 50)*
= 10,5%. ■

Warning:
To reduce volatility in the latest survey data, the reader is advised *also* to consult the regression equation and its applicable rental rate in the previous issue of *RR*, and to consider using a two-quarter average capitalization rate (unsurveyed) if necessary.


Office unsurveyed capitalization rate
y = -0,034x + 15,674
r² = 0,7
Capitallization rate (%)
Gross market rental (R/m²/month)
15,0
14,0
13,0
12,0
11,0
10,0
9,0
65
95
125
155
185


Industrial unsurveyed capitalization rate
y = -0,0529x + 13,193
r² = 0,7
Capitalization rate (%)
Gross market rental (R/m²/month)
12,5
12,0
11,5
11,0
10,5
10,0
9,5
9,0
25
35
45
55
65

Chapter 4: Listed property

Listed property prices lose more ground

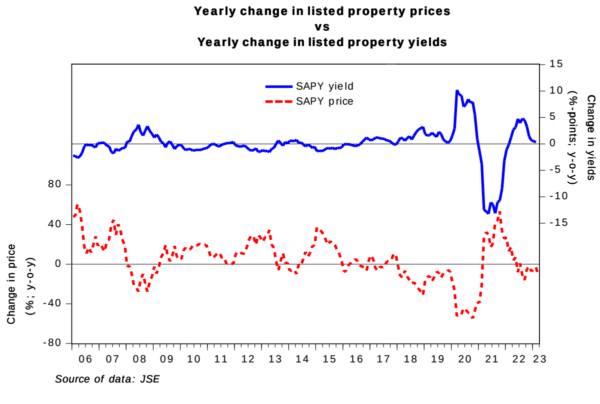
Kobus Lamprecht

The property sector has overcome the Covid pandemic, but it will not survive the power crisis unscathed. The crisis is forcing REITs to spend millions to ensure the continued running of shopping centres, offices, warehouses, and other types of property. Growthpoint, the largest SA REIT, spent R47 m on diesel to power its generators in the six months to December 2022. Another REIT, Emira, spent R17 m.

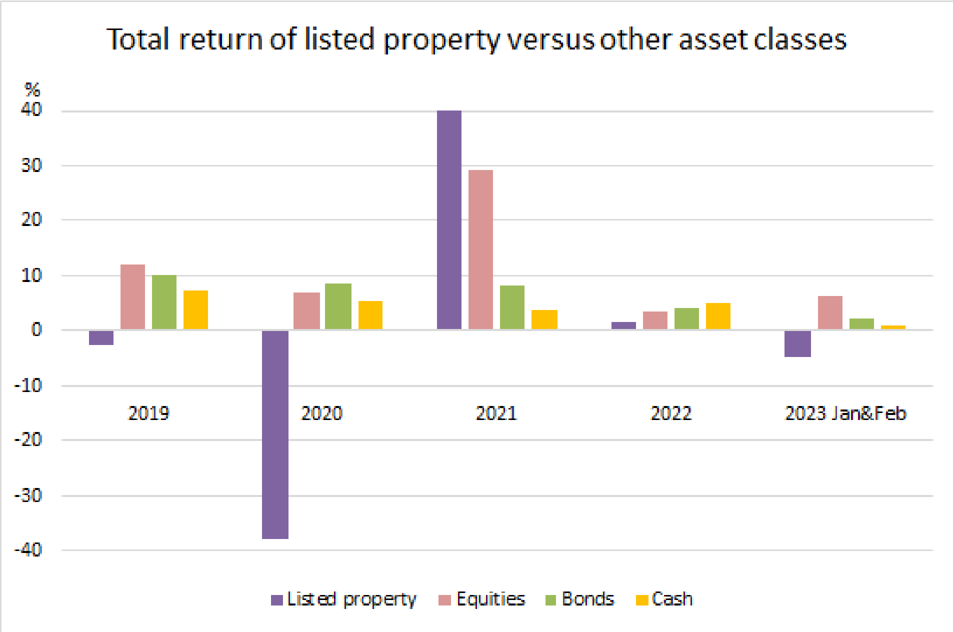
Property owners must either provide backup power or risk tenants going under. Unfortunately, not all the cost can be recouped from tenants and the fiscus, which means this will negatively impact the earnings of REITs and as a result their distributions. Encouragingly, many REITs started to invest in solar power long before the current severe load shedding and are ramping up investments in alternative power. This will alleviate the power crisis, but at a cost.

Apart from the power problems, the property sector also faces numerous other challenges like the higher interest rates, rising operating costs, including rates and taxes, and poor municipal service delivery. One can assume most REITs have fixed their interest rates, but when these run out or where variable rates apply, the higher interest rates will impact their bottom line. A positive for listed property is that the upward cycle of interest rates is close to peaking, with interest rates likely to move lower towards the end 2023 or in 2024 – at least, that seems to be the consensus opinion among economists.

The South African Listed Property Index (SAPY) was 5,3% lower at the end of the first quarter of 2023 compared to end of 2022 due to expectations of weaker global and local economic growth amid stubbornly high inflation and increased interest rates. Locally, the power crisis is a large negative factor, as mentioned earlier. This comes after prices fell by about 7% in 2022. Noteworthy is that at the end of March 2023 prices were still roughly 17% below the level that prevailed at the end of February 2020, just before Covid-19 emerged in South Africa. This implies that the sector has lost further ground.



The fall in listed property prices has led to better trailing income yields (calculated on the latest available historical net income) of about 8% in the first two months of 2023, up from 7,6% in the same period in 2022. But do not get too excited by yields, as one must bear in mind that the past year's net income is a poor indicator of next year's income, considering the above-average vacancies and negative market reversions. This statement applies especially to office buildings, which are under the most pressure.



Source of data: SA REIT Association; Merchant West Investments; SAFEX; S&P Global; Rode & Associates

Listed property versus other asset classes

Listed property started the year on the back foot, with the total return[1] of the SA REIT Index (which excludes property developers and non-SA REITs) a negative 4,7% over the first two months of 2023, as shown in the chart. This means listed property performed worse than the other asset classes, according to data published by the SA REIT Association. This comes after listed property delivered a total return of 1,5% in 2022.

Equities have performed the best so far in 2023, with their total return measured at 6,5%. This was as a result of a rise in risk appetite due to signs that the top of the current rising interest rate cycle is near amid cooler inflation and the reopening of China after three years of Covid-related lockdowns. Some also believe that interest rates cannot rise much further as this could trigger a full-scale global financial crisis. Some banks in the US and parts of Europe already came under significant pressure in March.

However, as we write this, at the beginning of April OPEC+ decided to reduce oil production further, which has led to a surge in oil prices. This befuddles previous optimistic inflation forecasts and makes the future interest rate path more uncertain. Much also depends on the outcome of the Putin war.

Cash, the safe option for investors (as measured by the STeFI Composite Index[2]), showed growth of about 1%. SA bonds saw a total return of 2,1% (see chart). This implies that the total return of all the asset classes was below inflation over the first two months of 2023, after deducting consumer inflation of about 7%.

[1] Income yield plus capital return

[2] The Alexander Forbes Short-term Fixed Interest (STeFI) Composite Index is a proprietary index that measures the performance of short-term fixed interest or money-market investment instruments in South Africa. It is a benchmark index constructed by Alexander Forbes, calculated and published daily by the South African Futures Exchange (SAFEX), and has become the industry benchmark for cash-equivalent investments (i.e. up to 12 months).

Table 4.1
Total returns on listed property funds
Recent performance and past three years
Performance of individual stocks

	Jan-Feb 23	Jan-Dec 22	3 years to Feb 23*
Accelerate	-27,7%	8,3%	-9,2%
Attacq	15,6%	1,2%	2,6%
Delta Prop	-22,6%	-47,5%	-17,0%
Dipula-B	2,2%	23,4%	45,5%
Emira	3,9%	22,3%	9,5%
Equites	-8,2%	-19,4%	5,3%
Fairvest-A	-12,2%	1,9%	19,7%
Fairvest-B	-4,5%	-15,6%	13,9%
Fortress-A	0,0%	-15,9%	-9,2%
Fortress-B	-3,3%	47,4%	9,8%
Growthpoint	-7,6%	3,8%	1,0%
Heriot	0,0%	9,1%	8,2%
Hyprop	1,9%	-1,8%	2,3%
Indluplace	0,0%	-7,2%	6,1%
Investec Property Fund	-9,4%	-14,5%	1,1%
Liberty 2D	-8,5%	7,5%	0,7%
Oasis Crescent	2,7%	-6,5%	1,5%
Octodec	1,8%	37,4%	3,8%
Rebosis-A	0,0%	-41,1%	7,6%
Redefine	-9,7%	6,5%	-3,8%
Resilient	-5,2%	-2,4%	4,0%
SA Corporate	-8,3%	14,0%	15,8%
Safari	-0,2%	23,4%	24,7%
Spear	-3,0%	-1,0%	4,0%
Stor-Age	-3,0%	3,3%	9,9%
Texton	-21,5%	-24,1%	2,8%
Transcend	0,0%	-3,7%	7,4%
Vukile	1,1%	16,7%	7,4%

**Annualized*
Source of data: SA REIT Association; Counterpoint Asset Management

Performance of SA-focused JSE-listed property funds

In **Table 4.1** we show the individual performance of some JSE-listed property funds for the first two months of 2023, the full 2022 and the past three years, expressed as total returns (income yield plus capital return).

The two best performers in the first two months of 2023 were Attacq and Emira. Attacq delivered a total return of 15,6% after it had declared a dividend for the second half of 2022 after none in the same period a year ago. Its income was boosted by much-improved retail results, notably at Mall of Africa in Waterfall City. Attacq's share price was also boosted by news that the Public Investment Corporation (PIC) will acquire a 30% stake for R2,8 bn in its Waterfall Investment Company (AWIC). Unsurprisingly, the total return of most REITs was negative in the first two months of the year. The REITs that struggled the most were Accelerate, Delta and Texton.

The total returns delivered by funds in 2022 show a mixed performance in comparison to 2021, when the sector staged a good recovery from its Covid lows. The table also shows that funds generally disappointed over the past three years.

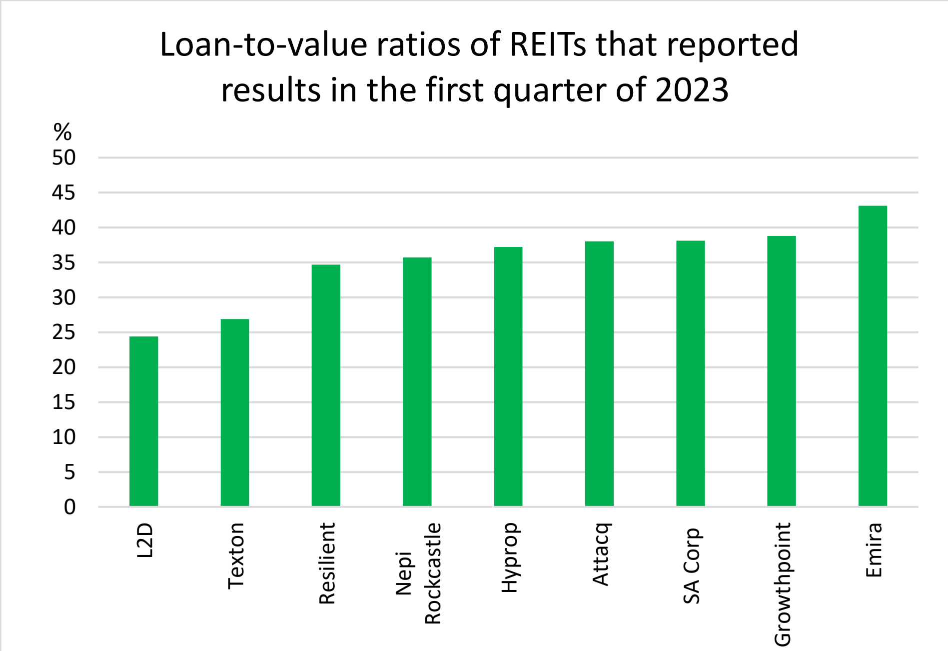
We now delve into the recent company financial results.

In **Table 4.2** we show the change in distributions of various SA listed property companies for the half- and full-year periods ended December 2022. The financial results generally did look better than the previous year, especially for REITs exposed to retail and industrial property. The oversupplied office market remains a drag on the results of REITs heavily exposed to this market.

The retail sector staged a strong comeback in 2022 and this is reflected in the retail company results, with shopping centre vacancy rates heading lower and rental reversion rates less negative or even positive in some cases. However, dividend growth for most REITs was generally below inflation and still well below pre-Covid levels. Some REITs also withheld dividends to preserve capital, such as Texton and Hyprop. Of course, there are outlier REITs with dividends already above pre-Covid levels, such as Equites (logistics focused), Stor-Age and retail player Safari Investments.

Many funds have brought loan-to-value (LTV) or gearing ratios under control to under 40%, for example by selling assets, as shown in the chart. The lowering of distribution or payout ratios has also boosted liquidity. For example, Growthpoint and Attacq's payout ratios were just above 80%. Before the pandemic, payout ratios of close to 100% were the norm, which made listed property an attractive asset class for pension funds and life insurance companies – not least because rental distributions to these funds are not taxed. However, to retain their REIT status, these funds must distribute at least 75% of their rental income, provided they are solvent and liquid. Below we discuss some of the REIT results that caught our eye.

Emira, a well-diversified REIT, boasted an above-inflation distribution increase of 17,4% in the half-year ended December 2022 compared to the second half of 2021. However, its distribution was still 10% lower than in 2019 (before Covid). Its SA industrial and retail portfolios performed better, with vacancies relatively low at 2,6% and 3,4% respectively, while rental reversions declined at a much slower pace. Its office vacancy rate fell to 11,6% from 18,2%, but it had a total negative rental reversion rate of 16,9% and tenant retention of only 63%, measured by gross rental.



Source of data: Rode & Associates; Company financials

Emira also offers investors exposure to the US, where it is invested in 12 open-air shopping centres. Its American portfolio has performed better than its SA portfolio, thanks to a stronger economic recovery since Covid, with its vacancy rate down to 2,5% from 5,9%, while the rental reversion rate was 6,9%, which is much better than the -0,3% a year ago. It also benefited from a weaker rand. Emira's share price on 4 April still traded at a 40% discount to its net asset value or NAV of R16,95 per share. Its loan-to-value (LTV) or gearing ratio rose to 43,1% from 41,8%, partly due to its increased stake in residential fund Transcend.

Emira's dependence on Eskom electricity has steadily declined to 78% of its total energy consumption compared to 100% in the half-year ended December 2019. Interestingly, 8,1% of its energy needs are from renewable energy and 13,9% from generators. Its diesel cost amounted to R16,6 m as mentioned earlier, with 80% of that recovered. The high recovery ratio of 60-80% seems to be par for the course but it does add to the retailers' cost of occupancy, which eventually reduces the retailers' ability to absorb rental hikes.

Growthpoint, the largest and very diversified SA REIT, intends doubling its completed solar capacity by June 2023 as it moves to further shield itself and tenants from load shedding. The REIT saw its distribution recover by a further 4,6% in the half-year ended December 2022, but it was still about 40% below the pre-Covid level of 2019. Growthpoint continues to see green shoots in its local retail and industrial portfolios. Its vacancies in its core retail portfolio (without offices) improved to 3% from 3,8% a year ago. However, its rental reversion rate was -13,1%, albeit somewhat better than the -15,4% a year ago. Its retail portfolio was valued 1,9% higher. Growthpoint's industrial vacancy rate declined to 4,3% from 6,5%. However, its industrial renewal success rate decreased sharply to 51% and its rental reversion rate on renewals fell by 13,7% (-9,9% a year ago).

Unsurprisingly, Growthpoint's office portfolio is under the most pressure, with rental reversions on new leases down by -20,7%. However, vacancy rates improved somewhat to 20,4% from a record-high 21,2%, while its renewals success rate increased to 66,4% from 55%. Growthpoint's share price on 4 April was still trading at a 37% discount to its NAV of R21,10 per share.

Similar to Growthpoint, **Texton's** office portfolio also has high vacancies. The company is heavily saddled with office space, which makes out 87% of its direct SA portfolio. Its core vacancy rate has risen to 19,6% from 16,6% a year ago and if it includes assets held for sale rises to 33,3%. Texton said the office sector still face significant challenges and the reduction of vacancies will take time. To strengthen its balance sheet, the REIT did not declare a dividend for the half year ended December 2022, even though its distributable income per share rose 8%, boosted by income from its foreign investments. This, together with asset sales, helped to reduce its LTV ratio to 26,9% from 31,2%.

SA Corporate, another diversified REIT, saw its distribution grow by 5,5% in the year ended December 2022, albeit still substantially lower than pre-Covid levels. Its industrial portfolio (80% logistics) saw vacancies decline further to almost zero, while its rental reversion rate on the expiry of leases 'improved' to -3,1% from -7%. Encouragingly, SA Corp saw its retail rental reversion rate improve to 0,2%, after a decline of 8% a year ago. However, its LTV ratio lifted slightly to 38,1%. SA Corp's residential portfolio also shone with a low vacancy rate of 2,9%, while rental growth was 2,6%. Its residential portfolio currently is valued at about 30% of its total portfolio and this will increase with its proposed acquisition of Indluplace, a residential REIT listed on the JSE.

Table 4.2
Change in distributions for half- and full-year periods ended December 2021/22

Company	Distribution change 2021	Distribution change 2022	Period
Attacq	-*	27,3%**	Half-year
Emira	8,8%	17,4%	Half-year
Fortress-A	-*	-*	Half-year
Fortress-B	-*	-*	Half-year
Growthpoint	5,1%	4,6%	Half-year
Hyprop	-*	-*	Half-year
L2D	5,5%	7,0%	Full year
Resilient	11,8%	-10,0%	Half-year
SA Corporate	27,7%	5,5%	Full year
Texton	-55,9%**	*	Half-year

* No distribution.
**Distributable income growth instead of distribution change as no dividend was declared in the previous period.
Source: Financial results of the various listed property funds

In sum

The property sector faces numerous challenges, such as higher interest rates, high vacancies, the power crisis, rising operating costs and a lack of municipal service delivery – not to mention the global and SA economies that face a period of low growth.

Thus, squeezing more money out of tenants in a moribund economy will be tricky. ■

Chapter 5: Office rentals

The office market battles on

Kobus Lamprecht

The office market remains in the worst position of the three major non-residential property types due to its significant oversupply. However, fundamentals did improve somewhat over the past few quarters, with vacancy rates moving lower from high levels, while nominal market-rental growth also picked up from a low base. However, REITs are still generally reporting large negative rental reversion rates as rentals have escalated by much more than market rentals. Remember, contractual rental escalation rates have averaged between 7% and 8% over the past few years and we all know that market rentals have not kept up.

The office market has been boosted by the return of workers to offices, albeit in many instances in a hybrid way, with the pandemic now firmly out of many people's minds. However, fundamentals are still poor, and we advise to not get too optimistic about the future given the general expectation of slow economic growth and the remote-working trend, with hybrid working models proving popular. The electricity crisis has worsened prospects for the economy over the next few years, which will put downward pressure on the demand for office space as more businesses close.

The cost to keep the lights on during load shedding is enormous – Growthpoint, the largest SA REIT, for example, spent R47 m on diesel for its generators in the six months to December 2022. Growthpoint stated in March that it provides backup power to more than 70% of its office portfolio, or 1,2 million square metres of offices, through 233 generators.

In the remainder of office space in the portfolio most tenants have their own generators, or are based in areas that do not experience significant load shedding. Growthpoint said that it recovers about 60% of its diesel cost from tenants. This means occupation costs have grown for tenants, which affects affordability, which may in future inhibit the growth of achievable rentals.

Nationally, weighted gross market rentals for decentralized grade-A space increased by 3,2% in *nominal* terms in the first quarter of 2023 compared to the first quarter of 2022. This comes after growth of 3,4% in the fourth quarter of 2022, which shows that rentals have bottomed out after falling by 5,2% in 2021 and by 1,2% in 2020. But to give perspective, the first-quarter nominal rental rate on a national level was still 3% below 2019 levels (i.e. before the Covid pandemic).

However, as we discuss later, these are nominal rentals that do not incorporate the below-the-horizon generous incentives like subsidised tenant installation (TI) expenses, rent-free months and free parking. The practical implication is that our nominal market rentals reported below are on the optimistic side because they exclude these leasing incentives.

In *real* terms, first quarter rentals are still in negative territory after deducting the BER's roughly 6% estimate of building-cost inflation. The positive is that the cooling of building-cost inflation from the level of close to 10% in the second and third quarters of 2022 will generally result in a smaller decline in *real* rentals.

We believe the impact of the work-from-home trend over the long term probably will not be as value destructive as expected as working completely from home will not work for many companies, especially large corporates, as humans need face-to-face interaction to build a company culture and morale. Hot-desking and open-plan offices have been with us for decades, and with hybrid policies these could grow in popularity.

Below we provide an update on recent South African rental trends. Note that all changes in rentals are calculated using a two-quarter weighted moving average (that is, we smoothed the data slightly).

National rentals

Before we deal with market rentals, a word on our survey method. The question put to the same panel every quarter includes the following instruction:

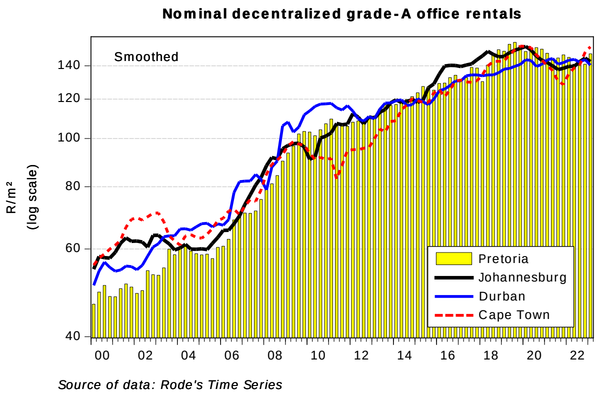
- "Nominal" rental assumes no leasing incentives like a rent-free period or short-term discounts. It also excludes amortization of tenant installation costs."

The practical implication is that with the current granting of incentives, our nominal market rentals reported below are on the optimistic side because they exclude these leasing incentives.

As noted above, nationally, nominal market rentals for grade-A office space in decentralized nodes in South Africa (outside the CBDs) increased by 3,2% in the first quarter of 2023 compared to a year ago, according to Rode's office market survey. In *real* terms, rentals fell by about 2% after deducting building-cost inflation (BER BCI). This is a much smaller decline compared to 2022 due to decelerating construction-cost inflation.

Rentals in the major decentralized nodes

Rode's survey data for the first quarter of 2023 shows that nominal rental growth in nodes outside CBDs in the major cities are generally still positive compared to the low levels of a year ago, with Durban bucking the trend. However, rental growth did slow in Johannesburg and Cape Town – perhaps a sign of what is to come for the market, given the weaker economy?



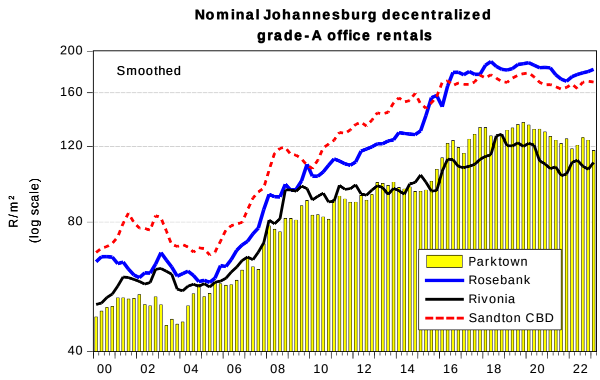
As shown in the chart, Cape Town has been the clear top performer over the past few quarters, albeit from a low base in 2021. In the first quarter of 2023, grade-A nominal rentals increased by 13% in Cape Town decentralized compared to the first quarter of 2022. Rentals of grade-A decentralized office space increased by 2,3% in Johannesburg and by 1,7% in Pretoria. Durban took a turn for the worse, with decentralized rentals *down* 2,3%. For readers it is important to understand that these increases are year on year, meaning the first-quarter 2023 level is compared to the low level of the first quarter of 2022. In *real* terms, only Cape Town managed to record above-inflation rental growth compared to a year ago (when using the BER Building Cost Index as a deflator). The Mother City's rentals also have now exceeded the average 2019 level (the level before Covid).

Fundamentals in Johannesburg decentralized improved somewhat over the past few quarters but are still poor.

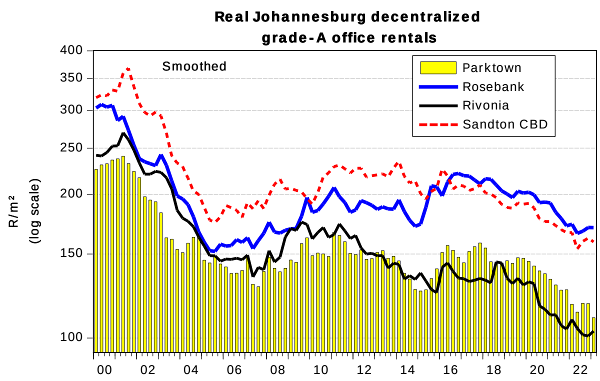
Decentralized grade-A nominal rentals increased by 2,3% compared to a year ago, as mentioned above.

This was slower than the 4,8% growth of the fourth quarter of 2022. The decentralized vacancy rate for grades A+, A and B office space combined edged up slightly to 16,4% in the first quarter of 2023, but it remains well below the high levels of close to 20% of a year ago, according to Rode's vacancy survey discussed in **Chapter 6**.

The slowing nominal rental growth trend in the first quarter of 2023 is evident in most of the major nodes, but rentals are still up compared to the low base of the first quarter of 2022, as can be seen in the two charts. This indicates that rentals bottomed out after the Covid lows. However, in *real* terms the city's decentralized rentals are still trending down after deducting construction-cost inflation.



Source of data: Rode's Time Series

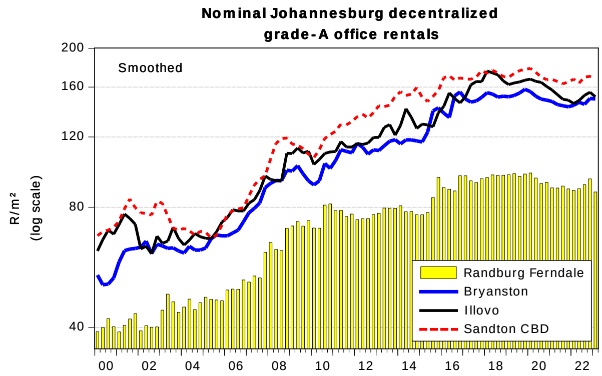


Source of data: Rode's Time Series

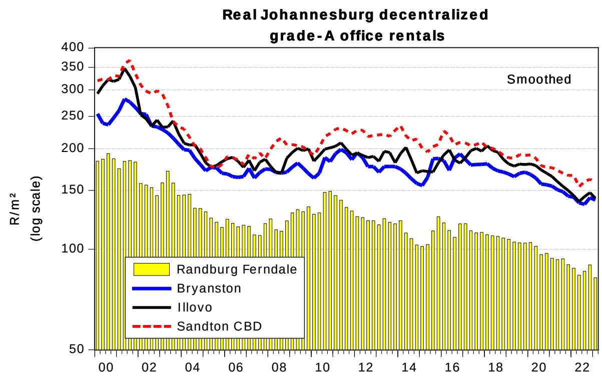
Nominal market rentals in Rosebank and Sandton CBD increased by 4% and 1,1% year on year respectively – both slower compared to the fourth quarter of 2022. Rentals disappointed in Parktown and Randburg, declining by 1%. Interestingly, Growthpoint said in March its strategy is to reduce office exposure in non-performing nodes in Gauteng and increase exposure in the Western Cape.

Note that when we use building costs as a deflator, we look at the movement of rentals over time from a developer's point of view. The higher the rise in building cost, holding constant the change in market rents and operating costs, the lower the viability of new developments.

Declining *real* rentals indicate that new developments are becoming less viable, holding all other factors constant. Reflecting this reality, new developments have declined sharply on a national level over the past few years (see **Chapter 11** for more information on building activity).



Source of data: Rode's Time Series



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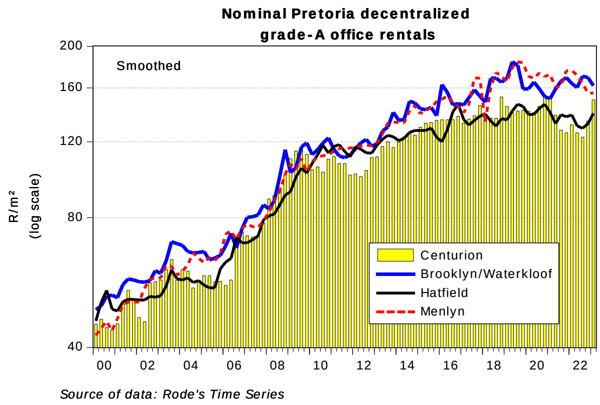
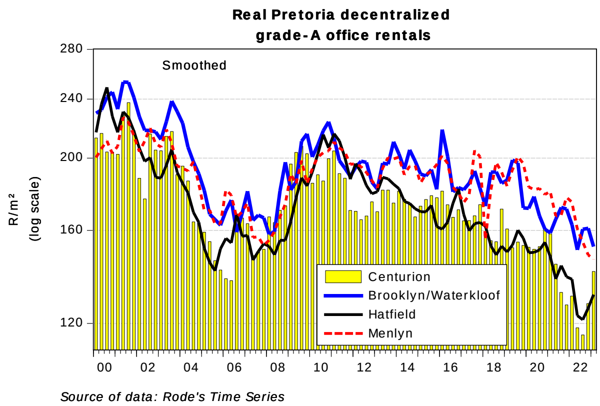


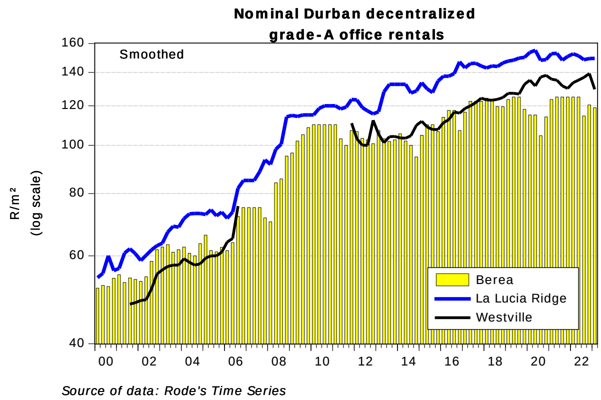
Note that the above graphs have a log scale on the y-axis (vertical axis). The advantage of a log scale is that when the lines move parallel to each other, one can safely infer that the lines move at about the same rate.

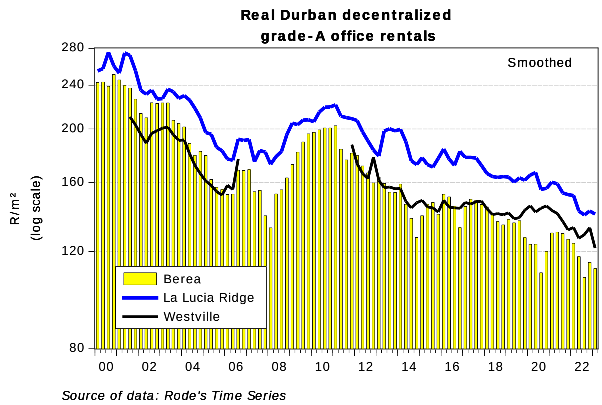
In Pretoria decentralized, *nominal* grade-A rentals increased by 1,7% in the first quarter of 2023 compared to a year ago – the first quarterly increase since 2019. Pretoria did not experience the better nominal rentals and vacancy rates generally observed in other major cities in 2022 and appears to be playing catch-up. This is also evident in the recent vacancy rate improvement, as discussed in **Chapter 6**. Nodes that have made a comeback include Centurion and to a lesser extent Hatfield. However, Pretoria's *real* rentals remain in negative territory after adjusting for the roughly 6% increase in construction-cost inflation.



Durban decentralized grade-A rentals in the first quarter of 2023 decreased by 2,3% compared to a year ago, after rising by 1,5% in the fourth quarter of 2022. The flagship node by far in Durban is La Lucia Ridge/ Umhlanga, where grade-A rentals fell by 2,1% compared to the first quarter of 2022. However, one of Rode's panellists noted that this node is "experiencing stock shortages". In fact, La Lucia Ridge/Umhlanga vacancy rate for grades A+, A and B office space combined did improve slightly to 11% in the first quarter of 2023 (see **Chapter 6**).

Westville and Berea's rentals fell by 3% and 5% respectively. This implies that rentals in Durban fell even more in *real* terms.



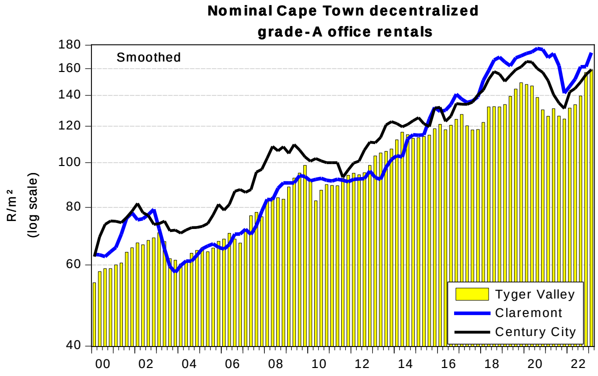


In the first quarter of 2023, Cape Town decentralized nominal office rentals increased by 13,2% year on year. This is slower than the 16,1% growth in the fourth quarter of 2022. Clearly, the low base did play a role in the rebound, but we believe office demand is also being boosted by Cape Town's perceived better governance and lifestyle, and better electricity supply outlook. Based on anecdotal evidence, this has contributed to several companies relocating (or "semigrating") from other parts of the country.

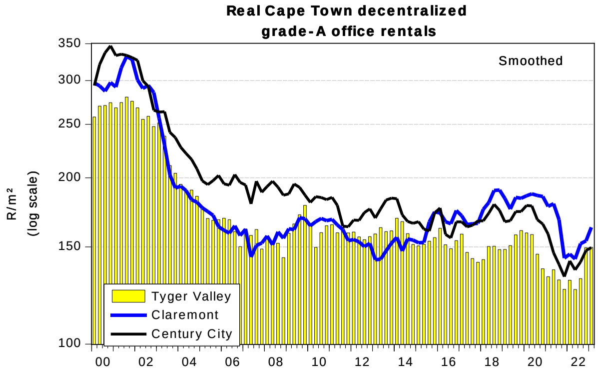
With regard to electricity supply, moves by Cape Town to obtain its own electricity supply independent of Eskom are positive for the local economy and, therefore, for long-term property rentals and values. Most of the time, Cape Town already has one or two lower 'stages' of load shedding. The City said in January that it aims to provide progressively at least four stages of load-shedding protection over the next three years. Some of its plans include buying power on the open market, paying businesses and residents to sell power back to the city, and solar farms (like the Atlantis development) and gas projects. This should help its economy to fare slightly better than the rest of the country.

We expect more cities, like Johannesburg and Durban, to shield themselves from Eskom's unreliable and costly supply. Of course, implementation will be key.

Rode data shows a strong rental rebound in most Cape Town nodes, with Century City, Claremont, and Tyger Valley shining with double-digit growth compared to the first quarter of 2022. But note on the chart the low base from which these increases are coming.



Source of data: Rode's Time Series



Source of data: Rode's Time Series

Turning to *real* rentals, the story is looking more positive, but much ground needs to be made up, as shown on the chart.

How to interpret a log vertical scale (y axis) on a graph

Most of the graphs in *Rode's Report* show the natural logs of the data on the y axis. When two lines on a vertical log scale run parallel, it means the two (rental) series are growing or declining at the same rate. A log scale is especially important to judge *relative* growth rates when the lines are far apart. (The horizontal axis is called the x axis.)

Recap: nominal versus real rentals

The term "nominal" refers to money rentals, while the term "real" refers to nominal less inflation. See also the **Glossary**.

Rode mostly deflates *nominal* rentals using the Bureau for Economic Research's Building Cost Index (BER BCI) to arrive at *real* rentals. The rationale for using building costs as deflator is the substitution principle and because building costs can serve as a proxy for replacement costs. To illustrate, why would you buy a property for R110 when you could have it built (replaced) for R100? When rentals are low relative to replacement costs, the upside potential for rentals is great and vice versa. Thus, high *real* rentals (relative to previous periods) may be an indication of a market that is vulnerable to a downswing, and low *real* rentals indicate great upside potential.

Our sincere thanks to our expert panellists for the information they supplied. Codes of the brokers and landlords who contributed to this quarter's survey appear in the table on **p. 37**. An explanation of the codes can be found on **p. xii**.

Table 5.1
Pioneer office rentals
Highest gross nominal market rental rate achieved
Quarter 2023:1
Rands per rentable m², gross leases (excl. VAT)

	Pioneer	Normal grade A mean	Inferred growth potential
Johannesburg dec.	R230	R142	62%
Pretoria dec.	-	-	-
Durban dec.	R200	R138	45%
Cape Town dec.	R225	R153	47%

Pioneer rentals

Table 5.1 shows the difference between pioneer rentals and grade-A market rentals as in the first quarter of 2023. This the reader can use as a rough indicator of prospects for eventual market-rental growth should the *deus ex machina* come down from the skies and generate sustainable growth in the SA economy.

Pioneer rental levels often represent leases signed on newly erected on-demand buildings like leaseback developments, and these rentals inevitably reflect today's or recent building and land acquisition costs as developers naturally expect a fair initial yield on their development costs. Typically, the lease is signed before construction starts.

Thus, when the economy eventually climbs out of its current lethargy, market rentals will shoot up to levels closer to these pioneer rentals.

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

Table 5.2
Market rental rates for office buildings
Quarter 2023:1
Rands per rentable m² per month, gross leases (excl. VAT)

	Grade A+ mean	Grade A mean	Grade B mean	Grade C mean	Panellist codes
Johannesburg CBD	-	100,00	91,88	57,83	BR,CBR,JLL,TRD,WHF
Braamfontein	-	95,00	85,00	75,00	BR,JLL
Sandton CBD	217,86	169,44	127,50	97,08	BR,CBR,CPS,CR,EPG,GB,JLL,MR, TRD,SHP,WHF,WP
Dunkeld West	170,50	136,00	106,60	85,00	BR,CPS,JLL,MR,SHP
Wierda Valley	155,00	135,83	112,50	86,00	BR,GB,JLL,SHP
Randburg Ferndale	-	84,00	74,17	58,33	BR,JLL,NH,PRS
Rivonia	128,50	111,90	93,50	79,17	BR,CPS,CR,GB,JLL,SHP,TRD,WHF
Rosebank	227,81	182,22	131,39	106,67	BR,CBR,CPS,CR,GB,JLL,MR,SHP, WHF,WP,ZZ
Illovo	198,57	149,38	123,38	104,00	BR,CBR,CPS,GB,JLL,MR,SHP,WHF
Illovo Boulevard	187,50	135,00	107,50	-	BR,CPS,JLL,MR
Chislehurston	155,00	140,00	122,50	97,50	BR,CPS,GB,JLL
Parktown	160,00	115,00	105,00	82,50	BR,CR,JLL
Richmond/Milpark	-	107,50	84,50	67,50	BR,CR
Bedfordview	125,00	115,83	101,88	79,17	BR,JLL,MR,SS
Bruma	-	100,67	83,13	67,50	BR,JLL,MR,SS
Woodmead	135,00	118,33	94,58	76,50	BR,CPS,GB,JLL,SHP,WHF
Sunninghill	115,00	98,13	87,57	73,42	BR,CPS,CR,GB,JLL,SHP,WHF
Bryanston/Epsom Downs	181,25	148,00	111,43	96,00	BR,CBR,CPS,CR,GB,JLL,SHP,WP
Fourways	165,00	142,08	108,33	90,63	BR,CBR,CPS,EPG,GB,JLL,SHP
Houghton	200,00	146,67	110,00	100,00	BR,CBR,JLL,WHF
Melrose Arch	225,00	191,00	131,67	100,00	BR,CPS,GB,JLL,MR
Hyde Park	140,00	127,50	109,38	93,33	BR,CBR,CPS,JLL,MR,WHF
Eastgate/Kramerville	-	148,33	112,50	90,00	CPS,JLL,MR,WHF
Ormonde	-	-	77,50	62,50	BR,JLL
Midrand	154,00	115,00	90,42	70,36	BR,GB,JLL,SHP,SWI,WHF,WP
Hendrik Potgieter Corridor (incl. Ruimsig)	-	110,00	90,00	-	BR
Waterfall	211,25	176,00	-	-	BR,CBR,CPS,GB,JLL,SHP,SS,SWI, WHF
Waverley/Bramley	167,50	135,00	111,25	-	BR,JLL
Constantia Kloof	-	-	115,00	97,50	JLL
Morningside	-	-	115,00	92,50	JLL
Greenstone	-	133,33	120,00	77,50	CPS,JLL,MR,SS
East Rand					
Germiston	-	-	120,00	92,50	JLL
Benoni CBD	-	-	-	55,00	SS
Benoni dec.	-	-	-	-	

For definitions, see Glossary of terms and abbreviations in ***Annexure 1****.*

Table 5.2 (continued)
Market rental rates for office buildings
Quarter 2023:1
Rands per rentable m² per month, gross leases (excl. VAT)

	Grade A+ mean	Grade A Mean	Grade B mean	Grade C mean	Panellist codes
Benoni (Lakeside Mall area)	-	-	-	-	
Boksburg CBD	-	-	78,75	56,25	JLL,SS
Boksburg North	-	145,00	85,00	45,00	JLL
Springs	-	-	-	-	
Pretoria CBD	-	95,00	77,50	62,50	AP,CRI
Lynnwood Glen	-	135,00	120,00	97,50	AP,CRI,WHF
Lynnwood	155,00	139,67	108,33	87,50	AP,CRI,HN,WHF
Lynnwood Manor	212,50	182,50	135,00	112,50	AP,CRI,HN,WHF
Lynnwood Ridge	-	150,00	118,33	95,00	AP,CRI,WHF
Faerie Glen	130,00	125,00	108,33	80,00	AP,CRI,WHF
Val de Grace	-	-	115,00	-	AP,CRI
Menlyn	208,33	156,67	121,67	102,50	AP,CRI,WHF
Menlo Park/Hazelwood	190,00	170,00	135,00	100,00	AP,CRI
Brooklyn/Waterkloof	210,00	160,00	127,50	110,00	AP,CRI,WHF
Nieuw Muckleneuk	180,00	150,00	122,50	100,00	AP,CRI
Hatfield/Hillcrest	175,00	142,50	115,00	85,00	AP,CRI,WHF
Centurion	198,33	155,00	125,00	97,50	AP,CRI,WHF
Highveld Technopark	-	142,50	116,67	-	AP,CRI,WHF
Highveld Extensions	181,67	153,33	106,67	82,50	AP,CRI,WHF
Sunnyside	-	-	-	50,00	AP,CRI
Arcadia	-	117,50	87,50	72,50	AP,CRI
Route 21 Corp. Park	142,50	123,33	106,67	90,00	AP,CRI,MAS,WHF
Silver Lakes/Die Wilgers	145,00	137,50	115,00	105,00	AP,CRI,HN,WHF
Mbombela CBD	-	-	105,00	88,00	KEL,MPV,ORI,PG,PM
Mbombela dec.	177,00	159,00	137,00	99,50	KEL,MPV,ORI,PG,PM
Polokwane	-	138,33	115,67	91,00	ES,MO,SF,TG
Bloemfontein CBD	-	132,50	94,50	73,75	BR,ED,EK,EQV
Westdene	138,33	128,75	100,50	79,00	BR,ED,EK,EQV
Durban CBD	-	110,00	93,75	72,50	MX,SA,SPS,ZZ
Durban Berea	135,00	116,25	91,67	78,75	MX,SA,SPS,ZZ
Essex Terrace	120,00	115,00	110,00	87,50	SA,SPS,ZZ
Westway	152,50	136,67	120,00	-	ACU,SA,SPS
La Lucia Ridge	165,83	149,00	130,00	106,00	BLA,SA,SPS,SWI,ZZ
Westville CBD	142,50	125,00	111,25	82,50	ACU,SA,SPS,ZZ
Pinetown	-	-	80,00	69,67	SA,SPS,ZZ
Hillcrest-Kloof (Upper Highway)	135,00	125,67	115,00	95,00	SA,SWI,ZZ
Umhlanga	183,75	168,13	140,00	120,00	SA,SPS,SWI,ZZ
Ballito	-	-	110,00	91,75	SA,ZZ
Point Waterfront	-	-	-	-	

For definitions, see Glossary of terms and abbreviations in ***Annexure 1****.*

Table 5.2 (continued)
Market rental rates for office buildings
Quarter 2023:1
Rands per rentable m² per month, gross leases (excl. VAT)

	Grade A+ mean	Grade A mean	Grade B mean	Grade C mean	Panellist codes
Gqeberha CBD	-	85,00	65,00	53,33	ARN,SUM,TR
Greenacres: Parks	120,00	105,00	80,00	67,50	ARN,SUM
Greenacres: Single	100,00	85,00	-	-	ARN
Walmer Park 1, 2 & 3	131,67	116,67	90,00	76,67	ARN,MY,SUM
South End	110,00	97,50	75,00	57,50	ARN,SUM
Humerail/Humewood	140,00	125,00	95,00	85,00	ARN,SUM
Newton Park/Cape Road	107,50	95,00	83,33	68,75	ARN,MY,SUM,TR
East London CBD	-	-	-	60,00	CAP,GW,TR
Southernwood	-	75,00	72,00	50,00	CAP
Berea	-	110,00	90,00	85,00	CAP,TR
Chiselhurst	-	-	83,00	80,00	CAP
Beacon Bay	-	118,00	110,00	92,50	CAP,TR
Vincent	-	118,00	110,00	100,00	CAP,TR
Cape Town CBD	182,00	146,67	112,22	86,00	AN,AP,DN,DW,EPG,HP,NEX,SPI, VP,WHF
Sea Point	150,00	130,00	115,00	95,00	AN,AP,WPM
Waterfront: Portswood Ridge	175,00	-	-	-	AN,WHF
Waterfront: Silo District	172,50	150,00	138,00	115,00	AN,BLA
Granger Bay	155,00	150,00	130,00	120,00	AN,AP,VP
Gardens	173,33	151,25	136,67	113,33	AN,AP,EPG,HP
Salt River	145,00	120,00	98,00	82,50	AP,COR,DN,EPG,GB,SCM,WHF
Woodstock	133,75	122,00	105,00	95,00	AP,COR,EPG,GB,SCM,WHF, WPM
Observatory/Black River Park	160,00	132,50	107,50	92,50	AP,COR,DN,EPG,SCM,SPI,WHF
Mowbray	137,50	131,67	97,50	-	AP,DN,SPI
Kenilworth (Racecourse)	160,00	140,00	131,50	-	AP,COR
Rondebosch	155,00	140,00	132,50	115,00	AP,COR,DW
Newlands	222,50	187,50	148,33	-	AP,BLA,COR,SPI
Wynberg	-	110,00	100,00	90,00	COR
Westlake	-	139,00	116,00	105,00	AN,COR,DW,HP
Tokai	125,00	120,00	113,00	100,00	AN,COR
Claremont Lower*	160,00	151,00	125,00	100,00	AP,COR
Claremont Upper	208,33	179,00	146,25	135,00	AP,BLA,COR,SPI
Hout Bay	-	-	-	-	
Noordhoek (Sun Valley)	-	-	-	-	
Pinelands/Golf Park	147,50	131,00	112,50	-	AP,COR,GAM,HP,RIO
Athlone	-	-	-	-	
Milnerton	110,00	95,33	85,00	-	AP,RIO,WHF
Panorama	-	-	-	-	

**Claremont Lower: east of Main Road*
For definitions, see Glossary of terms and abbreviations in Annexure 1.

Table 5.2 (continued)
Market rental rates for office buildings
Quarter 2023:1
Rands per rentable m² per month, gross leases (excl. VAT)

	Grade A⁺ mean	Grade A mean	Grade B Mean	Grade C mean	Panellist codes
Table View/Parklands	187,50	157,50	112,50	-	AP,RIO
Century City	190,00	160,25	133,33	115,00	AP,BLA,DN,EPG,HP,RIO,SPI, WHF
Maitland	-	100,00	82,50	67,50	AP,RIO
Goodwood (N1 City)	145,00	130,00	98,33	92,50	AP,DW,WPM
Tygerberg Hills/Plattekloof	-	160,00	130,00	-	CM,NE,VP,WPM
Bellville CBD	-	110,00	102,50	-	AP,CM,DN,DW
Tyger Valley area	205,00	157,50	125,00	115,00	AP,CM,DN,NE,PN,SPI
Durbanville	-	131,67	116,67	-	CM,DN,VP
Mitchells Plain	-	-	-	-	
Airport	-	-	-	-	
Khayelitsha	-	-	-	-	
Kuils River	82,50	77,50	68,33	-	DN,OMN,WPM
Paarl	-	-	-	-	
Wellington	-	-	-	-	
Stellenbosch					
The Vineyard	-	-	-	-	
Technopark	-	-	-	-	
Other	-	-	-	-	
Helderberg					
Gordon's Bay	-	-	-	-	
Somerset West CBD	-	-	95,00	-	OMN
Somerset Mall area	-	-	-	-	
Strand	-	-	-	-	
George Central	180,00	130,00	90,00	70,00	BVF
George dec.	-	-	-	-	
Pietermaritzburg Core CBD	-	-	80,00	65,00	HN
Peripheral CBD	-	-	110,00	75,00	HN
Pietermaritzburg dec.	155,00	140,00	120,00	90,00	HN
Richards Bay	-	-	-	-	
Empangeni	-	-	-	-	
Windhoek	232,50	200,00	160,00	127,50	PVN,TE

For definitions, see Glossary of terms and abbreviations in ***Annexure 1****.*

Table 5.3
Standard deviation of market rental rates for office buildings
Quarter 2023:1
Rands per month

	Grade A+	Grade A	Grade B	Grade C
Johannesburg CBD	-	10,00	6,93	5,72
Braamfontein	-	-	-	-
Sandton CBD	11,61	29,01	15,28	14,03
Dunkeld West	14,50	14,63	7,86	5,00
Wierda Valley	5,00	13,59	16,01	8,29
Randburg Ferndale	-	8,29	9,65	5,14
Rivonia	11,50	11,42	6,22	4,71
Rosebank	11,76	20,53	18,75	15,72
Illovo	16,19	20,22	17,74	7,87
Illovo Boulevard	19,47	6,12	12,50	-
Chislehurston	-	0,00	10,31	2,50
Parktown	-	-	17,80	17,50
Richmond/Milpark	-	-	4,50	-
Bedfordview	10,00	10,07	10,81	7,17
Bruma	-	7,36	5,96	7,50
Woodmead	16,58	12,80	8,71	14,63
Sunninghill	5,00	7,37	6,30	10,73
Bryanston/Epsom Downs	11,16	10,30	12,16	11,58
Fourways	31,36	23,47	15,39	7,15
Houghton	10,00	20,14	15,00	-
Melrose Arch	4,08	24,98	13,12	-
Hyde Park	10,00	16,01	8,73	9,43
Eastgate/Kramerville	-	20,14	9,01	7,07
Ormonde	-	-	-	-
Midrand	16,25	4,08	13,57	12,28
Hendrik Potgieter Corridor (incl. Ruimsig)	-	-	-	-
Waterfall	6,96	17,08	-	-
Waverley/Bramley	-	-	8,75	-
Constantia Kloof	-	-	-	-
Morningside	-	-	-	-
Greenstone	-	4,71	4,08	-
East Rand				
Germiston	-	-	-	-
Benoni CBD	-	-	-	-
Benoni dec.	-	-	-	-
Benoni (Lakeside Mall area)	-	-	-	-
Boksburg CBD	-	-	13,75	3,75
Boksburg North	-	-	-	-
Springs	-	-	-	-

For definitions, see Glossary of terms and abbreviations in ***Annexure 1****.*

Table 5.3 (continued)
Standard deviation of market rental rates for office buildings
Quarter 2023:1
Rands per month

	Grade A$^+$	Grade A	Grade B	Grade C
Pretoria CBD	-	-	2,50	2,50
Lynnwood Glen	-	18,71	10,00	2,50
Lynnwood	5,00	7,76	10,27	7,50
Lynnwood Manor	7,50	7,50	-	7,50
Lynnwood Ridge	-	-	6,24	10,80
Faerie Glen	-	-	9,43	-
Val de Grace	-	-	5,00	-
Menlyn	2,36	2,36	8,50	7,50
Menlo Park/Hazelwood	-	20,00	-	-
Brooklyn/Waterkloof	14,14	0,00	2,50	-
Nieuw Muckleneuk	0,00	0,00	12,50	-
Hatfield/Hillcrest	5,00	2,50	15,00	-
Centurion	6,24	15,00	0,00	12,50
Highveld Technopark	-	7,50	11,79	-
Highveld Extensions	33,25	36,82	17,00	2,50
Sunnyside	-	-	-	15,00
Arcadia	-	22,50	7,50	2,50
Route 21 Corp. Park	7,50	2,36	4,71	10,00
Silver Lakes/Die Wilgers	5,00	7,50	7,91	5,00
Mbombela CBD	-	-	5,00	4,00
Mbombela dec.	21,00	17,00	11,00	1,00
Polokwane	-	14,34	18,37	7,87
Bloemfontein CBD	-	7,50	16,22	5,45
Westdene	14,34	21,32	10,40	5,74
Durban CBD	-	21,60	14,31	16,01
Durban Berea	-	24,08	19,29	19,49
Essex Terrace	-	15,00	14,14	12,50
Westway	7,50	8,50	10,00	-
La Lucia Ridge	7,73	18,00	21,68	19,80
Westville CBD	2,50	7,07	14,31	7,50
Pinetown	-	-	20,00	13,91
Hillcrest-Kloof (Upper Highway)	-	19,43	18,71	15,00
Umhlanga	12,44	5,96	14,14	-
Ballito	-	-	10,00	11,75
Point Waterfront	-	-	-	-
Gqeberha CBD	-	-	10,00	10,27
Greenacres: Parks	-	20,00	5,00	2,50
Greenacres: Single	-	-	-	-
Walmer Park 1, 2 & 3	8,50	11,79	10,80	8,50
South End	30,00	22,50	10,00	2,50
Humerail/Humewood	20,00	15,00	5,00	15,00
Newton Park/Cape Road	7,50	10,00	6,24	4,15

For definitions, see Glossary of terms and abbreviations in ***Annexure 1****.*

Table 5.3 (continued) Standard deviation of market rental rates for office buildings Quarter 2023:1 Rands per month				
	Grade A+	Grade A	Grade B	Grade C
East London CBD	-	-	-	4,08
Southernwood	-	-	-	-
Berea	-	-	-	-
Chiselhurst	-	-	-	-
Beacon Bay	-	-	-	12,50
Vincent	-	-	-	0,00
Cape Town CBD	19,39	26,56	23,11	8,00
Sea Point	-	10,00	5,00	5,00
Waterfront: Portswood Ridge	25,00	-	-	-
Waterfront: Silo District	12,50	10,00	-	-
Granger Bay	15,00	24,49	-	-
Gardens	37,71	30,08	28,67	26,25
Salt River	22,80	15,81	27,31	22,78
Woodstock	22,19	21,12	18,37	24,70
Observatory/Black River Park	31,89	30,52	27,04	32,50
Mowbray	22,50	25,93	22,50	-
Kenilworth (Racecourse)	20,00	5,00	3,50	-
Rondebosch	5,00	4,08	2,50	15,00
Newlands	12,50	8,29	22,48	-
Wynberg	-	-	-	-
Westlake	-	25,47	-	-
Tokai	-	-	-	-
Claremont Lower*	20,00	19,00	5,00	0,00
Claremont Upper	22,48	5,35	22,19	5,00
Hout Bay	-	-	-	-
Noordhoek (Sun Valley)	-	-	-	-
Pinelands/Golf Park	2,50	14,97	12,50	-
Athlone	-	-	-	-
Milnerton	-	6,60	5,00	-
Panorama	-	-	-	-
Table View/Parklands	12,50	7,50	12,50	-
Century City	37,19	21,34	17,95	-
Maitland	-	-	2,50	2,50
Goodwood (N1 City)	15,00	10,00	19,29	7,50
Tygerberg Hills/Plattekloof	-	17,32	20,00	-
Bellville CBD	-	-	12,50	-
Tyger Valley area	25,00	12,99	7,07	10,80
Durbanville	-	30,09	29,53	-
Mitchells Plain	-	-	-	-
Airport	-	-	-	-

**Claremont Lower: east of Main Road*
For definitions, see Glossary of terms and abbreviations in ***Annexure 1****.*

Table 5.3 (continued)
Standard deviation of market rental rates for office buildings
Quarter 2023:1
Rands per month

	Grade A^+	Grade A	Grade B	Grade C
Khayelitsha	-	-	-	-
Kuils River	17,50	17,50	16,50	-
Paarl	-	-	-	-
Wellington	-	-	-	-
Stellenbosch				
The Vineyard	-	-	-	-
Technopark	-	-	-	-
Other	-	-	-	-
Helderberg				
Gordon's Bay	-	-	-	-
Somerset West CBD	-	-	-	-
Somerset Mall area	-	-	-	-
Strand	-	-	-	-
George Central	-	-	-	-
George dec.	-	-	-	-
Pietermaritzburg Core CBD	-	-	-	-
Peripheral CBD	-	-	-	-
Pietermaritzburg dec.	-	-	-	-
Richards Bay	-	-	-	-
Empangeni	-	-	-	-
Windhoek	17,50	20,00	10,00	2,50

*For definitions, see Glossary of terms and abbreviations in **Annexure 1**.*

Table 5.4 Typical rent-free period in months Average periods on offer in quarter 2023:1		
	Mean	**SD**
Johannesburg CBD	1,3	0,5
Braamfontein	-	-
Sandton CBD	3,0	2,6
Dunkeld West	2,0	0,7
Wierda Valley	2,5	0,5
Randburg Ferndale	3,0	1,0
Rivonia	1,8	1,0
Rosebank	2,3	1,6
Illovo	1,7	0,7
Illovo Boulevard	2,3	0,8
Chislehurston	3,3	1,5
Parktown	1,3	0,3
Richmond/Milpark	6,0	-
Bedfordview	1,0	0,0
Bruma	1,0	0,0
Woodmead	2,5	2,1
Sunninghill	1,8	1,0
Bryanston/Epsom Downs	2,0	0,6
Fourways	1,9	0,2
Houghton	1,5	0,4
Melrose Arch	1,4	0,4
Hyde Park	1,4	0,4
Eastgate/Kramerville	1,0	0,0
Ormonde	-	-
Midrand	2,6	1,7
Hendrik Potgieter Corridor (incl. Ruimsig)	-	-
Waterfall	2,1	0,8
Waverley/Bramley	2,0	-
Constantia Kloof	-	-
Morningside	-	-
Greenstone	2,0	0,8
East Rand		
Germiston	-	-
Benoni CBD	1,0	-
Benoni dec.	-	-
Benoni (Lakeside Mall area)	-	-
Boksburg CBD	1,0	-
Boksburg North	-	-
Springs	-	-
Pretoria CBD	1,0	-
Lynnwood Glen	2,5	1,5
Lynnwood	2,3	1,2
Lynnwood Manor	3,7	1,2

Table 5.4 (continued) Typical rent-free period in months Average periods on offer in quarter 2023:1		
	Mean	**SD**
Lynnwood Ridge	2,5	1,5
Faerie Glen	2,0	1,0
Val de Grace	1,0	-
Menlyn	2,5	0,5
Menlo Park/Hazelwood	1,0	-
Brooklyn/Waterkloof	2,0	1,0
Nieuw Muckleneuk	1,0	-
Hatfield/Hillcrest	2,0	1,0
Centurion	2,0	1,0
Highveld Technopark	2,0	1,0
Highveld Extensions	1,0	0,0
Sunnyside	1,0	-
Arcadia	1,0	-
Route 21 Corp. Park	2,0	1,0
Silver Lakes/Die Wilgers	2,0	1,0
Mbombela CBD	1,0	0,0
Mbombela dec.	1,0	0,0
Polokwane	3,0	2,2
Bloemfontein CBD	5,5	4,5
Westdene	5,5	4,5
Durban CBD	2,0	1,0
Durban Berea	2,0	1,0
Essex Terrace	3,0	-
Westway	3,0	-
La Lucia Ridge	2,0	0,0
Westville CBD	2,0	-
Pinetown	3,0	-
Hillcrest-Kloof (Upper Highway)	1,0	-
Umhlanga	2,0	0,0
Ballito	-	-
Point Waterfront	-	-
Gqeberha CBD	1,7	0,9
Greenacres: Parks	1,0	0,0
Greenacres: Single	1,0	-
Walmer Park 1, 2 & 3	2,0	1,0
South End	1,0	-
Humerail/Humewood	1,0	-
Newton Park/Cape Road	1,7	0,9
East London CBD	4,0	-
Southernwood	2,0	-
Berea	2,0	-
Chiselhurst	3,0	-

Table 5.4 (continued) Typical rent-free period in months Average periods on offer in quarter 2023:1		
	Mean	**SD**
Beacon Bay	2,0	-
Vincent	2,0	-
Cape Town CBD	1,9	0,7
Sea Point	2,3	0,3
Waterfront: Portswood Ridge	2,0	-
Waterfront: Silo District	2,0	0,0
Granger Bay	2,3	0,3
Gardens	1,8	0,3
Salt River	1,5	0,5
Woodstock	1,5	0,5
Observatory/Black River Park	2,0	1,0
Mowbray	2,3	0,8
Kenilworth (Racecourse)	1,3	0,3
Rondebosch	1,3	0,3
Newlands	1,8	0,8
Wynberg	1,0	-
Westlake	1,5	0,5
Tokai	1,0	-
Claremont Lower*	1,3	0,3
Claremont Upper	1,8	0,8
Hout Bay	-	-
Noordhoek (Sun Valley)	-	-
Pinelands/Golf Park	1,3	0,3
Athlone	-	-
Milnerton	-	-
Panorama	-	-
Table View/Parklands	1,0	-
Century City	2,0	0,7
Maitland	1,0	0,0
Goodwood (N1 City)	-	-
Tygerberg Hills/Plattekloof	1,5	0,5
Bellville CBD	1,0	-
Tyger Valley area	2,3	0,8
Durbanville	1,0	0,0
Mitchells Plain	-	-
Airport	-	-
Khayelitsha	-	-
Kuils River	2,0	-
Paarl	-	-
Wellington	-	-

**Claremont Lower: east of Main Road*

Table 5.4 (continued) Typical rent-free period in months Average periods on offer in quarter 2023:1		
	Mean	**SD**
Stellenbosch		
The Vineyard	-	-
Technopark	-	-
Other	-	-
Helderberg		
Gordon's Bay	-	-
Somerset West CBD	3,0	-
Somerset Mall area	-	-
Strand	-	-
George Central	2,0	-
George dec.	-	-
Pietermaritzburg Core CBD	1,0	-
Peripheral CBD	1,0	-
Pietermaritzburg dec.	1,0	-
Richards Bay	-	-
Empangeni	-	-
Windhoek	-	-

Table 5.5
Market parking rentals
Rands per bay per month (excl. VAT)
as in quarter 2023:1

	Covered reserved parking				Shade net	Open-air
	Gr A+	Gr A	Gr B	Gr C		
Johannesburg CBD	-	875	733	542	-	463
Braamfontein			738	575	575	475
Sandton CBD	1.111	963	758	621	658	540
Dunkeld West	800	763	600	400	510	375
Wierda Valley	813	638	615	499	480	390
Randburg Ferndale	525	450	400	325	375	275
Rivonia	643	601	553	476	442	338
Rosebank	1.117	886	689	572	566	456
Illovo	960	764	659	603	545	425
Illovo Boulevard	793	651	611	563	510	438
Chislehurston	800	700	583	500	492	400
Parktown	725	700	595	450	467	425
Richmond/Milpark	550	450	375	300	200	200
Bedfordview	-	575	550	483	488	363
Bruma	-	500	463	350	407	298
Woodmead	726	652	595	496	468	375
Sunninghill	740	580	547	439	447	370
Bryanston/Epsom Downs	748	669	595	508	506	404
Fourways	717	643	576	524	476	380
Houghton	1.000	800	631	-	572	467
Melrose Arch	1.142	1.088	775	500	450	400
Hyde Park	683	615	534	500	494	393
Eastgate/Kramerville	850	651	585	472	445	343
Ormonde	-	-	750	275	388	300
Midrand	792	670	586	455	477	363
Hendrik Potgieter Corridor (incl. Ruimsig)	-	500	300	-	250	200
Waterfall	1.033	893	-	-	675	548
Waverley/Bramley	725	675	642	625	575	500
Constantia Kloof	-	-	-	525	525	400
Morningside	-	-	650	550	500	425
Greenstone	595	583	525	500	447	381
East Rand						
Germiston	-	-	550	-	450	-
Benoni CBD	-	-	-	-	450	350
Benoni dec.	-	-	-	-	-	-
Benoni (Lakeside Mall area)	-	-	-	-	450	300
Boksburg CBD	-	-	220	-	450	300
Boksburg North	-	650	-	-	500	375
Springs	-	-	-	-	-	-

Table 5.5 (continued) Market parking rentals Rands per bay per month (excl. VAT) as in quarter 2023:1	Covered reserved parking				Shade net	Open-air
	Gr A+	Gr A	Gr B	Gr C		
Pretoria CBD	-	810	705	650	-	350
Lynnwood Glen	-	700	600	425	475	300
Lynnwood	850	700	533	450	410	294
Lynnwood Manor	890	825	625	600	525	375
Lynnwood Ridge	-	750	700	525	450	343
Faerie Glen	-	625	500	450	433	310
Val de Grace	-	-	375	300	300	280
Menlyn	970	850	717	700	550	450
Menlo Park/Hazelwood	1.000	850	550	550	500	450
Brooklyn/Waterkloof	775	717	625	600	433	350
Nieuw Muckleneuk	710	675	600	550	475	450
Hatfield/Hillcrest	733	683	617	550	477	403
Centurion	860	717	570	475	444	361
Highveld Technopark	600	550	500	450	385	368
Highveld Extensions	633	583	450	450	365	333
Sunnyside	-	-	-	450	-	-
Arcadia	-	705	630	600	-	400
Route 21 Corp. Park	483	475	388	383	333	283
Silver Lakes/Die Wilgers	600	575	350	350	400	318
Mbombela CBD	-	-	440	456	282	180
Mbombela dec.	540	540	500	472	330	190
Polokwane	-	500	393	357	290	280
Bloemfontein CBD	-	337	305	277	217	130
Westdene	393	360	320	280	235	135
Durban CBD	-	550	500	425	-	-
Durban Berea	600	550	500	450	350	250
Essex Terrace	-	583	533	525	575	500
Westway	788	588	500	-	575	517
La Lucia Ridge	908	775	600	500	775	650
Westville CBD	-	700	675	-	700	575
Pinetown	-	-	-	-	-	-
Hillcrest-Kloof (Upper Highway)	550	550	450	-	350	250
Umhlanga	925	806	663	-	725	550
Ballito	550	550	500	-	-	-
Point Waterfront	-	-	-	-	-	-
Gqeberha CBD	-	350	300	250	350	250
Greenacres: Parks	450	425	325	275	350	300
Greenacres: Single	450	425	300	275	300	263
Walmer Park 1, 2 & 3	450	425	325	275	300	228
South End	400	350	275	200	250	175
Humerail/Humewood	475	425	300	200	350	250
Newton Park/Cape Road	550	475	300	250	300	225

Table 5.5 (continued) Market parking rentals Rands per bay per month (excl. VAT) as in quarter 2023:1						
	Covered reserved parking				Shade net	Open-air
	Gr A+	Gr A	Gr B	Gr C		
East London CBD	-	550	500	375	550	500
Southernwood	-	550	500	500	550	450
Berea	600	550	500	500	550	500
Chiselhurst	-	500	500	500	550	450
Beacon Bay	600	550	500	500	550	500
Vincent	600	550	500	500	550	450
Cape Town CBD	1.642	1.443	1.357	1.175	1.050	867
Sea Point	1.450	1.375	1.250	1.000	900	800
Waterfront: Portswood Ridge	1.600	1.575	-	-	-	-
Waterfront: Silo District	1.600	1.575	-	-	-	-
Granger Bay	-	-	-	-	-	-
Gardens	1.250	1.217	1.150	1.125	950	700
Salt River	983	850	-	-	975	650
Woodstock	1.450	1.367	1.300	1.200	1.200	900
Observatory/Black River Park	1.150	1.113	1.100	1.075	1.167	850
Mowbray	1.600	1.500	1.000	900	1.100	965
Kenilworth (Racecourse)	-	1.100	-	-	-	725
Rondebosch	1.450	1.283	925	800	983	838
Newlands	1.750	1.550	1.450	-	1.650	1.200
Wynberg	-	-	550	500	550	500
Westlake	1.100	1.025	1.000	950	925	817
Tokai	-	-	850	750	850	750
Claremont Lower*	1.433	1.300	1.083	825	975	825
Claremont Upper	1.833	1.617	1.300	1.100	1.100	975
Hout Bay	-	-	-	-	-	-
Noordhoek (Sun Valley)	-	-	-	-	-	-
Pinelands/Golf Park	-	1.017	900	800	943	795
Athlone	-	-	-	-	-	-
Milnerton	700	550	450	400	300	250
Panorama	-	800	-	-	-	750
Table View/Parklands	1.300	983	950	850	-	550
Century City	1.180	1.042	850	750	767	683
Maitland	-	-	-	-	-	-
Goodwood (N1 City)	1.000	950	800	600	425	383
Tygerberg Hills/Plattekloof	-	988	850	-	800	650
Bellville CBD	800	700	-	-	800	433
Tyger Valley area	1.210	933	850	733	575	521
Durbanville	-	850	700	-	400	300
Mitchells Plain	-	-	-	-	-	-
Airport	-	-	-	-	-	-
Khayelitsha	-	-	-	-	-	-

**Claremont Lower: east of Main Road*

Table 5.5 (continued)
Market parking rentals
Rands per bay per month (excl. VAT)
as in quarter 2023:1

	Covered reserved parking				Shade net	Open-air
	Gr A$^+$	Gr A	Gr B	Gr C		
Kuils River	-	-	-	-	-	180
Paarl	-	-	-	-	-	-
Wellington	-	-	-	-	-	-
Stellenbosch						
The Vineyard	-	-	-	-	-	-
Technopark	-	-	-	-	-	-
Other	-	-	-	-	-	-
Helderberg						
Gordon's Bay	-	-	-	-	-	-
Somerset West CBD	-	-	-	-	-	655
Somerset Mall area	-	-	-	-	-	-
Strand	-	-	-	-	-	-
George Central	-	-	-	-	300	250
George dec.	-	-	-	-	-	-
Pietermaritzburg Core CBD	-	-	350	300	260	230
Peripheral CBD	-	-	400	350	320	270
Pietermaritzburg dec.	600	550	450	400	360	300
Richards Bay	-	-	-	-	-	-
Empangeni	-	-	-	-	-	-
Windhoek	1.125	1.000	825	650	500	375

Table 5.6 Office rental escalation rates on new leases (%) Average escalation rate on net rentals for quarter 2023:1	
	Mean
Johannesburg CBD	6,8
Braamfontein	7,8
Sandton CBD	7,6
Dunkeld West	7,6
Wierda Valley	8,0
Randburg Ferndale	7,4
Rivonia	7,4
Rosebank	7,5
Illovo	7,5
Illovo Boulevard	7,5
Chislehurston	7,8
Parktown	7,6
Richmond/Milpark	8,0
Bedfordview	8,0
Bruma	8,4
Woodmead	7,9
Sunninghill	7,4
Bryanston/Epsom Downs	7,4
Fourways	7,4
Houghton	7,8
Melrose Arch	7,8
Hyde Park	7,8
Eastgate/Kramerville	8,0
Ormonde	8,0
Midrand	7,5
Hendrik Potgieter Corridor (incl. Ruimsig)	8,0
Waterfall	7,6
Waverley/Bramley	8,0
Constantia Kloof	8,0
Morningside	8,0
Greenstone	8,0
East Rand	
Germiston	7,3
Benoni CBD	7,1
Benoni dec.	7,3
Benoni (Lakeside Mall area)	7,3
Boksburg CBD	7,1
Boksburg North	7,3
Springs	7,3
Pretoria CBD	8,0
Lynnwood Glen	7,0
Lynnwood	7,7
Lynnwood Manor	7,7
Lynnwood Ridge	7,0
Faerie Glen	7,0
Val de Grace	8,0

Table 5.6 (continued) Office rental escalation rates on new leases (%) Average escalation rate on net rentals for quarter 2023:1	
	Mean
Menlyn	7,5
Menlo Park/Hazelwood	8,0
Brooklyn/Waterkloof	7,5
Nieuw Muckleneuk	8,0
Hatfield/Hillcrest	7,5
Centurion	7,5
Highveld Technopark	7,0
Highveld Extensions	7,0
Sunnyside	8,0
Arcadia	8,0
Route 21 Corp. Park	7,0
Silver Lakes/Die Wilgers	7,0
Mbombela CBD	7,0
Mbombela dec.	7,0
Polokwane	6,8
Bloemfontein CBD	7,3
Westdene	7,3
Durban CBD	7,5
Durban Berea	8,0
Essex Terrace	7,8
Westway	7,7
La Lucia Ridge	7,6
Westville CBD	7,5
Pinetown	7,5
Hillcrest-Kloof (Upper Highway)	8,5
Umhlanga	7,5
Ballito	8,0
Point Waterfront	-
Gqeberha CBD	6,2
Greenacres: Parks	6,3
Greenacres: Single	6,5
Walmer Park 1, 2 & 3	6,5
South End	6,3
Humerail/Humewood	6,3
Newton Park/Cape Road	6,9
East London CBD	7,0
Southernwood	7,0
Berea	7,0
Chiselhurst	7,0
Beacon Bay	7,0
Vincent	7,0
Cape Town CBD	7,4
Sea Point	7,5
Waterfront: Portswood Ridge	7,0
Waterfront: Silo District	7,0
Granger Bay	7,0

Table 5.6 (continued) Office rental escalation rates on new leases (%) Average escalation rate on net rentals for quarter 2023:1	
	Mean
Gardens	7,5
Salt River	7,3
Woodstock	7,5
Observatory/Black River Park	7,8
Mowbray	7,5
Kenilworth (Racecourse)	7,5
Rondebosch	7,7
Newlands	7,5
Wynberg	6,5
Westlake	7,5
Tokai	7,0
Claremont Lower*	7,5
Claremont Upper	7,5
Hout Bay	-
Noordhoek (Sun Valley)	-
Pinelands/Golf Park	7,3
Athlone	-
Milnerton	7,0
Panorama	-
Table View/Parklands	-
Century City	7,6
Maitland	8,0
Goodwood (N1 City)	8,0
Tygerberg Hills/Plattekloof	7,3
Bellville CBD	7,3
Tyger Valley area	7,2
Durbanville	8,0
Mitchells Plain	-
Airport	-
Khayelitsha	-
Kuils River	8,0
Paarl	-
Wellington	-
Stellenbosch	
The Vineyard	-
Technopark	-
Other	-
Helderberg	
Gordon's Bay	-
Somerset West CBD	7,0
Somerset Mall area	-
Strand	-
**Claremont Lower: east of Main Road*	

Table 5.6 (continued) Office rental escalation rates on new leases (%) Average escalation rate on net rentals for quarter 2023:1	
	Mean
George Central	6,0
George dec.	-
Pietermaritzburg Core CBD	6,5
Peripheral CBD	7,0
Pietermaritzburg dec.	6,5
Richards Bay	-
Empangeni	-
Windhoek	5,0

Table 5.7 Escalation rates on operating costs (%) for quarter 2023:1	
	Mean
Johannesburg CBD	7,8
Braamfontein	7,8
Sandton CBD	7,8
Dunkeld West	7,7
Wierda Valley	8,0
Randburg Ferndale	7,4
Rivonia	7,7
Rosebank	7,6
Illovo	7,7
Illovo Boulevard	7,8
Chislehurston	8,0
Parktown	8,0
Richmond/Milpark	8,5
Bedfordview	8,5
Bruma	8,6
Woodmead	7,9
Sunninghill	7,7
Bryanston/Epsom Downs	7,7
Fourways	7,8
Houghton	7,9
Melrose Arch	7,9
Hyde Park	7,9
Eastgate/Kramerville	9,0
Ormonde	8,0
Midrand	7,8
Hendrik Potgieter Corridor (incl. Ruimsig)	8,0
Waterfall	7,7
Waverley/Bramley	8,0
Constantia Kloof	8,0
Morningside	8,0
Greenstone	8,0
East Rand	
Germiston	-
Benoni CBD	7,0
Benoni dec.	-
Benoni (Lakeside Mall area)	-
Boksburg CBD	7,0
Boksburg North	-
Springs	-
Pretoria CBD	-
Lynnwood Glen	7,0
Lynnwood	8,3
Lynnwood Manor	9,3
Lynnwood Ridge	7,0
Faerie Glen	7,0
Val de Grace	8,0
Menlyn	7,5

Table 5.7 (continued) Escalation rates on operating costs (%) for quarter 2023:1	
	Mean
Menlo Park/Hazelwood	8,0
Brooklyn/Waterkloof	7,5
Nieuw Muckleneuk	8,0
Hatfield/Hillcrest	7,0
Centurion	7,0
Highveld Technopark	-
Highveld Extensions	7,0
Sunnyside	-
Arcadia	-
Route 21 Corp. Park	6,5
Silver Lakes/Die Wilgers	7,0
Mbombela CBD	8,6
Mbombela dec.	8,6
Polokwane	7,3
Bloemfontein CBD	7,7
Westdene	7,7
Durban CBD	8,0
Durban Berea	8,0
Essex Terrace	8,0
Westway	8,0
La Lucia Ridge	8,5
Westville CBD	8,0
Pinetown	-
Hillcrest-Kloof (Upper Highway)	-
Umhlanga	8,0
Ballito	-
Point Waterfront	-
Gqeberha CBD	17,5
Greenacres: Parks	13,5
Greenacres: Single	15,0
Walmer Park 1, 2 & 3	11,0
South End	13,0
Humerail/Humewood	14,3
Newton Park/Cape Road	15,0
East London CBD	8,0
Southernwood	9,0
Berea	9,0
Chiselhurst	9,0
Beacon Bay	9,0
Vincent	9,0
Cape Town CBD	7,2
Sea Point	7,5
Waterfront: Portswood Ridge	7,0
Waterfront: Silo District	8,0
Granger Bay	6,5
Gardens	7,5

Table 5.7 (continued) Escalation rates on operating costs (%) for quarter 2023:1	
	Mean
Salt River	7,3
Woodstock	7,5
Observatory/Black River Park	7,8
Mowbray	7,5
Kenilworth (Racecourse)	7,5
Rondebosch	7,5
Newlands	8,0
Wynberg	6,5
Westlake	7,0
Tokai	7,0
Claremont Lower*	7,5
Claremont Upper	8,0
Hout Bay	-
Noordhoek (Sun Valley)	-
Pinelands/Golf Park	8,3
Athlone	-
Milnerton	7,0
Panorama	-
Table View/Parklands	-
Century City	8,1
Maitland	8,0
Goodwood (N1 City)	8,0
Tygerberg Hills/Plattekloof	7,3
Bellville CBD	7,3
Tyger Valley area	7,0
Durbanville	8,0
Mitchells Plain	-
Airport	-
Khayelitsha	-
Kuils River	8,0
Paarl	-
Wellington	-
Stellenbosch	
The Vineyard	-
Technopark	-
Other	-
Helderberg	
Gordon's Bay	-
Somerset West CBD	7,0
Somerset Mall area	-
Strand	-
George Central	10,0
George dec.	-

**Claremont Lower: east of Main Road*

Table 5.7 (continued) Escalation rates on operating costs (%) for quarter 2023:1	
	Mean
Pietermaritzburg Core CBD	7,0
Peripheral CBD	7,0
Pietermaritzburg dec.	7,0
Richards Bay	-
Empangeni	-
Windhoek	7,0

Table 5.8 Typical gross outgoings for prime office buildings As reported by brokers R/rentable m² per month: quarter 2023:1			
	Mean	**SD**	**n**
Johannesburg CBD	10,00	-	1
Braamfontein	7,50	-	1
Sandton CBD	31,25	2,16	6
Dunkeld West	28,00	3,56	3
Wierda Valley	30,00	3,56	3
Randburg Ferndale	22,50	4,30	3
Rivonia	25,75	2,17	4
Rosebank	33,70	1,33	5
Illovo	35,00	0,00	3
Illovo Boulevard	35,00	0,00	2
Chislehurston	28,67	3,40	3
Parktown	-	-	-
Richmond/Milpark	22,50	-	1
Bedfordview	25,00	-	1
Bruma	15,00	-	1
Woodmead	32,33	5,56	3
Sunninghill	23,00	3,00	2
Bryanston/Epsom Downs	32,10	7,63	5
Fourways	26,50	3,92	4
Houghton	27,50	-	1
Melrose Arch	36,67	6,24	3
Hyde Park	32,50	-	1
Eastgate/Kramerville	-	-	-
Ormonde	-	-	-
Midrand	30,20	10,87	5
Hendrik Potgieter Corridor (incl. Ruimsig)	22,50	-	1
Waterfall	35,00	14,23	5
Waverley/Bramley	30,00	-	1
Constantia Kloof	-	-	-
Morningside	-	-	-
Greenstone	-	-	-
East Rand			
Germiston	-	-	-
Benoni CBD	8,00	-	1
Benoni dec.	-	-	-
Benoni (Lakeside Mall area)	-	-	-
Boksburg CBD	8,00	-	1
Boksburg North	-	-	-
Springs	-	-	-
Pretoria CBD	20,00	-	1
Lynnwood Glen	25,00	0,00	2
Lynnwood	22,00	2,16	3
Lynnwood Manor	31,67	4,71	3

Table 5.8 (continued) Typical gross outgoings for prime office buildings As reported by brokers R/rentable m² per month: quarter 2023:1			
	Mean	**SD**	**n**
Lynnwood Ridge	23,00	2,00	2
Faerie Glen	19,50	0,50	2
Val de Grace	20,00	-	1
Menlyn	30,00	-	1
Menlo Park/Hazelwood	27,00	-	1
Brooklyn/Waterkloof	23,00	2,00	2
Nieuw Muckleneuk	22,00	-	1
Hatfield/Hillcrest	21,50	0,50	2
Centurion	21,50	0,50	2
Highveld Technopark	28,00	-	1
Highveld Extensions	28,00	-	1
Sunnyside	20,00	-	1
Arcadia	20,00	-	1
Route 21 Corp. Park	36,33	20,42	3
Silver Lakes/Die Wilgers	24,67	4,50	3
Mbombela CBD	32,00	6,00	5
Mbombela dec.	37,60	3,80	5
Polokwane	27,20	4,78	4
Bloemfontein CBD	22,00	4,30	4
Westdene	25,50	3,64	4
Durban CBD	-	-	-
Durban Berea	34,23	-	1
Essex Terrace	-	-	-
Westway	-	-	-
La Lucia Ridge	29,00	-	1
Westville CBD	-	-	-
Pinetown	-	-	-
Hillcrest-Kloof (Upper Highway)	-	-	-
Umhlanga	32,50	-	1
Ballito	-	-	-
Point Waterfront	-	-	-
Gqeberha CBD	15,00	-	1
Greenacres: Parks	18,00	-	1
Greenacres: Single	-	-	-
Walmer Park 1, 2 & 3	18,00	-	1
South End	18,00	-	1
Humerail/Humewood	20,00	-	1
Newton Park/Cape Road	18,00	-	1
East London CBD	22,00	-	1
Southernwood	22,00	-	1
Berea	22,00	-	1

Table 5.8 (continued) Typical gross outgoings for prime office buildings As reported by brokers R/rentable m² per month: quarter 2023:1			
	Mean	**SD**	**n**
Chiselhurst	22,00	-	1
Beacon Bay	22,00	-	1
Vincent	22,00	-	1
Cape Town CBD	32,00	11,05	4
Sea Point	30,00	-	1
Waterfront: Portswood Ridge	-	-	-
Waterfront: Silo District	-	-	-
Granger Bay	30,00	-	1
Gardens	30,00	0,00	2
Salt River	19,18	7,79	4
Woodstock	21,68	9,14	4
Observatory/Black River Park	27,68	5,25	4
Mowbray	25,00	5,00	2
Kenilworth (Racecourse)	17,50	2,50	2
Rondebosch	32,50	2,50	2
Newlands	40,24	6,82	3
Wynberg	15,00	-	1
Westlake	-	-	-
Tokai	-	-	-
Claremont Lower*	35,00	5,00	2
Claremont Upper	43,33	10,87	3
Hout Bay	-	-	-
Noordhoek (Sun Valley)	-	-	-
Pinelands/Golf Park	23,35	6,65	2
Athlone	-	-	-
Milnerton	20,00	-	1
Panorama	-	-	-
Table View/Parklands	-	-	-
Century City	29,33	0,94	3
Maitland	10,00	-	1
Goodwood (N1 City)	-	-	-
Tygerberg Hills/Plattekloof	22,00	-	1
Bellville CBD	15,00	0,00	2
Tyger Valley area	25,00	4,42	4
Durbanville	16,00	-	1
Mitchells Plain	-	-	-
Airport	-	-	-
Khayelitsha	-	-	-
Kuils River	16,60	-	1
Paarl	-	-	-
Wellington	-	-	-
**Claremont Lower: east of Main Road*			

Table 5.8 (continued) Typical gross outgoings for prime office buildings As reported by brokers R/rentable m² per month: quarter 2023:1			
	Mean	**SD**	**n**
Stellenbosch			
The Vineyard	-	-	-
Technopark	-	-	-
Other	-	-	-
Helderberg			
Gordon's Bay	-	-	-
Somerset West CBD	21,18	-	1
Somerset Mall area	-	-	-
Strand	-	-	-
George Central	15,00	-	1
George dec.	-	-	-
Pietermaritzburg Core CBD	31,00	-	1
Peripheral CBD	29,00	-	1
Pietermaritzburg dec.	26,00	-	1
Richards Bay	-	-	-
Empangeni	-	-	-
Windhoek	21,25	6,25	2

Our heartfelt thanks to the companies that contributed to the office-market survey. By clicking on their logos, you will learn more about these panellists.

Chapter 6: Office demand and vacancies

Cape Town office vacancies decline further

Kobus Lamprecht

The results of Rode's office vacancy survey show that vacancy rates of grades A⁺, A and B space in South Africa improved slightly to 14,9% in the first quarter of 2023 compared to the fourth quarter of 2022, largely thanks to less vacant space in Cape Town. The latest national vacancy rate is also better than 2022's average of about 16%, which indicates somewhat better demand. But this is not the case everywhere in the country, as we explain later. Looking at the bigger picture, current vacancy rates are still well above the pre-Covid level of 10,5% in 2019 and the long-term average of about 9%, as per SAPOA data.

Office demand over the past year or so was boosted by the return of more workers to the office as Covid has become less of a factor. However, a proportion of those companies requiring their employees to return to the office favour flexible or hybrid working and more collaboration areas, implying less demand for space compared to before the pandemic. Two to three days a week at an office is a popular policy. This, together with renewed weakening in economic activity, notably pulled down by the power crisis, makes a return to normal vacancies over the next few years unlikely. A likely scenario is that the national vacancy rate could get worse, before improving.

It is important to grasp how Rode's survey is constructed before digesting the data provided in this chapter. Rode asks panellists across the country to fill in a vacancy factor for the different office grades, using a scale of 1 to 9, as shown in the first table. For instance, if a broker is of the opinion that the vacancy rate in a given node is between 0% and 10% (low), a 1, 2 or 3 must be filled in, with 1 representing fully let or almost fully let and 3 indicating close to 10%. If vacancy rates are between 10% and 20% or medium, a 4, 5 or 6 must be filled in, with 6 representing close to 20%. The scale of 7 to 9 indicates vacancy rates are very high, between 20% and 30%.

Like SAPOA, Rode defines vacancies as the available floor area for leasing at any given time, irrespective of whether there is still a valid lease over the space.

The reader may wonder why we use a scale of 1 to 9 and not 1 to 10. The reason is that 1-9 has a whole-number median – 5. When you use a scale of 1 to 10, the median is an uncomfortable 5,5 − which is not a whole number. We use the same logic for the industrial vacancy scale.

To convert these vacancy factors to a percentage, the factor must be multiplied by 3,333. The percentages that correspond with each vacancy factor are shown in the second table.

	Vacancy factors for office nodes		
Rode scale	**1 2 3** Low to medium	**4 5 6** Medium to high	**7 8 9** Very high
Percentage interpretation	0% - 10%	10% - 20%	20% - 30%

Scale factor	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
Percentage	3,3%	6,7%	10,0%	13,3%	16,7%	20%	23,3%	26,7%	30,0%

In this chapter we report on the smoothed results of the vacancy survey, which were calculated by using a two-quarter moving average. The reason for smoothing the data is that it is dangerous to rely on one quarter's figure, as it might be an outlier owing to small sample sizes.

Importantly, Rode weighted the national decentralized vacancy rate by using SAPOA's office stock data per grade for the five major cities, namely Johannesburg, Pretoria, Durban, Cape Town and Gqeberha. The decentralized vacancy rates of these cities are also weighted based on the stock level per node. The weighted averages are provided at the end of ***Table 6.1****.*

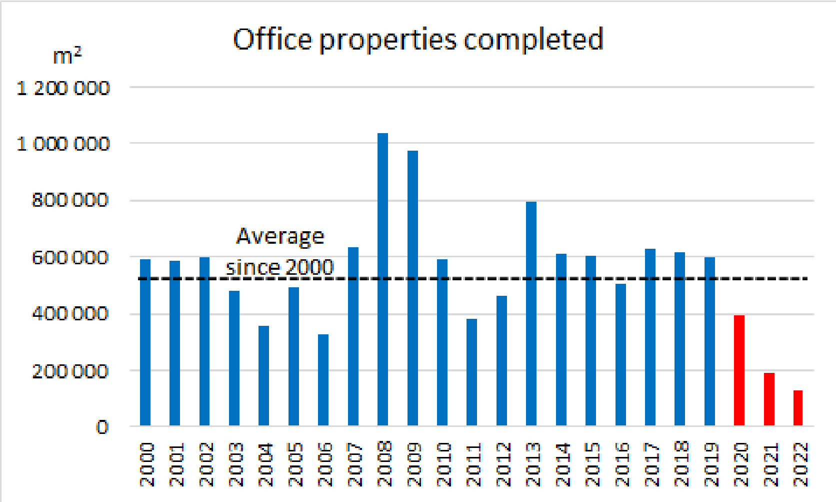
Vacancy rates on a national level

Turning to the results of the survey, the national weighted decentralized vacancy factor for grades A$^+$, A and B combined stood at 4,5 points in the first quarter of 2023, slightly better than the restated fourth-quarter 2022 factor of 4,6 points. The latest vacancy factor equates to an average vacancy rate of about 15%. This is still well above the long-term average of 9% as per SAPOA data.

A long-term vacancy rate of 9% has an important implication when valuing prime office buildings. It is dead wrong to assume that even if an office building is near fully let at the time of valuation, this will persist in perpetuity. The rule is that the older the building (the lower the grade), the higher the typical vacancy factor. This is especially a problem at present as tenants in grades C and B tend to upgrade to A because market rentals of A-grade office space are so low in real terms. Apart from the cost factor, some tenants are relocating to newer offices because of their excellent amenities. In practice, this flight to quality means landlords are generally seeing higher vacancies in older buildings and lower vacancies in newer buildings (see chart), albeit with negative rental reversions. *Thus, you don't want to own old office buildings* – unless you can buy them at a bargain-basement price with a view to conversion. The higher cost of conversion due to the rise in building costs (see **Chapter 11**) will continue to hold back conversion projects in the short term.

Office construction activity remains at very low levels

A positive for landlords is that the office market is looking better from a new-supply perspective. Office space completed fell by 32% in 2022 to its lowest level since at least 1997. Activity has been on a clear downtrend over the past few years (see chart) as Covid-19 and a decelerating economy reduced the feasibility of offices. In this environment, landlords are either looking to sell older offices or to convert them to another use, such as residential or storage space. High construction cost will further deter the construction of new projects in the short term.



Source of data: Stats SA

Fewer new offices and the conversion of older offices to other property types imply that green shoots could emerge from a supply perspective in a few years' time, but stronger demand will also be needed for the sector to move on a sustained recovery path.

Poor business confidence does not bode well for office demand

In the first quarter of 2023, 36% of respondents in business surveyed by the BER were satisfied with prevailing business conditions – down slightly from 38% in the fourth quarter of 2022. The latest decline was the fourth in a row after the 45% level recorded in the first quarter of 2022. This implies that the number of respondents dissatisfied with prevailing business conditions continues to outnumber those who were satisfied, as the neutral level is 50%. This is not surprising given expectations of weaker global and local economic growth amid stubbornly high inflation and elevated interest rates. Eskom's woes no doubt also played a role in the weaker confidence figure. In this uncertain and poor economic environment, companies will generally remain hesitant to expand their premises or hire new employees. In fact, this could mean more businesses could close.

In the text that follows, we delve deeper into the latest vacancy rates on a city level.

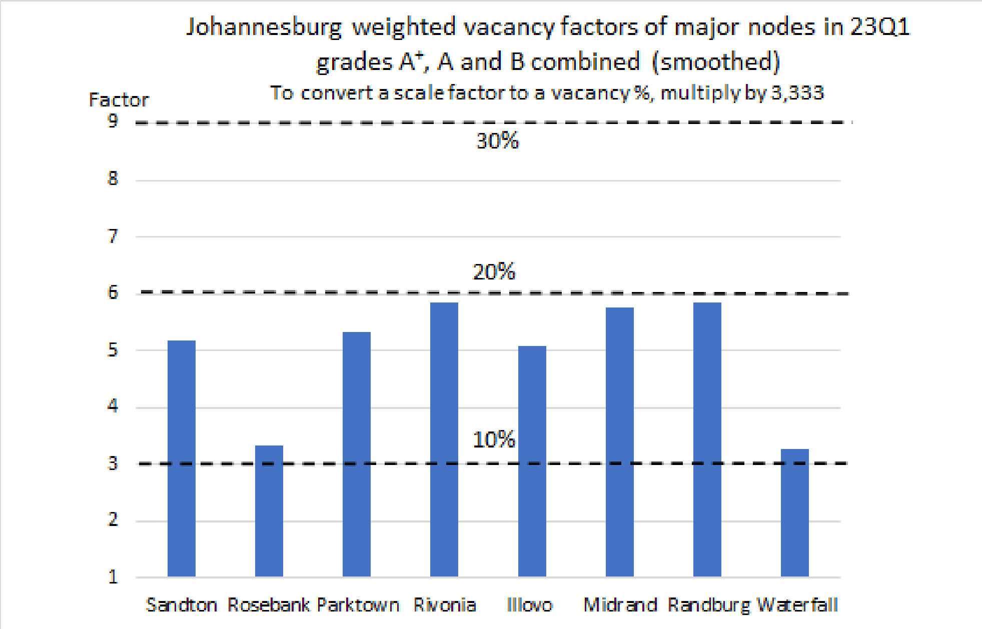
Vacancy rates in the major cities

The Johannesburg weighted *decentralized* vacancy factor for grades A^{+}, A and B office space combined in the first quarter of 2023 edged up to 16,4% from fourth-quarter 2022 levels. To give perspective, vacancy rates have generally improved from the roughly 20% level a year ago. Even with the improvement, this figure is still higher than the 12% pre-Covid average in 2019 (SAPOA data).

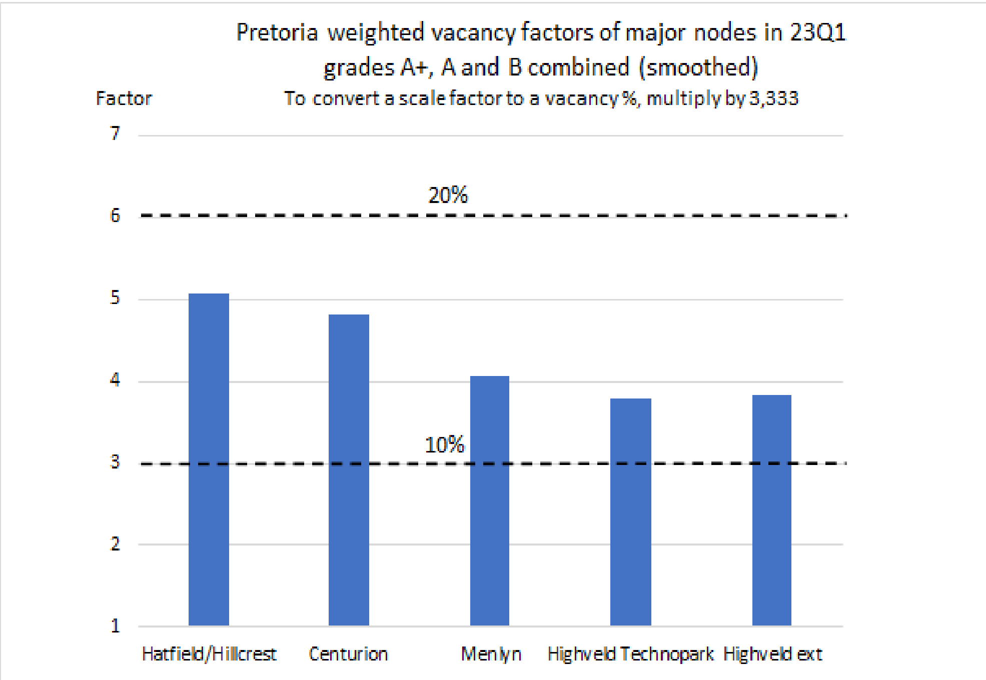
Vacancy rates in the first quarter of 2023 were higher compared to the fourth quarter of 2022 in the majority of the major nodes shown in the chart. The vacancy rates of several of the major nodes average between 15% and 20%.

The major Johannesburg nodes with the lowest average vacancy rates are Rosebank (11,2%) and Waterfall (10,9%), as shown in the chart. Both these nodes have mostly newer office space, which is in higher demand compared to older grade B and C office space. Sandton, the largest office node in South Africa, saw its vacancy rate worsen to 17,2%, but it has improved compared to the high levels of just above 20% a year ago.

For more on Rode's office rentals and other office variables, see **Chapter 5**.



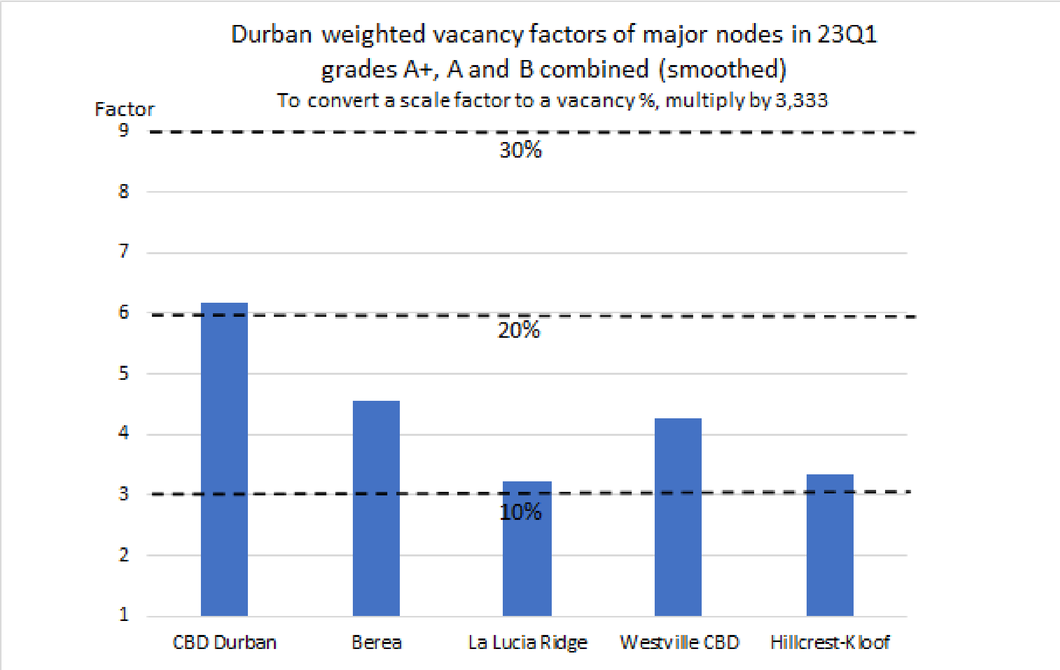
Source of data: Rode's office market survey



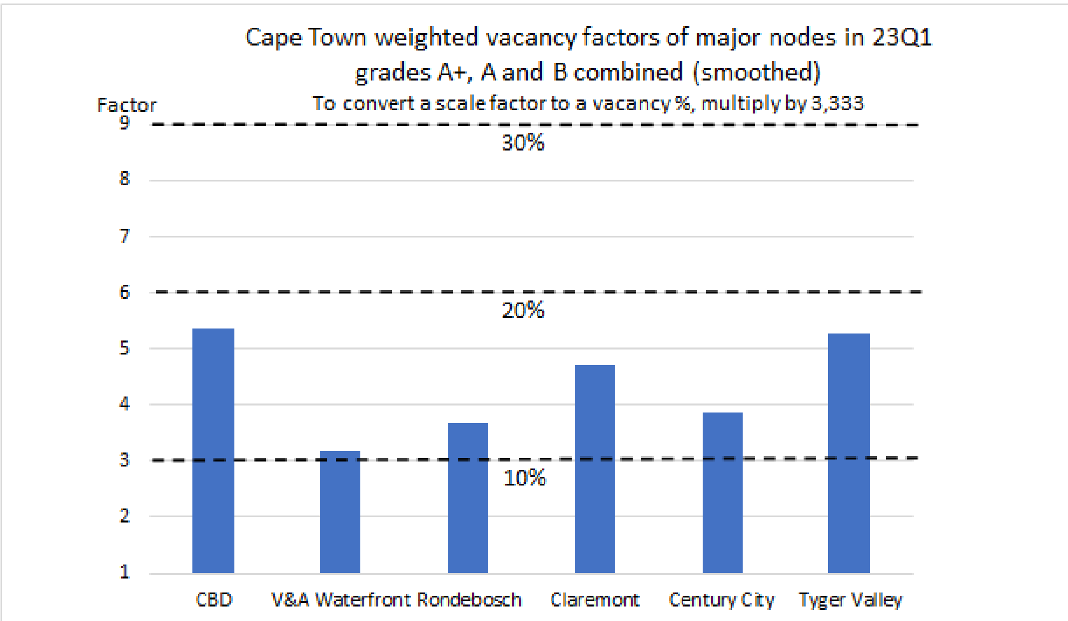
Source of data: Rode's office market survey

Staying in Gauteng, the Pretoria weighted decentralized vacancy factor of grades A+, A and B offices combined decreased to 13,4% from 14,3% in the fourth quarter of 2022. The Jacaranda City did not see the improvement experienced by the other major cities in 2022, but now seems to be finally showing some green shoots. Vacancy rates in the major nodes generally averaged between 10% and 20% in the first quarter of 2023 and all improved compared to the fourth quarter of 2022.

Turning to Durban, the weighted decentralized vacancy rate for grade A+, A and B office space declined slightly to 12,1% from 12,3% in the fourth quarter of 2022. However, vacancy rates are still up slightly compared to a year ago. The largest decentralized node in Durban is La Lucia Ridge/Umhlanga, where vacancy rates improved to 10,8% from 11,8% in the fourth quarter. One of Rode's panellists noted that this more affluent area are "experiencing stock shortages". However, the CBDs vacancy rate worsened to above 20%, while Berea worsened to 15%. The same panellist noted that the "Durban CBD, Berea and Pinetown are showing high vacancies with low prospects due to the subdued economy, crime and poor infrastructure in these areas".



Source of data: Rode's office market survey



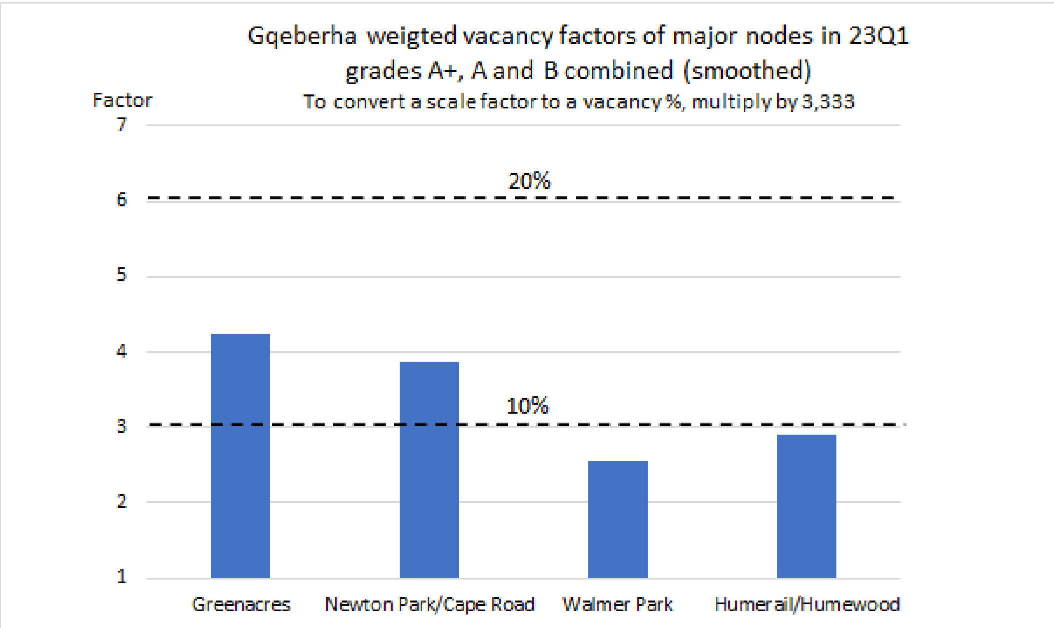
Source of data: Rode's office market survey

The Cape Town weighted decentralized vacancy rate for grades A$^+$, A and B office space combined in the first quarter of 2023 decreased further to an average of 12,7%. This was the fourth consecutive improvement after a peak of 16,6% was hit in the first quarter of 2022. This helps to explain the strong rental growth discussed in **Chapter 5**.

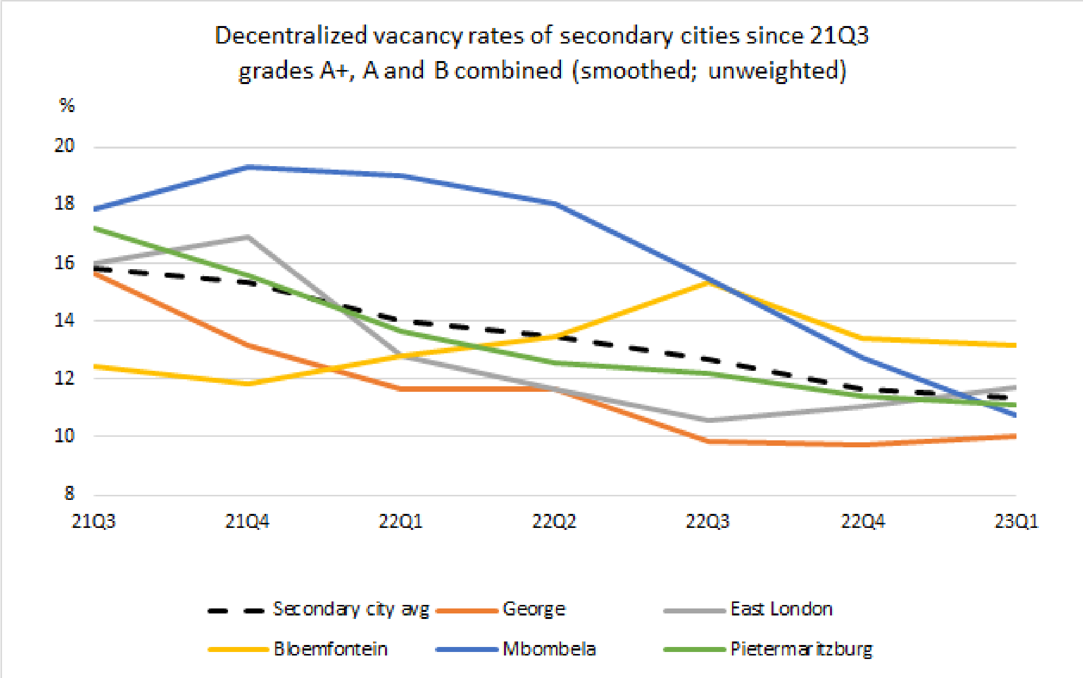
Most of the major decentralized nodes, such as Century City and Rondebosch, saw vacancies decline in the first quarter. Due to strong demand from international and tech companies, the office market in Century City has turned around strongly, with its average vacancy rate declining further to 12,9% as shown in the chart on the previous page. To give perspective, Century City still had a vacancy rate of 23% in the first quarter of 2022. The average vacancy rate of Rondebosch has also fallen to 12% thanks to a notable improvement in its Grade B vacancy rate.

Vacancy rates at the V&A Waterfront remained low at just above 10%, but have worsened somewhat since the end of 2022. Growthpoint, which owns a significant percentage of the offices in this node, said in March its vacancies are very low. Other nodes where vacancy rates have weakened include the CBD, Sea Point and, to Rode's surprise, Tyger Valley in Bellville.

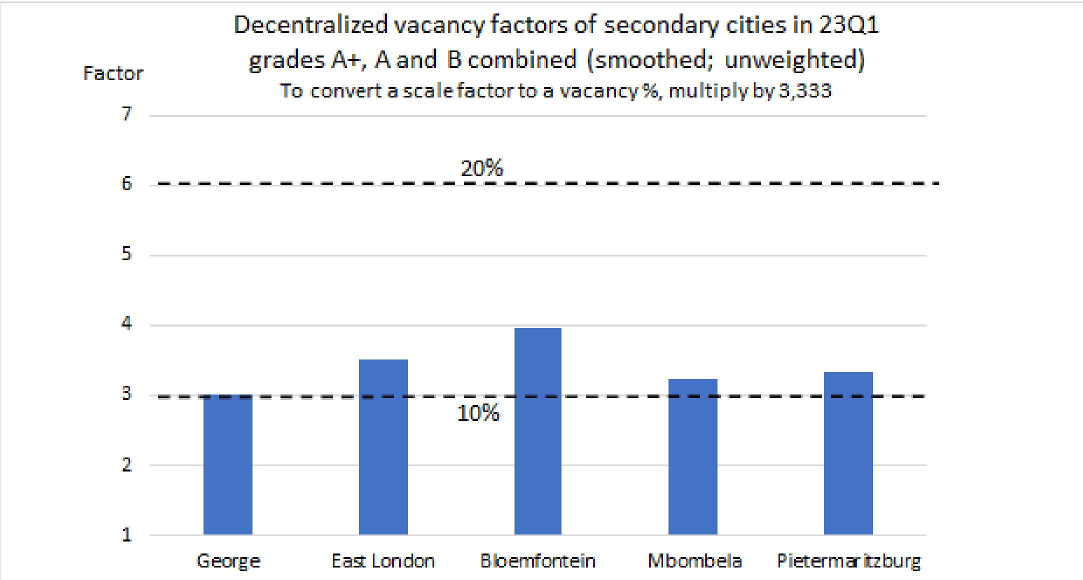
The Gqeberha (PE) decentralized vacancy factor for grades A$^+$, A and B office space combined in the first quarter of 2023 averaged about 12,2%, slightly better than in the previous quarter. Of the decentralized nodes, vacancies are the highest in Newton Park/Cape Road and Greenacres and the lowest in Walmer Park and Humerail/Humewood, as shown in the chart. Not shown in the chart is the Gqeberha CBD, where Rode has noted a sharp deterioration in its vacancy rate to north of 20%.



Source of data: Rode's office market survey



Source of data: Rode's office market survey



Source of data: Rode's office market survey

Vacancy rates in the smaller cities

The *decentralized* vacancy rates for grades A+, A and B office space combined in secondary cities averaged 11,4% in the first quarter of 2023, edging down from the fourth quarter of 2022. To give perspective, all these cities still have lower vacancy rates since the third quarter of 2021 when Rode's data starts, except for Bloemfontein, as shown in the first chart.

The vacancy survey results for the smaller cities showed a mixed performance in the first quarter, with East London standing out due to a sharp rise in vacant space to about 12%. George continues to have the lowest vacancy rate at about 10% (see second chart), down from a peak of 16% in the third quarter of 2021. But then, George is a boom town, which benefits from semigration.■

In **Table 6.1** we provide the Rode vacancy factors *by node*. Rode asked panellists across the country to fill in a vacancy factor for the different office grades, using the scale of 1 to 9 shown in the table below.

	Vacancy factor for office nodes		
Rode scale	**1 2 3** Low to medium	**4 5 6** Medium to high	**7 8 9** Very high
Percentage interpretation	0% - 10%	10% - 20%	20% - 30%

To convert these vacancy factors to a percentage, the factor must be multiplied by 3,333. Below are the percentages that correspond with the vacancy factors.

Scale factor	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
Percentage	3,3%	6,7%	10,0%	13,3%	16,7%	20,0%	23,3%	26,7%	30,0%

Table 6.1
Rode's office vacancy factors (on a scale of 1 to 9; smoothed)
To convert a scale factor to a %, multiply by 3,333
Quarter 2023:1

	Grade A+	Grade A	Grade B	Grade C	Panellist codes
Johannesburg CBD	-	4,60	8,15	6,15	COE,JLL,RA,REA,TRD,WHF
Braamfontein	-	3,30	6,25	5,30	OSO,JLL,REA,WHF
Sandton CBD	4,40	5,73	6,12	6,05	BLA,BR,COE,CPS,EPG,GB,JLL,MR, OSO, SPI,SWI,TRD,WHF
Dunkeld West	-	5,05	5,20	-	COE,JLL,MR,OSO,SWI,TRD
Wierda Valley	2,00	5,25	5,60	5,90	CPS,GB,JLL,OP,OSO,SWI
Randburg Ferndale	1,00	4,05	6,25	5,00	JLL,NH,OSO
Rivonia	5,40	6,24	5,74	5,88	COE,CPS,GB,JLL,OSO,SHP,TRD,WHF
Rosebank	2,44	3,53	5,00	5,29	BLA,BR,CPS,GB,JHI,JLL,MR,OSO, SHP,SPI,SWI,WHF
Illovo	4,64	4,90	5,71	5,70	BR,CPS,GB,JLL,MR,OSO,SHP,SPI, SWI,WHF
Illovo Boulevard	3,40	4,67	5,60	3,60	BR,CPS,GB,JLL,MR,OSO,SWI
Chislehurston	1,95	3,25	3,10	3,00	CPS,GB,JLL,OSO,WHF
Parktown	-	4,88	5,68	3,30	CPS,JLL,OSO,REA,SPI,WHF
Richmond/Milpark	-	3,45	4,05	5,55	JLL,OSO,SS
Bedfordview	6,35	4,63	6,25	3,10	JHI,JLL,MR,OSO,SPI,SS
Bruma	-	3,67	5,77	-	JLL,MR,OSO,SS
Woodmead	-	5,21	5,29	5,59	BR,CPS,GB,JLL,REA,SHP,SWI,TCP, WHF,WP
Sunninghill	-	4,40	5,44	5,20	CPS,GB,JLL,REA,SHP,WHF,WP
Bryanston/Epsom Downs	2,82	3,98	6,23	5,78	BR,CPS,EPG,GB,JLL,OSO,SHP,SPI, TCP,WHF,WP
Fourways	3,30	4,20	5,73	5,48	BR,COE,CPS,EPG,GB,HP,JLL,OSO, SHP, SPI,TCP,TRD,WHF,WP
Houghton	2,80	4,03	1,90	-	CPS,JLL,OSO,SPI
Melrose Arch	4,43	4,48	-	-	BR,CPS,GB,JLL,MR,OSO,SWI
Hyde Park	-	5,45	4,56	5,68	BR,CPS,JLL,MR,OSO,WHF
Eastgate/Kramerville	1,00	2,15	2,65	3,60	CPS,GB,JLL,MR,OSO
Ormonde	-	-	5,50	6,50	GB,JLL,WHF
Midrand	3,87	5,01	6,12	6,74	BR,GB,JLL,OSO,SHP,SPI,SWI,WHF, WP
Hendrik Potgieter Corridor (incl. Ruimsig)	-	5,50	6,00	6,00	JLL,OSO,SPI,WHF
Waterfall	3,10	3,59	-	-	BR,CPS,GB,JLL,OSO,REA,SS,SWI, TCP,WHF
Waverley/Bramley	3,23	3,38	3,38	5,24	CPS,GB,JLL,OP,OSO
Constantia Kloof	-	4,00	3,60	-	JLL,OSO,SPI,WHF
Morningside	-	4,65	5,55	4,30	GB,JLL,OSO,WHF
Greenstone	-	2,68	-	-	BLA,CPS,JLL,MR,SS

For definitions, see Glossary of terms and abbreviations in ***Annexure 1****.*

Table 6.1 (continued) Rode's office vacancy factors (on a scale of 1 to 9; smoothed) To convert a vacancy factor to a %, multiply by 3,333 Quarter 2023:1					
	Grade A+	Grade A	Grade B	Grade C	Panellist codes
East Rand					
Germiston	3,00	4,00	6,00	6,00	GB,JLL,SS
Benoni CBD	-	-	5,00	4,60	JLL,SS
Benoni dec.	9,00	7,50	4,00	3,00	JLL,OP,SS
Benoni (Lakeside Mall area)	-	3,65	5,65	4,15	JLL,SS
Boksburg CBD	-	-	5,35	4,85	JLL,SS
Boksburg North	5,50	6,00	4,00	4,60	JLL,SS
Springs	-	-	-	-	
Pretoria CBD	-	-	-	-	
Lynnwood Glen	3,60	3,87	2,87	4,70	AP,CRI,WHF
Lynnwood	2,90	2,53	4,70	4,87	AP,CRI,HN,WHF
Lynnwood Manor	2,63	2,73	4,70	4,70	AP,CRI,HN,WHF
Lynnwood Ridge	3,60	3,30	3,70	6,40	CRI,WHF
Faerie Glen	6,00	3,35	5,23	5,35	AP,CRI,PR,WHF
Val de Grace	-	1,00	6,00	2,50	AP,CRI
Menlyn	4,15	3,46	4,46	5,55	AP,CRI,PR,WHF
Menlo Park/Hazelwood	2,65	5,63	2,65	-	AP,CRI,PR,WHF
Brooklyn/Waterkloof	5,15	6,43	3,73	3,60	AP,CRI,WHF
Nieuw Muckleneuk	6,45	4,20	3,30	2,60	AP,CRI,WHF
Hatfield/Hillcrest	3,63	3,87	5,65	2,87	AP,CRI,PR,WHF
Centurion	3,33	5,00	5,00	4,67	AP,CRI,GB,WHF
Highveld Technopark	-	3,10	5,10	-	AP,CRI,GB,WHF
Highveld Extensions	3,85	3,10	5,10	-	AP,CRI,GB,HN,WHF
Sunnyside	-	-	-	3,00	AP
Arcadia	-	3,00	3,50	3,00	AP,CRI
Route 21 Corp. Park	2,67	2,24	2,94	3,67	AP,CRI,MAS,PR,WHF
Silver Lakes/Die Wilgers	-	3,93	3,28	4,77	AP,CRI,HN,WHF
Mbombela CBD	-	-	5,36	5,50	KEL,MPV,ORI,PG,PM
Mbombela dec.	3,10	2,86	3,72	4,00	KEL,MPV,ORI,PG,PM
Polokwane	-	3,00	4,25	5,24	ES,MO,SF,TG
Bloemfontein CBD	-	3,75	5,18	5,93	BR,ED,EK,EQV,PLA
Westdene	3,43	3,68	4,78	5,60	BR,ED,EK,EQV,PLA
Durban CBD	-	6,58	5,85	6,00	AP,MX,SA,SPS,ZZ
Durban Berea	-	4,47	4,70	5,40	AP,MX,SA,ZZ
Essex Terrace	4,25	4,25	4,83	4,60	SA,SPS,WHF,ZZ
Westway	4,87	4,53	4,75	6,10	ACU,AP,DM,SA,SPS,WHF
La Lucia Ridge	3,53	3,10	3,68	4,90	AP,DM,GI,SA,SPS,WHF,ZZ
Westville CBD	-	3,85	4,53	4,00	ACU,AP,GI,SA,SPS,WHF,ZZ
Pinetown	5,20	5,60	6,00	7,05	SA,SPS,ZZ
Hillcrest-Kloof (Upper Highway)	-	3,25	3,83	3,83	AP,DM,SA,SWI,ZZ

Table 6.1 (continued) Rode's office vacancy factors (on a scale of 1 to 9; smoothed) To convert a vacancy factor to a %, multiply by 3,333 Quarter 2023:1					
	Grade A$^+$	**Grade A**	**Grade B**	**Grade C**	**Panellist codes**
Umhlanga	3,45	3,45	2,70	3,00	AP,GI,SA,SPS,ZZ
Ballito	3,00	4,00	4,35	5,40	AP,SA,ZZ
Point Waterfront	-	-	-	-	
Gqeberha CBD	-	6,05	7,15	7,01	ARN,BR,SUM,TR
Greenacres: Parks	4,00	3,80	4,55	4,75	ARN,BR,SUM
Greenacres: Single	4,00	3,80	4,30	4,40	ARN,BR,SUM
Walmer Park 1, 2 & 3	3,00	2,45	2,95	3,05	ARN,BR,SUM
South End	3,00	2,45	2,45	2,45	ARN,BR,SUM
Humerail/Humewood	2,90	2,90	3,35	3,35	ARN,BR,SUM
Newton Park/Cape Road	3,70	3,80	4,75	5,30	ARN,BR,IPC,SUM,TR
East London CBD	-	4,02	5,35	7,35	CAP,ERA,GW,TR
Southernwood	-	2,00	5,00	5,00	CAP,ERA
Berea	-	4,00	3,55	4,00	CAP,ERA,TR
Chiselhurst	-	3,00	7,00	6,00	CAP,ERA
Beacon Bay	3,00	3,00	3,00	2,00	CAP,ERA
Vincent	2,00	3,00	1,65	2,00	CAP,ERA,TR
Cape Town CBD	3,95	4,44	6,19	5,70	AN,AP,AS,BP,CR,DMP,DW,EPG,HP, SPI,SWI,VP,WHF
Sea Point	2,20	5,20	4,80	5,10	AN,BP,DMP,DW,SLT,VP
V & A Waterfront: Portswood Ridge	2,25	2,25	3,58	-	AN,BP,CR,SPI,VP
V & A Waterfront: Silo District	3,90	2,70	6,05	-	AN,AS,BP,VP,WHF
Granger Bay	3,70	3,60	5,82	-	AN,BP,VP
Gardens	3,30	4,20	2,98	3,30	AN,DMP,DW,EPG,HP,OP,VP,WHF
Salt River	5,33	4,44	4,42	5,13	AP,BP,COR,DW,EPG,GB,OP,SCM, WHF
Woodstock	5,57	5,58	5,08	5,08	BP,COR,DW,EPG,GB,OP,SCM,SPI, WHF
Observatory/Black River Park	5,65	6,82	4,31	2,93	BP,COR,DW,EPG,OP,SCM,SPI,VP, WHF
Mowbray	4,45	5,30	4,93	3,55	AP,DW,SPI,WHF
Kenilworth (Racecourse)	4,20	3,84	3,95	3,60	AP,BP,COR,DW,OP
Rondebosch	3,54	3,95	2,95	2,53	AP,BP,COR,DW,GB,OP,SPI,VP,WHF
Newlands	3,30	4,41	3,75	3,60	AP,BP,COR,DW,GB,OP,SPI,VP
Wynberg	7,80	7,85	3,75	4,15	COR,DW,GB,OP
Westlake	2,98	4,17	4,30	3,30	AN,COR,DW,HP,OP
Tokai	3,27	4,95	3,85	4,00	COR,DW,OP
Claremont Lower	4,43	4,93	3,95	3,50	AP,BP,COR,OP,SPI,VP
Claremont Upper	4,40	5,08	4,80	4,65	AP,BP,COR,DW,OP,SPI, VP
Hout Bay	-	-	-	-	
Noordhoek (Sun Valley)	-	-	-	-	

Table 6.1 (continued)
Rode's office vacancy factors (on a scale of 1 to 9; smoothed)
To convert a vacancy factor to a %, multiply by 3,333
Quarter 2023:1

	Grade A+	Grade A	Grade B	Grade C	Panellist codes
Pinelands/Golf Park	3,00	3,25	3,45	3,70	AP,COR,DW,GAM,HP
Athlone	-	-	-	-	
Milnerton	2,00	3,85	3,85	3,00	AP,RIO,SWI,VP
Panorama	2,00	5,00	5,00	5,00	AP,OP,WHF
Table View/Parklands	2,15	3,85	4,70	2,85	AP,RIO,SCM,SWI
Century City	2,35	4,33	3,98	3,30	AP,AS,DMP,EPG,HP,RIO,SCM,SPI,SWI,VP
Maitland	6,05	4,05	5,05	7,20	DW,RIO,SCM,VP
Goodwood (N1 City)	6,00	6,15	4,95	3,50	AP,DW,SCM,VP
Tygerberg Hills/Plattekloof	4,15	5,73	3,78	3,10	AP,CR,DW,NE,SCM,VP,WHF
Bellville CBD	-	2,80	2,75	5,70	AP,DW,OMN,SCM,VP,WHF
Tyger Valley area	3,85	5,93	3,69	2,67	DMP,DW,NE,PN,SCM,SPI,VP,WHF
Durbanville	5,00	5,78	5,70	6,70	DMP,DW,NE,SCM,VP,WHF
Mitchells Plain	-	-	-	-	
Airport	-	6,00	6,00	6,00	AA,DW
Khayelitsha	-	-	-	-	
Kuils River	-	-	5,35	2,00	DW,OMN
Paarl	3,00	3,00	3,00	3,00	PRU
Wellington	9,00	4,00	7,00	2,00	MAF,PRU,WHF
Stellenbosch					
The Vineyard	-	-	-	-	
Technopark	-	-	-	-	
Other	-	-	-	-	
Helderberg					
Gordon's Bay	-	-	-	-	
Somerset West CBD	4,00	5,00	1,00	5,00	OMN
Somerset Mall area	-	-	-	-	
Strand	-	-	-	-	
George Central	1,20	1,30	2,50	5,30	BVF,GRV,MUL
George dec.	2,00	2,50	4,50	4,00	BVF,GRV,MUL
Pietermaritzburg Core CBD	-	-	5,00	5,00	HN
Peripheral CBD	-	-	4,00	5,00	HN
Pietermaritzburg dec.	2,00	4,00	4,00	5,00	HN
Richards Bay	-	-	-	-	
Empangeni	-	-	-	-	
Windhoek	3,05	3,05	4,05	4,40	PVN,TE

**Claremont Lower: east of Main Road*
For definitions, see Glossary of terms and abbreviations in ***Annexure 1****.*

Table 6.1 (continued)
Rode's weighted office vacancy factors (on a scale of 1 to 9; smoothed)
To convert a vacancy factor to a %, multiply by 3,333
Quarter 2023:1

	Grade A^+	Grade A	Grade B	Grade C	Avg (without grade C)
Major cities					
Johannesburg decentralized	3,91	4,64	5,70	5,37	4,92
Pretoria decentralized	3,88	3,74	4,33	3,22	4,03
Durban decentralized	3,48	3,46	4,41	5,37	3,64
Cape Town decentralized	2,79	4,00	3,56	4,13	3,80
Gqeberha decentralized	3,76	3,01	4,29	4,75	3,67
South Africa					
National decentralized	3,80	4,22	5,09	4,64	4,48

For definitions, see Glossary of terms and abbreviations in Annexure 1.

Chapter 7: Industrial rentals and vacancies

Industrial rental growth slows

Kobus Lamprecht

Rode's first-quarter 2023 survey results show that the industrial property market is still best placed of the three major non-residential property types due to its superior rental growth and low vacancy rates. However, there are signs that the market is starting to slow, which is not surprising given the state of the economy and resultant hits to the manufacturing and retail sectors. Of course, the electricity crisis is also a large negative factor.

Nominal gross market rentals for space of 500 m^2 in the first quarter of 2023 grew by 5,1% compared to the first quarter of 2022. This is slower than the 5,7% growth recorded in the fourth quarter of 2022. Regionally, growth was the strongest in the East Rand and Cape Town. In *real* terms, rentals are still declining, but only slightly as building-cost inflation (BER BCI) was estimated to have cooled to about 6%.

The industrial market has been boosted by continued low vacancies. It is puzzling that vacancy rates have not worsened given the poor economic environment. Vacancy rates are low, especially for warehouses linked to logistics thanks to strong online sales. However, as we discuss later, the retail market is slowing down. Another key reason for the outperformance of industrial property is the largely non-speculative nature of developments. A negative factor has been the struggles of traditional manufacturing. But the flipside of the coin is that imports that replace SA manufactured goods also need storage.

Note that the rentals in our survey do not include the ultra-large premises like logistics warehouses of 10 000 m² and greater. This new generation of super buildings is generally custom built, meaning the rentals tend to be higher than market rents as the rent will be a function of building-construction and land costs and the initial return required by the developer. One would expect the sharp increase in building-cost inflation to also put upward pressure on new-build rentals.

In the text that follows, we first discuss the major factors influencing the market, before delving deeper into the rental performance of major industrial conurbations.

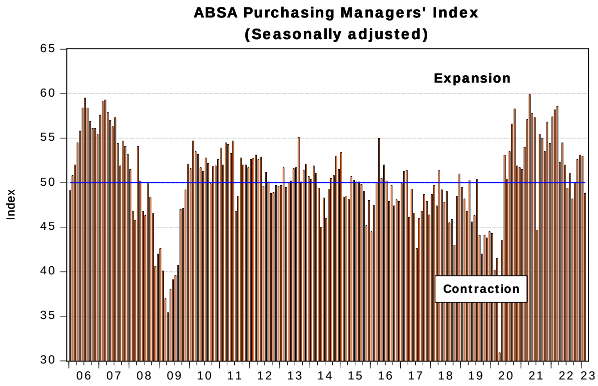
Major factors impacting the industrial market

The key driver of industrial property is the performance of the manufacturing and retail sectors. The manufacturing sector underpins the demand for industrial space for manufacturing production purposes, while the retail sector underpins the demand for warehouse space (via local manufacturing and imports).

The manufacturing sector in 2022 failed to build on 2021's recovery, with production down 0,3% compared to 2021, as shown in the first chart. Production in the fourth quarter of 2022 fell by 1,8% year on year, notably pulled down by the rise in power outages and the October Transnet strike. Production levels in 2022 was also well below pre-Covid levels, which is indicative of the sector's underperformance.

Turning to 2023, the manufacturing sector started the year on the back foot with production down 3,7% in January compared to January 2022. Furthermore, the Absa Purchasing Managers' Index (PMI) depicted in the second chart fell to 48,8 index points in February, the worst level since September 2022. The severe load shedding that reached stage 6 several times no doubt played a role in the lower activity for the year so far. Another negative contributor is the slowdown in global economic growth. Note that on the chart, the 50 level separates expansion and contraction.

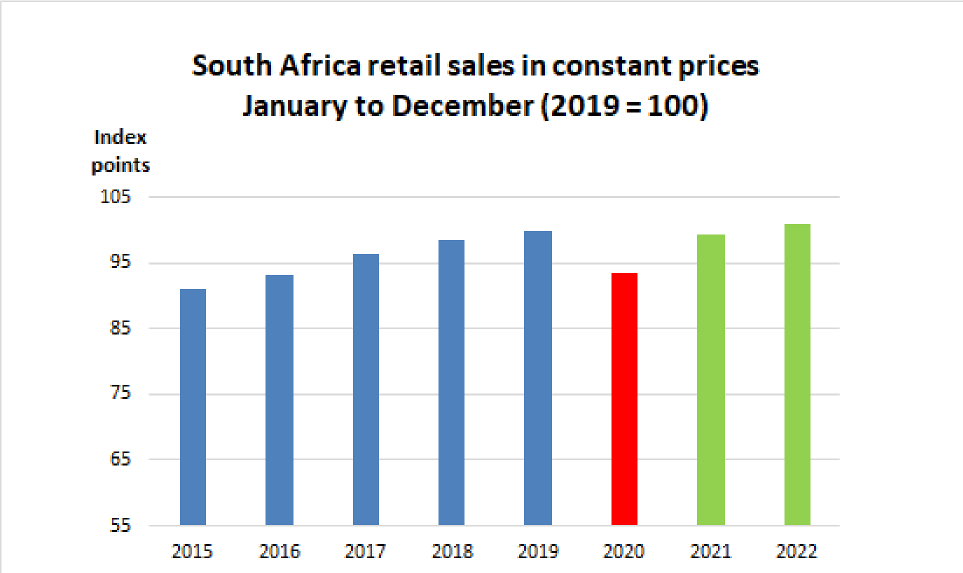
We expect the manufacturing sector to at best grow slowly over the medium term, held back by continued electricity supply disruptions, higher interest rates and structural problems (like the high cost of labour[1] and costly electricity). In the short term, continued weaker global economic growth, especially in Europe, poses a downside risk to the demand for exports.



Source of data: BER; ABSA

Source of data: Stats SA

[1] Labour is expensive relative to Asia and the rest of Africa.



Source of data: Stats SA

Looking back at 2022, it was a year characterized by better retail sales that even exceeded pre-Covid levels (see chart), while mall vacancy rates improved. But let us remember that sales were boosted by the release of pent-up demand post Covid-19. Encouragingly, for the quarter ended December 2022 gross retail rentals moved into positive territory, growing by 2% year on year as per MSCI/SAPOA data.

Turning to the first data for 2023, *real* retail sales declined by 0,8% in January 2023 compared to January 2022. Sales for the three months to January 2023 fell by 0,3% year on year. This suggests that the rising financial pressure experienced by consumers is increasingly affecting the demand for products and services. That said, the consumer is still in a better position than during the financial crisis in 2008/09. But for how long? Looking ahead at the rest of 2023, prospects for the retail property market have worsened as growth in household spending is set to slow further, held back by poor consumer finances due to subdued income levels, higher interest rates and elevated expenses. The electricity disaster, which has reached crisis levels, has worsened the outlook further, particularly as it is pushing up production costs and, as a result, consumer prices.

A key driver of the industrial market is the ever-growing demand for new-generation warehouse or distribution space. The drivers are:

- Modern racking systems that make stacking heights of more than 15 metres possible, thus requiring a new generation of warehouses. This has the potential to make some existing distribution centres outdated. However, it is technically possible to increase the eaves height of existing buildings.
- Strongly growing online retail sales. These sales made up 4,7% of total retail sales in 2022, up from 4% in 2021 and 2,8% in 2020, according to the World Wide Worx's Online Retail in South Africa 2022 study. This comes after growth of 30% in 2022. In developed markets, online retail sales make up a much higher percentage of total retail sales, which implies there is still room for growth in SA. Having said that, the SA society is socio-economically not comparable to these

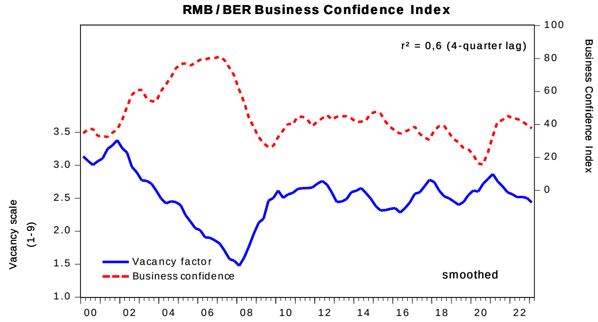
countries, which will make such a high level of online retail sales unrealistic. Nevertheless, many local retailers have embraced online retail, such as Checkers (Sixty60) and Woolworths (Woolies Dash). Local online sales are poised to grow further with the expected entry of Amazon, the second-largest online retailer globally, into the country late in 2023. However, Amazon has already delayed its opening from the beginning of 2023 as it faces major challenges, which include laying off of another 9 000 employees globally in a second round of job cuts. It already cut 18 000 employees in the first round. The company expanded too fast and is now forced to sell warehouses as global economic growth slows.

We believe the negative sentiment about Amazon also has had a detrimental impact on other owners of logistics properties, such as Equites, which has seen its share price fall by about a third by end March from January 2022. Of course, other factors could also have been at play as logistic-focused Equites is invested in South Africa and the UK, where economic prospects do not look too good.

Another factor to consider is changes in business confidence as measured by the RMB/ BER Business Confidence Index. The accompanying graph shows the strong inverse correlation between industrial property vacancies (national) and business confidence. Naturally, business decision makers can be expected to be hesitant to expand production capacity or storage space by renting more space when they are dissatisfied with prevailing business conditions. The "r^2 = 0,6" shown in the graph implies that about 60% of the change in industrial property vacancies can be explained by changes in business confidence levels, with a lag of about one year. However, if one were to include additional determinants of vacancies in a regression model, the contribution of business confidence to industrial vacancies would be lower than the 60%.

Rode's national vacancy factor rose to a peak of 2,87 points in the first quarter of 2021 but has trended down since then, reaching 2,43 points in the first quarter of 2023. The latest figure is considered 'low' on Rode's vacancy scale of 1-9, implying that 4,1% of industrial property was vacant at the time. Looking at the bigger picture, vacancies are about the same as the average 2019 level, before Covid hit South Africa. In contrast, the vacancy rates of the office, retail and residential property markets are still above their long-term averages, which showcases the resilience of industrial property.

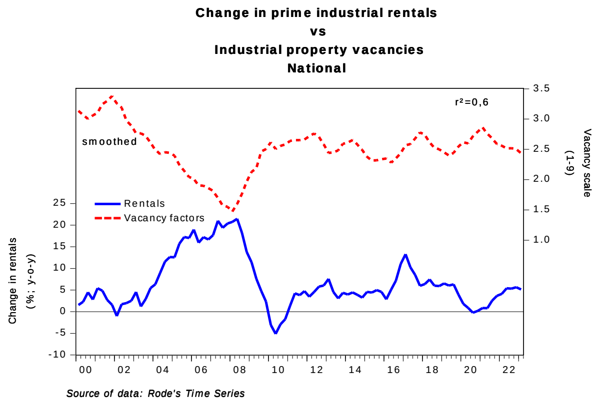
Rode's industrial vacancy factor (national)
vs
RMB / BER Business Confidence Index



Source of data: Rode's Time Series; BER

The improvement in industrial vacancies can be attributed partly to a recovery in business confidence compared to the lows of 2020. In the first quarter of 2023, 36% of respondents surveyed by the BER were satisfied with prevailing business conditions – down slightly from 38% in the fourth quarter of 2022 and 45% in the first quarter of 2022. This means the respondents dissatisfied with prevailing business conditions outnumbered those who were satisfied. However, business confidence is still well up from the extreme lows of 2020.

The better vacancy rates have led to a pickup in market-rental growth, as can be seen in the chart. Encouragingly, this is a reversal of the trend seen in 2020. But note, as we have pointed out before, we report on nominal rentals, which exclude incentives like tenant installation allowances (in the case of offices) and the number of months rental free after inception of the lease.



The weaker business confidence level over the past four quarters is not surprising, given the expectations of slower global economic growth amid higher inflation and interest rates. Weaker domestic economic prospects no doubt also played a role, especially given factors such as the power outages and dismal domestic unemployment situation. The important question is whether the lower business confidence of the past few quarters will lead to a pickup in vacancy rates. It is puzzling that it has not yet done so – perhaps landlords have kept vacancy rates low at the expense of rentals as reversion rates on new leases have been negative for most REITs (see **Chapter 4**). The weak economic environment will no doubt again test the resilience of the industrial property market.

Contractual escalation rates

It is important to distinguish between a market growth rate and an escalation rate. Rode defines a market growth rate as the percentage by which market values or market rentals (as the case may be) change over a given period based on market dynamics. A contractual *escalation* rate is 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 evidently rarely successful (see **Glossary**).

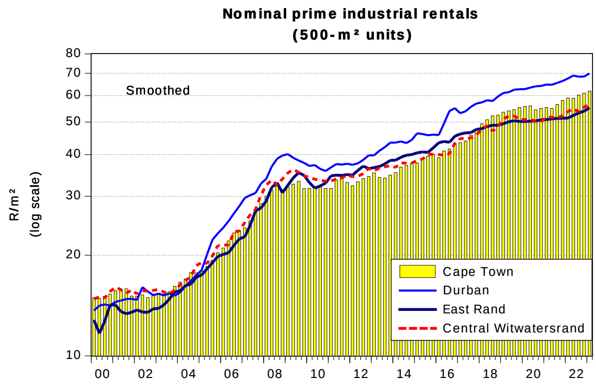
In **Table 7.4** we show the average contractual rental escalation rates of *new* leases. Rode has noted a slight pickup in escalation rates in the first quarter of 2023 compared to 2022, mostly likely to compensate for high inflation. Some of the conurbations that had higher escalation rates are the West Rand, East Rand and Cape Town.

Rental performance

As stated above, in the first quarter of 2023 *nominal* industrial market rentals increased by 5,1% nationally for prime space of 500 m² compared to the first quarter of 2022, slower than the 5,7% growth in the fourth quarter of 2022. In *real* terms, rentals declined slightly after deducting the estimated 6% increase in building-cost inflation. By using the BER Building Cost Index as a deflator, we look at real rentals from a developer's point of view.

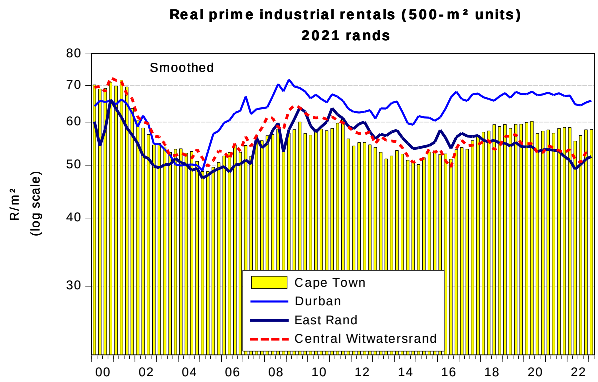
Regionally, the East Rand surprised on the upside, with rental growth of 7,4% compared to the first quarter of 2022. Rode has noted an improvement over the past few quarters in this conurbation's vacancy rate to 2,4 points on Rode's vacancy scale (or 4%) in the first quarter of 2023. The East Rand struggled during the pandemic with nominal rental growth of only 1% in 2020 and 2021, which implies that it is playing catch-up.

Nominal rental growth in Cape Town and the Central Witwatersrand was also strong at about 5% in the first quarter of 2023, while growth was slightly slower at 3,5% in Durban.



Source of data: Rode's Time Series

It is also important to look at rentals from a *real* perspective, that is after building-cost inflation. *Real* rentals were deep in negative territory for most of 2022 as the sharp rise in building costs outgrew rentals, but the gap has narrowed in the first quarter of 2023 due to the cooling in inflation, as shown in the chart.



Source of data: Rode's Time Series; BER BCI

As a yardstick of potential future growth in market rentals, we compare pioneer rentals with prevailing market rentals for prime industrial premises of 1 000 m² (see **Table 7.1** on the next page). Pioneer rental levels often represent (long) leases signed on newly erected on-demand buildings, and these rentals then reflect today's building costs (in contrast to today's market rents), as developers naturally expect an immediate fair income return on their development costs.

Thus, these rentals are an early indicator of the eventual level market rentals will reach once demand catches up with supply in the wake of hoped-for renewed economic growth sometime in the future. Operating expenses are also an important factor to consider when assessing the profitability or viability of a property (see **Table 7.5**). Note, as always, that gross operating expenses exclude utility charges like electricity, refuse removal, water and sanitation, which are always for the account of the tenant.

The remainder of this chapter includes:

- mean prime industrial rentals by township;
- the standard deviations from these mean rentals;
- indicative operating costs; and
- the predominant escalation rates.

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

The reference to *real* means that nominal prices have been deflated (that is, adjusted for inflation). In this chapter, industrial rentals are deflated by the Bureau for Economic Research's 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, that is they can serve as a proxy for the viability of new developments over time, holding constant capitalization rates and operating expenses.

The industrial rental tables contain regression parameters 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 XIV.

Readers are reminded that the vacancy figures in the graph above are not actual vacancy percentages, but rather graduations on a 1-9 vacancy scale. For more information, see the notes to the industrial tables on p. 115. Furthermore, the vacancies are for all the unit sizes (250 m², 500 m², 1 000 m², 2 500 m², 5 000 m² and 10 000 m²) combined, as surveyed by Rode. In reality, vacancies could differ across the different-sized units.

Table 7.1
Pioneer industrial rentals
Highest gross nominal market-rental rate achieved (1 000 m² units)
Quarter 2023:1
Rands per rentable m², gross leases (excl. VAT)

	Pioneer	Normal prime mean	Inferred growth potential
Central Witwatersrand	R99	R55	78%
West Rand	R80	R50	62%
East Rand	R85	R54	57%
Durban	R120	R67	79%
Cape Town	R95	R60	57%

Table 7.2
Mean prime industrial market rentals as in quarter 2023:1
(R/m² p.m.; gross lease; excl. VAT)

	Area size leased in m²						Vacancy	a	b	r²
	250	500	1.000	2.500	5.000	10.000				
Central Witwatersrand										
Cambridge Park	68,00	68,00	-	-	60,00	60,00	1,0	-	-	-
Wynberg Proper	49,75	49,00	48,20	47,75	46,25	47,00	3,4	4,002	-0,018	0,87
Strijdom Park	55,00	54,83	53,58	51,20	49,60	48,33	2,6	4,231	-0,038	0,97
Kya Sand West	55,25	52,50	50,40	49,40	49,00	48,00	3,8	4,186	-0,035	0,91
Kya Sand East	50,00	46,60	46,20	45,80	45,80	44,00	4,3	4,030	-0,026	0,78
Lanseria Corporate Estate	57,63	59,50	65,75	67,00	64,50	63,75	3,0	3,927	0,029	0,48
Cosmo Business Park	67,00	64,67	64,50	64,00	64,33	63,00	3,3	4,260	-0,012	0,74
Mostyn Park	57,50	57,50	57,50	59,00	59,00	60,50	2,0	3,968	0,014	0,86
Clayville/Olifantsfontein	58,00	55,67	56,00	55,00	54,67	54,67	2,5	4,122	-0,014	0,77
Chloorkop	52,00	51,60	49,75	51,50	49,50	50,00	1,8	4,004	-0,011	0,48
Amalgam	46,00	46,00	44,60	43,00	41,75	40,00	1,0	4,061	-0,039	0,96
Crown Mines	45,00	45,00	43,00	40,00	38,25	38,25	1,0	4,113	-0,053	0,94
Industria	36,00	36,00	36,00	36,00	34,33	34,33	-	3,674	-0,014	0,68
Booysens/Booysens Reserve/ Ophirton	45,00	45,00	43,50	40,00	37,50	34,00	1,0	4,275	-0,078	0,93
Village Main/Village Deep/New Centre	36,33	36,33	34,00	33,00	33,00	32,00	1,0	3,796	-0,036	0,91
Benrose	42,20	38,00	35,00	35,00	34,40	32,60	4,3	4,026	-0,060	0,85
Steeledale/Electron/Tulisa Park	49,00	49,00	43,50	44,67	42,67	40,67	2,0	4,169	-0,050	0,85
Aeroton	55,00	53,33	51,40	50,00	49,00	48,75	2,3	4,184	-0,034	0,96
Devland	-	-	-	-	-	-	-	-	-	-
Nancefield	-	-	-	-	-	-	-	-	-	-
Cleveland/Heriotdale	40,33	40,33	38,67	38,33	34,67	34,00	4,0	3,996	-0,050	0,89
Newlands/Martindale	-	-	-	-	-	-	-	-	-	-

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2023:1
(R/m² p.m.; gross lease; excl. VAT)

	Area size leased in m²						Vacancy	a	b	r^2
	250	500	1.000	2.500	5.000	10.000				
Kew/Wynberg East	43,33	42,50	40,67	38,33	36,50	36,67	4,0	4,059	-0,052	0,96
Bramley View/Lombardy West	35,00	35,00	35,00	35,00	35,00	35,00	-	3,555	0,000	-
Marlboro South (Alexandra)	50,00	50,00	50,00	50,00	50,00	50,00	-	3,912	0,000	-
Halfway House: hi-tech strip	63,17	62,83	62,29	61,33	63,20	62,67	2,0	4,148	-0,002	0,04
Halfway House: Richards Drive	64,42	63,21	63,13	62,50	62,40	62,40	2,5	4,202	-0,008	0,82
Randjespark	68,90	66,40	66,80	67,10	66,00	65,00	2,2	4,284	-0,011	0,68
Louwlardia	71,33	70,33	70,67	71,33	71,67	71,67	2,8	4,239	0,003	0,41
Corporate Park (Midrand)	69,75	68,08	67,25	66,92	65,00	66,00	2,1	4,324	-0,016	0,84
Commercia	59,50	56,63	55,30	54,13	52,88	52,88	2,3	4,239	-0,031	0,92
Kramerville/Eastgate Ext12 & Ext13	70,67	68,80	66,00	66,00	68,25	68,50	1,4	4,269	-0,007	0,13
Linbro Park	70,55	70,36	68,23	67,55	66,45	66,10	1,3	4,364	-0,019	0,95
Longlake	73,30	71,00	70,64	69,64	68,91	68,00	1,4	4,386	-0,018	0,94
Wesco Park/Eastgate Ext3, Ext11, Ext6, Ext8/Malboro North (New)	63,33	61,67	60,33	59,33	61,00	62,50	1,3	4,150	-0,005	0,07
City Deep	50,00	50,00	48,83	48,50	47,60	45,60	2,0	4,051	-0,023	0,89
North Riding/Hoogland	63,67	63,67	61,33	62,67	60,33	-	1,5	-	-	-
Samrand Centurion	70,00	70,80	73,00	73,40	75,00	75,00	2,1	4,142	0,020	0,94
Barbeque Downs	75,75	75,75	76,25	76,25	78,00	80,00	1,8	4,243	0,014	0,78
Selby Ext 12/13/15/19/20/24/ City West	42,67	42,67	41,67	39,00	39,00	39,00	1,0	3,928	-0,030	0,87
Selby Ext 5/10/14/18	40,67	40,67	40,00	38,33	37,67	37,67	1,0	3,853	-0,025	0,93
Selby Ext 11	43,33	43,33	42,33	40,67	40,00	40,00	1,0	3,920	-0,026	0,93
Selby Ext 3/4/6	37,33	37,33	36,67	35,00	34,33	34,33	1,0	3,781	-0,028	0,93
Denver (Old)	37,00	37,00	36,00	31,00	30,50	29,00	3,5	4,056	-0,075	0,92
Denver (New)	43,33	43,33	41,67	42,67	42,67	41,33	3,5	3,820	-0,010	0,46

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2023:1
(R/m² p.m.; gross lease; excl. VAT)

	Area size leased in m²						Vacancy	a	b	r²
	250	500	1.000	2.500	5.000	10.000				
Kyalami Business Park	76,67	73,00	73,00	73,00	71,00	72,50	1,4	4,394	-0,014	0,58
Reuven	42,33	42,33	40,67	39,00	38,33	38,33	1,0	3,928	-0,032	0,93
Selby (Old)/Selby Ext2/Park Central	38,33	38,33	37,67	36,00	36,00	35,00	1,0	3,802	-0,026	0,94
Robertsham	43,50	43,50	42,50	41,00	41,67	39,75	1,0	3,910	-0,024	0,87
Fordsburg/Newtown	-	-	-	-	-	-	-	-	-	-
Waterfall	76,67	76,67	77,67	77,67	80,75	81,58	2,0	4,233	0,018	0,85
Lords View	71,25	71,00	71,33	71,14	70,71	70,71	1,5	4,278	-0,002	0,57
Central Witwatersrand	**56,64**	**56,29**	**55,49**	**54,79**	**54,15**	**53,28**	**2,2**			
West Rand										
Lea Glen	58,50	58,50	58,50	60,00	62,50	62,50	1,8	3,939	0,021	0,85
Honeydew X19/20/21/22	56,00	56,00	55,00	53,33	55,00	55,00	1,2	4,059	-0,007	0,29
Stormill	45,33	45,33	44,67	45,00	47,50	48,50	2,3	3,694	0,018	0,60
Chamdor	35,00	35,00	30,00	30,00	-	-	-	-	-	-
Factoria	-	-	-	-	-	-	-	-	-	-
Krugersdorp: Delporton	-	-	-	-	-	-	-	-	-	-
Randfontein: Aureus	-	-	-	-	-	-	-	-	-	-
Boltonia	42,00	42,00	42,00	42,00	42,00	42,00	-	3,738	0,000	-
Roodepoort: Technikon/ Manufacta	35,00	35,00	35,00	35,00	35,00	35,00	-	3,555	0,000	-
Industria North	37,00	37,00	37,00	36,00	37,00	37,00	-	3,616	-0,001	0,03
Robertville	46,00	46,00	45,00	45,00	-	-	2,3	-	-	-
Laserpark	62,00	61,40	59,00	59,20	57,40	57,67	2,2	4,241	-0,021	0,88
West Rand	**50,90**	**50,75**	**49,50**	**49,00**	**52,00**	**51,27**	**2,1**			
East Rand										
Elandsfontein	46,86	46,86	46,13	45,14	46,00	45,63	2,6	3,891	-0,008	0,60
Tunney/Greenhills	65,71	65,00	62,57	62,71	61,43	61,43	1,8	4,286	-0,019	0,88

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2023:1
(R/m² p.m.; gross lease; excl. VAT)

	Area size leased in m²						Vacancy	a	b	r²
	250	500	1.000	2.500	5.000	10.000				
Henville	47,75	47,75	47,00	48,00	49,50	51,25	1,9	3,747	0,018	0,66
Hughes	65,83	65,83	63,33	62,50	58,33	56,25	1,3	4,450	-0,044	0,92
Bartletts	65,00	63,75	63,00	62,00	61,60	60,60	1,7	4,269	-0,018	0,98
Lilianton	-	-	35,00	34,00	34,00	34,00	3,0	-	-	-
Comet	45,00	45,00	40,00	42,50	45,00	42,50	1,0	3,826	-0,008	0,05
Meadowbrook/Wilbart	64,43	64,57	62,43	61,00	60,43	59,57	1,6	4,301	-0,023	0,95
Sunnyrock	63,67	63,78	61,33	60,00	60,50	58,11	1,7	4,293	-0,024	0,90
Rustivia/Activia Park	49,00	48,50	47,57	46,78	47,25	46,33	2,2	3,967	-0,014	0,89
Eastleigh	54,17	52,88	52,00	51,67	51,25	51,25	2,0	4,060	-0,014	0,86
Sebenza Ext 14	49,50	49,25	48,56	48,38	48,14	47,83	1,8	3,952	-0,009	0,96
Spartan Ext 16 (Sebenza Link) + Ext 1/3/7	52,22	51,50	50,63	50,44	49,67	50,00	1,9	4,019	-0,013	0,88
Isando	57,38	57,38	56,25	55,38	54,75	55,33	2,3	4,122	-0,013	0,84
Isando 3	57,38	57,38	55,63	55,38	55,38	55,38	2,3	4,108	-0,011	0,75
Jet Park	55,56	55,50	55,11	54,56	55,38	56,63	2,3	3,995	0,003	0,11
Alrode & Xs	46,63	42,38	41,88	40,22	39,67	40,63	4,2	3,994	-0,035	0,72
Alrode South	45,17	42,80	44,50	44,50	43,80	43,40	3,4	3,820	-0,005	0,12
Alberton	43,33	43,33	41,67	36,50	36,50	36,50	1,0	4,105	-0,058	0,86
Aeroport/Spartan Ext 2	57,60	57,20	56,43	55,83	55,00	55,00	1,7	4,129	-0,014	0,97
Delville	45,00	41,33	36,33	34,67	33,00	32,00	1,3	4,283	-0,092	0,94
Roodekop	43,50	43,25	42,00	44,00	43,00	40,80	2,9	3,832	-0,010	0,29
Wadeville: Industrial zoning	49,86	49,29	47,86	46,14	45,00	45,40	2,7	4,074	-0,030	0,94
Route 24/Meadowdale	58,57	57,86	55,43	55,29	55,83	55,83	2,0	4,131	-0,013	0,58
Germiston S/Industries E	43,00	43,00	40,00	40,00	39,00	38,00	2,7	3,954	-0,034	0,91
Driehoek/Industries W	46,80	46,80	45,00	43,33	43,67	43,33	3,4	3,980	-0,024	0,86

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2023:1
(R/m² p.m.; gross lease; excl. VAT)

	Area size leased in m²						Vacancy	a	b	r²
	250	500	1.000	2.500	5.000	10.000				
Knights	37,33	37,33	35,67	36,67	36,33	36,00	1,0	3,663	-0,009	0,42
Spartan Proper	53,78	53,44	51,89	51,33	50,78	51,29	2,2	4,066	-0,015	0,83
Founders View	63,83	63,83	61,00	60,67	59,60	59,60	1,3	4,273	-0,021	0,88
Longmeadow	72,13	72,44	70,50	70,22	69,00	69,36	1,2	4,354	-0,013	0,86
Pomona/Kempton Park	65,75	65,75	64,89	64,67	65,22	64,67	2,3	4,208	-0,004	0,59
Gosforth Park	69,33	69,33	68,83	68,38	68,33	68,67	1,8	4,259	-0,004	0,69
S&J Industrial Estate	72,71	72,00	70,14	69,86	68,86	68,43	2,5	4,376	-0,017	0,95
East Rand	**56,24**	**55,71**	**54,10**	**53,51**	**53,51**	**53,55**	**2,1**			
Far East Rand										
Boksburg North & East	46,86	46,14	44,00	44,43	44,00	45,00	1,8	3,901	-0,013	0,46
Benoni South	46,40	46,00	45,00	44,60	44,60	45,00	2,1	3,884	-0,010	0,68
New Era/Vulcania	42,50	41,50	39,00	37,50	35,00	35,00	3,0	4,072	-0,058	0,97
Nuffield	36,00	32,00	27,00	26,00	26,00	30,00	3,0	3,819	-0,060	0,41
Fulcrum	-	-	-	-	-	-	-	-	-	-
Apex	50,60	50,20	49,00	47,60	46,60	45,60	2,7	4,093	-0,029	0,99
Labore Brakpan	-	-	-	-	-	-	-	-	-	-
Morehill Ext 8 Benoni	46,00	43,50	43,50	41,00	41,00	41,00	4,0	3,982	-0,031	0,86
Far East Rand	**46,64**	**45,73**	**44,09**	**43,41**	**42,70**	**43,18**	**2,4**			
Pretoria										
Charlotte Maxeke	45,00	45,00	40,00	40,00	30,00	30,00	1,0	4,538	-0,123	0,86
Pretoria Industrial Township	45,00	45,00	40,00	40,00	35,00	30,00	1,0	4,432	-0,105	0,89
Koedoespoort	45,00	40,00	37,50	30,00	30,00	29,00	2,5	4,476	-0,126	0,93
Waltloo/Despatch	55,00	52,50	42,50	45,00	40,00	35,00	2,0	4,631	-0,113	0,89
Silverton/Silvertondale	58,50	47,50	42,50	40,00	40,00	35,00	2,5	4,644	-0,119	0,89
Samcor Park	55,00	50,00	45,00	45,00	40,00	35,00	1,0	4,610	-0,110	0,94

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2023:1
(R/m² p.m.; gross lease; excl. VAT)

	Area size leased in m²						Vacancy	a	b	r²
	250	**500**	**1.000**	**2.500**	**5.000**	**10.000**				
Sunderland Ridge	65,00	65,00	65,00	50,00	50,00	50,00	2,0	4,719	-0,092	0,81
Hermanstad	55,00	50,00	40,00	40,00	40,00	40,00	1,0	4,409	-0,085	0,71
Kirkney	35,00	35,00	30,00	28,00	25,00	22,00	3,0	4,310	-0,129	0,96
Hennopspark X15 & X7	70,00	65,00	65,00	65,00	55,00	55,00	1,0	4,606	-0,065	0,82
Gateway	70,00	70,00	70,00	65,00	60,00	55,00	2,5	4,660	-0,066	0,86
Rooihuiskraal	67,50	62,50	57,50	57,50	55,00	52,50	-	4,525	-0,062	0,92
Louwlardia	71,33	70,33	70,67	71,33	71,67	71,67	2,8	4,239	0,003	0,41
Lyttelton Manor X4/X6	70,00	65,00	65,00	60,00	60,00	60,00	-	4,455	-0,042	0,86
Pretoria North	45,00	45,00	40,00	35,00	30,00	20,00	1,0	5,052	-0,205	0,86
Silvertondale X1	55,00	50,00	48,00	45,00	40,00	40,00	2,0	4,481	-0,088	0,96
Klerksoord	38,00	35,00	30,00	30,00	25,00	22,00	2,0	4,425	-0,141	0,95
Rosslyn	40,00	40,00	40,00	40,00	38,00	35,00	2,0	3,886	-0,031	0,64
Centurion	72,50	67,50	67,50	67,50	65,00	65,00	2,0	4,394	-0,025	0,76
Pretoria	**56,43**	**52,92**	**49,29**	**47,40**	**43,71**	**40,81**	**1,9**			
Polokwane										
Lebowakgomo	-	-	-	-	-	-	-	-	-	-
Superbia	50,00	37,50	30,00	30,00	-	-	3,0	-	-	-
Industria	55,00	44,00	40,00	29,00	-	-	1,5	-	-	-
Ladine	60,00	45,00	38,50	30,00	-	-	2,0	-	-	-
Futura	-	-	30,00	30,00	-	-	2,0	-	-	-
Laboria	40,00	40,00	31,00	40,00	-	-	1,7	-	-	-
Magna Via	60,00	57,50	50,00	52,50	-	-	2,0	-	-	-
Seshego	-	-	-	-	-	-	-	-	-	-
Polokwane	**53,75**	**45,33**	**35,90**	**36,30**	**-**	**-**	**2,0**			

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2023:1
(R/m² p.m.; gross lease; excl. VAT)

	Area size leased in m²						Vacancy	a	b	r²
	250	500	1.000	2.500	5.000	10.000				
Mbombela										
Mbombela East	63,00	57,60	59,00	52,00	-	-	2,8	-	-	-
Mbombela West	50,00	54,00	48,20	48,00	45,00	-	3,0	-	-	-
Rocky's Drift	42,80	45,00	42,80	40,00	-	-	2,4	-	-	-
Riverside Park	75,00	59,00	82,00	53,00	70,00	-	1,8	-	-	-
Mbombela	**57,70**	**53,90**	**58,00**	**48,25**	**57,50**	**-**	**2,5**			
Durban										
Springfield Park	77,67	74,67	70,83	70,33	67,00	66,25	2,0	4,577	-0,043	0,95
Mayville	50,00	50,00	50,00	50,00	45,00	45,00	3,3	4,112	-0,032	0,68
Phoenix	70,00	67,50	63,75	62,00	61,25	58,33	2,6	4,498	-0,047	0,97
Chris Hani Rd (North Coast/ Briardene)	72,17	69,67	66,67	66,67	65,00	65,00	2,7	4,415	-0,028	0,87
Briardene Industrial Park	83,33	82,50	78,33	76,67	77,00	78,75	1,9	4,519	-0,020	0,61
Umgeni Rd/Stamford Hill	71,00	70,00	65,20	63,75	61,67	61,67	3,4	4,492	-0,042	0,93
Umbilo/Sydney Rd/Magwaza Maphalala St (Gale)	59,40	57,40	53,40	51,60	50,00	-	2,8	-	-	-
Jacobs	66,67	65,00	64,38	63,33	63,33	61,00	2,6	4,308	-0,020	0,92
Mobeni	66,00	65,00	63,13	61,43	61,67	60,00	2,4	4,326	-0,025	0,95
Clairwood Logistics Park	-	-	-	75,00	75,80	78,40	2,5	-	-	-
Prospecton	70,75	68,00	63,92	62,90	62,50	59,50	2,0	4,483	-0,043	0,93
Ithala Industrial Estate	60,00	60,00	60,00	60,00	55,00	-	4,0	-	-	-
Pinetown Central	62,50	62,50	62,40	60,80	58,60	56,40	3,6	4,308	-0,028	0,85
New Germany	67,00	66,50	61,40	61,20	59,58	56,20	2,8	4,462	-0,046	0,92
Mountain Ridge	62,00	62,00	62,00	61,00	61,00	59,00	2,0	4,201	-0,012	0,75
Isipingo	58,33	53,33	53,33	47,50	47,50	47,50	4,0	4,355	-0,057	0,87
Rossburgh/South Coast Rd	60,50	60,50	60,50	59,67	59,67	55,50	3,0	4,219	-0,018	0,59

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2023:1
(R/m² p.m.; gross lease; excl. VAT)

	Area size leased in m²						Vacancy	a	b	r^2
	250	500	1.000	2.500	5.000	10.000				
Edwin Swales Drive	68,00	66,00	65,33	62,75	61,50	61,50	3,7	4,374	-0,029	0,96
Glen Anil	77,50	75,83	73,75	73,00	69,25	71,67	2,2	4,486	-0,026	0,81
Felix Dlamini Rd (Brickfield)	70,00	65,00	65,00	65,00	60,00	60,00	5,0	4,441	-0,038	0,84
Verulam	55,00	55,00	55,00	50,00	47,50	45,00	3,3	4,368	-0,059	0,90
Canelands	55,00	55,00	50,00	51,67	52,50	45,00	2,5	4,245	-0,041	0,60
Tongaat	58,00	52,50	47,50	43,33	43,33	42,50	3,7	4,486	-0,085	0,90
New Westmead/Mahogany	68,25	68,25	65,00	63,75	60,00	60,00	1,8	4,455	-0,040	0,94
Westmead	71,33	70,50	67,29	65,29	64,00	64,50	2,0	4,438	-0,031	0,91
Alexander Park	70,75	70,75	65,00	64,25	61,25	57,67	2,0	4,580	-0,056	0,94
Surprise Farm	67,00	66,60	62,00	62,00	60,00	56,25	2,4	4,461	-0,045	0,92
Mariann Park/Southmead	65,00	62,50	62,50	60,00	60,00	57,50	3,0	4,332	-0,030	0,94
Queensmead Industria	65,00	65,00	60,00	60,00	55,00	52,50	4,0	4,522	-0,059	0,93
Maxmead	68,25	67,00	63,75	61,25	59,50	59,00	2,5	4,460	-0,043	0,97
Ringroad Industrial Park	65,00	65,00	62,00	62,00	-	-	1,0	-	-	-
Avoca/Red Hill/Northgate	80,00	78,75	75,50	75,50	74,80	75,00	2,0	4,471	-0,018	0,79
Falcon Park	62,00	62,00	62,00	-	-	-	2,0	-	-	-
Riverhorse Valley Business Estate	88,57	87,43	83,57	83,33	82,57	81,83	1,6	4,596	-0,022	0,88
Mount Edgecombe	82,50	82,50	78,33	77,50	77,00	80,00	2,2	4,482	-0,014	0,43
Umbogintwini/Southgate	71,00	68,50	66,25	61,67	61,67	60,00	2,5	4,516	-0,047	0,96
Southgate Industrial Park	76,20	74,60	73,75	71,67	71,67	-	1,5	-	-	-
Umgeni Park	73,33	73,33	71,00	72,50	73,33	76,50	2,5	4,229	0,009	0,26
Hammarsdale	47,67	57,67	49,50	48,25	45,75	57,50	3,0	3,878	0,007	0,01
Cato Ridge	55,00	55,00	55,00	50,00	48,33	63,33	2,0	3,943	0,007	0,01
Camperdown	55,00	55,00	55,00	50,00	45,00	45,00	3,0	4,406	-0,065	0,87
Ballito	92,50	87,50	80,00	77,50	-	-	2,0	-	-	-

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2023:1
(R/m² p.m.; gross lease; excl. VAT)

	Area size leased in m²						Vacancy	a	b	r²
	250	**500**	**1.000**	**2.500**	**5.000**	**10.000**				
Dube Tradeport	95,00	95,00	90,00	90,00	87,33	85,00	1,0	4,729	-0,031	0,93
Kingsburgh	67,50	67,50	65,00	60,00	57,50	55,00	2,0	4,572	-0,061	0,96
Cornubia	90,83	88,57	83,29	82,14	81,43	79,71	2,5	4,690	-0,035	0,91
Durban	**71,71**	**70,46**	**67,06**	**65,39**	**64,36**	**64,47**	**2,5**			
Ladysmith										
Ezakheni/Pieters	-	-	-	-	-	-	-	-	-	-
Danskraal	25,00	20,00	15,00	10,00	8,00	-	5,0	-	-	-
Nambiti	25,00	20,00	15,00	10,00	8,00	-	5,0	-	-	-
Colenso	-	-	-	-	-	-	-	-	-	-
Ladysmith	**25,00**	**20,00**	**15,00**	**10,00**	**8,00**	**-**	**5,0**			
Cape Town										
Viking Place	67,50	62,50	61,67	55,00	55,00	60,00	-	4,407	-0,042	0,56
Glosderry	82,50	81,50	80,00	70,00	-	-	-	-	-	-
Paarden Eiland/Metro	78,33	75,60	75,33	71,00	69,00	65,00	1,3	4,635	-0,048	0,96
Montague Gardens	70,71	67,88	65,00	65,00	62,14	68,25	1,3	4,321	-0,017	0,27
Marconi Beam	66,75	62,25	63,60	62,20	61,00	65,00	2,5	4,212	-0,008	0,13
Killarney Gardens	57,60	55,14	52,00	51,20	50,33	47,50	4,5	4,304	-0,047	0,95
Richmond Park	-	-	78,33	86,67	83,33	-	1,0	-	-	-
Racing Park	42,50	37,50	37,50	35,00	35,00	35,00	2,0	3,961	-0,048	0,77
Atlantis	45,00	38,00	39,00	36,67	35,00	35,00	2,0	4,074	-0,059	0,79
Woodstock/Salt River/ Observatory	71,67	70,75	65,00	50,00	-	-	3,0	-	-	-
Athlone 1 & 2	-	55,00	45,00	45,00	-	-	-	-	-	-
Lansdowne Nerissa	50,00	49,00	48,75	47,50	-	-	-	-	-	-
Sand Industria	-	-	-	-	-	-	-	-	-	-
Ottery Hillstar	66,50	63,33	60,83	55,00	-	-	-	-	-	-

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2023:1
(R/m² p.m.; gross lease; excl. VAT)

	Area size leased in m²						Vacancy	a	b	r^2
	250	500	1.000	2.500	5.000	10.000				
Ottery Sunset	63,50	60,00	55,25	52,50	45,00	45,00	-	4,710	-0,100	0,96
Diep River	91,67	87,67	85,00	70,00	-	-	-	-	-	-
Elfindale	90,00	90,00	95,00	-	-	-	-	-	-	-
Monwood/Philippi	50,00	50,00	45,00	46,00	-	-	-	-	-	-
Retreat/Steenberg	68,33	71,00	65,00	65,00	-	-	-	-	-	-
Capricorn Park	71,25	71,25	67,50	67,50	-	-	-	-	-	-
Maitland	65,40	63,33	55,00	50,00	50,00	50,00	2,8	4,617	-0,082	0,86
Ndabeni	70,00	68,75	67,00	68,00	66,50	64,50	1,0	4,347	-0,018	0,83
Epping 1 & 2	62,50	60,00	57,50	56,67	-	-	2,3	-	-	-
WP Park	70,00	60,00	60,00	60,00	60,00	-	-	-	-	-
Elsies River (excl. Central Park)	60,00	60,00	57,50	55,00	50,00	48,00	1,0	4,484	-0,065	0,93
Parow Beaconvale	60,00	56,67	56,00	52,50	50,00	50,00	1,0	4,371	-0,052	0,96
Tygerberg Business Park	60,00	55,00	55,00	55,00	50,00	-	1,0	-	-	-
Parow Industria	58,33	56,67	56,67	52,50	50,00	50,00	1,0	4,333	-0,047	0,94
Parow East	60,00	52,50	50,00	50,00	47,50	-	1,0	-	-	-
Bellville Oakdale	55,00	52,50	50,00	47,50	45,00	-	-	-	-	-
Bellville Stikland/Kaymor	67,00	65,00	66,25	62,50	60,00	75,00	2,0	4,120	0,009	0,03
Bellville Triangle	51,67	50,00	50,00	48,33	48,33	48,00	1,0	4,041	-0,019	0,90
Bellville South/Sacks Circle	60,00	56,00	56,25	45,75	45,00	45,00	1,0	4,585	-0,089	0,89
Kraaifontein	52,50	50,00	50,00	45,00	42,50	45,00	1,0	4,246	-0,053	0,82
Brackenfell Industria	68,33	66,00	61,00	55,00	50,00	-	-	-	-	-
Everite Brackenfell	70,00	63,33	56,67	50,00	-	-	-	-	-	-
Kuils River	56,67	55,00	53,33	49,00	45,00	45,00	1,0	4,439	-0,070	0,96
Blackheath	50,00	50,00	48,25	46,25	45,00	45,00	1,0	4,108	-0,034	0,95
Saxenburg Industrial Park	61,67	61,67	61,33	58,00	55,00	55,00	1,0	4,347	-0,037	0,89

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2023:1
(R/m² p.m.; gross lease; excl. VAT)

	Area size leased in m²						Vacancy	a	b	r^2
	250	**500**	**1.000**	**2.500**	**5.000**	**10.000**				
Okavango	63,33	58,33	55,00	50,00	-	-	-	-	-	-
Brackengate/Icon Business Park	77,00	76,00	74,00	63,33	-	-	2,0	-	-	-
Paarl	58,00	50,00	55,00	45,00	43,50	45,00	3,0	4,432	-0,073	0,74
Wellington	50,00	50,00	45,00	40,00	40,00	40,00	-	4,322	-0,073	0,87
Contermanskloof	-	-	-	-	-	-	-	-	-	-
Rivergate	71,67	66,67	65,00	62,50	62,50	-	3,0	-	-	-
Airport Ind (north of sewerage farm)	70,00	70,00	70,00	70,00	65,00	65,00	-	4,389	-0,022	0,68
Airport Ind (west of Borcherds Quarry)	70,00	70,00	70,00	70,00	70,00	70,00	-	4,248	0,000	-
Airport Ind (east of Borcherds Quarry)	-	-	-	-	-	-	-	-	-	-
King Air Industrial Park	-	-	120,00	120,00	120,00	120,00	-	-	-	-
Durbanville Industrial Park	-	-	-	-	-	-	-	-	-	-
Northgate Industrial Park	-	-	-	-	-	-	-	-	-	-
Cape Town	**65,13**	**62,28**	**60,46**	**56,51**	**56,71**	**56,12**	**1,9**			
Helderberg										
The Interchange	-	-	-	-	-	-	-	-	-	-
Helderberg Industrial Park/ Broadlands	-	-	-	-	-	-	-	-	-	-
Gants	-	-	-	-	-	-	-	-	-	-
Somerset Business Park	-	-	-	-	-	-	-	-	-	-
Georges Park/Onverwacht	-	-	-	-	-	-	-	-	-	-
Mansfield	-	-	-	-	-	-	-	-	-	-
Firgrove Industrial Estate	75,00	75,00	70,00	-	-	-	-	-	-	-
Strand Halt	-	-	-	-	-	-	-	-	-	-
Asla Park	-	-	-	-	-	-	-	-	-	-
Helderberg	**-**	**-**	**-**	**-**	**-**	**-**	**-**			

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2023:1
(R/m² p.m.; gross lease; excl. VAT)

	Area size leased in m²						Vacancy	a	b	r^2
	250	500	1.000	2.500	5.000	10.000				
Stellenbosch										
Plankenbrug	-	-	-	-	-	-	-	-	-	-
Devon Valley	-	-	-	-	-	-	-	-	-	-
Tenantville	-	-	-	-	-	-	-	-	-	-
Klapmuts	-	-	-	-	-	-	-	-	-	-
Stellenbosch	**-**	**-**	**-**	**-**	**-**	**-**	**-**			
Gqeberha										
Deal Party	50,00	47,50	37,50	37,50	37,50	33,33	3,7	4,453	-0,103	0,84
North End	43,33	47,50	45,00	40,00	32,50	32,50	6,0	4,443	-0,103	0,78
Korsten/ Neave/ Sidwell/ Sydenham	45,00	42,50	-	40,00	-	-	3,7	-	-	-
South End Walmer	45,00	42,50	42,50	40,00	40,00	40,00	3,0	3,964	-0,032	0,86
Kariega: Volkswagen area/ NMBLP	37,50	35,00	-	31,50	25,00	25,00	3,0	-	-	-
Kariega: Hella/ Kruisrivier	32,50	32,50	30,00	30,00	30,00	30,00	6,0	3,607	-0,024	0,68
Struandale	45,00	42,50	37,50	35,00	35,00	35,00	3,0	4,177	-0,073	0,85
Markman Township	38,75	36,25	36,25	33,75	33,75	30,25	6,0	3,974	-0,058	0,91
Perseverance	38,75	38,75	36,25	36,25	33,75	33,75	3,0	3,898	-0,042	0,91
Walmer	58,75	56,25	56,25	53,75	51,25	51,25	1,8	4,282	-0,038	0,95
Greenbushes	65,00	65,00	60,00	60,00	60,00	60,00	1,5	4,300	-0,024	0,68
Fairview	75,00	72,50	72,50	67,50	67,50	65,00	2,5	4,530	-0,038	0,95
Coega SDZ	-	-	-	-	-	-	-	-	-	-
Gqeberha	**48,10**	**45,76**	**44,61**	**41,33**	**40,38**	**39,03**	**3,7**			
East London										
Arcadia	47,50	45,00	40,00	38,00	-	-	2,0	-	-	-
Gately/Woodbrook	45,00	45,00	42,00	38,00	35,00	-	3,0	-	-	-

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2023:1
(R/m² p.m.; gross lease; excl. VAT)

	Area size leased in m²						Vacancy	a	b	r²
	250	500	1.000	2.500	5.000	10.000				
Wilsonia	40,00	39,00	33,00	30,00	30,00	-	3,0	-	-	-
Braelyn	40,00	38,00	35,00	-	-	-	3,0	-	-	-
Northend	40,00	38,00	35,00	-	-	-	3,0	-	-	-
Chiselhurst	45,00	42,00	40,00	38,00	-	-	3,0	-	-	-
Meisies Halt	65,00	62,00	55,00	48,00	-	-	2,0	-	-	-
Beacon Bay Industrial	-	-	-	-	-	-	-	-	-	-
IDZ	-	-	-	-	-	-	-	-	-	-
West Bank Industrial Area	47,00	45,00	40,00	38,00	32,00	-	2,0	-	-	-
East London	**46,19**	**44,25**	**40,00**	**38,33**	**32,33**	**-**	**2,6**			
Bloemfontein										
Hilton	53,25	48,00	39,75	25,00	26,00	-	3,0	-	-	-
East End	49,50	45,00	38,75	33,00	26,00	-	3,3	-	-	-
Harvey Road	48,00	41,75	36,75	31,33	26,00	-	3,7	-	-	-
Old Industrial	49,50	41,50	34,25	28,67	24,00	-	3,7	-	-	-
Hamilton: Mill St	38,50	32,50	28,50	25,67	25,00	-	4,7	-	-	-
Hamilton: G Lubbe St	37,75	35,75	33,00	31,33	29,33	-	4,2	-	-	-
Estoire	47,75	48,00	41,75	40,00	38,33	-	2,8	-	-	-
Quaggafontein	64,00	61,50	61,33	63,50	52,00	-	2,0	-	-	-
Bloemfontein	**47,50**	**42,93**	**38,55**	**34,45**	**30,25**	**-**	**3,5**			
George										
George Central	-	-	-	-	-	-	-	-	-	-
Tamsui Industria	-	-	-	-	-	-	-	-	-	-
Pacaltsdorp Industria	-	-	-	-	-	-	-	-	-	-
George	**-**	**-**	**-**	**-**	**-**	**-**	**-**			

Table 7.2 (continued)
Mean prime industrial market rentals as in quarter 2023:1
(R/m² p.m.; gross lease; excl. VAT)

	Area size leased in m²						Vacancy	a	b	r²
	250	**500**	**1.000**	**2.500**	**5.000**	**10.000**				
Pietermaritzburg										
Willowton	-	50,00	45,00	40,00	35,00	30,00	2,0	-	-	-
Mkondeni/Shortts Retreat	45,00	45,00	40,00	35,00	35,00	32,00	3,0	4,377	-0,099	0,95
Camps Drift	-	50,00	50,00	45,00	40,00	-	6,0	-	-	-
Pietermaritzburg Central	70,00	65,00	55,00	50,00	50,00	-	2,0	-	-	-
Rosedale/Allandale	-	-	-	-	-	-	-	-	-	-
Howick	-	-	-	-	-	-	-	-	-	-
Pietermaritzburg	**57,50**	**52,50**	**47,50**	**42,50**	**40,00**	**31,00**	**3,3**			
Lower Umfolozi										
Empangeni	-	-	-	-	-	-	-	-	-	-
Richards Bay (Alton)	-	-	-	-	-	-	-	-	-	-
Richards Bay CBD (Dollar Drive)	-	-	-	-	-	-	-	-	-	-
Lower Umfolozi	**-**	**-**	**-**	**-**	**-**	**-**	**-**			
Windhoek										
North	62,50	60,00	52,50	47,50	45,00	-	4,5	-	-	-
Lafrenz	62,50	60,00	52,50	45,00	45,00	-	4,5	-	-	-
South	67,50	65,00	54,00	47,50	45,00	-	3,0	-	-	-
Prosperita	62,50	60,00	52,50	45,00	45,00	-	4,5	-	-	-
Windhoek	**63,75**	**61,25**	**52,88**	**46,25**	**45,00**	**-**	**4,1**			

Table 7.3
Standard deviation from mean prime industrial market rentals
as in 2023:1

	Area size leased in m²						Panellist codes
	250	**500**	**1.000**	**2.500**	**5.000**	**10.000**	
Central Witwatersrand							
Cambridge Park	0,00	0,00	-	-	15,00	15,00	JLL,SHP
Wynberg Proper	5,36	4,77	5,53	6,94	7,29	7,68	GB,JLL,KA,SHP,WP
Strijdom Park	2,73	0,37	3,47	5,49	7,12	4,71	CPS,GB,GI,JLL,OSO,SHP,WP
Kya Sand West	3,19	2,50	3,98	3,56	3,79	1,63	CPS,GB,JLL,OSO,SHP
Kya Sand East	6,00	7,58	7,76	7,70	9,22	4,32	CPS,GB,JLL,OSO,SHP
Lanseria Corporate Estate	5,89	5,89	9,44	10,22	8,41	8,20	CPS,GB,JLL,SHP
Cosmo Business Park	5,89	2,87	0,50	3,27	3,30	3,00	CPS,GB,SHP
Mostyn Park	2,50	2,50	2,50	4,00	4,00	5,50	JLL,SHP
Clayville/Olifantsfontein	1,00	4,03	2,16	0,00	3,68	3,68	GB,GI,JLL,SHP
Chloorkop	7,18	7,63	7,29	7,53	7,12	8,16	CPS,GB,JLL,KA,SHP,SS
Amalgam	1,41	1,41	3,83	2,12	2,05	4,08	GB,JLL,KA,RO,WHF
Crown Mines	6,12	6,12	5,87	3,54	3,42	3,42	GB,JLL,RO,WHF
Industria	8,49	8,49	8,49	8,49	9,88	9,88	JLL,SS,WHF
Booysens/Booysens Reserve/ Ophirton	0,00	0,00	1,50	0,00	2,50	4,00	GB,RO,WHF
Village Main/Village Deep/New Centre	7,85	7,85	8,00	7,00	7,00	6,00	JLL,RO,WHF
Benrose	8,93	4,65	5,25	6,45	7,17	7,28	CPS,GB,JLL,MR,RO,WHF
Steeledale/Electron/Tulisa Park	9,90	9,90	8,50	7,54	7,13	7,36	CPS,JLL,RO,WHF
Aeroton	4,08	2,36	3,14	3,16	2,00	2,17	GB,GI,RO,SS,WHF
Devland	-	-	-	-	-	-	
Nancefield	-	-	-	-	-	-	
Cleveland/Heriotdale	3,68	3,68	1,89	2,36	0,47	1,41	CPS,RNP,RO
Newlands/Martindale	-	-	-	-	-	-	
Kew/Wynberg East	6,24	5,59	6,13	6,24	8,50	8,50	GB,JLL,KA,WP
Bramley View/Lombardy West	-	-	-	-	-	-	JLL

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2023:1

	Area size leased in m²						Panellist codes
	250	500	1.000	2.500	5.000	10.000	
Marlboro South (Alexandra)	-	-	-	-	-	-	JLL
Halfway House: hi-tech strip	3,67	3,08	2,71	2,69	4,12	3,77	CPS,GI,JLL,OSO,RO,SHP,WHF,WP
Halfway House: Richards Drive	3,47	2,90	2,42	2,75	2,24	3,32	CPS,CR,GI,JLL,OSO,RO,SHP,WP
Randjespark	5,28	3,14	2,64	1,91	3,74	3,54	CPS,MR,OSO,SHP,WHF
Louwlardia	2,62	4,11	4,19	4,50	4,71	4,71	AP,CPS,SHP
Corporate Park (Midrand)	4,02	3,35	1,77	2,05	3,16	4,90	CPS,OSO,RO,SHP,WHF,WP
Commercia	4,58	5,52	5,60	9,07	7,73	11,06	CPS,GB,GI,JLL,SHP,WHF
Kramerville/Eastgate Ext 12 & Ext 13	4,19	8,16	7,11	8,60	2,05	2,69	CPS,GB,GI,JLL,OSO,SHP
Linbro Park	7,23	7,76	5,59	6,02	5,73	6,49	CPS,GB,GI,JLL,KA,ME,OSO,PPR,RO,SHP, SS,WHF,WP
Longlake	11,40	11,32	10,94	10,53	9,48	9,04	CPS,CR,GB,JLL,ME,OSO,PPR,RO,SHP,SS, WHF,WP
Wesco Park/Eastgate Ext 3, Ext 11, Ext 6, Ext 8/Malboro North (New)	3,40	2,36	2,05	0,94	2,94	2,50	CPS,JLL,SHP
City Deep	2,89	3,16	3,44	3,40	5,00	5,95	CPS,GI,JLL,MR,PPR,RO,WHF
North Riding/Hoogland	6,34	6,34	8,06	8,99	10,84	-	CPS,OSO,SHP
Samrand Centurion	3,54	3,31	2,76	2,73	0,00	0,00	CPS,GI,JLL,MR,RO,SHP,WHF
Barbeque Downs	1,75	1,75	1,25	1,25	0,00	0,00	CPS,JLL,MR,SHP
Selby Ext 12/13/15/19/20/24/City West	3,77	3,77	2,36	2,94	2,94	2,94	JLL,RO,WHF
Selby Ext 5/10/14/18	0,94	0,94	0,00	2,36	2,05	2,05	JLL,RO,WHF
Selby Ext 11	2,36	2,36	2,05	4,19	4,08	4,08	JLL,RO,WHF
Selby Ext 3/4/6	5,25	5,25	4,71	4,08	3,30	3,30	JLL,RO,WHF
Denver (Old)	6,48	6,48	5,66	4,00	4,50	4,00	CPS,JLL,RO,WHF
Denver (New)	2,36	2,36	2,36	5,56	5,56	6,24	CPS,JLL,RO,WHF

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2023:1

	Area size leased in m²						Panellist codes
	250	500	1.000	2.500	5.000	10.000	
Denver (New)	2,36	2,36	2,36	5,56	5,56	6,24	CPS,JLL,RO,WHF
Kyalami Business Park	2,36	5,10	5,10	7,71	6,00	7,50	CPS,KA,MR,OSO,SHP,WP
Reuven	2,05	2,05	0,94	2,94	2,87	2,87	GB,JLL,RO
Selby (Old)/Selby Ext2/Park Central	2,36	2,36	2,05	1,41	1,41	0,00	JLL,RO,WHF
Robertsham	1,50	1,50	2,50	1,00	2,87	1,79	GB,RO,WHF,ZZ
Fordsburg/Newtown	-	-	-	-	-	-	JLL
Waterfall	11,90	11,90	11,84	11,84	9,04	9,16	CPS,JLL,MR,OSO,SHP,SS,WHF
Lords View	4,15	4,28	3,94	3,68	4,16	4,16	CPS,GB,JLL,ME,OSO,RO,SHP
West Rand							
Lea Glen	6,50	6,50	6,50	5,00	2,50	2,50	JLL,SHP
Honeydew X19, 20, 21 & 22	1,41	1,41	4,08	6,24	0,00	0,00	JLL,OSO,SHP
Stormill	2,05	2,05	0,47	0,00	2,50	3,50	GI,JLL,SHP
Chamdor	-	-	-	-	-	-	GI
Factoria	-	-	-	-	-	-	
Krugersdorp: Delporton	-	-	-	-	-	-	
Randfontein: Aureus	-	-	-	-	-	-	
Boltonia	-	-	-	-	-	-	JLL
Roodepoort: Technikon/Manufacta	-	-	-	-	-	-	JLL
Industria North	0,00	0,00	0,00	1,00	0,00	0,00	JLL,KA
Robertville	2,94	2,94	4,08	4,08	-	-	GI,JLL,SHP
Laserpark	4,00	3,72	4,90	5,19	7,42	5,25	JLL,OSO,SHP,WP
East Rand							
Elandsfontein	2,23	2,23	3,14	3,00	4,66	6,34	GB,JLL,KA,ME,PPR,RO,SHP,SS,WHF

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2023:1

	Area size leased in m²						Panellist codes
	250	500	1.000	2.500	5.000	10.000	
Tunney/Greenhills	5,20	5,22	2,87	3,84	5,15	5,15	GB,KA,ME,MR,PPR,RO,SHP,WHF
Henville	2,28	2,28	2,12	3,08	5,32	8,20	ME,MR,PPR,RO,SHP
Hughes	5,34	5,34	3,73	4,79	6,87	5,45	CPS,ME,MR,PPR,SS,WHF
Bartletts	5,77	4,15	6,00	5,10	4,50	6,12	CPS,ME,MR,PPR,SS,WHF
Lilianton	-	-	5,00	4,00	4,00	4,00	CPS,MR
Comet	0,00	0,00	0,00	2,50	5,00	2,50	GB,MR
Meadowbrook/Wilbart	5,80	5,78	4,89	4,93	5,18	5,83	GB,JLL,ME,MR,PPR,RO,SHP
Sunnyrock	3,71	3,52	2,75	3,33	4,09	8,21	GB,JLL,KA,ME,MR,PPR,RO,SHP,SS,WHF
Rustivia/Activia Park	3,81	3,28	4,44	4,83	6,55	4,53	GB,JLL,ME,MR,PPR,RO,SHP,SS,WHF
Eastleigh	3,13	7,44	6,93	6,24	4,15	4,15	CPS,JLL,KA,ME,MR,PPR,RO,SHP
Sebenza Ext 14	3,64	3,67	5,48	5,79	7,22	7,75	CPS,GB,JLL,KA,ME,MR,PPR,SHP,SS,WHF
Spartan Ext 16 (Sebenza Link) + Ext	3,94	2,96	4,09	3,72	5,08	6,28	CPS,GB,JLL,ME,MR,PPR,SHP,SS,WHF
Isando	2,64	2,64	2,17	2,69	3,93	4,69	JLL,KA,ME,MR,PPR,RO,SHP,SS,WHF
Isando 3	2,64	2,64	1,65	2,69	3,50	3,50	JLL,ME,MR,PPR,RO,SHP,SS,WHF
Jet Park	9,84	9,60	8,39	8,21	9,34	10,48	CPS,GB,JLL,KA,ME,MR,PPR,RO,SHP,WHF
Alrode & Xs	6,96	3,57	5,13	6,30	6,85	8,28	CPS,GB,GI,JLL,MR,RNP,RO,SHP,WHF
Alrode South	5,21	3,54	6,50	5,35	5,60	6,31	CPS,GB,JLL,MR,SHP,WHF
Alberton	11,79	11,79	9,43	1,50	1,50	1,50	JLL,MR,WHF
Aeroport/Spartan Ext 2	2,24	2,32	4,40	5,34	3,54	3,54	CPS,GI,JLL,ME,PPR,RO,WHF
Delville	0,00	5,19	2,62	4,11	0,00	0,00	MR,PPR,RO
Roodekop	2,06	3,03	4,00	6,63	6,78	7,14	JLL,MR,PPR,RO,SHP
Wadeville: Industrial zoning	4,79	4,16	4,52	5,00	4,47	4,96	GI,JLL,MR,PPR,SHP,SS,WHF

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2023:1

	Area size leased in m²						Panellist codes
	250	500	1.000	2.500	5.000	10.000	
Route 24/Meadowdale	8,75	8,81	6,84	6,90	7,31	7,31	GB,JLL,ME,MR,PPR,RO,SS
Germiston S/Industries E	8,34	8,34	8,92	8,92	9,38	9,97	CPS,JLL,PPR,RO,WHF
Driehoek/Industries W	3,66	3,66	3,69	2,92	1,89	2,36	CPS,GI,MR,PPR,RNP,RO,WHF
Knights	5,56	5,56	3,30	3,40	3,86	4,32	PPR,RO,WHF
Spartan Proper	5,33	5,76	3,84	4,99	5,37	3,57	CPS,GB,JLL,ME,PPR,RO,SHP,SS,WHF
Founders View	6,07	6,07	4,32	4,19	6,53	6,53	CPS,GB,ME,PPR,SHP,SS
Longmeadow	5,51	5,27	4,72	4,76	4,98	5,16	CPS,GB,JLL,KA,ME,MR,PPR,RO,SHP,SS, WHF,WP
Pomona/Kempton Park	2,99	2,99	4,61	4,40	6,66	6,86	CPS,GB,JLL,ME,MR,PPR,RO,SHP,SS,WHF
Gosforth Park	3,45	3,45	2,73	3,04	2,87	2,92	CPS,GI,JLL,ME,MR,PPR,RO,SHP,WHF
S&J Industrial Estate	6,88	6,32	3,52	3,60	3,83	4,87	CPS,JLL,ME,MR,PPR,SHP,WHF
Far East Rand							
Boksburg North & East	3,48	1,88	2,73	3,06	2,00	6,55	CPS,GB,JLL,KA,MR,RNP,RO,SHP,SS
Benoni South	4,59	3,74	3,16	4,08	4,08	4,47	GB,JLL,MR,RO,SHP,SS
New Era/Vulcania	2,50	3,50	1,00	2,50	5,00	5,00	MR,RO
Nuffield	-	-	-	-	-	-	RO
Fulcrum	-	-	-	-	-	-	
Apex	2,33	2,56	3,41	3,88	4,92	6,44	CPS,GB,MR,RO,SS
Labore Brakpan	-	-	-	-	-	-	
Morehill Ext 8 Benoni	1,00	3,50	3,50	6,00	6,00	6,00	CPS,RO,SS
Pretoria							
Charlotte Maxeke	-	-	-	-	-	-	AP
Pretoria Industrial Township	-	-	-	-	-	-	AP

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2023:1

	Area size leased in m²						Panellist codes
	250	500	1.000	2.500	5.000	10.000	
Koedoespoort	0,00	0,00	2,50	0,00	0,00	1,00	AP,HN
Waltloo/Despatch	0,00	2,50	2,50	0,00	0,00	0,00	AP,HN
Silverton/Silvertondale	3,50	2,50	2,50	0,00	0,00	0,00	AP,HN
Samcor Park	-	-	-	-	-	-	AP
Sunderland Ridge	-	-	-	-	-	-	AP
Hermanstad	-	-	-	-	-	-	AP
Kirkney	-	-	-	-	-	-	AP
Hennopspark X15 & X7	-	-	-	-	-	-	AP
Gateway	0,00	5,00	5,00	0,00	0,00	0,00	AP,HN
Rooihuiskraal	2,50	2,50	7,50	7,50	10,00	12,50	AP,MAS
Louwlardia	2,62	4,11	4,19	4,50	4,71	4,71	AP,CPS,SHP
Lyttelton Manor X4/X6	-	-	-	-	-	-	AP
Pretoria North	-	-	-	-	-	-	AP
Silvertondale X1	-	-	-	-	-	-	AP
Klerksoord	-	-	-	-	-	-	AP
Rosslyn	-	-	-	-	-	-	AP
Centurion	2,50	2,50	2,50	2,50	5,00	5,00	AP,WHF
Polokwane							
Lebowakgomo	-	-	-	-	-	-	
Superbia	10,00	7,50	5,00	5,00	-	-	MO,TG
Industria	5,00	4,00	10,00	1,00	-	-	MO,TG
Ladine	0,00	0,00	3,50	0,00	-	-	MO,TG
Futura	-	-	-	-	-	-	MO
Laboria	0,00	0,00	1,00	10,00	-	-	MO,NET,TG

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2023:1

	Area size leased in m²						Panellist codes
	250	**500**	**1.000**	**2.500**	**5.000**	**10.000**	
Magna Via	0,00	2,50	0,00	12,50	-	-	ES,MO,NET,TG
Seshego	-	-	-	-	-	-	
Mbombela							
Mbombela East	4,00	3,80	7,00	6,00	-	-	KEL,MPV,ORI,PG,PM
Mbombela West	0,00	2,00	1,60	4,00	0,00	-	KEL,MPV,ORI,PG,PM
Rocky's Drift	2,60	0,00	1,40	0,00	-	-	KEL,MPV,ORI,PG,PM
Riverside Park	0,00	8,00	6,00	6,00	0,00	-	KEL,MPV,ORI,PG,PM
Durban							
Springfield Park	5,99	5,37	5,34	5,96	7,48	7,40	AWP,PC,WHF,ZZ
Mayville	-	-	-	-	-	-	AWP
Phoenix	3,54	2,50	2,17	4,00	2,17	2,36	AWP,PC,ZZ
Chris Hani Rd (North Coast)/ Briardene	5,79	2,98	4,71	4,71	5,48	6,12	AWP,SPS,PC,WHF,ZZ
Briardene Industrial Park	6,87	8,54	6,87	7,45	6,78	5,45	AWP,SPS,PC,WHF,ZZ
Umgeni Rd/Stamford Hill	7,35	7,07	6,49	6,50	8,50	12,47	AWP,PC,ZZ
Umbilo/Sydney Rd/Magwaza Maphalala St (Gale)	3,93	6,25	7,23	9,07	10,00	-	AWP,CPS,PC,ZZ
Jacobs	7,45	5,00	4,64	4,71	6,24	8,60	AWP,CPS,JUS,PC,ZZ
Mobeni	6,63	6,61	4,28	4,98	5,53	6,45	AWP,CPS,JUS,PC,ZZ
Clairwood Logistics Park	-	-	-	-	10,51	12,97	AP,BLA,MX,ZZ
Prospecton	4,38	3,65	5,33	5,89	5,51	7,93	AWP,BLA,PC,ZZ
Ithala Industrial Estate	-	-	-	-	-	-	PC
Pinetown Central	4,33	4,33	6,71	6,40	7,00	10,86	AWP,PC,SWI,ZZ

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2023:1

	Area size leased in m²						Panellist codes
	250	500	1.000	2.500	5.000	10.000	
New Germany	7,19	6,70	5,82	5,81	6,64	10,80	AWP,PC,SWI,ZZ
Mountain Ridge	-	-	-	-	-	-	SWI
Isipingo	6,24	6,24	6,24	7,50	7,50	7,50	AWP,JUS
Rossburgh/South Coast Rd	4,50	4,50	4,50	2,87	2,87	0,50	AWP,PC
Edwin Swales Drive	12,00	7,79	7,76	5,26	6,26	6,26	AWP,PC
Glen Anil	7,50	7,86	5,45	6,67	6,83	6,24	AWP,PC,WHF,ZZ
Felix Dlamini Rd (Brickfield)	-	-	-	-	-	-	AWP
Verulam	-	-	-	-	-	-	AWP
Canelands	0,00	0,00	0,00	6,24	5,59	5,00	AWP,PC
Tongaat	8,00	2,50	2,50	2,36	2,36	2,50	AWP,PC
New Westmead/Mahogany	2,05	2,05	0,00	1,30	1,63	0,00	AWP,PC
Westmead	2,69	3,59	2,37	3,45	3,41	3,64	AWP,CPS,PC,SWI,ZZ
Alexander Park	2,59	2,59	3,54	3,77	3,77	5,56	AWP,PC,SWI,ZZ
Surprise Farm	4,20	3,77	4,00	4,00	5,25	7,19	AWP,PC,SWI,ZZ
Mariann Park/Southmead	0,00	2,50	2,50	0,00	0,00	2,50	AWP,PC
Queensmead Industria	-	-	-	-	-	-	AWP
Maxmead	2,05	2,12	2,17	4,15	5,77	10,20	AWP,PC,SWI
Ringroad Industrial Park	-	-	-	-	-	-	PC
Avoca/Red Hill/Northgate	9,35	9,60	9,91	9,91	9,41	7,07	AWP,BLA,PC,SPS,WHF
Falcon Park	-	-	-	-	-	-	PC
Riverhorse Valley Business Estate	7,42	6,63	7,42	7,99	9,32	7,31	AWP,BLA,JUS,PC,SPS,WHF
Mount Edgecombe	8,04	7,50	9,59	9,90	8,72	7,07	AWP,PC,SPS,WHF
Umbogintwini/Southgate	6,75	9,96	8,20	2,36	2,36	0,00	AWP,JUS,PC
Southgate Industrial Park	8,59	9,20	11,92	13,12	13,12	-	AWP,JUS,PC

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2023:1

	Area size leased in m²						Panellist codes
	250	500	1.000	2.500	5.000	10.000	
Umgeni Park	11,79	11,79	9,93	7,50	6,24	1,50	AWP,BLA,PC
Hammarsdale	6,13	9,18	6,18	5,40	3,77	12,50	AWP,PC
Cato Ridge	0,00	0,00	0,00	4,08	4,71	13,12	AWP,PC
Camperdown	-	-	-	-	-	-	AWP
Ballito	-	-	-	-	-	-	AWP
Dube Tradeport	5,00	5,00	5,00	5,00	5,56	7,07	AWP,BLA
Kingsburgh	-	-	-	-	-	-	AWP
Cornubia	10,57	7,42	7,11	6,47	6,39	7,59	AWP,BLA,PC,SPS,WHF
Ladysmith							
Ezakheni/Pieters	-	-	-	-	-	-	DE
Danskraal	-	-	-	-	-	-	DE
Nambiti	-	-	-	-	-	-	
Colenso	-	-	-	-	-	-	
Cape Town							
Viking Place	2,50	2,50	8,50	10,00	10,00	0,00	AP,DN,JB
Glosderry	-	-	-	-	-	-	COR
Paarden Eiland/Metro	6,87	6,28	9,25	8,60	9,17	0,00	AP,AX,DD,GB,JB,RIO,SPI
Montague Gardens	5,62	6,25	4,33	9,57	9,58	6,26	AP,AX,DN,GB,JB,RIO,SPI
Marconi Beam	6,06	4,49	6,15	9,13	10,68	8,16	AP,AX,DN,GB,RIO
Killarney Gardens	4,36	3,60	2,62	5,64	3,68	2,50	AP,AX,DN,GB,RIO,SPI
Richmond Park	-	-	10,27	23,92	19,29	-	AP,DN,RIO
Racing Park	-	-	-	-	-	-	AP
Atlantis	0,00	0,00	1,00	2,36	0,00	0,00	AP,SPI
Woodstock/Salt River/Observatory	9,43	12,21	14,72	10,00	-	-	COR,JB,SCM

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2023:1

	Area size leased in m²						Panellist codes
	250	500	1.000	2.500	5.000	10.000	
Athlone 1 & 2	-	10,00	0,00	0,00	-	-	AP,SCM
Lansdowne Nerissa	5,00	6,00	8,75	7,50	-	-	AP,COR
Sand Industria	-	-	-	-	-	-	
Ottery Hillstar	1,50	2,36	3,12	0,00	-	-	AP,COR,SCM
Ottery Sunset	1,50	0,00	2,25	2,50	0,00	0,00	AP,COR
Diep River	6,24	3,30	10,00	0,00	-	-	AP,COR
Elfindale	-	-	-	-	-	-	AP
Monwood/Philippi	-	-	-	-	-	-	AP
Retreat/Steenberg	13,12	16,39	20,00	20,00	-	-	AP,COR
Capricorn Park	-	-	-	-	-	-	AP
Maitland	2,58	7,45	9,57	9,35	0,00	0,00	AP,AX,DD,DN,JB,SCM,SPI
Ndabeni	4,08	4,15	3,00	7,00	8,50	10,50	AP,AX,JB,SCM
Epping 1 & 2	5,59	3,54	2,50	6,24	-	-	AP,DN,GAM,JB,SPI
WP Park	5,00	5,00	5,00	5,00	10,00	-	AP,DN,SPI
Elsies River (excl. Central Park)	5,00	5,00	7,50	5,00	0,00	0,00	AP,JB,SPI
Parow Beaconvale	4,08	2,36	1,41	2,50	0,00	0,00	AP,DN,JB
Tygerberg Business Park	0,00	0,00	0,00	0,00	0,00	-	AP,DN
Parow Industria	4,71	2,36	2,36	2,50	0,00	0,00	AP,DN,JB
Parow East	10,00	2,50	0,00	0,00	2,50	-	AP,DN
Bellville Oakdale	5,00	2,50	0,00	2,50	0,00	-	DN,WPM
Bellville Stikland/Kaymor	13,30	12,25	11,92	12,50	15,00	0,00	AP,DN,WD
Bellville Triangle	2,36	3,54	3,54	2,36	2,87	0,00	AP,DN,WPM
Bellville South/Sacks Circle	9,35	9,70	10,83	1,30	0,00	0,00	AP,DN,WD,WPM
Kraaifontein	-	-	-	-	-	-	DN

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2023:1

	Area size leased in m²						Panellist codes
	250	**500**	**1.000**	**2.500**	**5.000**	**10.000**	
Brackenfell Industria	4,71	12,41	13,56	11,73	0,00	-	AP,DN,SPI,WPM
Everite Brackenfell	5,00	2,36	4,71	0,00	-	-	AP,DN,SPI
Kuils River	2,36	4,08	4,71	1,00	0,00	0,00	AP,DN
Blackheath	3,54	3,54	2,05	2,17	0,00	0,00	AP,DN,WPM
Saxenburg Industrial Park	2,36	2,36	2,62	0,00	0,00	0,00	AP,WD
Okavango	9,43	6,24	7,07	5,00	-	-	AP,DN,WPM
Brackengate/Icon Business Park	10,30	11,14	13,56	15,46	-	-	AP,DN,WD,WPM
Paarl	0,00	0,00	10,00	0,00	1,50	0,00	AP,DD
Wellington	-	-	-	-	-	-	AP
Contermanskloof	-	-	-	-	-	-	
Rivergate	2,36	2,36	0,00	2,50	2,50	-	AP,RIO,SPI
Airport Ind (north of sewerage farm)	-	-	-	-	-	-	AP
Airport Ind (west of Borcherds	-	-	-	-	-	-	AP
Airport Ind (east of Borcherds	-	-	-	-	-	-	AP
King Air Industrial Park	-	-	-	-	-	-	AP
Durbanville Industrial Park	-	-	-	-	-	-	
Northgate Industrial Park	-	-	-	-	-	-	
Helderberg							
The Interchange	-	-	-	-	-	-	
Helderberg Industrial Park/	-	-	-	-	-	-	
Gants	-	-	-	-	-	-	
Somerset Business Park	-	-	-	-	-	-	
Georges Park/Onverwacht	-	-	-	-	-	-	
Mansfield	-	-	-	-	-	-	

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2023:1

	Area size leased in m²						Panellist codes
	250	**500**	**1.000**	**2.500**	**5.000**	**10.000**	
Firgrove Industrial Estate	-	-	-	-	-	-	AN
Strand Halt	-	-	-	-	-	-	
Asla Park	-	-	-	-	-	-	
Stellenbosch							
Plankenbrug	-	-	-	-	-	-	
Devon Valley	-	-	-	-	-	-	
Tenantville	-	-	-	-	-	-	
Klapmuts	-	-	-	-	-	-	
Gqeberha							
Deal Party	5,00	7,50	2,50	2,50	2,50	2,36	ARN,SUM,TR
North End	15,46	17,50	20,00	15,00	7,50	7,50	ARN,SUM,TR
Korsten/Neave/Sidwell/Sydenham	0,00	2,50	-	5,00	-	-	ARN,SUM,TR
South End Walmer	0,00	2,50	2,50	0,00	0,00	0,00	ARN,SUM
Kariega: Volkswagen area/NMBLP	7,50	10,00	-	6,50	0,00	0,00	ARN,SUM
Kariega: Hella/Kruisrivier	7,50	7,50	5,00	5,00	5,00	5,00	ARN,SUM
Struandale	0,00	2,50	2,50	0,00	0,00	0,00	ARN,SUM
Markman Township	6,25	3,75	3,75	1,25	1,25	2,25	ARN,SUM
Perseverance	6,25	6,25	3,75	3,75	1,25	1,25	ARN,SUM
Walmer	3,75	6,25	6,25	8,75	11,25	11,25	ARN,SUM
Greenbushes	-	-	-	-	-	-	ARN
Fairview	10,80	2,50	2,50	2,50	2,50	0,00	ARN,SUM,TR
Coega SDZ	-	-	-	-	-	-	
East London							
Arcadia	-	-	-	-	-	-	CAP
Gately/Woodbrook	-	-	-	-	-	-	CAP

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2023:1

	Area size leased in m²						Panellist codes
	250	**500**	**1.000**	**2.500**	**5.000**	**10.000**	
Wilsonia	-	-	-	-	-	-	CAP
Braelyn	-	-	-	-	-	-	CAP
Northend	-	-	-	-	-	-	CAP
Chiselhurst	-	-	-	-	-	-	CAP
Meisies Halt	-	-	-	-	-	-	CAP
Beacon Bay Industrial	-	-	-	-	-	-	
IDZ	-	-	-	-	-	-	
West Bank Industrial Area	-	-	-	-	-	-	CAP
Bloemfontein							
Hilton	7,12	10,23	7,50	0,00	0,00	-	BR,ED,EK,EQV
East End	6,58	7,38	7,40	2,00	0,00	-	BR,ED,EK,EQV
Harvey Road	7,87	11,14	7,98	1,89	1,00	-	BR,ED,EK,EQV
Old Industrial	6,58	5,17	4,02	1,89	0,00	-	BR,ED,EK,EQV
Hamilton: Mill St	5,22	4,82	2,29	0,94	0,00	-	BR,ED,EK,EQV
Hamilton: G Lubbe St	6,02	7,19	7,38	6,34	6,13	-	BR,ED,EK,EQV
Estoire	6,18	4,12	7,19	8,16	6,94	-	BR,ED,EK,EQV
Quaggafontein	1,00	1,50	8,65	8,50	0,00	-	BR,ED,EQV
George							
George Central	-	-	-	-	-	-	
Tamsui Industria	-	-	-	-	-	-	
Pacaltsdorp Industria	-	-	-	-	-	-	
Pietermaritzburg							
Willowton	-	-	-	-	-	-	HN
Mkondeni/Shortts Retreat	-	-	-	-	-	-	HN
Campsdrift	-	-	-	-	-	-	HN

Table 7.3 (continued)
Standard deviation from mean prime industrial market rentals
as in 2023:1

	Area size leased in m²						Panellist codes
	250	500	1.000	2.500	5.000	10.000	
Pietermaritzburg Central	-	-	-	-	-	-	HN
Rosedale/Allandale	-	-	-	-	-	-	
Howick	-	-	-	-	-	-	
Lower Umfolozi							
Empangeni	-	-	-	-	-	-	
Richards Bay (Alton)	-	-	-	-	-	-	
Richards Bay CBD (Dollar Drive)	-	-	-	-	-	-	
Windhoek							
North	2,50	5,00	2,50	2,50	5,00	-	PVN,TE
Lafrenz	2,50	5,00	2,50	5,00	5,00	-	PVN,TE
South	2,50	5,00	4,00	2,50	5,00	-	PVN,TE
Prosperita	2,50	5,00	2,50	5,00	5,00	-	PVN,TE

Notes to the industrial rental 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 floor sizes indicated. The rentals are the means (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 for only his utilities, like refuse removal, water, sewerage and electricity, as well as internal maintenance and maybe 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. This means we quote 'through rates'. (See Glossary – **Annexure 1**.) 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 quality criteria:

   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 >6,0 m (excluding micro-/mini-units)
   f. On ground level
   g. Adequate three-phase electrical power
   h. Wide clear span of trusses (few internal pillars)
   i. Roof insulation.

   However, a building may have additional enhancements that could improve lettability by 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 and sufficient yard space.

6. Secondary space is space that is not classifiable as prime because it does not satisfy all nine prerequisites for prime space listed above. Such space is typically old buildings or structures that have been haphazardly renovated. They 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.

7. Vacancy scale for industrial nodes. The vacancy levels are based on a scale of 1 to 9 as shown below:

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

The scale should be interpreted as follows:

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 = <5% vacancy;
medium = 5%-10% vacancy;
high = >10% vacancy.

Please note that with effect from quarter 2 of 2019 we have changed the percentages corresponding with the vacancy factors. The previous percentages were:

low = <10% vacancy
medium = 10-20% vacancy
high = >20% vacancy.

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

Table 7.4
Predominant market escalation rates (%)
for industrial leases
Average as in quarter 2023:1

	5-year leases		
	Mean	**SD**	**n**
Central Witwatersrand	7,28	0,68	15
West Rand	7,54	0,69	7
East Rand	7,43	0,73	13
Far East Rand	7,13	1,02	10
Pretoria	7,33	0,47	3
Polokwane	6,38	0,82	4
Mbombela	7,50	0,00	5
Durban	7,50	0,71	11
Ladysmith	-	-	-
Lower Umfolozi	-	-	-
Cape Town	7,50	0,46	12
Helderberg	7,00	-	1
Stellenbosch	-	-	-
Gqeberha	6,50	0,41	3
East London	7,00	-	1
Bloemfontein	7,38	0,65	4
George	-	-	-
Pietermaritzburg	7,00	-	1
Windhoek	5,25	0,75	2

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. SD = standard deviation (see **Glossary**).

Table 7.5
Indicative operating expenses
for industrial buildings
As in quarter 2023:1 in rands per m² per month

	Stand-alone			Park		
	R/m²	**SD**	**n**	**R/m²**	**SD**	**n**
Central Witwatersrand	10,75	5,10	8	11,50	3,33	8
West Rand	8,37	1,34	3	10,38	1,92	4
East Rand	9,95	3,09	11	10,07	2,95	11
Far East Rand	7,71	3,18	7	8,93	2,16	7
Pretoria	-	-	-	23,50	3,50	2
Polokwane	16,33	2,87	3	20,83	4,87	3
Mbombela	12,40	2,80	5	17,00	4,00	5
Durban	19,60	7,79	5	24,50	9,28	5
Ladysmith	-	-	-	-	-	-
Lower Umfolozi	-	-	-	-	-	-
Cape Town	11,82	3,80	8	14,00	5,72	8
Helderberg	12,00	-	1	15,00	-	1
Stellenbosch	-	-	-	-	-	-
Gqeberha	16,00	-	1	22,00	-	1
East London	-	-	-	24,00	-	1
Bloemfontein	21,75	4,09	4	23,00	4,30	4
George	-	-	-	-	-	-
Pietermaritzburg	17,00	-	1	20,00	-	1
Windhoek	17,50	2,50	2	20,00	5,00	2

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.

Our heartfelt thanks to the companies that contributed to the industrial-market survey. By clicking on their logos, you will learn more about these panellists.

Chapter 8: Industrial stand values

Stand-value growth weakens

Kobus Lamprecht

Table 8.1
Sensitivity of land value to changes in rent
A simplistic viability study

	Scenario A	Scenario B	% change
Market rent year 1 (net)	R10	R12	+20%
Capitalization rate	10%	10%	
MV on completion (net rent capitalized)	R100	R120	+20%
Construction costs	-R60	-R60	+0%
Profit margin*	-R17	-R20	+18%
Max value of land/stand†	R23	R40	+74%

* Assuming a constant profit margin of 20% of cost (construction costs plus land costs)
† Thus, land value is a residual item in this viability study: it is the maximum the developer can afford to pay for the land.

Stand or land values tend to track industrial rental trends, which implies that poor market-rental growth translates into very weak stand-value growth, and strong market-rental growth results in *very* strong stand-value growth.

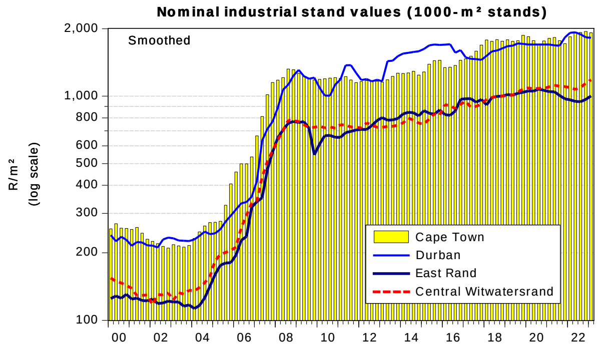
The explanation for this leveraging effect of rentals on stand values is demonstrated in the *pro forma* viability study depicted in **Table 8.1**. It shows how land values are estimated using the land residual (developers') approach. Note the sensitivity of stand values to changes in market rentals. The principle is the same as financial gearing.

Stand-value performance

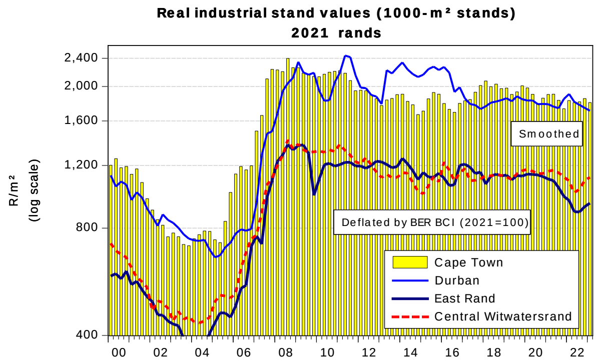
Nationally, the nominal value of serviced and level stands increased by 4,1% in the first quarter of 2023 compared to a year earlier, slowing from the 6,1% growth recorded in the fourth quarter of 2022. This implies that stand values remain in negative territory in *real* terms after adjustment for building-construction inflation as measured by the BER BCI. The slower growth in stand values is in line with the weaker growth in rentals seen in **Chapter 7.**

Nationally, the increase in stand values in the first quarter can largely be attributed to strong growth in the Central Witwatersrand, Cape Town and the East Rand. As expected in the previous *Rode Report*, the upward move in East Rand rentals over the past few quarters has finally contributed to a better stand-value performance, as shown in the chart.

Note on the chart the significant disparity in stand values between Durban and Cape Town and the Central Witwatersrand and the East Rand. The reason for the high stand prices in Cape Town is largely the scarcity of land, while in Durban a key landowner-developer has held back supply during the past few years.



Source of data: Rode's Time Series



Source of data: Rode's Time Series

These changes are calculated on smoothed data. Note also, the y-scale (vertical scale) of the graphs is in log form. The advantage of this is that we can now reliably compare the growth *rates* of the cities with each other. It so happens that the cities' stand values run nearly parallel, meaning their trends (growth rates) have been much the same since about 2009.

The remainder of this chapter includes market values for level, serviced stands in named industrial areas. The tables showing industrial land values contain regression parameters 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 per m² and floor-area size is not linear; thus, straight-line interpolation is not recommended.

Normally, the larger an industrial stand, the cheaper the stand value per square metre, but we find this is not always the case, most likely due to a shortage or an oversupply in certain size categories. However, in the case of virgin land with industrial-development potential, one would expect a huge difference in the value per hectare depending on extent: larger tracks take longer to sell out once serviced, which dramatically pushes up the risk for the developer, which in turn means the present value per hectare of larger tracks will be lower – holding all other factors constant – because of the time value of money and the higher risk (resulting in a higher discount rate).

For more details on how to use these equations, refer to **Annexure 3** (annexure page XIV).

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**) or let us know.

Table 8.2
Mean market values for serviced and level industrial stands in quarter 2023:1
(R/m² excl. VAT)

	Area size in m²				Land availability	a	b	r²
	1.000	2.000	5.000	10.000				
Central Witwatersrand								
Cambridge Park	1.500	1.800	1.800	1.800	1,0	6,899	0,068	0,58
Wynberg Proper	1.500	1.600	1.600	1.600	1,5	7,167	0,024	0,58
Strijdom Park	1.275	1.275	1.325	1.325	1,0	7,007	0,020	0,84
Kya Sand West	900	900	900	900	1,0	6,802	0,000	-
Kya Sand East	700	700	700	700	1,0	6,551	0,000	-
Lanseria Corporate Estate	1.000	1.000	1.100	1.100	1,2	6,553	0,050	0,84
Cosmo Business Park	900	900	900	800	2,0	7,129	-0,044	0,58
Mostyn Park	900	900	900	900	1,5	6,802	0,000	-
Clayville/Olifantsfontein	700	700	600	775	3,8	6,416	0,015	0,02
Chloorkop	1.017	1.017	1.013	1.088	3,0	6,742	0,025	0,52
Amalgam	-	1.100	1.100	1.100	1,0	-	-	-
Crown Mines	-	1.100	1.100	1.100	1,7	-	-	-
Industria	-	-	-	-	1,0	-	-	-
Booysens/Booysens Reserve/ Ophirton	-	-	-	-	-	-	-	-
Village Main/Village Deep/New Centre	-	-	-	-	-	-	-	-
Benrose	700	700	700	700	-	6,551	0,000	-
Steeledale/Electron/Tulisa Park	-	700	700	700	1,5	-	-	-
Aeroton	-	-	1.100	1.100	2,5	-	-	-
Devland	-	-	-	-	-	-	-	-
Nancefield	-	-	-	-	-	-	-	-
Cleveland/Heriotdale	867	867	867	867	3,5	6,765	0,000	-
Newlands/Martindale	-	-	-	-	-	-	-	-
Kew/Wynberg East	-	-	-	-	-	-	-	-
Bramley View/Lombardy West	-	-	-	-	-	-	-	-

Table 8.2
Mean market values for serviced and level industrial stands in quarter 2023:1
(R/m² excl. VAT)

	Area size in m²				Land availability	a	b	r²
	1.000	2.000	5.000	10.000				
Marlboro South (Alexandra)	-	-	-	-	-	-	-	-
Halfway House: hi-tech strip	1.400	1.400	1.150	1.150	1,1	7,977	-0,103	0,84
Halfway House: Richards Drive	1.100	1.100	1.033	976	1,1	7,394	-0,054	0,91
Randjespark	1.400	1.400	1.333	1.300	1,6	7,496	-0,035	0,92
Louwlardia	1.867	1.867	1.833	1.833	1,7	7,599	-0,009	0,84
Corporate Park (Midrand)	1.750	1.750	1.700	1.700	1,0	7,575	-0,015	0,84
Commercia	900	900	850	733	1,6	7,424	-0,085	0,80
Kramerville/Eastgate Ext12 & Ext13	1.800	1.800	1.700	1.700	1,3	7,708	-0,030	0,84
Linbro Park	1.480	1.433	1.383	1.420	1,4	7,432	-0,021	0,57
Longlake	1.480	1.480	1.450	1.450	2,0	7,376	-0,011	0,84
Wesco Park/Eastgate Ext3, Ext11, Ext6, Ext8/Malboro North (New)	-	-	-	-	-	-	-	-
City Deep	1.050	1.000	975	925	3,0	7,308	-0,051	0,97
North Riding/Hoogland	850	850	750	720	2,1	7,324	-0,081	0,91
Samrand Centurion	1.200	1.200	1.100	1.100	2,8	7,414	-0,046	0,84
Barbeque Downs	1.500	1.500	1.400	1.350	2,0	7,671	-0,050	0,92
Selby Ext 12/13/15/19/20/24/ City West	-	-	-	-	1,0	-	-	-
Selby Ext 5/10/14/18	-	-	-	-	1,0	-	-	-
Selby Ext 11	-	-	-	-	1,0	-	-	-
Selby Ext 3/4/6	-	-	-	-	1,0	-	-	-
Denver (Old)	588	588	538	488	2,5	6,978	-0,083	0,90
Denver (New)	825	825	800	775	2,3	6,918	-0,028	0,90
Kyalami Business Park	1.500	1.500	1.400	1.400	1,0	7,570	-0,036	0,84
Reuven	-	-	-	-	-	-	-	-

Table 8.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2023:1
(R/m² excl. VAT)

	Area size in m²				Land availability	a	b	r²
	1.000	**2.000**	**5.000**	**10.000**				
Selby (Old)/Selby Ext2/Park Central	-	-	-	-	1,0	-	-	-
Robertsham	-	-	-	-	1,0	-	-	-
Fordsburg/Newtown	-	-	-	-	-	-	-	-
Waterfall	1.800	1.800	1.600	1.600	1,0	7,934	-0,062	0,84
Lords View	1.100	1.090	1.058	1.058	3,9	7,134	-0,019	0,91
Central Witwatersrand	**1.193**	**1.172**	**1.131**	**1.122**	**1,9**			
West Rand								
Lea Glen	-	-	-	-	-	-	-	-
Honeydew X19/20/21/22	500	500	400	380	1,0	7,188	-0,136	0,90
Stormill	-	-	-	-	-	-	-	-
Chamdor	-	-	-	-	-	-	-	-
Factoria	-	-	-	-	-	-	-	-
Krugersdorp: Delporton	-	-	-	-	-	-	-	-
Randfontein: Aureus	-	-	-	-	-	-	-	-
Boltonia	-	-	-	-	-	-	-	-
Roodepoort: Technikon/ Manufacta	-	-	-	-	-	-	-	-
Industria North	-	-	-	-	-	-	-	-
Robertville	950	950	850	850	1,5	7,271	-0,058	0,84
Laserpark	1.250	1.250	1.150	1.067	1,3	7,650	-0,072	0,91
West Rand	**988**	**988**	**888**	**886**	**1,3**			
East Rand								
Elandsfontein	825	825	813	800	1,2	6,815	-0,014	0,90
Tunney/Greenhills	1.120	1.120	1.060	1.025	1,4	7,319	-0,041	0,92
Henville	850	850	850	850	1,5	6,745	0,000	-
Hughes	1.033	1.033	1.100	1.200	1,6	6,467	0,065	0,87

Table 8.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2023:1
(R/m² excl. VAT)

	Area size in m²				Land availability	a	b	r²
	1.000	2.000	5.000	10.000				
Bartletts	1.100	1.100	1.100	1.150	2,5	6,880	0,017	0,58
Lilianton	-	-	-	-	-	-	-	-
Comet	-	-	850	850	1,0	-	-	-
Meadowbrook/Wilbart	1.125	1.113	1.075	1.075	1,1	7,179	-0,022	0,91
Sunnyrock	1.100	1.100	1.083	1.067	1,0	7,103	-0,014	0,90
Rustivia/Activia Park	933	900	850	850	1,1	7,134	-0,044	0,92
Eastleigh	967	967	933	933	1,2	7,005	-0,018	0,84
Sebenza Ext 14	1.000	1.000	967	967	1,4	7,034	-0,018	0,84
Spartan Ext 16 (Sebenza Link) + Ext 1/3/7	1.000	1.000	967	925	1,4	7,156	-0,034	0,88
Isando	1.000	1.000	975	975	1,9	7,002	-0,013	0,84
Isando 3	1.067	1.067	1.025	1.025	1,6	7,121	-0,021	0,84
Jet Park	1.170	1.170	1.156	1.108	1,9	7,226	-0,022	0,75
Alrode & Xs	883	883	867	867	2,1	6,855	-0,010	0,84
Alrode South	750	750	713	688	2,8	6,910	-0,040	0,92
Alberton	1.000	1.000	950	950	1,3	7,099	-0,027	0,84
Aeroport/Spartan Ext 2	1.300	1.300	1.225	1.225	1,0	7,391	-0,031	0,84
Delville	625	625	625	613	1,0	6,494	-0,008	0,58
Roodekop	638	633	598	595	2,5	6,699	-0,034	0,91
Wadeville: Industrial zoning	788	775	738	730	2,7	6,918	-0,036	0,96
Route 24/Meadowdale	1.188	1.188	1.138	1.138	2,4	7,240	-0,023	0,84
Germiston S/Industries E	500	500	500	485	2,7	6,299	-0,011	0,58
Driehoek/Industries W	775	775	775	750	1,0	6,744	-0,012	0,58
Knights	550	550	550	542	1,8	6,352	-0,006	0,58
Spartan Proper	1.000	1.000	925	925	1,5	7,198	-0,041	0,84

Table 8.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2023:1
(R/m² excl. VAT)

	Area size in m²				Land availability	a	b	r²
	1.000	**2.000**	**5.000**	**10.000**				
Founders View	1.225	1.225	1.150	1.125	1,9	7,407	-0,041	0,91
Longmeadow	1.525	1.500	1.450	1.450	1,0	7,494	-0,024	0,92
Pomona/Kempton Park	1.033	1.033	1.000	967	4,0	7,157	-0,030	0,90
Gosforth Park	1.250	1.250	1.217	1.217	4,7	7,232	-0,014	0,84
S&J Industrial Estate	1.240	1.240	1.200	1.200	6,0	7,245	-0,017	0,71
East Rand	**1.012**	**1.012**	**983**	**972**	**2,1**			
Far East Rand								
Boksburg North & East	688	663	725	725	4,0	6,281	0,033	0,59
Benoni South	575	550	550	515	2,0	6,638	-0,041	0,85
New Era/Vulcania	600	550	550	400	4,0	7,477	-0,152	0,74
Nuffield	-	-	-	-	-	-	-	-
Fulcrum	-	-	-	-	-	-	-	-
Apex	700	700	690	677	5,3	6,659	-0,015	0,88
Labore Brakpan	-	-	-	-	-	-	-	-
Morehill Ext 8 Benoni	650	600	600	550	3,0	6,900	-0,063	0,86
Far East Rand	**659**	**636**	**656**	**628**	**3,9**			
Pretoria								
Charlotte Maxeke	800	800	650	650	-	7,458	-0,109	0,84
Pretoria Industrial Township	800	800	650	650	-	7,458	-0,109	0,84
Koedoespoort	1.000	1.000	1.000	1.000	-	6,908	0,000	-
Waltloo/Despatch	950	950	950	950	1,0	6,856	0,000	-
Silverton/Silvertondale	800	800	650	650	2,0	7,458	-0,109	0,84
Samcor Park	950	950	950	950	-	6,856	0,000	-
Sunderland Ridge	750	750	750	750	-	6,620	0,000	-
Hermanstad	800	800	650	650	-	7,458	-0,109	0,84

Table 8.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2023:1
(R/m² excl. VAT)

	Area size in m²				Land availability	a	b	r²
	1.000	**2.000**	**5.000**	**10.000**				
Kirkney	500	500	300	200	1,0	9,241	-0,420	0,91
Hennopspark X15 & X7	1.000	1.000	1.000	1.000	1,0	6,908	0,000	-
Gateway	850	850	850	850	-	6,745	0,000	-
Rooihuiskraal	1.250	1.250	1.250	1.250	1,0	7,131	0,000	-
Louwlardia	1.867	1.867	1.833	1.833	1,7	7,599	-0,009	0,84
Lyttelton Manor X4/X6	1.000	1.000	850	850	1,0	7,513	-0,085	0,84
Pretoria North	650	650	500	500	-	7,454	-0,138	0,84
Silvertondale X1	-	1050	-	-	3,5	-	-	-
Klerksoord	500	500	300	200	3,0	9,241	-0,420	0,91
Rosslyn	550	550	550	450	2,0	6,866	-0,075	0,58
Centurion	-	-	-	-	1,0	-	-	-
Pretoria	**873**	**894**	**810**	**797**	**1,8**			
Polokwane								
Lebowakgomo	-	-	-	-	-	-	-	-
Superbia	-	-	-	-	2,0	-	-	-
Industria	-	-	-	-	1,0	-	-	-
Ladine	-	913	-	-	2,5	-	-	-
Futura	-	-	-	-	2,0	-	-	-
Laboria	-	-	500	650	3,0	-	-	-
Magna Via	935	1.045	935	935	2,7	7,002	-0,017	0,09
Seshego	-	-	-	-	-	-	-	-
Polokwane	**-**	**-**	**-**	**-**	**2,4**			
Mbombela								
Mbombela East	1.450	1.450	1.400	960	2,6	8,456	-0,160	0,65
Mbombela West	1.450	1.450	1.400	-	1,0	-	-	-

Table 8.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2023:1
(R/m² excl. VAT)

	Area size in m²				Land availability	a	b	r²
	1.000	**2.000**	**5.000**	**10.000**				
Rocky's Drift	750	750	750	750	4,0	6,620	0,000	-
Riverside Park	1.185	1.185	1.165	1.158	4,8	7,158	-0,011	0,91
Mbombela	**1.197**	**1.197**	**1.172**	**1.038**	**3,5**			
Durban								
Springfield Park	2.000	2.000	2.000	1.920	1,0	7,714	-0,015	0,58
Mayville	1.700	1.700	1.500	1.500	1,5	7,904	-0,066	0,84
Phoenix	1.650	1.633	1.517	1.500	1,8	7,738	-0,047	0,92
Chris Hani Rd (North Coast/ Briardene)	2.250	2.000	1.725	1.600	1,5	8,746	-0,150	0,99
Briardene Industrial Park	2.625	2.375	2.000	2.000	1,3	8,740	-0,128	0,92
Umgeni Rd/Stamford Hill	1.750	1.750	1.625	1.500	1,3	7,965	-0,069	0,90
Umbilo/Sydney Rd/Magwaza Maphalala St (Gale)	1.500	1.500	1.325	1.100	1,3	8,291	-0,135	0,87
Jacobs	2.033	2.000	1.850	1.750	1,2	8,099	-0,068	0,96
Mobeni	2.150	2.075	1.975	1.875	1,3	8,082	-0,059	0,99
Prospecton	2.083	2.013	1.913	1.750	1,4	7,978	-0,090	0,98
Ithala Industrial Estate	-	-	-	-	-	-	-	-
Pinetown Central	-	1.600	1.517	1.350	2,3	-	-	-
New Germany	1.550	1.500	1.367	1.267	1,8	7,978	-0,090	0,98
Mountain Ridge	-	-	-	-	-	-	-	-
Isipingo	1.500	1.625	1.317	1.325	2,7	7,897	-0,078	0,60
Rossburgh/South Coast Rd	-	-	-	-	2,0	-	-	-
Edwin Swales Drive	2.000	2.000	1.875	1.800	1,3	7,954	-0,049	0,92
Glen Anil	2.613	2.250	2.088	2.080	1,4	8,497	-0,097	0,84
Felix Dlamini Rd (Brickfield)	1.500	1.200	1.200	1.200	1,5	7,820	-0,084	0,58
Verulam	700	700	625	625	3,0	6,973	-0,059	0,84

Table 8.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2023:1
(R/m² excl. VAT)

	Area size in m²				Land availability	a	b	r²
	1.000	**2.000**	**5.000**	**10.000**				
Canelands	1.000	1.000	817	817	3,3	7,662	-0,106	0,84
Tongaat	867	867	733	633	2,3	7,793	-0,143	0,91
New Westmead/Mahogany	1.650	1.567	1.525	1.463	1,6	7,743	-0,049	0,97
Westmead	1.650	1.575	1.438	1.375	1,5	7,978	-0,082	0,99
Alexander Park	1.500	1.500	1.250	1.250	2,0	7,992	-0,096	0,84
Surprise Farm	-	-	-	-	-	-	-	-
Mariann Park/Southmead	1.150	1.150	1.150	1.067	3,3	7,256	-0,028	0,58
Queensmead Industria	1.325	1.250	1.100	850	2,5	8,512	-0,186	0,91
Maxmead	1.500	1.500	1.383	1.200	2,3	8,009	-0,096	0,85
Ringroad Industrial Park	-	-	-	-	-	-	-	-
Avoca/Red Hill/Northgate	2.250	2.075	1.950	1.850	2,0	8,280	-0,083	0,99
Falcon Park	-	-	-	-	-	-	-	-
Riverhorse Valley Business Estate	2.500	2.433	2.250	2.167	1,5	8,282	-0,065	0,98
Mount Edgecombe	2.463	2.288	2.125	1.930	1,8	8,518	-0,102	0,99
Umbogintwini/Southgate	1.650	1.650	1.583	1.567	2,6	7,591	-0,026	0,90
Southgate Industrial Park	2.117	2.088	1.930	1.890	1,8	8,039	-0,054	0,95
Umgeni Park	-	-	-	-	2,0	-	-	-
Hammarsdale	1.100	950	900	675	5,5	8,335	-0,191	0,89
Cato Ridge	1.050	1.000	975	960	4,8	7,205	-0,037	0,93
Camperdown	1.000	1.000	800	693	6,3	8,135	-0,171	0,92
Ballito	1.675	1.650	1.475	1.200	3,3	8,447	-0,142	0,87
Dube Tradeport	-	-	-	1.600	4,0	-	-	-
Kingsburgh	1.500	1.500	1.467	1.400	2,3	7,526	-0,029	0,83
Cornubia	2.613	2.488	2.110	2.000	3,4	8,741	-0,125	0,97
Durban	**1.824**	**1.743**	**1.577**	**1.456**	**2,2**			

Table 8.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2023:1
(R/m² excl. VAT)

	Area size in m²				Land availability	a	b	r²
	1.000	**2.000**	**5.000**	**10.000**				
Ladysmith								
Ezakheni/Pieters	-	-	-	-	-	-	-	-
Danskraal	-	-	-	150	3,0	-	-	-
Nambiti	-	-	-	150	3,0	-	-	-
Colenso	-	-	-	-	-	-	-	-
Ladysmith	**-**	**-**	**-**	**150**	**3,0**			
Cape Town								
Viking Place	-	-	-	-	-	-	-	-
Glosderry	-	-	-	-	-	-	-	-
Paarden Eiland/Metro	2.767	2.500	2.200	2.300	1,0	8,508	-0,088	0,78
Montague Gardens	2.483	2.433	2.367	2.350	1,3	7,987	-0,025	0,97
Marconi Beam	2.200	2.000	1.900	1.750	1,0	8,332	-0,093	0,97
Killarney Gardens	1.900	1.817	1.750	1.350	1,3	8,510	-0,134	0,78
Richmond Park	2.600	2.600	2.450	2.000	3,5	8,647	-0,107	0,76
Racing Park	600	600	400	-	3,0	-	-	-
Atlantis	600	600	400	400	3,0	7,907	-0,213	0,84
Woodstock/Salt River/ Observatory	-	-	-	-	1,0	-	-	-
Athlone 1 & 2	-	-	-	-	-	-	-	-
Lansdowne Nerissa	-	-	-	-	-	-	-	-
Sand Industria	-	-	-	-	-	-	-	-
Ottery Hillstar	-	-	-	-	-	-	-	-
Ottery Sunset	-	-	-	-	-	-	-	-
Diep River	2.000	-	-	-	1,0	-	-	-
Elfindale	-	-	-	-	-	-	-	-
Monwood/Philippi	-	-	-	-	-	-	-	-

Table 8.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2023:1
(R/m² excl. VAT)

	Area size in m²				Land availability	a	b	r²
	1.000	2.000	5.000	10.000				
Retreat/Steenberg	-	-	-	-	-	-	-	-
Capricorn Park	1.750	-	-	-	3,0	-	-	-
Maitland	2.100	1.650	1.550	-	1,7	-	-	-
Ndabeni	2.200	2.200	2.100	2.100	1,0	7,869	-0,024	0,84
Epping 1 & 2	-	-	-	-	1,0	-	-	-
WP Park	-	-	-	-	1,0	-	-	-
Elsies River (excl. Central Park)	1.800	1.700	1.500	-	-	-	-	-
Parow Beaconvale	2.050	1.950	1.700	-	1,0	-	-	-
Tygerberg Business Park	2.033	1.933	1.667	1.500	1,0	8,577	-0,136	0,98
Parow Industria	2.050	1.950	1.700	-	1,0	-	-	-
Parow East	2.500	2.500	2.000	1.800	-	8,947	-0,156	0,92
Bellville Oakdale	-	-	-	-	-	-	-	-
Bellville Stikland/ Kaymor	1.833	1.700	1.500	1.500	3,0	8,152	-0,094	0,92
Bellville Triangle	1.650	1.650	1.600	1.400	1,0	7,893	-0,066	0,73
Bellville South/Sacks Circle	1.633	1.567	1.550	1.550	1,0	7,533	-0,021	0,74
Kraaifontein	1.450	1.350	1.300	-	1,0	-	-	-
Brackenfell Industria	1.800	1.800	1.800	-	-	-	-	-
Everite Brackenfell	2.000	2.000	2.000	-	2,0	-	-	-
Kuils River	1.300	1.300	1.175	1.125	1,0	7,667	-0,069	0,92
Blackheath	1.100	1.033	1.017	900	-	7,543	-0,078	0,88
Saxenburg Industrial Park	1.800	1.800	1.700	-	1,0	-	-	-
Okavango	1.800	1.700	1.600	1.500	-	8,030	-0,077	1,00
Brackengate/Icon Business Park	2.500	2.450	2.400	-	1,0	-	-	-
Paarl	-	1.200	1.000	-	4,0	-	-	-
Wellington	-	-	-	-	-	-	-	-

Table 8.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2023:1
(R/m² excl. VAT)

	Area size in m²				Land availability	a	b	r^2
	1.000	**2.000**	**5.000**	**10.000**				
Contermanskloof	-	-	-	-	-	-	-	-
Rivergate	2.200	2.000	1.600	1.600	3,0	8,744	-0,153	0,92
Airport Ind (north of sewerage farm)	-	-	-	-	-	-	-	-
Airport Ind (west of Borcherds Quarry)	2.400	2.000	2.000	-	-	-	-	-
Airport Ind (east of Borcherds Quarry)	-	-	-	2.700	6,0	-	-	-
King Air Industrial Park	-	-	-	-	-	-	-	-
Durbanville Industrial Park	-	-	-	-	-	-	-	-
Northgate Industrial Park	-	-	-	-	-	-	-	-
Cape Town	**1.905**	**1.802**	**1.685**	**1.643**	**1,7**			
Helderberg								
The Interchange	-	-	-	-	-	-	-	-
Helderberg Industrial Park/ Broadlands	-	-	-	-	-	-	-	-
Gants	-	-	-	-	-	-	-	-
Somerset Business Park	-	-	-	-	-	-	-	-
Georges Park/Onverwacht	-	-	-	-	-	-	-	-
Mansfield	-	-	-	-	-	-	-	-
Firgrove Industrial Estate	-	1.400	1.300	1.250	-	-	-	-
Strand Halt	-	-	-	-	-	-	-	-
Asla Park	-	-	-	-	-	-	-	-
Helderberg	**-**	**-**	**-**	**-**	**-**			
Stellenbosch								
Plankenbrug	-	-	-	-	-	-	-	-
Devon Valley	-	-	-	-	-	-	-	-
Tenantville	-	-	-	-	-	-	-	-
Klapmuts	-	-	-	-	-	-	-	-
Stellenbosch	-	-	-	-	-			

Table 8.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2023:1
(R/m² excl. VAT)

	Area size in m²				Land availability	a	b	r²
	1.000	**2.000**	**5.000**	**10.000**				
Gqeberha								
Deal Party	550	550	550	550	2,0	6,310	0,000	-
North End	625	625	575	550	2,0	6,871	-0,060	0,92
Korsten/ Neave/ Sidwell/ Sydenham	-	700	700	600	2,5	-	-	-
South End Walmer	800	800	800	800	1,0	6,685	0,000	-
Kariega: Volkswagen area/ NMBLP	-	250	-	-	6,0	-	-	-
Kariega: Hella/ Kruisrivier	250	250	225	225	3,0	5,914	-0,055	0,84
Struandale	550	550	550	525	2,5	6,439	-0,017	0,58
Markman Township	350	350	350	350	6,0	5,858	0,000	-
Perseverance	400	375	375	325	2,5	6,535	-0,078	0,81
Walmer	750	750	625	625	2,5	7,299	-0,096	0,84
Greenbushes	550	550	550	550	3,0	6,310	0,000	-
Fairview	1.250	1.250	1.175	1.025	2,5	7,740	-0,084	0,82
Coega SDZ	-	-	-	-	-	-	-	-
Gqeberha	**600**	**569**	**574**	**542**	**3,0**			
East London								
Arcadia	-	-	-	-	-	-	-	-
Gately/Woodbrook	-	-	-	-	-	-	-	-
Wilsonia	-	-	-	-	-	-	-	-
Braelyn	-	-	-	-	-	-	-	-
Northend	-	-	-	-	-	-	-	-
Chiselhurst	-	-	-	-	-	-	-	-
Meisies Halt	450	450	-	-	4,0	-	-	-
Beacon Bay Industrial	480	480	-	-	4,0	-	-	-

Table 8.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2023:1
(R/m² excl. VAT)

	Area size in m²				Land availability	a	b	r²
	1.000	2.000	5.000	10.000				
IDZ	-	-	-	-	-	-	-	-
West Bank Industrial Area	-	-	-	-	-	-	-	-
East London	**-**	**-**	**-**	**-**	**-**			
Bloemfontein								
Hilton	-	-	450	450	1,0	-	-	-
East End	700	900	650	583	2,0	7,492	-0,117	0,41
Harvey Road	-	-	550	550	1,0	-	-	-
Old Industrial	-	-	350	350	1,0	-	-	-
Hamilton: Mill St	-	-	350	350	1,0	-	-	-
Hamilton: G Lubbe St	-	-	350	350	1,0	-	-	-
Estoire	-	-	600	565	5,0	-	-	-
Quaggafontein	-	-	850	1.000	4,0	-	-	-
Bloemfontein	**-**	**-**	**560**	**539**	**2,0**			
George								
George Central	-	-	-	-	-	-	-	-
Tamsui Industria	-	-	-	-	-	-	-	-
Pacaltsdorp Industria	-	-	-	-	-	-	-	-
George	**-**	**-**	**-**	**-**	**-**			
Pietermaritzburg								
Willowton	-	620	600	600	2,0	-	-	-
Mkondeni/Shortts Retreat	-	560	500	500	5,0	-	-	-
Camps Drift	-	-	-	-	3,0	-	-	-
Pietermaritzburg Central	-	-	-	-	1,0	-	-	-
Rosedale/Allandale	-	-	-	-	-	-	-	-
Howick	-	-	-	-	4,0	-	-	-
Pietermaritzburg	**-**	**-**	**-**	**-**	**3,0**			

Table 8.2 (continued)
Mean market values for serviced and level industrial stands in quarter 2023:1
(R/m² excl. VAT)

	Area size in m²				Land availability	a	b	r²
	1.000	2.000	5.000	10.000				
Lower Umfolozi								
Empangeni	-	-	-	-	-	-	-	-
Richards Bay (Alton)	-	-	-	-	-	-	-	-
Richards Bay CBD (Dollar Drive)	-	-	-	-	-	-	-	-
Lower Umfolozi	**-**	**-**	**-**	**-**	**-**			
Windhoek								
North	1.850	1.725	1.425	975	1,5	9,445	-0,269	0,90
Lafrenz	1.850	1.725	1.425	975	4,5	9,445	-0,269	0,90
South	2.500	2.250	1.725	1.100	1,5	10,300	-0,347	0,92
Prosperita	2.200	2.025	1.550	1.050	1,5	9,959	-0,317	0,93
Windhoek	**2.100**	**1.931**	**1.531**	**1.025**	**2,3**			

Table 8.3
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2023:1
(R/m² excl. VAT)

	Area size in m²				Panellist codes
	1.000	**2.000**	**5.000**	**10.000**	
Central Witwatersrand					
Cambridge Park	-	-	-	-	SHP
Wynberg Proper	0,00	0,00	0,00	0,00	GB,SHP
Strijdom Park	25,00	25,00	75,00	75,00	SHP,WP
Kya Sand West	-	-	-	-	SHP
Kya Sand East	-	-	-	-	SHP
Lanseria Corporate Estate	0,00	0,00	0,00	0,00	CPS,SHP
Cosmo Business Park	-	-	-	-	SHP
Mostyn Park	0,00	0,00	100,00	100,00	CPS,SHP
Clayville/Olifantsfontein	0,00	0,00	100,00	25,00	GB,SHP
Chloorkop	143,37	143,37	143,07	143,07	CPS,GB,PPR,RO,SHP
Amalgam	-	0,00	0,00	0,00	RO,WHF
Crown Mines	-	0,00	0,00	0,00	GB,RO,WHF
Industria	-	-	-	-	GB,WHF
Booysens/Booysens Reserve/Ophirton	-	-	-	-	
Village Main/Village Deep/New Centre	-	-	-	-	
Benrose	-	-	-	-	RO
Steeledale/Electron/Tulisa Park	-	50,00	50,00	50,00	CPS,RO
Aeroton	-	-	0,00	0,00	GB,RO
Devland	-	-	-	-	
Nancefield	-	-	-	-	
Cleveland/Heriotdale	102,74	102,74	102,74	102,74	CPS,MR,RO
Newlands/Martindale	-	-	-	-	
Kew/Wynberg East	-	-	-	-	

Table 8.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2023:1
(R/m² excl. VAT)

	Area size in m²				Panellist codes
	1.000	**2.000**	**5.000**	**10.000**	
Bramley View/Lombardy West	-	-	-	-	
Marlboro South (Alexandra)	-	-	-	-	
Halfway House: hi-tech strip	0,00	0,00	250,00	187,08	CPS,SHP,WP
Halfway House: Richards Drive	100,00	100,00	124,72	229,57	CPS,MR,OSO,SHP,WP
Randjespark	0,00	0,00	531,25	463,68	CPS,MR,OSO,SHP,WHF
Louwlardia	837,99	837,99	849,84	849,84	AP,CPS,SHP
Corporate Park (Midrand)	250,00	250,00	300,00	300,00	MR,SHP
Commercia	0,00	0,00	0,00	164,99	CPS,GB,SHP
Kramerville/Eastgate Ext 12 & Ext 13	0,00	0,00	0,00	0,00	GB,RO,SHP
Linbro Park	193,91	205,48	146,25	132,66	CPS,GB,ME,PPR,RO,SHP,WHF,WP
Longlake	40,00	40,00	50,00	50,00	CPS,GB,ME,PPR,RO,SHP,WHF,WP
Wesco Park/Eastgate Ext 3, Ext 11, Ext 6, Ext 8/Malboro North (New)	-	-	-	-	
City Deep	50,00	0,00	25,00	75,00	CPS,RO,WHF
North Riding/Hoogland	350,00	350,00	350,00	380,00	OSO,SHP
Samrand Centurion	0,00	0,00	0,00	0,00	CPS,SHP
Barbeque Downs	0,00	0,00	0,00	50,00	CPS,MR,SHP
Selby Ext 12/13/15/19/20/24/City West	-	-	-	-	WHF
Selby Ext 5/10/14/18	-	-	-	-	WHF
Selby Ext 11	-	-	-	-	WHF
Selby Ext 3/4/6	-	-	-	-	WHF
Denver (Old)	312,50	312,50	262,50	212,50	RO,WHF
Denver (New)	75,00	75,00	50,00	25,00	RO,WHF
Kyalami Business Park	0,00	0,00	0,00	0,00	MR,SHP
Reuven	-	-	-	-	

Table 8.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2023:1
(R/m² excl. VAT)

	Area size in m²				Panellist codes
	1.000	**2.000**	**5.000**	**10.000**	
Selby (Old)/Selby Ext2/Park Central	-	-	-	-	WHF
Robertsham	-	-	-	-	WHF
Fordsburg/Newtown	-	-	-	-	
Waterfall	-	-	-	-	SHP
Lords View	0,00	128,06	123,88	123,88	GB,ME,OSO,PPR,SHP
West Rand					
Lea Glen	-	-	-	-	
Honeydew Ext 19, 20, 21 & 22	-	-	-	-	OSO
Stormill	-	-	-	-	
Chamdor	-	-	-	-	
Factoria	-	-	-	-	
Krugersdorp: Delporton	-	-	-	-	
Randfontein: Aureus	-	-	-	-	
Boltonia	-	-	-	-	
Roodepoort: Technikon/Manufacta	-	-	-	-	
Industria North	-	-	-	-	
Robertville	-	-	-	-	SHP
Laserpark	50,00	50,00	50,00	94,28	CPS,SHP,WP
East Rand					
Elandsfontein	55,90	55,90	64,95	70,71	GB,ME,MR,PPR,SHP,WHF
Tunney/Greenhills	74,83	74,83	80,00	43,30	GB,ME,MR,PPR,SHP,WHF
Henville	0,00	0,00	0,00	0,00	PPR,WHF
Hughes	124,72	124,72	141,42	244,95	CPS,ME,PPR,SS,WHF
Bartletts	100,00	100,00	100,00	108,01	CPS,MR,PPR,SS,WHF
Lilianton	-	-	-	-	

Table 8.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2023:1
(R/m² excl. VAT)

	Area size in m²				Panellist codes
	1.000	2.000	5.000	10.000	
Comet	-	-	-	-	MR
Meadowbrook/Wilbart	82,92	89,27	82,92	82,92	GB,ME,PPR,SHP
Sunnyrock	81,65	81,65	84,98	94,28	GB,ME,PPR,WHF
Rustivia/Activia Park	47,14	81,65	50,00	50,00	GB,ME,PPR,SHP,WHF
Eastleigh	47,14	47,14	47,14	47,14	ME,PPR,SHP
Sebenza Ext 14	81,65	81,65	47,14	47,14	GB,ME,PPR,SHP,WHF
Spartan Ext 16 (Sebenza Link) + Ext 1,3,7	81,65	81,65	47,14	82,92	GB,ME,PPR,SHP,WHF
Isando	81,65	81,65	43,30	43,30	ME,MR,PPR,SHP,WHF
Isando 3	94,28	94,28	43,30	43,30	ME,MR,PPR,SHP,WHF
Jet Park	60,00	60,00	256,71	242,24	CPS,GB,ME,MR,PPR,RO,SHP,SS,WHF
Alrode & Xs	131,23	131,23	124,72	124,72	GB,MR,SHP
Alrode South	50,00	50,00	54,49	89,27	CPS,GB,MR,SHP
Alberton	0,00	0,00	50,00	50,00	MR,SHP
Aeroport/Spartan Ext 2	0,00	0,00	25,00	25,00	PPR,SHP
Delville	75,00	75,00	75,00	87,50	MR,RO
Roodekop	96,01	103,29	109,63	113,25	MR,PPR,RO,SHP
Wadeville: Industrial zoning	81,97	103,08	113,88	126,29	MR,PPR,RO,SHP,WHF
Route 24/Meadowdale	89,27	89,27	96,01	96,01	GB,ME,PPR,SHP,WHF
Germiston S/Industries E	0,00	0,00	0,00	0,00	CPS,RO,WHF
Driehoek/Industries W	0,00	0,00	0,00	0,00	CPS,RO,WHF
Knights	70,71	70,71	70,71	77,28	MR,PPR,RO,WHF
Spartan Proper	81,65	81,65	82,92	82,92	GB,ME,PPR,SHP,WHF
Founders View	82,92	82,92	50,00	82,92	GB,ME,PPR,SHP
Longmeadow	82,92	70,71	50,00	50,00	GB,ME,PPR,SHP,WHF

Table 8.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands in quarter 2023:1 (R/m² excl. VAT)

	Area size in m²				Panellist codes
	1.000	2.000	5.000	10.000	
Pomona/Kempton Park	169,97	169,97	163,30	47,14	CPS,GB,ME,MR,RO,WHF
Gosforth Park	40,82	35,36	23,57	23,57	CPS,ME,MR,SHP,WHF
S&J Industrial Estate	37,42	37,42	31,62	31,62	CPS,ME,MR,PPR,SHP,WHF
Far East Rand					
Boksburg North & East	255,87	227,42	55,90	55,90	CPS,GB,MR,RO
Benoni South	75,00	100,00	100,00	135,00	MR,RO
New Era/Vulcania	-	-	-	-	RO
Nuffield	-	-	-	-	
Fulcrum	-	-	-	-	
Apex	70,71	70,71	78,74	91,77	CPS,MR,RO
Labore Brakpan	-	-	-	-	
Morehill Ext 8 Benoni	-	-	-	-	RO
Pretoria					
Charlotte Maxeke	-	-	-	-	AP
Pretoria Industrial Township	-	-	-	-	AP
Koedoespoort	-	-	-	-	AP
Waltloo/Dispatch	0,00	0,00	0,00	0,00	AP,HN
Silverton/Silvertondale	-	-	-	-	AP
Samcor Park	-	-	-	-	AP
Sunderland Ridge	-	-	-	-	AP
Hermanstad	-	-	-	-	AP
Kirkney	-	-	-	-	AP
Hennopspark Ext 15 & Ext 7	-	-	-	-	AP

Table 8.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2023:1
(R/m² excl. VAT)

	Area size in m²				Panellist codes
	1.000	**2.000**	**5.000**	**10.000**	
Gateway	0,00	0,00	0,00	0,00	AP,MAS
Rooihuiskraal	250,00	250,00	250,00	250,00	AP,WHF
Louwlardia	837,99	837,99	849,84	849,84	AP,CPS,SHP
Lyttelton Manor Ext 4/Ext 6	-	-	-	-	AP
Pretoria North	-	-	-	-	AP
Silvertondale X1	-	250,00	-	-	AP,HN
Klerksoord	-	-	-	-	AP
Rosslyn	-	-	-	-	AP
Centurion	-	-	-	-	AP
Polokwane					
Lebowakgomo	-	-	-	-	
Superbia	-	-	-	-	MO
Industria	-	-	-	-	MO
Ladine	-	112,50	-	-	ES,MO,TG
Futura	-	-	-	-	MO
Laboria	-	-	0,00	0,00	ES,MO,TG
Magna Via	0,00	112,77	0,00	0,00	ES,MO,NET,TG
Seshego	-	-	-	-	
Mbombela					
Mbombela East	0,00	0,00	0,00	0,00	KEL,MPV,ORI,PG,PM
Mbombela West	-	-	-	-	ORI
Rocky's Drift	-	-	-	-	ORI
Riverside Park	0,00	0,00	40,00	54,00	KEL,MPV,ORI,PG,PM

Table 8.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2023:1
(R/m² excl. VAT)

	Area size in m²				Panellist codes
	1.000	2.000	5.000	10.000	
Durban					
Springfield Park	353,55	353,55	353,55	332,57	AWP,PC,SPS,WHF,ZZ
Mayville	0,00	0,00	0,00	0,00	AWP,PC
Phoenix	108,01	102,74	23,57	0,00	AWP,PC,ZZ
Chris Hani Rd (North Coast/Briardene)	750,00	500,00	475,00	600,00	AWP,PC,SPS,ZZ
Briardene Industrial Park	375,00	125,00	0,00	0,00	AWP,PC,SPS,ZZ
Umgeni Rd/Stamford Hill	250,00	250,00	375,00	0,00	AWP,PC,SPS,ZZ
Umbilo/Sydney Rd/Magwaza Maphalala St (Gale)	0,00	0,00	75,00	100,00	AWP,PC,SPS,ZZ
Jacobs	368,18	353,55	293,68	250,00	AWP,JUS,PC,SPS,ZZ
Mobeni	377,49	258,60	213,60	216,51	AWP,JUS,PC,SPS,ZZ
Prospecton	311,80	296,60	384,67	250,00	AWP,PC,SPS,ZZ
Ithala Industrial Estate	-	-	-	-	PC
Pinetown Central	-	141,42	224,85	334,17	AWP,PC,SPS,ZZ
New Germany	0,00	0,00	418,99	428,82	AWP,PC,SPS,ZZ
Mountain Ridge	-	-	-	-	
Isipingo	500,00	875,00	516,94	675,00	AWP,PC
Rossburgh/South Coast Rd	-	-	-	-	AWP,SPS
Edwin Swales Drive	0,00	0,00	125,00	200,00	AWP,PC,SPS
Glen Anil	652,28	325,58	415,90	523,07	AWP,PC,SPS,WHF,ZZ
Felix Dlamini Rd (Brickfield)	0,00	0,00	0,00	0,00	AWP,PC
Verulam	-	-	-	-	AWP
Canelands	0,00	0,00	327,45	327,45	AWP,PC
Tongaat	379,33	379,33	277,89	201,38	AWP,ZZ

Table 8.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2023:1
(R/m² excl. VAT)

	Area size in m²				Panellist codes
	1.000	2.000	5.000	10.000	
New Westmead/Mahogany	0,00	232,14	326,92	429,21	AWP,PC,SPS,ZZ
Westmead	0,00	75,00	238,16	125,00	AWP,PC,SPS,ZZ
Alexander Park	-	-	-	-	ZZ
Surprise Farm	-	-	-	-	
Mariann Park/Southmead	150,00	150,00	254,95	249,44	AWP,PC,ZZ
Queensmead Industria	525,00	450,00	400,00	250,00	AWP,ZZ
Maxmead	0,00	0,00	300,92	432,05	AWP,PC,ZZ
Ringroad Industrial Park	-	-	-	-	
Avoca/Red Hill/Northgate	559,02	570,64	618,47	550,00	AWP,WHF,ZZ
Falcon Park	-	-	-	-	
Riverhorse Valley Business Estate	408,25	329,98	316,23	471,40	AWP,PC,SPS,ZZ
Mount Edgecombe	501,72	427,75	414,58	394,46	AWP,PC,SPS,WHF,ZZ
Umbogintwini/Southgate	150,00	150,00	117,85	94,28	AWP,JUS,PC,SPS
Southgate Industrial Park	351,98	308,98	345,83	346,99	AWP,JUS,PC,SPS
Umgeni Park	-	-	-	-	SPS
Hammarsdale	0,00	50,00	0,00	192,03	AWP,PC,SPS
Cato Ridge	50,00	0,00	82,92	300,67	AWP,PC,SPS
Camperdown	0,00	0,00	0,00	156,28	AWP,PC,SPS
Ballito	175,00	150,00	225,00	282,84	AWP,PC,ZZ
Dube Tradeport	-	-	-	-	PC
Kingsburgh	300,00	300,00	286,74	400,00	AWP,JUS
Cornubia	622,87	461,49	467,33	508,92	AWP,PC,SPS,WHF,ZZ
Ladysmith					
Ezakheni/Pieters	-	-	-	-	

Table 8.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2023:1
(R/m² excl. VAT)

	Area size in m²				Panellist codes
	1.000	2.000	5.000	10.000	
Danskraal	-	-	-	-	DE
Nambiti	-	-	-	-	DE
Colenso	-	-	-	-	
Cape Town					
Viking Place	-	-	-	-	
Glosderry	-	-	-	-	
Paarden Eiland/Metro	205,48	408,25	200,00	0,00	AP,AX,DD,DN
Montague Gardens	408,93	449,69	492,16	150,00	AP,AX,DN
Marconi Beam	0,00	0,00	0,00	0,00	AP,AX
Killarney Gardens	81,65	143,37	250,00	0,00	AX,DN
Richmond Park	0,00	0,00	250,00	0,00	DN,JB
Racing Park	-	-	-	-	
Atlantis	-	-	-	-	
Woodstock/Salt River/Observatory	-	-	-	-	
Athlone 1 & 2	-	-	-	-	
Landsdowne Nerissa	-	-	-	-	
Sand Industria	-	-	-	-	
Ottery Hillstar	-	-	-	-	
Ottery Sunset	-	-	-	-	
Diep River	-	-	-	-	
Elfindale	-	-	-	-	
Monwood/Philippi	-	-	-	-	
Retreat/Steenberg	-	-	-	-	
Capricorn Park	-	-	-	-	

Table 8.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2023:1
(R/m² excl. VAT)

	Area size in m²				Panellist codes
	1.000	2.000	5.000	10.000	
Maitland	0,00	350,00	250,00	-	AP,AX,DD
Ndabeni	0,00	0,00	0,00	0,00	AP,AX
Epping 1 & 2	-	-	-	-	AP
WP Park	-	-	-	-	AP
Elsies River (excl. Central Park)	-	-	-	-	WPM
Parow Beaconvale	450,00	550,00	300,00	-	AP,DN
Tygerberg Business Park	329,98	402,77	249,44	0,00	AP,DN,WPM
Parow Industria	450,00	550,00	300,00	-	AP,DN
Parow East	-	-	-	-	AP
Bellville Oakdale	-	-	-	-	
Bellville Stikland/Kaymor	286,74	216,02	0,00	0,00	DN,WPM
Bellville Triangle	187,08	187,08	0,00	0,00	DN,WPM
Bellville South/Sacks Circle	169,97	124,72	50,00	50,00	DN,WPM
Kraaifontein	-	-	-	-	DN
Brackenfell Industria	-	-	-	-	DN
Everite Brackenfell	-	-	-	-	DN
Kuils River	-	-	-	-	AP
Blackheath	216,02	205,48	209,50	0,00	AP,DN,WPM
Saxenburg Industrial Park	-	-	-	-	DN
Okavango	-	-	-	-	WPM
Brackengate/Icon Business Park	-	-	-	-	DN
Paarl	-	-	-	-	DD
Wellington	-	-	-	-	
Contermanskloof	-	-	-	-	

Table 8.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2023:1
(R/m² excl. VAT)

	Area size in m²				Panellist codes
	1.000	**2.000**	**5.000**	**10.000**	
Rivergate	-	-	-	-	
Airport Ind (north of sewerage farm)	-	-	-	-	
Airport Ind (west of Borcherds Quarry)	-	-	-	-	DN
Airport Ind (east of Borcherds Quarry)	-	-	-	-	JB
King Air Industrial Park	-	-	-	-	
Durbanville Industrial Park	-	-	-	-	
Northgate Industrial Park	-	-	-	-	
Helderberg					
The Interchange	-	-	-	-	
Helderberg Industrial Park/Broadlands	-	-	-	-	
Gants	-	-	-	-	
Somerset Business Park	-	-	-	-	
Georges Park/Onverwacht	-	-	-	-	
Mansfield	-	-	-	-	
Firgrove Industrial Estate	-	-	-	-	AN
Strand Halt	-	-	-	-	
Asla Park	-	-	-	-	
Stellenbosch					
Plankenbrug	-	-	-	-	
Devon Valley	-	-	-	-	
Tenantville	-	-	-	-	
Klapmuts	-	-	-	-	
Gqeberha					
Deal Party	50,00	50,00	50,00	50,00	ARN,SUM

Table 8.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2023:1
(R/m² excl. VAT)

	Area size in m²				Panellist codes
	1.000	**2.000**	**5.000**	**10.000**	
North End	125,00	125,00	75,00	50,00	ARN,SUM
Korsten/Neave/Sidwell/Sydenham	-	0,00	0,00	0,00	ARN,SUM
South End Walmer	-	-	-	-	ARN
Kariega: Volkswagen area/NMBLP	-	50,00	-	-	ARN,SUM
Kariega: Hella/Kruisrivier	0,00	0,00	25,00	25,00	ARN,SUM
Struandale	50,00	50,00	50,00	75,00	ARN,SUM
Markman Township	50,00	50,00	50,00	50,00	ARN,SUM
Perseverance	50,00	25,00	25,00	25,00	ARN,SUM
Walmer	250,00	250,00	125,00	125,00	ARN,SUM
Greenbushes	-	-	-	-	ARN
Fairview	250,00	250,00	325,00	175,00	ARN,SUM
Coega SDZ	-	-	-	-	
East London					
Arcadia	-	-	-	-	
Gately/Woodbrook	-	-	-	-	
Wilsonia	-	-	-	-	
Braelyn	-	-	-	-	
Northend	-	-	-	-	
Chiselhurst	-	-	-	-	
Meisies Halt	-	-	-	-	CAP
Beacon Bay Industrial	-	-	-	-	CAP
IDZ	-	-	-	-	
West Bank Industrial Area	-	-	-	-	

Table 8.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2023:1
(R/m² excl. VAT)

	Area size in m²				Panellist codes
	1.000	**2.000**	**5.000**	**10.000**	
Bloemfontein					
Hilton	-	-	-	-	BR
East End	100,00	0,00	0,00	94,28	BR,EK,EQV
Harvey Road	-	-	-	-	
Old Industrial	-	-	-	-	BR
Hamilton: Mill St	-	-	-	-	BR
Hamilton: G Lubbe St	-	-	-	-	BR
Estoire	-	-	50,00	85,00	BR,EQV
Quaggafontein	-	-	150,00	0,00	BR,EQV
George					
George Central	-	-	-	-	-
Tamsui Industria	-	-	-	-	-
Pacaltsdorp Industria	-	-	-	-	-
Pietermaritzburg					
Willowton	-	-	-	-	HN
Mkondeni/Shortts Retreat	-	-	-	-	HN
Camps Drift	-	-	-	-	HN
Pietermaritzburg Central	-	-	-	-	HN
Rosedale/Allandale	-	-	-	-	
Howick	-	-	-	-	HN
Lower Umfolozi					
Empangeni	-	-	-	-	
Richards Bay (Alton)	-	-	-	-	
Richards Bay CBD (Dollar Drive)	-	-	-	-	

Table 8.3 (continued)
Standard deviation from mean market values for serviced and level industrial stands
in quarter 2023:1
(R/m² excl. VAT)

	Area size in m²				Panellist codes
	1.000	2.000	5.000	10.000	
Windhoek					
North	0,00	125,00	75,00	125,00	PVN,TE
Lafrenz	0,00	125,00	75,00	125,00	PVN,TE
South	0,00	250,00	75,00	250,00	PVN,TE
Prosperita	0,00	175,00	50,00	200,00	PVN,TE

Chapter 9: Flats market

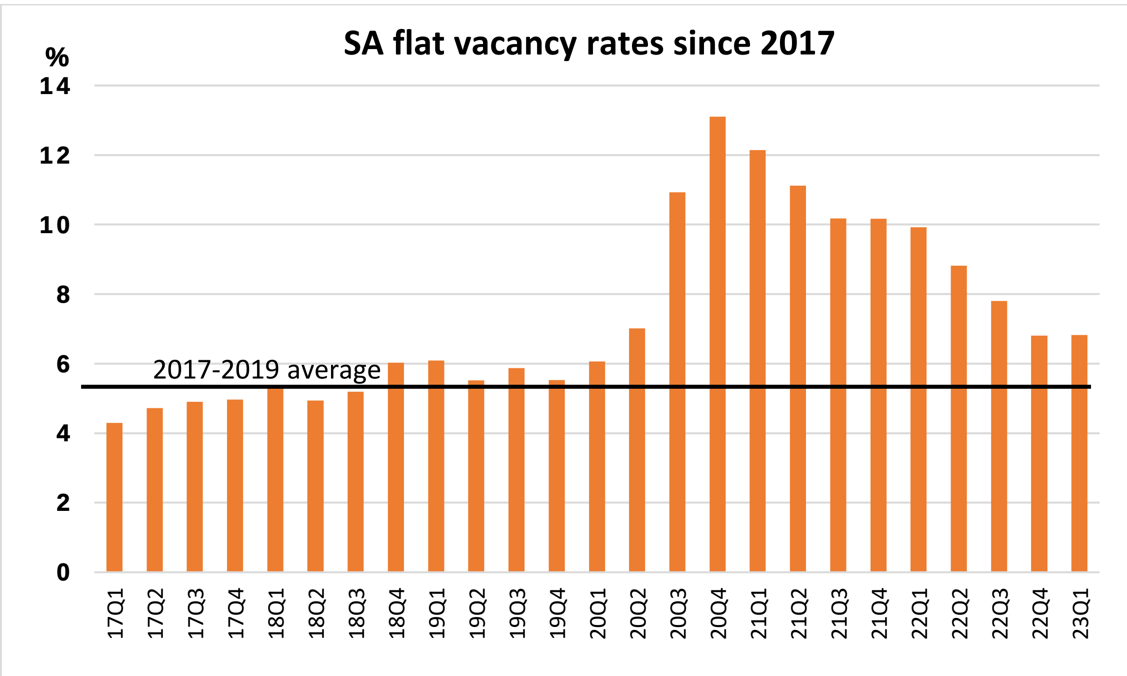
Western Cape flat vacancies fall further

Kobus Lamprecht

Flat vacancy rates on a national level averaged 6,8% in the first quarter of 2023, unchanged from the fourth quarter of 2022, according to Rode's residential survey data (see the chart and **Table 9.1**). This is better than the 8,3% average of 2022. However, vacancy rates remain slightly above the 5,3% average recorded in the three years from 2017 to 2019 that preceded the pandemic. Please note that Rode calculates vacancy rates based on the number of flats vacant as a percentage of total units that are rented.

On a regional level, the Western Cape continues to stand out with its low vacancy rate of 2%, down further from 3,2% in the fourth quarter of 2022 and well below the national average. Of course, semigration is boosting housing demand. One of Rode's Cape Town panellists in the Northern Suburbs said the rental demand is extremely strong. The broker explained that rental advertisements cannot be kept online for more than 12 hours, with enquiries reaching "between 80 to 100". A continuing problem is that many tenants do not qualify for the properties they apply for, which is also an issue outside of Cape Town.

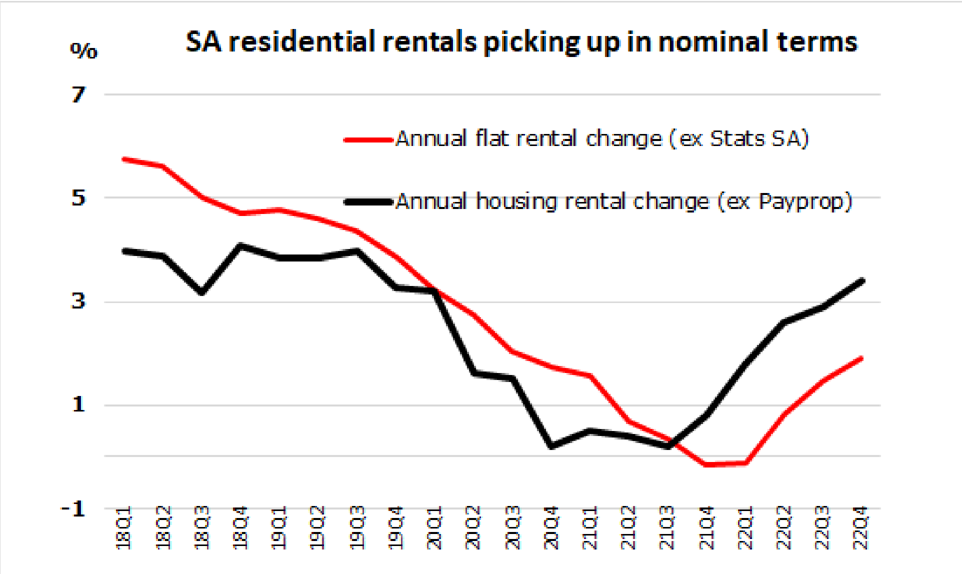
In contrast, Gauteng (flats in Johannesburg and Pretoria) saw its vacancy rate worsen to 10,1% from 8,2%. KwaZulu-Natal's vacancy rate also worsened to 14% from 10,8%. One of Rode's Durban panellists noted that increased interest rates and inflation are hitting tenants' affordability and that it is a "common trend that tenants downsize to smaller units with lower rentals".



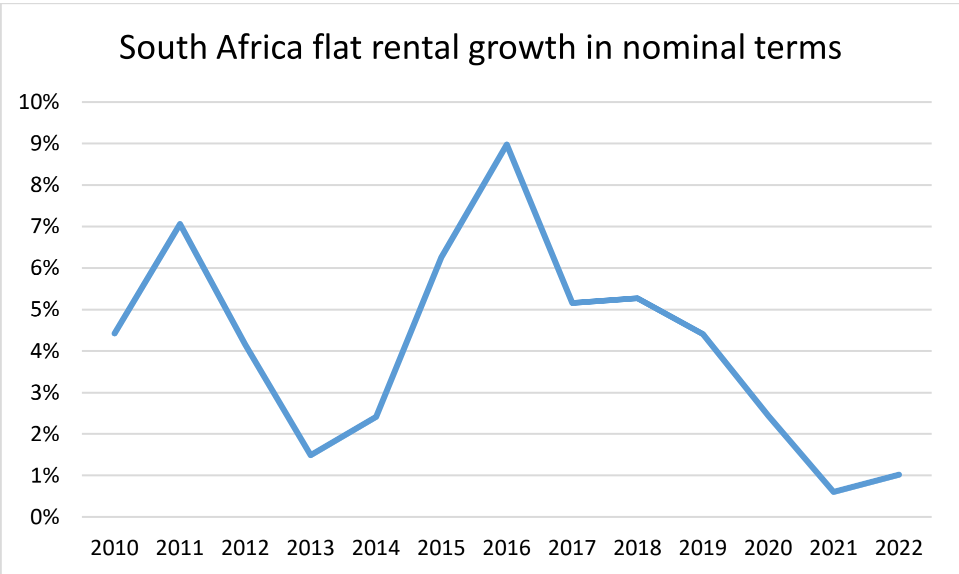
Source of data: Rode's Time Series

The improvement in national vacancy rates over the past two years or so has supported rental growth. Official data from Stats SA shows that nominal flat rentals in South Africa in the fourth quarter of 2022 increased by 1,9% compared to a year earlier (see the first chart) after growth of 1,5% in the third quarter. Rental growth was measured at 2,1% in December. PayProp data shows that nominal rental growth lifted to an even higher 3,4% in the fourth quarter of 2022.

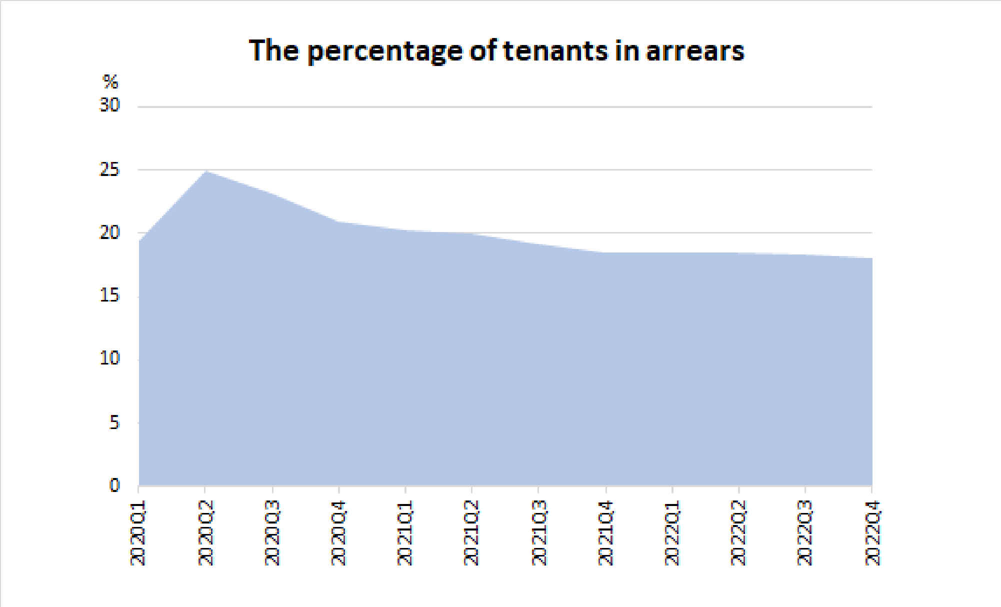
For the full 2022, nominal rentals grew by 1%, which is a slight improvement on the 0,6% growth of 2021 as per Stats SA data. Looking at the bigger picture, nominal rentals have performed very poorly over the past few years, with growth on a clear slowing path between 2015 and 2021, while a small recovery was seen in 2022, as shown in the second chart. Rentals are also declining in *real* terms, after adjusting for consumer inflation, which averaged 6,9% in 2022. This suggests that property owners have generally tried to keep rental increases low to reduce vacancies.



Source of data: Stats SA; PayProp



Source of data: Stats SA



Source of data: PayProp

Landlords are generally feeling the heat as total costs, including items like insurance, rates and taxes, and maintenance, are rising faster than their rental income. Stats SA's measure for maintenance and repairs rose by 5,9% year on year in the fourth quarter of 2022, up from 4,6% in the third quarter of 2022. Of course, higher interest rates are also lifting mortgage bond instalments.

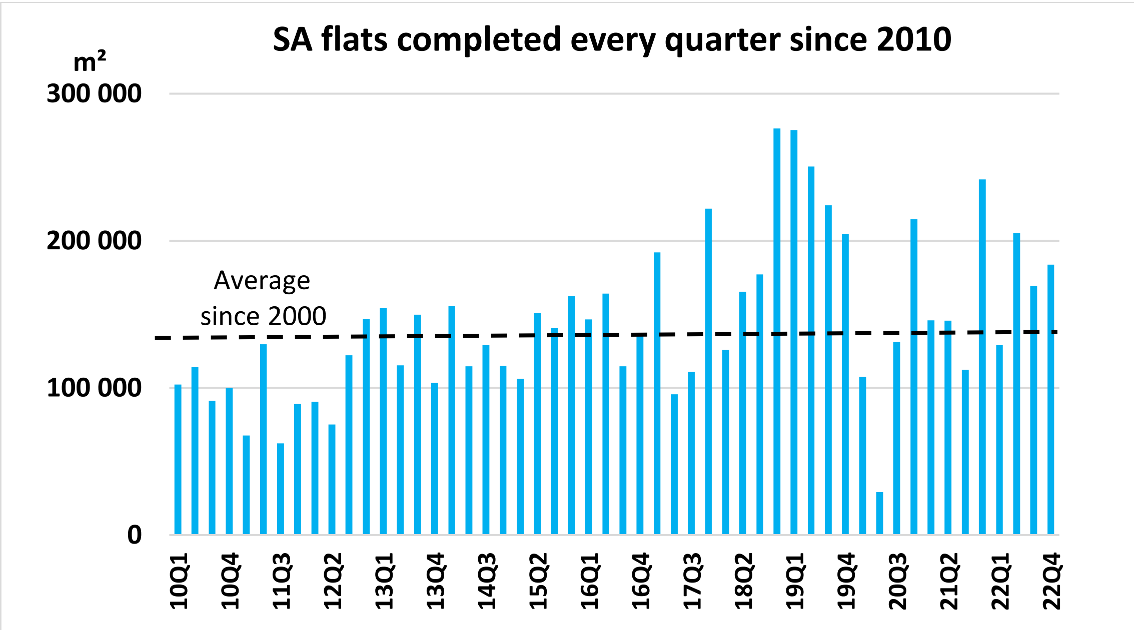
The improvement in vacancy rates from its Covid high of above 10% and the resultant better rental growth can be partially explained by the improvement in tenant finances. The chart above shows the number of tenants in arrears as a percentage of the total number of tenants on the PayProp system. Encouragingly, this number has declined since the pandemic peak of 25% in the second quarter of 2020, reaching 18,1% in the fourth quarter of 2022. In fact, this metric has been stable at just above 18% over the past year or so, as the chart shows. This suggests that the rising cost of living has not yet had a material effect on tenants honouring their rental payments.

The rental market was hit hard during the initial stages of the pandemic by (potential) tenants who considered buying a more attractive option than renting. This happened due to the sharp drop in the prime interest rate to 7%, the lowest since 1966. However, one can argue that some of these types of purchases have reversed due to the rising interest rates. Interest rates have entered a rising cycle to counter high inflation and stem the decline in the rand, with the prime rate ending March 2023 at 11,25%. That said, normally higher interest rates are negative for housing prices *and* rentals as they negatively impact economic growth.

When it is cheaper to rent than to buy, it would make sense – purely from a financial point of view – to rent and religiously save the difference between rent and what the bond instalments would have been. After a few years of saving, a buyer could use the savings for a higher deposit to buy a home, which will by then probably be lower priced in *real* terms than now. This means we are in a phase where more people will rent for longer due to their inability to save owing to the cost-of-living crisis and buying becoming less attractive considering the elevated interest rates, to which must be added the normal cost of owning, such as insurance, rates and taxes, and maintenance.

A positive for the oversupplied market was the 50% drop in new flat completions in 2020 (see chart). However, completions have rebounded since then and have even exceeded the long-term average level over the past three quarters. Completions increased by 7% in 2022 compared to 2021. Rising supply, if sustained, could hold back rental growth, especially given the slowing economy and the financial pressure on household finances.

However, decision makers and developers seem to become more realistic about prospects as indicated by building plans passed (measured in square metres) reported by municipalities (ex Stats SA). Plans passed for flats in South Africa in 2022 declined by 15% compared to 2021.



Source of data: Stats SA

Table 9.1 **Flat vacancies by city/province (%)** **Average for all grades** **(standard & upmarket combined)**		
City/Province	**22Q4**	**23Q1**
Johannesburg	8,7	9,7
Pretoria	7,0	14,2
Gauteng	**8,2**	**10,1**
Durban	12,5	16,6
Pietermaritzburg	1,7	3,1
KwaZulu-Natal	**10,8**	**14,0**
East London	8,5	8,5
Gqeberha	9,3	8,8
Eastern Cape	**8,9**	**8,6**
Cape Town	3,3	2,0
Stellenbosch	1,5	1,5
George	1,3	2,5
Western Cape	**3,2**	**2,0**
Bloemfontein	4,5	3,9
National (smoothed)	**6,8**	**6,8**
Source of data: Rode's Time Series		

To conclude, the continued relatively low vacancy rates are encouraging, but as noted above, this has come at the expense of some rental growth. We believe rental growth will probably continue to increase in nominal terms in 2023, but remain lower than inflation as it will be difficult for landlords to pass on sharp cost increases to tenants in the current difficult and worsening economic environment. Most economists expect economic growth to slow from a real 2,1% in 2022 to between 0% and 1% in 2023. This cost-of-living crisis and high unemployment levels could also start to show more in vacancy rates in the coming quarters as tenants are squeezed.

Regionally, the Western Cape (along the coast) has shone with very low flat vacancies, while we have noted a renewed increase in vacancies in Gauteng and KwaZulu-Natal. The latter is worrying and, if sustained, could lead to rental growth coming under pressure in these provinces.

In the tables that follow, we show the specific rental levels in the suburbs for the various grades of flats. Please note that the flat-rental data tends to be erratic due to the small sample sizes. Therefore, readers are advised to use an average of at least the last two quarters to obtain the latest rental rate. ■

Table 9.2
Flat rentals: Standard units
Average rands per month as at quarter 2023:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Panellist codes
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Johannesburg	**R4.706**	**-**	**R5.409**	**-**	**R6.508**	**-**	**R7.980**	**-**	
City Central	R2.800	R327	R3.450	R650	R4.700	R700	R5.575	R575	ENV,PPG,TI
Yeoville/Bellevue/Highlands	R3.700	-	R4.750	-	R5.500	-	R5.950	-	PPG
Jeppestown/Fordsburg/ Malvern/ Kensington	-	-	-	-	-	-	-	-	
North-Eastern Suburbs	-	-	-	-	-	-	-	-	
Maraisburg/Crosby/Brixton	-	-	-	-	-	-	-	-	
Meldene (Melville, Westdene, Auckland Park)	-	-	-	-	-	-	-	-	
Killarney/Illovo	R6.000	-	R6.300	-	R8.000	-	R9.500	-	TR
Greenside/Victory Park/ Emmarentia/Linden	R6.000	-	R6.500	-	R7.250	-	R8.000	-	TR
Parkhurst/Parkview	R6.800	-	R7.800	-	R8.500	-	R9.500	-	PRS,TR
Rosebank	-	-	-	-	-	-	-	-	
Randburg: Ferndale/Fontainebleau	R4.750	R750	R5.150	R1.150	R6.633	R450	R7.900	R100	CAR,TI,TR
Randburg & Suburbs	R5.500	-	R6.000	-	R6.650	-	R7.400	-	PRS,TR
Windsor: East/West	-	-	R4.300	-	R5.900	-	R7.000	-	TI
Craighall/Craighall Park	-	-	-	-	-	-	-	-	
Sandton: North & Far North	R6.500	-	R7.200	-	R8.100	-	R12.500	-	TR
Sandton: South to Central	R6.800	-	R7.500	-	R8.850	-	R12.500	-	TR
Bedfordview	-	-	-	-	-	-	-	-	
Old South	R2.900	-	R3.500	-	R4.200	-	R5.200	-	ENV
New South	R4.500	-	R5.200	-	R6.200	-	R9.200	-	ENV
Waterfall	-	-	-	-	-	-	-	-	
CBD Maboneng	R3.200	-	R3.800	-	R4.500	-	R6.000	-	ENV
Houghton Estate	R5.500	-	R6.500	-	R7.500	-	-	-	TR
Melrose Arch	-	-	-	-	-	-	-	-	
Melrose (excluding Melrose Arch)	-	-	-	-	-	-	-	-	
Parktown	-	-	-	-	-	-	-	-	

Table 9.2 (continued)
Flat rentals: Standard units
Average rands per month as at quarter 2023:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Panellist codes
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Germiston	**R2.440**	**-**	**R3.825**	**-**	**R4.349**	**-**	**R6.833**	**-**	
Primrose	-	-	R4.450	-	R4.798	-	R6.833	-	PH
Germiston Central & South	R2.440	-	R3.200	-	R3.900	-	-	-	PH
Germiston Southern Suburbs	-	-	-	-	-	-	-	-	
Elsburg	-	-	-	-	-	-	-	-	
Witfield	-	-	-	-	-	-	-	-	
Benoni	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Benoni Central	-	-	-	-	-	-	-	-	
Lakefield	-	-	-	-	-	-	-	-	
Westdene	-	-	-	-	-	-	-	-	
Farrarmere	-	-	-	-	-	-	-	-	
Morehill	-	-	-	-	-	-	-	-	
Rynfield	-	-	-	-	-	-	-	-	
Northmead	-	-	-	-	-	-	-	-	
Crystal Park	-	-	-	-	-	-	-	-	
Mackensie Park	-	-	-	-	-	-	-	-	
Western Extension	-	-	-	-	-	-	-	-	
Pretoria	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Akasia	-	-	-	-	R5.650	-	R6.550	-	PPG
Pretoria North/Dorandia/ Florauna	-	-	-	-	-	-	-	-	
Annlin/Wonderboom/Sinoville/ Montana	-	-	-	-	-	-	-	-	
Die Moot/Queenswood	-	-	R5.000	-	R6.500	-	-	-	MPR
East Lynne/Eersterust	-	-	-	-	-	-	-	-	
Silverton/Meyerspark/ La Montagne	-	-	-	-	-	-	-	-	
East (Menlo Park/Ashlea Gardens/all Lynnwoods/Die Wilgers/Faerie Glen/ Garsfontein/ Constantia/ Waterkloof Glen/ Erasmuskloof	-	-	-	-	-	-	-	-	

Table 9.2 (continued)
Flat rentals: Standard units
Average rands per month as at quarter 2023:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Panellist codes
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Pretorius Park	-	-	-	-	-	-	-	-	
Groenkloof/Brooklyn/Most Waterkloofs/Erasmusrand	-	-	-	-	-	-	-	-	
Monument Park	-	-	-	-	-	-	-	-	
South Eastern Suburbs	-	-	-	-	-	-	-	-	
Sunnyside	R3.800	-	R4.225	R25	R5.650	R150	R6.250	R250	MPR,PPG
Arcadia	R4.100	-	R4.500	-	R6.075	R175	R7.350	R450	MPR,PPG
Pretoria Central	-	-	R4.250	-	R4.850	-	R7.750	-	PPG
Pretoria West	-	-	-	-	-	-	-	-	
Kwaggasrand/West Park	-	-	-	-	-	-	-	-	
Elandspoort/Danville	-	-	-	-	-	-	-	-	
Atteridgeville/Laudium	-	-	-	-	-	-	-	-	
Hatfield	-	-	-	-	-	-	-	-	
Centurion	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Pierre van Ryneveld	-	-	-	-	-	-	-	-	
Irene	-	-	-	-	-	-	-	-	
Kloofsig/Lyttelton Manor/ Doringkloof/Zwartkop	-	-	R5.800	-	-	-	-	-	RIZ
Highveld and Extensions	-	-	-	-	R7.500	-	-	-	RIZ
Clubview/Eldoraigne/Wierda Park/ Cranebrook/Bronberrick/ Rooihuiskraal North	-	-	-	-	-	-	-	-	
Rooihuiskraal/The Reeds	-	-	-	-	R7.200	-	-	-	RIZ
Heuweloord	-	-	-	-	-	-	-	-	
Valhalla	-	-	-	-	-	-	-	-	
Polokwane	**R3.390**	**-**	**R3.700**	**-**	**R5.100**	**-**	**R6.400**	**-**	
Eduanpark/Welgelegen	-	-	-	-	-	-	-	-	
Bendor/Bendor extension	-	-	-	-	-	-	-	-	
1 Ster Park	R3.390	-	R4.400	-	R5.400	-	R5.900	-	TG

Table 9.2 (continued)
Flat rentals: Standard units
Average rands per month as at quarter 2023:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Panellist codes
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Flora Park/Fauna Park/Capricorn	-	-	-	-	-	-	-	-	
Polokwane Central/Hospitaal Park	-	-	R3.450	R550	R4.450	R1.050	-	-	SF,TG
Annadale	-	-	R3.500	-	R5.000	-	R6.100	-	SF
Penina Park/Ivy Park	-	-	-	-	R6.200	-	R7.200	-	SF
Durban	**R4.182**	**-**	**R5.997**	**-**	**R7.488**	**-**	**R8.277**	**-**	
Upper highway: Kloof/Hillcrest	R4.200	-	-	-	-	-	-	-	WK
Pinetown area/Queensburgh	R4.460	R260	R5.040	R240	R6.500	-	R8.500	-	TR,WK
Westville area	-	-	-	-	R8.755	-	-	-	TR
Central City	R3.500	-	R3.800	-	R4.995	-	-	-	TR
Berea/Morningside/Glenwood	-	-	R7.125	-	R7.950	-	-	-	TR
South and North Beach	-	-	R7.995	-	R8.975	-	-	-	TR
Durban North	-	-	R6.950	-	R7.450	-	-	-	TR
La Lucia/Greater Umhlanga	-	-	R8.500	-	R9.500	-	-	-	TR
North (Dolphin) Coast/Ballito	-	-	-	-	R8.000	-	-	-	TR
Montclaire/Yellowwood Park	-	-	R4.800	-	R6.000	-	-	-	TR
Bluff	R4.470	-	R5.220	-	R6.725	-	R7.330	-	TR
Amanzimtoti/Warner Beach	R4.000	-	R5.500	-	R7.500	-	R9.000	-	SF,TR
Cape Town	**R6.612**	**-**	**R7.934**	**-**	**R9.898**	**-**	**-**	**-**	
Camps Bay/Clifton/Bantry Bay	R9.000	R1.000	R15.000	-	R19.000	R8.000	R30.500	R14.500	JUS,TR
Sea Point/Green Point/Three Anchor Bay	R8.000	R500	R10.500	R707	R14.000	R1.080	R16.000	-	JUS,SQ,TR
City Bowl (excl. Higgovale)	R8.500	-	R10.000	R500	R12.625	R625	R16.000	-	SQ,TR
City Centre	R7.500	-	R8.500	-	-	-	-	-	TR
Waterfront	-	-	-	-	-	-	-	-	
Woodstock/Observatory	-	-	R7.300	R200	R9.000	R500	-	-	LA,TR
Rondebosch/Rosebank/Claremont	-	-	R7.750	R250	R9.875	R375	R12.000	-	SQ,TR
Kenilworth/Wynberg/Plumstead	R4.975	R25	R6.025	R925	R9.100	R294	R11.000	-	JR,LA,SQ
Grassy Park	-	-	-	-	-	-	-	-	
Muizenberg/Kalk Bay/Fish Hoek	-	-	-	-	R8.500	-	R12.000	-	TR
Hout Bay	R6.500	-	R8.500	-	R14.000	-	-	-	JUS

Table 9.2 (continued)
Flat rentals: Standard units
Average rands per month as at quarter 2023:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Panellist codes
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Century City	-	-	-	-	-	-	-	-	
Milnerton Sanddrift	-	-	-	-	-	-	-	-	
Milnerton Royal Ascot	-	-	-	-	R8.500	-	-	-	TR
Milnerton Burgundy Estate	-	-	-	-	R10.500	-	-	-	TR
Tableview	-	-	-	-	R8.000	-	-	-	LA
Parklands/Sandown/Sunningdale	-	-	R6.500	-	R7.050	-	-	-	PPG,TR
Bloubergstrand	-	-	-	-	-	-	-	-	
Melkbosstrand	-	-	-	-	R9.000	-	-	-	TR
Athlone	R4.500	-	-	-	R8.000	-	-	-	TR
Garlandale	-	-	-	-	-	-	-	-	
Rondebosch East/Crawford	-	-	-	-	-	-	-	-	
Mitchells Plain	-	-	-	-	-	-	-	-	
Bishop Lavis	-	-	-	-	-	-	-	-	
Montana/Belhar	-	-	-	-	-	-	-	-	
Pinelands	-	-	-	-	-	-	-	-	
Brooklyn/Rugby/Maitland	-	-	R6.250	-	R7.500	-	-	-	SQ
Monte Vista/Goodwood/ Parow/ Bellville Central	R5.250	-	R6.083	R425	R7.650	R460	R9.250	-	LA,TR
Tyger Valley area	-	-	-	-	R7.500	-	-	-	LA
Durbanville	-	-	-	-	-	-	-	-	
Brackenfell/Kuils River	R5.000	-	R5.800	-	R7.125	R625	R9.200	-	CIR,LA
Somerset West	-	-	-	-	-	-	-	-	
Strand	-	-	-	-	-	-	-	-	
Gordon's Bay	-	-	R6.400	-	R7.200	-	-	-	LA
Kraaifontein (excl. Buh-Rein)	-	-	-	-	-	-	-	-	
Buh-Rein Estate	-	-	-	-	R7.000	-	-	-	LA
Paarl	R4.750	-	R5.700	-	R6.500	-	R9.500	-	JUS
Wellington	-	-	-	-	-	-	-	-	

Table 9.2 (continued)
Flat rentals: Standard units
Average rands per month as at quarter 2023:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Panellist codes
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Stellenbosch	**R7.625**	**-**	**R10.875**	**-**	**R12.350**	**-**	**R15.500**	**-**	
Cloetesville	-	-	-	-	-	-	-	-	
Onder Papegaaiberg	-	-	-	-	R8.800	-	-	-	SR
Simonswyk	-	-	-	-	R10.500	-	-	-	SR
Idas Valley	-	-	-	-	-	-	-	-	
Uniepark	-	-	-	-	-	-	-	-	
Krigeville	-	-	-	-	-	-	-	-	
Dalsig	-	-	-	-	-	-	-	-	
Kleingeluk	-	-	-	-	-	-	-	-	
Nuutgevonden	-	-	-	-	R7.500	-	-	-	SR
Nooitgedacht Village	-	-	-	-	R10.500	-	R13.500	-	SR
Paradyskloof	-	-	-	-	-	-	-	-	
Klein Welgevonden	-	-	-	-	R8.500	-	R11.000	-	SR
Campus – Central	R8.500	-	R9.500	-	R16.000	-	R22.000	-	SR
Campus – West	R7.500	-	R12.500	-	R17.000	-	-	-	SR
Campus – North	R9.000	-	R14.000	-	R20.000	-	-	-	SR
La Colline	R5.500	-	R7.500	-	-	-	-	-	SR
George	**R4.938**	**-**	**R5.750**	**-**	**R7.500**	**-**	**R9.000**	**-**	
Heather Park	-	-	-	-	-	-	-	-	
Heatherlands	-	-	-	-	-	-	-	-	
King George Park	-	-	-	-	-	-	-	-	
Dormehl's Drift	R4.750	-	R5.500	-	R8.000	-	R9.500	-	BVF
George South	R4.750	-	R5.500	-	R7.000	-	R8.500	-	BVF
George Central	R4.750	-	R5.500	-	R7.000	-	R8.500	-	BVF
Bo-Dorp	R5.500	-	R6.500	-	R8.000	-	R9.500	-	BVF
Denver Park	-	-	-	-	-	-	-	-	
Loerie Park	-	-	-	-	-	-	-	-	
Protea Park	-	-	-	-	-	-	-	-	
Parkdene	-	-	-	-	-	-	-	-	
Borcherds	-	-	-	-	-	-	-	-	

Table 9.2 (continued)
Flat rentals: Standard units
Average rands per month as at quarter 2023:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Panellist codes
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Lawaaikamp	-	-	-	-	-	-	-	-	
Ballot's View	-	-	-	-	-	-	-	-	
Herolds Bay (excl. Oubaai)	-	-	-	-	-	-	-	-	
Oubaai	-	-	-	-	-	-	-	-	
Gqeberha	**R3.800**	**-**	**R4.470**	**-**	**R5.330**	**-**	**R6.200**	**-**	
Summerstrand/Humewood/ South End	-	-	R5.500	-	R6.500	-	R7.500	-	TR
Walmer	R4.200	-	R4.700	-	R5.500	-	R6.500	-	TR
Central/North End	R2.500	-	R3.000	-	R4.000	-	R4.500	-	TR
Newton Park	R4.000	-	R4.500	-	R5.500	-	R6.500	-	TR
Westering	R4.500	-	R5.000	-	R6.000	-	R7.000	-	TR
Kabega	R4.000	-	R4.500	-	R5.500	-	R7.000	-	TR
Algoa Park	R2.000	-	R2.500	-	R2.800	-	R3.000	-	TR
Lorraine	R4.500	-	R5.500	-	R6.000	-	R6.500	-	TR
Sherwood	R4.000	-	R4.500	-	R5.500	-	R7.000	-	TR
Fairview	R4.500	-	R5.000	-	R6.000	-	R6.500	-	TR
East London	**R4.083**	**-**	**R5.175**	**-**	**R6.230**	**-**	**R7.533**	**-**	
Southernwood/Quigney Beach/CBD	R3.200	-	R4.817	R388	R5.717	R517	R6.800	R700	ERA,PPG,TR
Berea	R2.200	-	-	-	-	-	-	-	TR
Cambridge/Amalinda/Haven Hills	R4.200	-	R5.800	-	-	-	-	-	TR
Beacon Bay	R5.900	-	-	-	R7.500	-	R9.000	-	ERA,TR
Gonubie	R5.000	-	-	-	R6.500	-	-	-	ERA,TR
Cove Rock	-	-	-	-	-	-	-	-	
Nahoon	-	-	R6.400	-	-	-	-	-	TR
Vincent	R4.000	-	R4.400	-	-	-	-	-	TR
Bloemfontein	**R3.200**	**-**	**R3.844**	**-**	**R4.525**	**-**	**R5.943**	**-**	
Bloemfontein CBD	R3.000	-	R3.300	-	R4.000	-	-	-	ED
Westdene	R3.000	-	R3.900	-	R5.000	-	R6.500	-	ED
Willows	R2.600	-	R3.000	-	R3.600	-	R4.500	-	ED
Navalsig	R2.800	-	R3.200	-	R3.600	-	R4.500	-	ED

Table 9.2 (continued)
Flat rentals: Standard units
Average rands per month as at quarter 2023:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Panellist codes
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Arboretum	R3.000	-	R3.850	-	R4.500	-	R5.800	-	ED
Langenhovenpark	R3.400	-	R4.000	-	R4.500	-	R6.800	-	ED
Bainsvlei	-	-	-	-	-	-	-	-	
Universitas	R3.800	-	R4.500	-	R5.000	-	R6.500	-	ED
Pentagon Park	R4.000	-	R5.000	-	R6.000	-	R7.000	-	ED
Kimberley	**R3.900**	**-**	**R5.500**	**-**	**R7.400**	**-**	**R8.100**	**-**	
Albertynshof	R3.500	-	R5.500	-	R7.000	-	R7.500	-	PW
Belgravia	R3.500	-	R5.500	-	R7.000	-	R7.500	-	PW
New Park	R3.500	-	R5.500	-	R7.000	-	R7.500	-	PW
Eltoro Park	R4.500	-	R5.500	-	R8.000	-	R9.000	-	PW
Hillcrest	R4.500	-	R5.500	-	R8.000	-	R9.000	-	PW
Pietermaritzburg	**R3.550**	**-**	**R4.950**	**-**	**R6.222**	**-**	**R7.417**	**-**	
Woodlands/Northdale/Bombay Heights/Orient Heights/Allandale	-	-	-	-	-	-	-	-	
Chase Valley/Oak Park/Chasedene/ Northern Park	-	-	R5.000	-	R6.950	-	R8.500	-	HN
Wembley/Clarendon	-	-	R5.600	-	R6.980	-	R8.750	-	HN
Pietermaritzburg City	R3.400	-	R4.500	-	R5.700	-	R6.700	-	HN
Prestbury	-	-	R4.700	-	R5.800	-	R6.800	-	HN
Pelham/Scottsville/Richmond Crest/ Bisley	R3.700	-	R4.700	-	R5.900	-	R6.850	-	HN
Hayfields/Lincoln Meade/Bellevue/ The Meadows	-	-	R5.200	-	R6.000	-	R6.900	-	HN
Vanderbijlpark	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Vanderbijlpark Central	R4.100	-	-	-	R5.700	-	-	-	DT
Vanderbijlpark CE	R3.950	-	-	-	R4.900	-	-	-	DT
Vanderbijlpark SE	-	-	-	-	-	-	-	-	
Vanderbijlpark SW	-	-	-	-	-	-	-	-	
Vanderbijlpark CW	-	-	-	-	-	-	-	-	

Table 9.3
Flat rentals: Upmarket units
Average rands per month as at quarter 2023:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Panellist codes
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Johannesburg	**R5.412**	**-**	**R6.219**	**-**	**R7.585**	**-**	**R9.585**	**-**	
City Central	R2.900	-	R3.800	-	-	-	R6.500	-	ENV
Yeoville/Bellevue/Highlands	-	-	-	-	-	-	-	-	
Jeppestown/Fordsburg/Malvern/ Kensington	-	-	-	-	-	-	-	-	
North-Eastern Suburbs	-	-	R7.900	-	R9.000	-	-	-	TRD
Maraisburg/Crosby/Brixton	-	-	-	-	-	-	-	-	
Meldene (Melville/Westdene/Auckland Park)	-	-	-	-	-	-	-	-	
Killarney/Illovo	R6.500	-	R7.000	-	R11.500	-	R13.000	-	TR
Greenside/Victory Park/Emmarentia/ Linden	R6.300	-	R6.700	-	R7.400	-	-	-	TR
Parkhurst/Parkview	R7.100	-	R8.100	-	R8.463	R738	-	-	PRS,TR
Rosebank	-	-	-	-	-	-	-	-	
Randburg: Ferndale/Fontainebleau	R5.283	R510	R5.925	R575	R6.933	R377	R8.125	R125	CAR,PPG,TR
Randburg & Suburbs	R5.800	-	R6.400	-	R7.125	R25	R8.000	-	PPG,PRS,TR
Windsor: East/West	-	-	-	-	-	-	-	-	
Craighall/Craighall Park	-	-	-	-	-	-	-	-	
Sandton: North & Far North	R7.000	-	R7.800	-	R8.500	-	R15.000	-	TR
Sandton: South to Central	R7.000	-	R7.800	-	R9.200	-	R15.000	-	TR
Bedfordview	-	-	-	-	-	-	-	-	
Old South	R3.200	-	R3.800	-	R4.500	-	R5.800	-	ENV
New South	R4.900	-	R5.500	-	R6.500	-	R9.500	-	ENV
Waterfall	-	-	-	-	-	-	-	-	
CBD Maboneng	R3.800	-	R4.200	-	R5.200	-	R6.800	-	ENV
Houghton Estate	-	-	-	-	-	-	-	-	
Melrose Arch	-	-	-	-	-	-	-	-	
Melrose (excluding Melrose Arch)	-	-	-	-	-	-	-	-	
Parktown	-	-	-	-	-	-	-	-	

Table 9.3 (continued)
Flat rentals: Upmarket units
Average rands per month as at quarter 2023:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Panellist codes
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Germiston	-	-	-	-	-	-	-	-	
Primrose	-	-	-	-	-	-	-	-	
Germiston Central & South	-	-	-	-	-	-	-	-	
Germiston Southern Suburbs	-	-	-	-	-	-	-	-	
Elsburg	-	-	-	-	-	-	-	-	
Witfield	-	-	-	-	-	-	-	-	
Benoni	-	-	-	-	-	-	-	-	
Benoni Central	-	-	-	-	-	-	-	-	
Lakefield	-	-	-	-	-	-	-	-	
Westdene	-	-	-	-	-	-	-	-	
Farrarmere	-	-	-	-	-	-	-	-	
Morehill	-	-	-	-	-	-	-	-	
Rynfield	-	-	-	-	-	-	-	-	
Northmead	-	-	-	-	-	-	-	-	
Crystal Park	-	-	-	-	-	-	-	-	
Mackensie Park	-	-	-	-	-	-	-	-	
Western Extension	-	-	-	-	-	-	-	-	
Pretoria	-	-	-	-	-	-	-	-	
Akasia	-	-	-	-	-	-	-	-	
Pretoria North/Dorandia/Florauna	-	-	-	-	-	-	-	-	
Annlin/Wonderboom/Sinoville/Montana	-	-	-	-	-	-	-	-	
Die Moot/Queenswood	-	-	-	-	-	-	-	-	
East Lynne/Eersterust	-	-	-	-	-	-	-	-	
Silverton/Meyerspark/La Montagne	-	-	-	-	-	-	-	-	
East (Menlo Park/Ashlea Gardens/all Lynnwoods/Die Wilgers/Faerie Glen/ Garsfontein/Constantia/Waterkloof Glen/ Erasmuskloof)	-	-	-	-	-	-	-	-	
Pretorius Park	-	-	-	-	-	-	-	-	

Table 9.3 (continued)
Flat rentals: Upmarket units
Average rands per month as at quarter 2023:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Panellist codes
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Groenkloof/Brooklyn/Most Waterkloofs/ Erasmusrand	-	-	-	-	-	-	-	-	
Monument Park	-	-	-	-	-	-	-	-	
South Eastern Suburbs	-	-	-	-	-	-	-	-	
Sunnyside	-	-	-	-	-	-	-	-	
Arcadia	-	-	-	-	-	-	-	-	
Pretoria Central	-	-	-	-	-	-	-	-	
Pretoria West	-	-	-	-	-	-	-	-	
Kwaggasrand/West Park	-	-	-	-	-	-	-	-	
Elandspoort/Danville	-	-	-	-	-	-	-	-	
Atteridgeville/Laudium	-	-	-	-	-	-	-	-	
Hatfield	-	-	-	-	-	-	-	-	
Centurion	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Pierre van Ryneveld	-	-	-	-	-	-	-	-	
Irene	-	-	-	-	-	-	-	-	
Kloofsig/Lyttelton Manor/Doringkloof/ Zwartkop	-	-	R7.500	-	-	-	-	-	RIZ
Highveld and Extensions	-	-	-	-	R9.500	-	-	-	RIZ
Clubview/Eldoraigne/Wierda Park/ Cranebrook/Bronberrick/Rooihuiskraal North	-	-	-	-	-	-	-	-	
Rooihuiskraal/The Reeds	-	-	-	-	R9.000	-	-	-	RIZ
Heuweloord	-	-	-	-	-	-	-	-	
Valhalla	-	-	-	-	-	-	-	-	
Polokwane	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Eduanpark/Welgelegen	-	-	-	-	-	-	-	-	
Bendor/Bendor extension 1	-	-	-	-	R10.500	-	R16.000	-	SF
Ster Park	-	-	-	-	-	-	-	-	
Flora Park/Fauna Park/Capricorn	-	-	-	-	-	-	-	-	

Table 9.3 (continued)
Flat rentals: Upmarket units
Average rands per month as at quarter 2023:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Panellist codes
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Polokwane Central/Hospitaal Park	-	-	R4.500	-	R5.500	-	R6.500	-	TG
Annadale	-	-	-	-	-	-	-	-	
Penina Park/Ivy Park	-	-	-	-	-	-	-	-	
Durban	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Upper highway: Kloof/Hillcrest	-	-	-	-	-	-	-	-	
Pinetown area/Queensburgh	-	-	-	-	-	-	-	-	
Westville area	-	-	-	-	-	-	-	-	
Central City	-	-	-	-	-	-	-	-	
Berea/Morningside/Glenwood	-	-	R8.150	-	R8.300	-	-	-	TR
South and North Beach	-	-	-	-	-	-	-	-	
Durban North	-	-	-	-	-	-	-	-	
La Lucia/Greater Umhlanga	-	-	-	-	-	-	-	-	
North (Dolphin) Coast/Ballito	-	-	-	-	-	-	-	-	
Montclaire/Yellowwood Park	-	-	-	-	-	-	-	-	
Bluff	-	-	-	-	-	-	-	-	
Amanzimtoti/Warner Beach	R5.000	-	R6.500	-	R8.500	-	R11.000	-	SF
Cape Town	**R8.950**	**-**	**R10.594**	**-**	**R13.635**	**-**	**-**	**-**	
Camps Bay/Clifton/Bantry Bay	-	-	-	-	-	-	-	-	
Sea Point/Green Point/Three Anchor Bay	R12.000	-	R16.475	R475	-	-	R51.000	R19.000	JUS,SQ
City Bowl (excl. Higgovale)	R9.475	R1.525	R12.500	-	R15.000	-	-	-	SQ,TR
City Centre	-	-	-	-	-	-	-	-	
Waterfront	-	-	-	-	R32.000	-	-	-	LA
Woodstock/Observatory	-	-	-	-	R14.000	-	-	-	TR
Rondebosch/Rosebank/Claremont	-	-	-	-	R13.000	-	-	-	TR
Kenilworth/Wynberg/Plumstead	-	-	-	-	-	-	-	-	
Grassy Park	-	-	-	-	-	-	-	-	
Muizenberg/Kalk Bay/Fish Hoek	-	-	-	-	-	-	-	-	
Hout Bay	R8.500	-	R10.500	-	R20.000	-	-	-	JUS
Century City	-	-	-	-	-	-	-	-	
Milnerton Sanddrift	-	-	-	-	-	-	-	-	

Table 9.3 (continued)
Flat rentals: Upmarket units
Average rands per month as at quarter 2023:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Panellist codes
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Milnerton Royal Ascot	-	-	-	-	-	-	-	-	
Milnerton Burgundy Estate	-	-	-	-	-	-	-	-	
Tableview	-	-	R8.500	-	-	-	-	-	TR
Parklands/Sandown/Sunningdale	-	-	-	-	-	-	-	-	
Bloubergstrand	-	-	R8.500	-	-	-	-	-	TR
Melkbosstrand	-	-	-	-	-	-	-	-	
Athlone	-	-	-	-	-	-	-	-	
Garlandale	-	-	-	-	-	-	-	-	
Rondebosch East/Crawford	-	-	-	-	-	-	-	-	
Mitchells Plain	-	-	-	-	-	-	-	-	
Bishop Lavis	-	-	-	-	-	-	-	-	
Montana/Belhar	-	-	-	-	-	-	-	-	
Pinelands	-	-	-	-	-	-	-	-	
Brooklyn/Rugby/Maitland	-	-	-	-	-	-	-	-	
Monte Vista/Goodwood/Parow/Bellville Central	-	-	-	-	R8.000	-	-	-	LA
Tyger Valley area	-	-	-	-	R8.000	-	-	-	LA
Durbanville	-	-	-	-	-	-	-	-	
Brackenfell/Kuils River	-	-	-	-	R9.250	-	-	-	LA
Somerset West	-	-	-	-	-	-	-	-	
Strand	-	-	-	-	-	-	-	-	
Gordon's Bay	-	-	-	-	-	-	-	-	
Kraaifontein (excl. Buh-Rein)	-	-	-	-	-	-	-	-	
Buh-Rein Estate	-	-	-	-	R8.000	-	-	-	LA
Paarl	R5.300	-	R6.300	-	R9.100	-	R12.000	-	JUS
Wellington	-	-	-	-	-	-	-	-	
Stellenbosch	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Cloetesville	-	-	-	-	-	-	-	-	
Onder Papegaaiberg	-	-	-	-	R9.500	-	-	-	SR
Simonswyk	-	-	-	-	R11.500	-	-	-	SR
Idas Valley	-	-	-	-	-	-	-	-	

Table 9.3 (continued)
Flat rentals: Upmarket units
Average rands per month as at quarter 2023:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Panellist codes
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Uniepark	-	-	-	-	-	-	-	-	
Krigeville	-	-	-	-	-	-	-	-	
Dalsig	-	-	-	-	-	-	-	-	
Kleingeluk	-	-	-	-	-	-	-	-	
Nuutgevonden	-	-	-	-	R8.500	-	-	-	SR
Nooitgedacht Village	-	-	-	-	R11.500	-	R14.500	-	SR
Paradyskloof	-	-	-	-	-	-	-	-	
Klein Welgevonden	-	-	-	-	R9.500	-	R12.000	-	SR
Campus – Central	-	-	-	-	-	-	-	-	
Campus – West	-	-	-	-	-	-	-	-	
Campus – North	-	-	-	-	-	-	-	-	
La Colline	-	-	-	-	-	-	-	-	
George	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Heather Park	-	-	-	-	-	-	-	-	
Heatherlands	-	-	-	-	-	-	-	-	
King George Park	-	-	-	-	-	-	-	-	
Dormehl's Drift	R6.000	-	R7.500	-	R9.500	-	R12.500	-	BVF
George South	-	-	-	-	-	-	-	-	
George Central	-	-	-	-	-	-	-	-	
Bo-Dorp	-	-	-	-	-	-	-	-	
Denver Park	-	-	-	-	-	-	-	-	
Loerie Park	-	-	-	-	-	-	-	-	
Protea Park	-	-	-	-	-	-	-	-	
Parkdene	-	-	-	-	-	-	-	-	
Borcherds	-	-	-	-	-	-	-	-	
Lawaaikamp	-	-	-	-	-	-	-	-	
Ballot's View	-	-	-	-	-	-	-	-	
Herolds Bay (excl. Oubaai)	-	-	-	-	-	-	-	-	
Oubaai	-	-	-	-	-	-	-	-	

Table 9.3 (continued)
Flat rentals: Upmarket units
Average rands per month as at quarter 2023:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Panellist codes
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Gqeberha	**R4.400**	**-**	**R4.930**	**-**	**R5.800**	**-**	**R6.950**	**-**	
Summerstrand/Humewood/South End	R5.500	-	R6.000	-	R7.000	-	R9.000	-	TR
Walmer	R4.500	-	R5.000	-	R6.000	-	R7.000	-	TR
Central/North End	R3.000	-	R3.500	-	R4.500	-	R5.000	-	TR
Newton Park	R4.500	-	R5.000	-	R6.000	-	R7.000	-	TR
Westering	R5.000	-	R5.500	-	R6.500	-	R7.500	-	TR
Kabega	R4.500	-	R5.000	-	R6.000	-	R8.000	-	TR
Algoa Park	R2.500	-	R2.800	-	R3.000	-	R4.000	-	TR
Lorraine	R5.000	-	R6.000	-	R6.500	-	R7.000	-	TR
Sherwood	R4.500	-	R5.000	-	R6.000	-	R8.000	-	TR
Fairview	R5.000	-	R5.500	-	R6.500	-	R7.000	-	TR
East London	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Southernwood/Quigney beach/CBD	-	-	-	-	R6.000	-	-	-	TR
Berea	-	-	-	-	-	-	-	-	
Cambridge/Amalinda/Haven Hills	R4.400	-	R7.000	-	-	-	-	-	TR
Beacon Bay	R6.600	-	-	-	-	-	-	-	TR
Gonubie	-	-	-	-	R8.950	-	-	-	TR
Cove Rock	-	-	-	-	-	-	-	-	
Nahoon	-	-	-	-	R9.500	-	-	-	ERA
Vincent	-	-	-	-	-	-	-	-	
Bloemfontein	**R3.500**	**-**	**R4.167**	**-**	**R5.000**	**-**	**R6.050**	**-**	
Bloemfontein CBD	R3.500	-	R4.000	-	R5.000	-	-	-	ED
Westdene	R4.000	-	R5.000	-	R6.000	-	R8.000	-	ED
Willows	R3.000	-	R3.500	-	R4.500	-	R5.000	-	ED
Navalsig	R3.000	-	R3.500	-	R4.000	-	R5.000	-	ED
Arboretum	R3.500	-	R4.000	-	R5.000	-	R6.200	-	ED
Langenhovenpark	R4.000	-	R5.000	-	R5.500	-	-	-	ED
Bainsvlei	-	-	-	-	-	-	-	-	
Universitas	-	-	-	-	-	-	-	-	
Pentagon Park	-	-	-	-	-	-	-	-	

Table 9.3 (continued)
Flat rentals: Upmarket units
Average rands per month as at quarter 2023:1

	Bachelor		1-Bedroom		2-Bedroom		3-Bedroom		Panellist codes
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Kimberley	-	-	-	-	-	-	-	-	
Albertynshof	-	-	-	-	-	-	-	-	
Belgravia	-	-	-	-	-	-	-	-	
New Park	-	-	-	-	-	-	-	-	
Eltoro Park	-	-	-	-	-	-	-	-	
Hillcrest	-	-	-	-	-	-	-	-	
Pietermaritzburg	-	-	**R5.900**	-	**R7.200**	-	**R8.750**	-	
Woodlands/Northdale/Bombay Heights/ Orient Heights/Allandale	-	-	-	-	-	-	-	-	
Chase Valley/Oak Park/Chasedene/ Northern Park	-	-	R6.000	-	R7.500	-	R10.000	-	HN
Wembley/Clarendon	-	-	R6.200	-	R8.200	-	R10.000	-	HN
Pietermaritzburg City	-	-	-	-	-	-	-	-	
Prestbury	-	-	-	-	-	-	-	-	
Pelham/Scottsville/Richmond Crest/ Bisley	R4.450	-	R5.300	-	R6.400	-	R7.500	-	HN
Hayfields/Lincoln Meade/ Bellevue/ The Meadows	-	-	R6.100	-	R6.700	-	R7.500	-	HN
Vanderbijlpark	-	-	-	-	-	-	-	-	
Vanderbijlpark Central	-	-	-	-	-	-	-	-	
Vanderbijlpark CE	-	-	-	-	-	-	-	-	
Vanderbijlpark SE	-	-	-	-	-	-	-	-	
Vanderbijlpark SW	-	-	-	-	-	-	-	-	
Vanderbijlpark CW	-	-	-	-	-	-	-	-	

Table 9.4
Flat: Parking rentals
Average rands per month as at quarter 2023:1

	Open		Covered		Lockup		Basement		Panellist codes
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Johannesburg	**R356**	**-**	**R372**	**-**	**R460**	**-**	**R510**	**-**	
City Central	R350	-	R400	-	R450	-	R500	R50	ENV,PPG
Yeoville/Bellevue/Highlands	R300	R50	R400	-	R450	-	R550	-	ENV,PPG
Jeppestown/Fordsburg/Malvern/Kensington	-	-	-	-	-	-	-	-	
North-Eastern Suburbs	-	-	-	-	-	-	-	-	
Maraisburg/Crosby/Brixton	-	-	-	-	-	-	-	-	
Meldene (Melville, Westdene, Auckland Park)	-	-	-	-	-	-	-	-	
Killarney/Illovo	-	-	-	-	-	-	-	-	
Greenside/Victory Park/ Emmarentia/Linden	-	-	-	-	-	-	-	-	
Parkhurst/Parkview	R450	-	R550	-	R650	-	R750	-	ENV
Rosebank	-	-	-	-	-	-	-	-	
Randburg: Ferndale/Fontainebleau	R100	-	R150	-	R240	-	R170	-	CAR,PPG
Randburg & Suburbs	-	-	R150	-	R240	-	R170	-	CAR
Windsor: East/West	-	-	R200	-	-	-	-	-	TI
Craighall/Craighall Park	-	-	-	-	-	-	-	-	
Sandton: North & Far North	-	-	-	-	-	-	-	-	
Sandton: South to Central	-	-	-	-	-	-	-	-	
Bedfordview	-	-	-	-	-	-	-	-	
Old South	R450	-	R500	-	R550	-	R650	-	ENV
New South	R450	-	R500	-	R550	-	R650	-	ENV
Waterfall	-	-	-	-	-	-	-	-	
CBD Maboneng	R450	-	R500	-	R550	-	R650	-	ENV
Houghton Estate	-	-	-	-	-	-	-	-	
Melrose Arch	-	-	-	-	-	-	-	-	
Melrose (excluding Melrose Arch)	-	-	-	-	-	-	-	-	
Parktown	-	-	-	-	-	-	-	-	
Germiston	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Primrose	-	-	-	-	-	-	-	-	
Germiston Central & South	-	-	-	-	-	-	-	-	

Table 9.4 (continued)
Flat: Parking rentals
Average rands per month as at quarter 2023:1

	Open		Covered		Lockup		Basement		Panellist codes
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Germiston Southern Suburbs	-	-	-	-	-	-	-	-	
Elsburg	-	-	-	-	-	-	-	-	
Witfield	-	-	-	-	-	-	-	-	
Benoni	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Benoni Central	-	-	-	-	-	-	-	-	
Lakefield	-	-	-	-	-	-	-	-	
Westdene	-	-	-	-	-	-	-	-	
Farrarmere	-	-	-	-	-	-	-	-	
Morehill	-	-	-	-	-	-	-	-	
Rynfield	-	-	-	-	-	-	-	-	
Northmead	-	-	-	-	-	-	-	-	
Crystal Park	-	-	-	-	-	-	-	-	
Mackensie Park	-	-	-	-	-	-	-	-	
Western Extension	-	-	-	-	-	-	-	-	
Pretoria	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Akasia	R200	-	-	-	-	-	-	-	PPG
Pretoria North/Dorandia/Florauna	R200	-	-	-	-	-	-	-	PPG
Annlin/Wonderboom/Sinoville/Montana	R250	-	-	-	-	-	-	-	PPG
Die Moot/Queenswood	-	-	-	-	-	-	-	-	
East Lynne/Eersterust	-	-	-	-	-	-	-	-	
Silverton/Meyerspark/La Montagne	-	-	-	-	-	-	-	-	
East (Menlo Park/Ashlea Gardens/all Lynnwoods/Die Wilgers/Faerie Glen/ Garsfontein/Constantia/Waterkloof Glen/ Erasmuskloof)	-	-	-	-	-	-	-	-	
Pretorius Park	-	-	-	-	-	-	-	-	
Groenkloof/Brooklyn/Most Waterkloofs/ Erasmusrand	-	-	-	-	-	-	-	-	
Monument Park	-	-	-	-	-	-	-	-	

Table 9.4 (continued)
Flat: Parking rentals
Average rands per month as at quarter 2023:1

	Open		Covered		Lockup		Basement		Panellist codes
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
South Eastern Suburbs	-	-	-	-	-	-	-	-	
Sunnyside	R100	-	R150	-	R250	-	-	-	MPR
Arcadia	-	-	-	-	-	-	-	-	
Pretoria Central	-	-	-	-	-	-	-	-	
Pretoria West	-	-	-	-	-	-	-	-	
Kwaggasrand/West Park	-	-	-	-	-	-	-	-	
Elandspoort/Danville	-	-	-	-	-	-	-	-	
Atteridgeville/Laudium	-	-	-	-	-	-	-	-	
Hatfield	-	-	-	-	-	-	-	-	
Centurion	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Pierre van Ryneveld	-	-	-	-	-	-	-	-	
Irene	-	-	-	-	-	-	-	-	
Kloofsig/Lyttelton Manor/Doringkloof/ Zwartkop	-	-	-	-	-	-	-	-	
Highveld and Extensions	-	-	-	-	-	-	-	-	
Clubview/Eldoraigne/Wierda Park/ Cranebrook/Bronberrick/Rooihuiskraal North	-	-	-	-	-	-	-	-	
Rooihuiskraal/The Reeds	-	-	-	-	-	-	-	-	
Heuweloord	-	-	-	-	-	-	-	-	
Valhalla	-	-	-	-	-	-	-	-	
Polokwane	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Eduanpark/Welgelegen	-	-	-	-	-	-	-	-	
Bendor/Bendor extension 1	-	-	-	-	-	-	-	-	
Ster Park	-	-	-	-	-	-	-	-	
Flora Park/Fauna Park/Capricorn	-	-	-	-	-	-	-	-	
Polokwane Central/Hospitaal Park	-	-	-	-	-	-	-	-	
Annadale	-	-	-	-	-	-	-	-	
Penina Park/Ivy Park	-	-	-	-	-	-	-	-	

Table 9.4 (continued)
Flat: Parking rentals
Average rands per month as at quarter 2023:1

	Open		Covered		Lockup		Basement		Panellist codes
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Durban	**R259**	**-**	**R273**	**-**	**R475**	**-**	**-**	**-**	
Upper highway: Kloof/Hillcrest	-	-	-	-	-	-	-	-	
Pinetown area/Queensburgh	R225	-	R315	-	-	-	-	-	TR
Westville area	-	-	-	-	-	-	-	-	
Central City	-	-	-	-	-	-	-	-	
Berea/Morningside/Glenwood	R325	-	R355	-	R450	-	-	-	TR
South and North Beach	R325	-	-	-	-	-	-	-	TR
Durban North	R300	-	-	-	-	-	-	-	TR
La Lucia/Greater Umhlanga	-	-	-	-	-	-	-	-	
North (Dolphin) Coast/Ballito	-	-	-	-	-	-	-	-	
Montclaire/Yellowwood Park	-	-	-	-	-	-	-	-	
Bluff	R200	-	-	-	-	-	-	-	TR
Amanzimtoti/Warner Beach	R218	R88	R150	-	R500	-	R200	-	SF,TR
Cape Town	**R542**	**-**	**-**	**-**	**R818**	**-**	**R400**	**-**	
Camps Bay/Clifton/Bantry Bay	R750	-	-	-	R900	-	-	-	TR
Sea Point/Green Point/Three Anchor Bay	R685	R35	-	-	R950	R50	-	-	SQ,TR
City Bowl (excl. Higgovale)	R550	R100	-	-	R875	R125	-	-	SQ,TR
City Centre	-	-	-	-	-	-	-	-	
Waterfront	-	-	-	-	-	-	-	-	
Woodstock/Observatory	-	-	-	-	-	-	-	-	
Rondebosch/Rosebank/Claremont	R475	R75	-	-	R725	R75	R500	-	SQ,TR
Kenilworth/Wynberg/Plumstead	R550	-	-	-	R800	-	-	-	SQ
Grassy Park	-	-	-	-	-	-	-	-	
Muizenberg/Kalk Bay/Fish Hoek	-	-	-	-	-	-	-	-	
Hout Bay	-	-	-	-	-	-	-	-	
Century City	-	-	-	-	-	-	-	-	
Milnerton Sanddrift	-	-	-	-	-	-	-	-	
Milnerton Royal Ascot	-	-	-	-	-	-	-	-	

Table 9.4 (continued)
Flat: Parking rentals
Average rands per month as at quarter 2023:1

	Open		Covered		Lockup		Basement		Panellist codes
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Milnerton Burgundy Estate	-	-	-	-	-	-	-	-	
Tableview	-	-	-	-	-	-	-	-	
Parklands/Sandown/Sunningdale	-	-	-	-	-	-	-	-	
Bloubergstrand	-	-	-	-	-	-	-	-	
Melkbosstrand	-	-	-	-	-	-	-	-	
Athlone	-	-	-	-	-	-	-	-	
Garlandale	-	-	-	-	-	-	-	-	
Rondebosch East/Crawford	-	-	-	-	-	-	-	-	
Mitchells Plain	-	-	-	-	-	-	-	-	
Bishop Lavis	-	-	-	-	-	-	-	-	
Montana/Belhar	-	-	-	-	-	-	-	-	
Pinelands	-	-	-	-	-	-	-	-	
Brooklyn/Rugby/Maitland	-	-	-	-	R650	-	-	-	SQ
Monte Vista/Goodwood/Parow/Bellville Central	R450	-	-	-	R650	-	-	-	SQ
Tyger Valley area	-	-	-	-	R800	-	-	-	LA
Durbanville	-	-	-	-	R850	-	-	-	LA
Brackenfell/Kuils River	-	-	-	-	R1.000	-	-	-	CIR
Somerset West	-	-	-	-	-	-	-	-	
Strand	-	-	-	-	-	-	-	-	
Gordon's Bay	-	-	-	-	-	-	-	-	
Kraaifontein (excl. Buh-Rein)	-	-	-	-	-	-	-	-	
Buh-Rein Estate	-	-	-	-	-	-	-	-	
Paarl	R250	-	R350	-	R700	-	R300	-	JUS
Wellington	-	-	-	-	-	-	-	-	
Stellenbosch	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Cloetesville	-	-	-	-	-	-	-	-	
Onder Papegaaiberg	-	-	-	-	-	-	-	-	

Table 9.4 (continued)
Flat: Parking rentals
Average rands per month as at quarter 2023:1

	Open		Covered		Lockup		Basement		Panellist codes
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Simonswyk	-	-	-	-	-	-	-	-	
Idas Valley	-	-	-	-	-	-	-	-	
Uniepark	-	-	-	-	-	-	-	-	
Krigeville	-	-	-	-	-	-	-	-	
Dalsig	-	-	-	-	-	-	-	-	
Kleingeluk	-	-	-	-	-	-	-	-	
Nuutgevonden	-	-	R500	-	-	-	-	-	SR
Nooitgedacht Village	-	-	-	-	-	-	-	-	
Paradyskloof	-	-	-	-	-	-	-	-	
Klein Welgevonden	R200	-	-	-	-	-	-	-	SR
Campus – Central	-	-	R1.500	-	-	-	-	-	SR
Campus – West	-	-	-	-	-	-	-	-	
Campus – North	-	-	-	-	-	-	-	-	
La Colline	-	-	-	-	-	-	-	-	
George	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Heather Park	-	-	-	-	-	-	-	-	
Heatherlands	-	-	-	-	-	-	-	-	
King George Park	-	-	-	-	-	-	-	-	
Dormehl's Drift	-	-	-	-	-	-	-	-	
George South	-	-	-	-	-	-	-	-	
George Central	-	-	-	-	-	-	-	-	
Bo-Dorp	-	-	-	-	-	-	-	-	
Denver Park	-	-	-	-	-	-	-	-	
Loerie Park	-	-	-	-	-	-	-	-	
Protea Park	-	-	-	-	-	-	-	-	
Parkdene	-	-	-	-	-	-	-	-	
Borcherds	-	-	-	-	-	-	-	-	
Lawaaikamp	-	-	-	-	-	-	-	-	

Table 9.4 (continued)
Flat: Parking rentals
Average rands per month as at quarter 2023:1

	Open		Covered		Lockup		Basement		Panellist codes
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Ballot's View	-	-	-	-	-	-	-	-	
Herolds Bay (excl. Oubaai)	-	-	-	-	-	-	-	-	
Oubaai	-	-	-	-	-	-	-	-	
Gqeberha	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Summerstrand/Humewood/South End	-	-	-	-	-	-	-	-	
Walmer	-	-	-	-	-	-	-	-	
Central/North End	R250	-	R250	-	-	-	-	-	TR
Newton Park	-	-	-	-	-	-	-	-	
Westering	-	-	-	-	-	-	-	-	
Kabega	-	-	-	-	-	-	-	-	
Algoa Park	-	-	-	-	-	-	-	-	
Lorraine	-	-	-	-	-	-	-	-	
Sherwood	-	-	-	-	-	-	-	-	
Fairview	-	-	-	-	-	-	-	-	
East London	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Southernwood/Quigney beach/CBD	R250	-	-	-	R200	-	-	-	TR
Berea	-	-	-	-	-	-	-	-	
Cambridge/Amalinda/Haven Hills	-	-	-	-	-	-	-	-	
Beacon Bay	-	-	-	-	-	-	-	-	
Gonubie	-	-	-	-	-	-	-	-	
Cove Rock	-	-	-	-	-	-	-	-	
Nahoon	-	-	-	-	-	-	-	-	
Vincent	-	-	-	-	-	-	-	-	
Bloemfontein	**R200**	**-**	**R300**	**-**	**R350**	**-**	**R407**	**-**	
Bloemfontein CBD	R200	-	R300	-	R350	-	R400	-	ED
Westdene	R200	-	R300	-	R350	-	R400	-	ED
Willows	R200	-	R250	-	R300	-	R350	-	ED
Navalsig	R200	-	R250	-	R300	-	R350	-	ED

Table 9.4 (continued)
Flat: Parking rentals
Average rands per month as at quarter 2023:1

	Open		Covered		Lockup		Basement		Panellist codes
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Arboretum	-	-	-	-	-	-	-	-	
Langenhovenpark	R200	-	R300	-	R350	-	R450	-	ED
Bainsvlei	-	-	-	-	-	-	-	-	
Universitas	R200	-	R350	-	R400	-	R450	-	ED
Pentagon Park	R200	-	R350	-	R400	-	R450	-	ED
Kimberley	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Albertynshof	-	-	-	-	-	-	-	-	
Belgravia	-	-	-	-	-	-	-	-	
New Park	-	-	-	-	-	-	-	-	
Eltoro Park	-	-	-	-	-	-	-	-	
Hillcrest	-	-	-	-	-	-	-	-	
Pietermaritzburg	**-**	**-**	**R312**	**-**	**R412**	**-**	**R395**	**-**	
Woodlands/Northdale/Bombay Heights/ Orient Heights/Allandale	-	-	-	-	-	-	-	-	
Chase Valley/Oak Park/Chasedene/Northern Park	-	-	R360	-	R480	-	R460	-	HN
Wembley/Clarendon	-	-	R350	-	R470	-	R460	-	HN
Pietermaritzburg City	-	-	R330	-	R450	-	R430	-	HN
Prestbury	-	-	R280	-	R350	-	R320	-	HN
Pelham/Scottsville/Richmond Crest/Bisley	-	-	R270	-	R360	-	R350	-	HN
Hayfields/Lincoln Meade/Bellevue/ The Meadows	-	-	R280	-	R360	-	R350	-	HN
Vanderbijlpark	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Vanderbijlpark Central	-	-	-	-	R350	-	-	-	DT
Vanderbijlpark CE	-	-	-	-	-	-	-	-	
Vanderbijlpark SE	-	-	-	-	-	-	-	-	
Vanderbijlpark SW	-	-	-	-	-	-	-	-	
Vanderbijlpark CW	-	-	-	-	-	-	-	-	

Our heartfelt thanks to the companies that contributed to the residential-market survey. By clicking on their logos, you will learn more about these panellists.

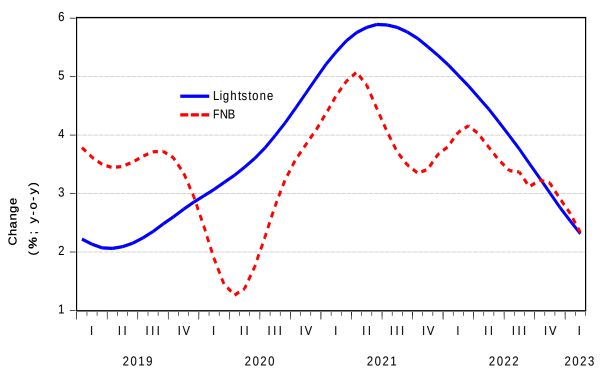
Chapter 10: House market

House prices head lower

Kobus Lamprecht

The housing market continues to slow down due to lower effective demand for property as a result of the weakening economy, the higher cost of living and rising interest rates. Nominal prices grew by 2,5% in the first two months of 2023 compared to the same period in 2022, based on FNB data shown in the chart. This indicates a slowdown after growth of 4,2% in 2022 and 3,5% in 2021.

Change in nominal house prices in SA

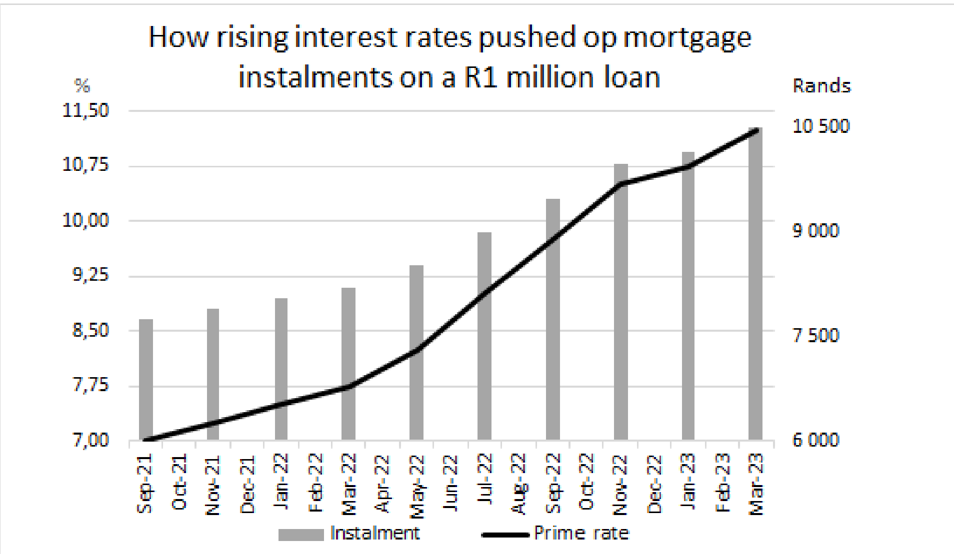


Source of data: FNB

Interestingly, Lightstone's index has converged with FNB's index, with February's nominal price growth measured at 2,3%. In *real* terms, house prices are still declining sharply after deducting the consumer inflation (CPI) rate of close to 7%.

From the chart we note that house-price growth has gradually weakened since the boom in 2020/21, which was created by the drastic lowering of the prime interest rate to 7% to financially support households during the Covid pandemic.

Since then, the picture has changed completely. The South African Reserve Bank (SARB) started hiking short interest rates in November 2021 and by March 2023 had already lifted rates by a cumulative 4,25% points to combat inflation. This has resulted in the prime interest rate rising to 11,25%, which means it is now above the roughly pre-pandemic level of 10% in 2019. The chart shows how this has pushed up the monthly mortgage instalments over this period for a R1 million, 20-year loan to R10 492 from R7 752. In rand terms, the increase has amounted to about R2 700 per month.



Source of data: Econostat; Rode & Associates calculations

Many homebuyers have been caught off guard by the extent of the interest rate hikes, despite warnings by many (Rode as well) that interest rates will eventually have to rise. This chapter shows that the interest rate hikes have started to affect prices and activity levels more materially and the impact is not over yet. This is as the SARB hiked interest rates by a further 0,5% in March, despite the Fed only lifting its rate by 0,25% in the same month. The bold hike by the SARB will support the ZAR somewhat, which in turn will slow down imported inflation.

Markets have been expecting that the current rate-hiking cycle was near its top as inflation is set to fall more with lower energy prices, among other factors. However, as we write this, OPEC+ decided to reduce oil production further, which led to a surge in oil prices on 3 April. This befuddles previous optimistic inflation forecasts. Much also depends on the outcome of the Putin war.

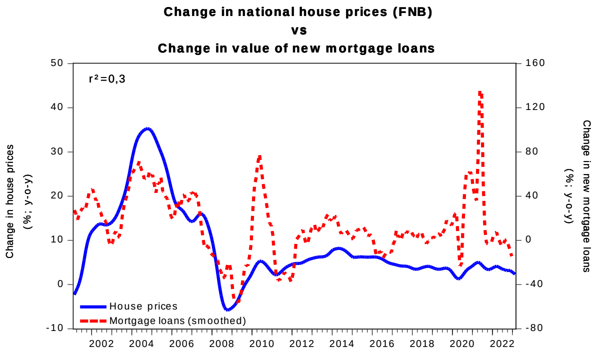
We expect nominal house prices to grow at a slower rate in 2023 and 2024 due to the weak economy, high unemployment and increasing interest rates. The severe electricity supply crisis is a huge headwind for the economy. Therefore, don't expect real house-price growth soon.

In the text that follows, we briefly discuss the drivers of changes in house prices, before looking at how interest rates and the economy affect the housing market.

Drivers of changes in house prices

House prices correlate somewhat with the value of residential mortgages granted, with $r^2 = 0,3$, as shown in the chart. This means the value of mortgages granted explains about 30% of changes in house prices, without controlling for other determinants. The implication of this is that house prices tend to do better during periods of high churn (when estate agents and conveyances also do well). The question is, what comes first: the higher number of sales (thereby accelerating mortgage bonds granted) or the accelerating prices? From the chart, it seems it differs from time to time but on average they tend to coincide.

The nominal value of residential mortgages granted fell by 14,4% in the fourth quarter of 2022 compared to the fourth quarter of 2021, according to SARB data. This took the decline for 2022 to 3% compared with 2021.

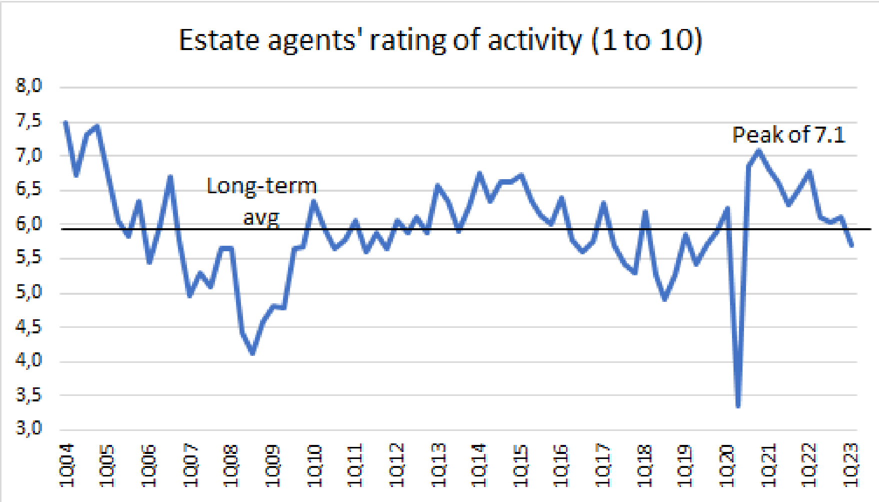


Source of data: FNB; SARB

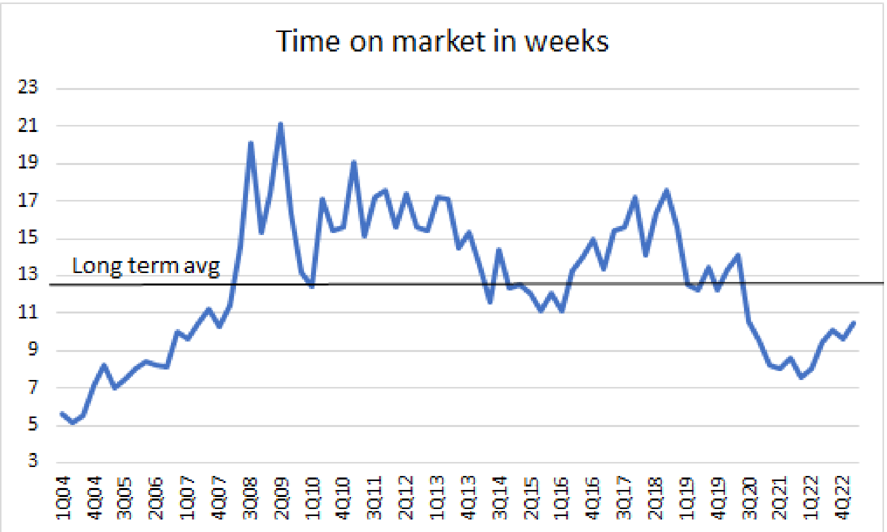
With reference to the chart, note the spike in 2020/21 due to the drastic lowering of the prime interest rate to a record-low level of 7% and pent-up demand after the Covid-related hard lockdown. Also note the spike in mortgage loans in 2010, which can also be attributed to a drastic lowering of interest rates. In 2009, the prime rate still averaged 11,7%, dropping to 9,8% in 2010. However, it was a sharp, short spike, with mortgage bonds granted plummeting into negative territory in 2011 but rising again to more normal territory in 2012 onwards, even though interest rates stayed on the new-low level of about 9%. A similar type of scenario is playing out now. Thus, the spikes in 2010 and 2020/21 can be attributed to pent-up demand being taken up fully in a short period.

It is worth looking at the results of FNB's first-quarter 2023 residential survey data.

FNB asked estate agents to rate activity from 1 to 10. Based on this metric, activity in the residential market slowed from its pandemic peak of 7,1 in the fourth quarter of 2020 to 5,7 in the first quarter of 2023, as shown in the chart. This peak was of course created by the significant cut in the prime interest rate to as low as 7% from its roughly 10% pre-pandemic level. Much has changed since then, with the prime interest rate rising to 11,25% in March 2023. Interestingly, activity has fallen to below its long-term average level in the first quarter. This data, together with the SARB mortgages granted data, indicates that the higher interest rates and weak economy are starting to impact activity levels more materially.



Source of data: FNB



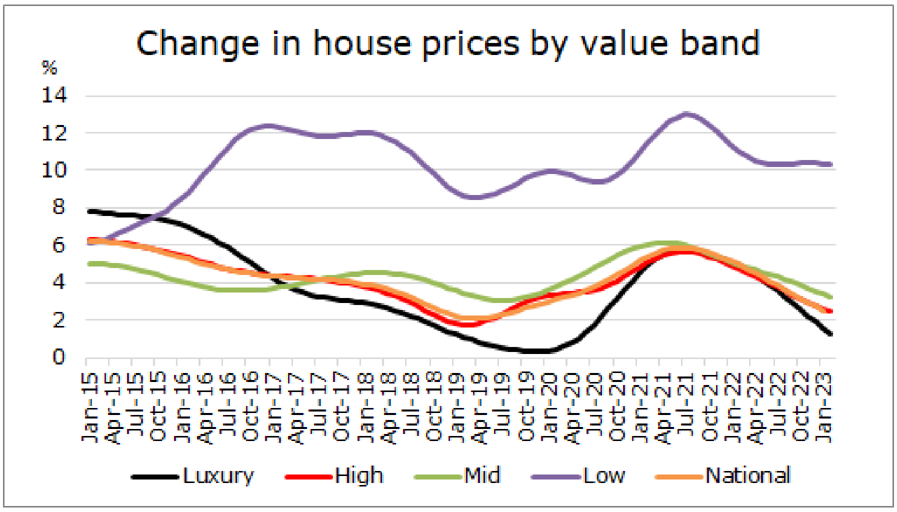
Source of data: FNB

An indicator that shows the residential market is also seeing increased pressure is the time that houses are on the market, which in the first quarter of 2023 was 10,5 weeks, up from 9,6 weeks in the fourth quarter. In fact, a slow increase from roughly 8 weeks has been seen since the end of 2021. However, this is still below the long-term average of 13 weeks, suggesting that the housing market is still holding up relatively well based on this metric alone. One would expect a moderate inverse correlation between 'time on the market' and 'activity' (number of deals).

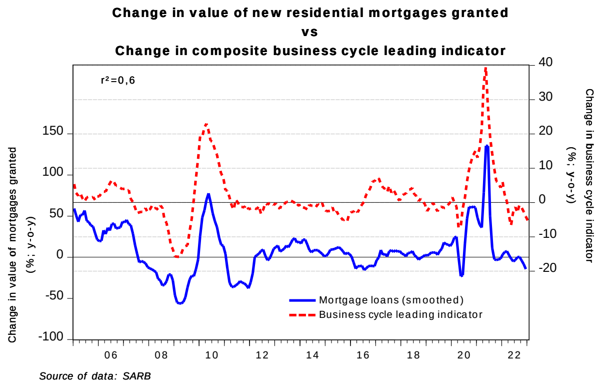
We now turn to the chart that shows the change in house prices by value band since 2015, using data from Lightstone. In the chart we see that house-price growth slowed in all segments over the past year and a half.

The Lightstone data reveals an interesting trend, namely that houses worth less than R250 000 (low-value band) have comfortably managed to outpace inflation, implying *real* price growth. The latest year-on-year growth rate in February 2023 was a stellar 10,3% – well above the consumer inflation rate. We suspect the amazing outperformance of this low-value band since 2016 could possibly be ascribed to subsidised houses being sold into the market at market-related prices. These houses can only be sold after eight years but if the house is put up for sale, the government should have the first option to buy it. So, one can only wonder what is happening here. Certainly, a constant growth rate of double figures when inflation is only, say, 5% is not sustainable.

Also note that growth in all the other price bands slowed to between 1% and 3,5% in February 2023 from its peak of about 6% in the middle of 2021.



The following values apply to the different price categories: Luxury (≥R1,5 m), High (R700 k to R1,5 m), Mid (R250 k to R700 k) and Low (≤R250 k).
Source of data: Lightstone



Turning to the outlook for the housing market, a significantly correlated variable of residential mortgages granted is the leading business cycle indicator of the SARB, with r^2 = 0,6. This indicator reflects early stirrings in the economy, thus confirming that the fundamental driver of house prices is the economy. The indicator has declined since April 2022 (year on year) due to the impact of the Russia-Ukraine war and the electricity supply crisis among other factors. The downturn in this indicator does not bode well for mortgage demand in the near future.

In the medium term, we expect the growth in the value of mortgages granted to be slow as effective demand from borrowers will be impeded by several factors:

1) A moribund economy. The economy grew by 2,1% in *real* terms in 2022 after growth of 4,9% in 2021. The economy is expected to grow only slowly over the medium term as it is negatively affected on the domestic front by cyclical factors (such as the fiscal predicament) and structural problems (like the electricity supply crisis, the quality of education, and too few taxpayers relative to the total population). More power from private projects over the medium term will alleviate the electricity constraint somewhat. But this type of project always takes longer than expected, especially as long-distance transmission lines need to be installed to allow for more capacity to the grid – you can call it the law of Rode.

2) The SA fiscal cliff, which will be a constraint on economic growth for many years to come.

3) The financial pressure experienced by the consumer, related to high inflation and rising interest rates.

4) Very high unemployment. The expanded unemployment rate[1] was 42,6% in the fourth quarter of 2022, according to Stats SA. This was down from 46,2% in the fourth quarter of 2021. However, job prospects are poor over the medium term given expectations of low economic growth and the overpopulated SOEs and public sector, whose salary bill will eventually have to be shorn but which seems politically unlikely. Private sector wage growth is also low and might even be nil in some instances.

5) Rising utility costs that erode disposable incomes and the competitiveness of the SA industry. Think electricity (Eskom is in dire need of capital) and the impact of fuel prices.

6) Property buyers will generally shy away from cities and towns with dysfunctional municipalities, characterised by high debt levels and a collapse in service delivery. For example, municipalities alone owed Eskom R56,3 billion at the end of December. The Treasury said in February's budget that it is working with Eskom to provide a solution to the problem, whereby Eskom will provide incentivised relief to municipalities whose debt is unaffordable.

[1] This includes people who were available for work, but not looking for a job.

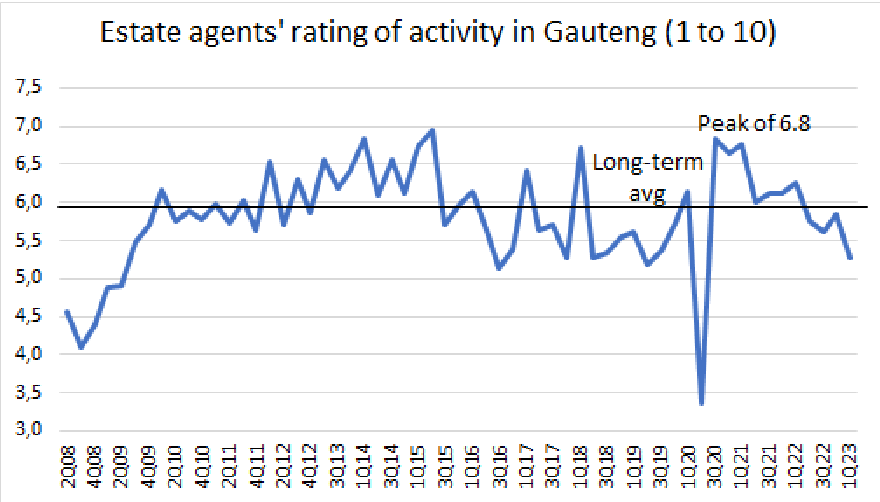
House-price growth by metro and province

Table 10.1 shows the yearly growth in prices in the major metros and provinces since 2019 (ex Lightstone). Most metros in the country saw robust growth in 2020/21 due to record-low interest rates, but price growth has slowed down in 2022, except in Nelson Mandela Bay (which includes Gqerberha) where growth even topped inflation.

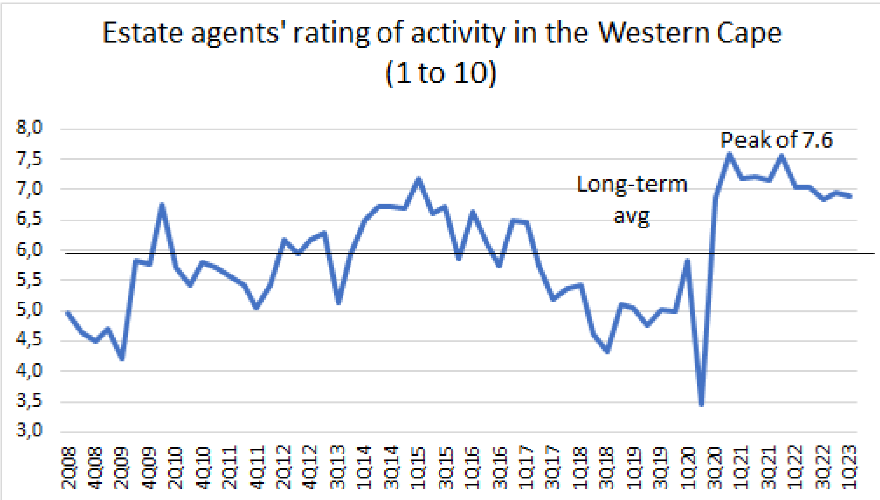
In the City of Johannesburg, nominal house prices grew by 0,8% in November 2022 compared to November 2021, the slowest of all the major metros. The slowdown in Gauteng is in line with first-quarter 2023 FNB data, which shows activity has fallen further below the average level since 2008 (see chart). Of course, semigration of skilled people is taking its toll.

Activity in the Western Cape was perceived to be the strongest of the major provinces and is also up compared to the long-term average since 2008, based on the FNB data. Houses are on the market for an average of 7,6 weeks in the Western Cape, also better than the national average of 10,5 weeks.

However, Cape Town has not escaped the slowing national house-price trend, with price growth measured at 3,3% in November 2022. Noteworthy is that house-price growth for the whole Western Cape was 5,3%, implying strong growth outside of the Mother City as semigration boosts demand. However, price growth is still lower than consumer inflation.



Source of data: FNB



Source of data: FNB

Looking ahead, we expect nominal house prices to grow at a slower rate in 2023 and 2024 due to the weak economy, high unemployment and increasing interest rates. The severe electricity supply crisis is a huge headwind for the economy. This will make buying a house unaffordable for some households and lead to rising mortgage defaults in some instances. Therefore, don't expect *real* house-price growth soon.

It is highly probable that properties that are independent or semi-independent of the power grid, or properties that have this potential, will tend to sell more easily in future years. And with climate change and dysfunctional municipalities, it is quite possible that, longer into the future, those with boreholes or other independent sources of potable water will also command a premium.

Rode's six-year forecast of house prices and flat rentals is provided in our sister publication *Rode's SA Property Trends*. ■

Table 10.1
Change in nominal house prices by metro and province
% change on a year earlier

Municipality	**2019**	**2020**	**2021**	**2022 Oct**	**2022 Nov**
City of Johannesburg	0,3	3,4	2,6	1,0	0,8
City of Tshwane	2,0	4,5	4,9	3,0	2,9
Ekurhuleni	2,4	5,1	5,5	4,0	3,8
City of Cape Town	4,3	3,5	4,9	3,4	3,3
eThekwini	2,9	4,9	4,3	3,6	3,7
Nelson Mandela Bay	4,8	7,4	6,8	7,3	7,1
Province					
Gauteng	1,5	4,3	4,0	2,5	2,4
Western Cape	4,9	4,7	6,7	5,4	5,3
KwaZulu-Natal	3,0	5,1	4,8	4,4	4,4
Eastern Cape	5,2	6,7	7,1	6,6	6,4
South Africa	2,9	4,9	5,3	3,2	2,9
Coast	2,8	5,0	7,2	7,3	7,2
Non-coast	2,9	4,9	5,1	3,5	3,4

Source of data: Smoothed Lightstone data (ex the Deeds office)

Chapter 11: Building activity and building-construction costs

Decline in building plans passed paints worrying picture

Kobus Lamprecht

Building activity in both the non-residential and residential property sectors increased in the 12 months to January 2023 compared to the 12 months to January 2022 but remains below their long-term averages (calculated since 2000).

The better non-residential activity over the past year was driven by a strong rise in industrial building-construction activity, which makes sense as this sector is still fundamentally in good shape. The same cannot be said of the office sector, which has seen a huge drop in the construction of new buildings. Building activity in the retail property market also fell sharply over the past year.

In contrast to the Stats SA data above that shows an overall increase in non-residential activity, the data from the SARB paints a dire picture, as explained later. Of the non-residential property types, only industrial property managed to record growth in plans passed. In the residential sector, activity has also recovered but, like non-residential activity, is still below its long-term average. Residential building plans passed decreased by 8% year on year in the 12 months to January 2023. Higher interest rates and the weak economic outlook are no doubt playing a role in the decline in building plans passed.

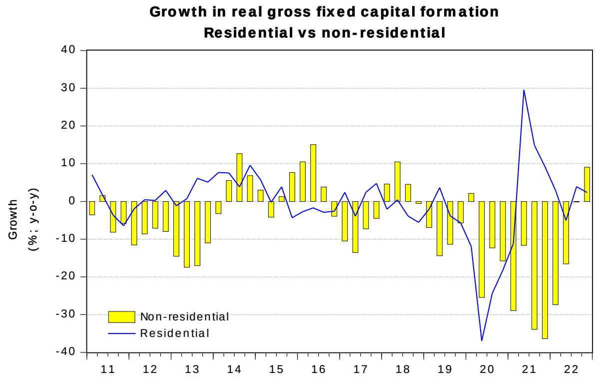
Our detailed discussion of trends in building-construction activity and costs follows.

Building-construction activity

To analyse building activity, we delve deeper into the SARB's measure of gross fixed capital formation (GFCF) and building-construction data from Stats SA.

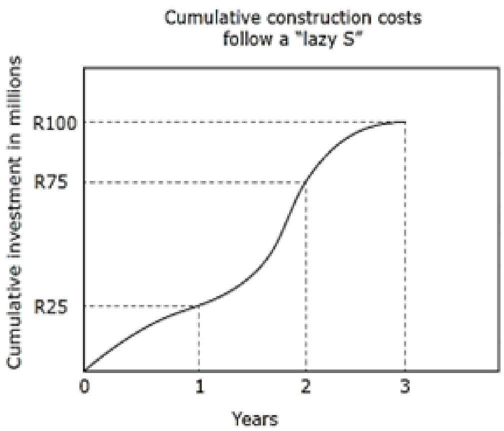
The SARB's measure of GFCF reflects the real value of bricks and mortar being put in place in a given period like a quarter or a year and is shown in the chart below. GFCF in the non-residential sector recovered by 9,1% year on year in the fourth quarter of 2022, to reduce the decline for 2022 to 10%. The positive is that it is smaller than the 28% plunge of 2021. Nevertheless, this means that activity in 2022 fell for the fourth consecutive year. Activity in the fourth quarter was still about 42% lower than the average since 2010.

The residential sector is faring better – no doubt because of the ultra-low interest rates we had during the pandemic as the residential sector is more sensitive to interest rate fluctuations than the non-residential sector. GFCF in the residential sector in the fourth quarter of 2022 increased by 2,3% year on year. However, activity in the fourth quarter was still about 7% lower than the average since 2010. Activity increased by 1,1% in 2022 compared to 2021. This comes after activity increased by 9% in 2021.



Source of data: SARB

Compare this statistic with 'buildings completed', which reflects, at the date of completion, the total building cost expected at the time the building plans were passed by the municipality, which could be a few years earlier. Also, the progression of the cumulative building cost over time reflects a lazy S-curve. For instance, a building worth R100 million completed in 2022, could reflect GFCF amounting to R25 million being put in place in 2022, R50 million in 2021 and R25 million in 2020 (see the figure).



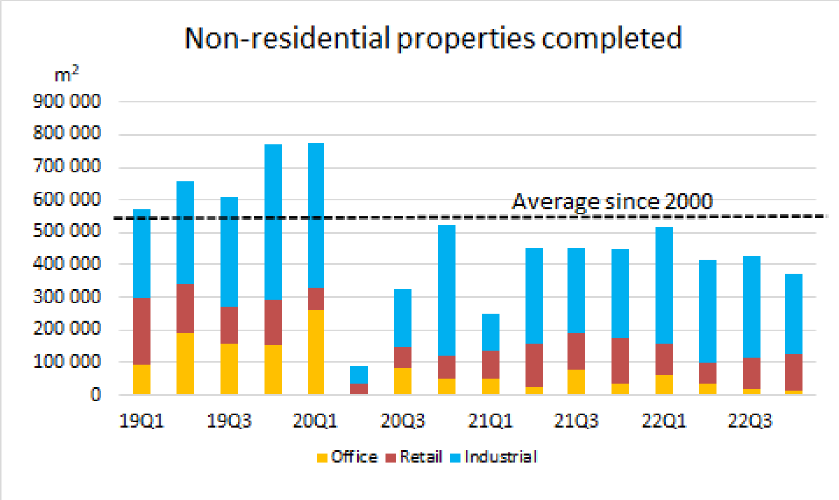
Source of data: Rode & Associates

Thus the 'buildings completed' statistic is a lagging indicator – it reflects conditions and expectations in the property market that existed up to two or three years earlier. This is especially true of non-residential building construction. In contrast, GFCF reflects a more recent occurrence and is, therefore, less of a lagging indicator as it reflects only R25 million in 2022 in the example above.

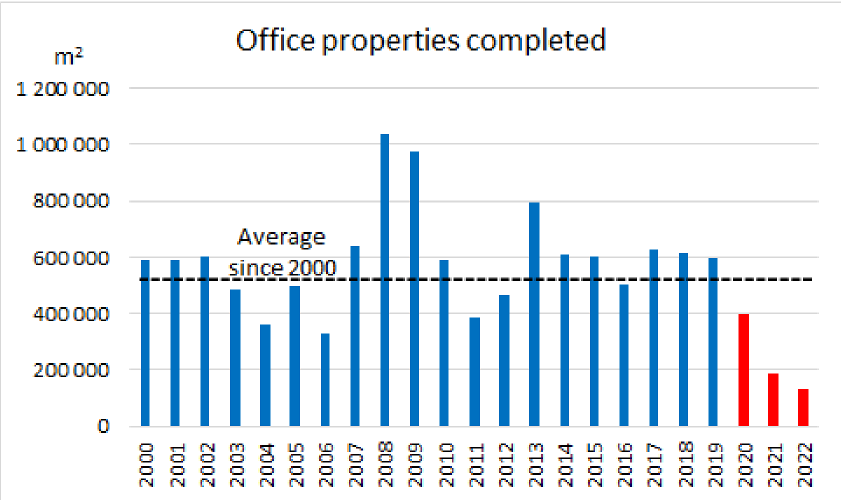
With this as background, we now turn to **Tables 11.1** and **11.2**, which reflect building plans passed and buildings completed (expressed in square metres) as reported by local government institutions (ex Stats SA).

The statistic for **non-residential buildings** completed in square metres has generally improved since the hard lockdown shock in 2020 but remains below the long-term trend, as the quarterly chart shows. Activity started 2022 strongly, but struggled over the past few quarters, with activity in the second half of 2022 down 11% year on year. Activity of office and retail property was below the long-term average, but industrial property bucked the trend.

Non-residential activity in the 12 months to January 2023 was about 13% higher compared to the 12 months to January 2022 largely due to stronger industrial-building activity. It is hard to see that non-residential activity will break above the long-term trend soon due to the general economic malaise and especially the woes of the office sector. We delve deeper into the trends by property type in the text that follows.



Source of data: Stats SA



Source of data: Stats SA

The two charts show that the property type that is really struggling is the office market due to a significant oversupply (see **Chapters 5** and **6**), with space completed down 32% in 2022 to its lowest level since at least 1997. Activity has been on a clear downtrend since 2020 as Covid-19 reduced the feasibility of offices through the work-from-home trend and the then ruling oversupply of space. Currently, hybrid working models are favoured. In this environment, landlords are either looking to sell older office properties or to convert them to another use. Turning to 2023, we noted a sharp increase in activity in January. Because January's figure alone reflects 72 000 m² compared with 128 000 m² for the whole of 2022, we queried the January figure with Stats SA. A spokesperson said it is due to a large building completed in Samcor Park/ Ford SA (Silverton, Pretoria).

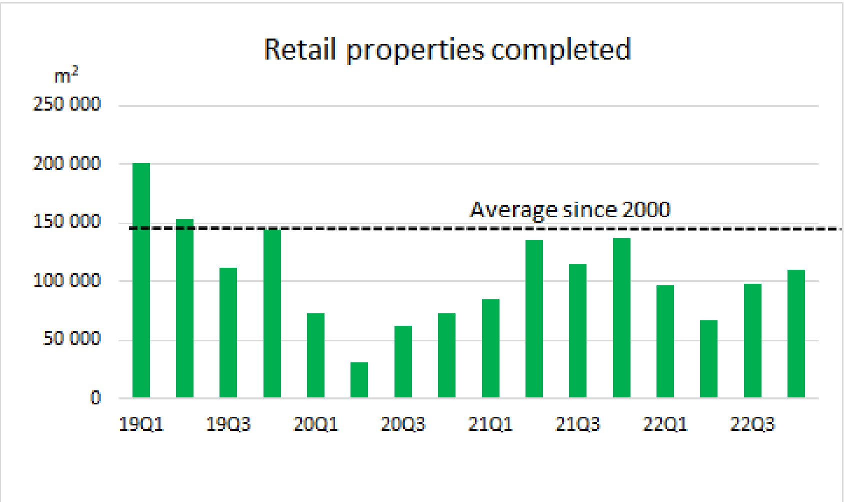
Turning to the retail market, space completed has remained below the long-term average, as shown in the chart. Activity in the 12 months to January 2023 decreased by 14% compared to the same 12-month period a year earlier, as shown in **Table 11.1**.

In 2023, the total number of square metres scheduled for completion is only about 100 000 m^2 based on shopping centres where construction has started as of January 2023, according to Rode's shopping centre database. Rode's shopping centre data is presented in detail in *Rode's Retail Report*. Almost all new space is in smaller cities or rural areas, which generally do not have the oversupply problem seen in the major urban areas. But we must caution that the data can still change as the construction of more centres could be started.

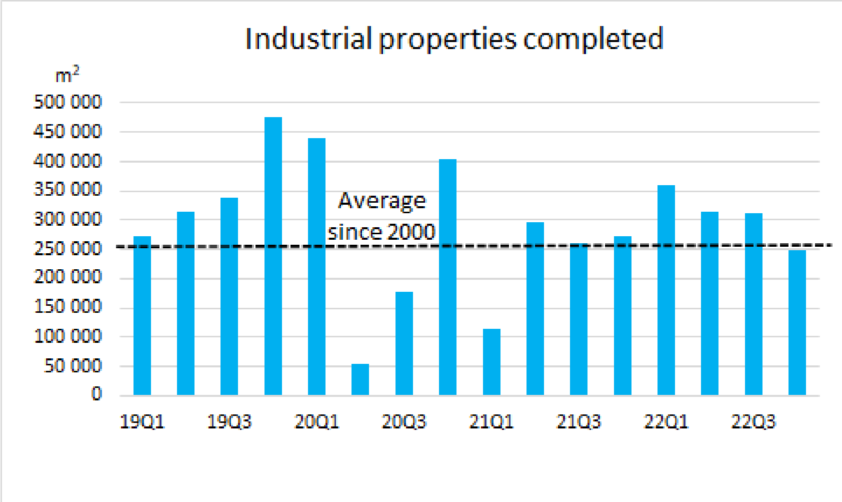
The outlook for growth in construction activity over the medium term is clouded by slow prospective economic growth, the current poor state of consumer finances, and the healthy growth in online sales. To add insult to injury, the severe July 2021 unrest did nothing to improve (long-term) confidence.

The relatively few mall completions in the pipeline for 2023 are no doubt the lagged result of (a) the poor state of the economy in 2020 and 2021, thereby reflecting the long gestation period of malls, as well as (b) the generally oversupplied situation in the urban areas even before the pandemic.

Turning to Stats SA data, plans passed in square metres declined by 27% in the 12 months to January 2023. This implies that construction activity will remain low. Developers are getting the message.



Source of data: Stats SA



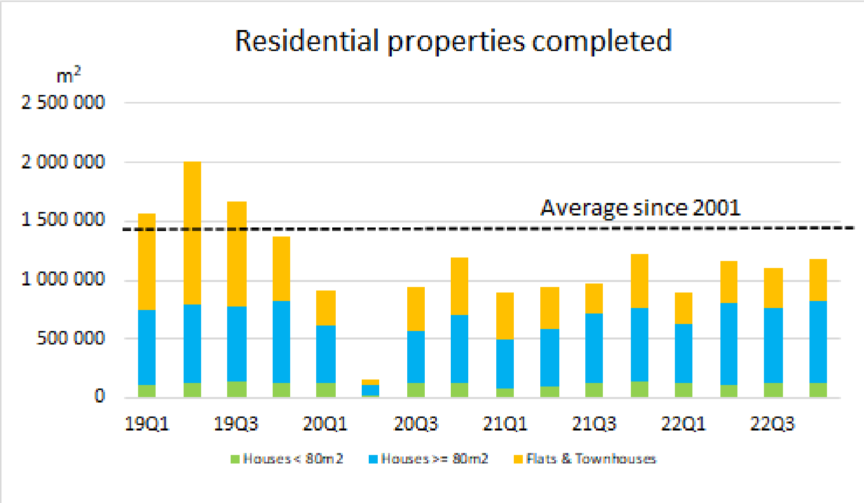
Source of data: Stats SA

Measured in square metres, industrial space completed performed well in 2022, with activity breaking the long-term average in several quarters (see chart). Activity increased by 24% in the 12 months to January 2023. The strong industrial activity reflects a country that has become increasingly consumption oriented over the years, requiring more warehousing as well as a next generation of warehouses with higher eaves. The sharp growth in online sales has also boosted the demand for distribution centres.

As for future non-residential activity, plans passed in square metres decreased by 4% in the 12 months to January 2023, as shown in **Table 11.1**. Even so, few of these 'plans passed' buildings will become 'buildings completed' in the next few years, especially office space. The sector with the brightest prospects is industrial property as it is fundamentally still in the best shape given its low vacancy rate and relatively robust growth in nominal rentals. Indeed, plans passed for industrial space increased by 4% in the 12 months to January 2023, although the growth rate seems to be decelerating. In contrast, plans passed for both office and shopping space decreased.

Table 11.1
New non-residential buildings
(private sector) (m²)

	Offices	**Shopping space**	**Industrial buildings**	**Total**
12 months to January 2023 vs 12 months to January 2022 (% change)				
Completed	12,2%	-13,6%	23,8%	12,1%
Plans passed	-10,6%	-26,6%	3,9%	-4,0%
Source of data: Stats SA				



Source of data: Stats SA

Table 11.2
New residential buildings
(private sector) (m²)

	Dwelling houses smaller than 80 m²	Dwelling houses larger than 80 m²	Flats & townhouses	Total
12 months to January 2023 vs 12 months to January 2022 (% change)				
Completed	3,0%	18,5%	-10,9%	6,0%
Plans passed	-22,5%	-0,3%	-18,2%	-8,0%
Source of data: Stats SA				

Turning to the **residential sector**, **buildings completed** rose by 6% year on year in the 12 months to January 2023, as shown in Table 11.2. However, the bigger picture shows that although residential construction activity has recovered, it remains well below its long-term average (see chart).

Residential building **plans passed** decreased by 8% in the 12 months to January 2023 compared to the 12 months to January 2022. Regionally, the Western Cape shone with growth of 8%, but it has been slowing down of late. Nationally, higher interest rates and a weak economic outlook no doubt are playing a role in the subdued data for building plans passed.

All in all, the data suggests that developers are most positive about the industrial sector, followed by the residential sector. The retail sector, and especially offices, remain the laggards.

Building-construction costs

Building contractors generally have been in a tough spot financially over the past few years due to weak demand for new projects and a sharp rise in input costs. According to the BER, tender prices (BER BCI), which include input costs (like fuel, labour and materials) and the profit margin of contractors, increased by a downwardly revised 5,1% year on year in the fourth quarter of 2022, lower than the growth of 8,6% in the third quarter. The fourth quarter's outcome reduced growth for the whole of 2022 to 8,1%. The input cost of residential and non-residential contractors, as measured by the Haylett indices, rose by between 9% and 11%, which shows that contractor profit margins generally were under pressure last year.

Turning to 2023, the BER tentatively estimated that tender prices rose by 6,1% in the first quarter of 2023 compared to the first quarter of 2022. The "smoothed" increase came to around 6% for the first quarter (See **Annexure 6** for historical BCI data). The strong rise in construction costs is prohibiting the conversion or development of larger projects.

It must be pointed out that, even where a building-construction contract has a 'Haylett' clause, the rise in input costs is partially for the account of the developer.

Rode's six-year forecast of building activity and building-construction costs, as well as other property-related variables, is provided in our sister publication *Rode's SA Property Trends*. ■

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 several 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' or 'average' refer to the arithmetic mean, unless otherwise specified. See also **geometric mean** and **median**.

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 (measured by the **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: Bulk square metres refer to the gross building area (GBA) of a building. According to *The Sapoa 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 (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 regulate the FAR definition, in a slightly different manner." The market value of office and shopping-centre land is generally expressed as the value per **bulk** square metre.

Bulk head-lease: A lease that is signed with one party, which then sublets the space to other tenants.

Capitalization rate: see **Standard Capitalization rate**

CBD: Central business district or downtown. This is an area of concentrated high economic activity. The user may want to 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 storm water pipes, electricity and water reticulation. See also **building construction**.

Cluster housing [*trosbehuising*]: Attached or detached residences grouped together in a community, normally secured by a fence and a (guarded) gate. In the stricter sense of the word, to be called cluster housing, a complex has to have common recreation areas like a swimming pool or private nature area. This layout normally results in a higher density than would be attained through a conventional subdivision layout. Tenure could be either full title (managed by a homeowners' association) or sectional title (managed by a body corporate). See also **Estate housing**.

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** plus 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**.

Duet house: Two attached single-family houses on one stand registered in terms of the Sectional Titles Act, which means the two units are sold and bought separately.

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**.

Estate housing [landgoedbehuising]**:** It is similar to **Cluster housing**, except that common-area leisure facilities are not a requirement of the definition; not necessarily upmarket, although it does have an upmarket flavour.

Exit capitalization rate: When valuing an income-producing property by discounting, say, the first five years' cash flow, the sixth year's expected net market rent must be capitalized in perpetuity at the end of year five and thereafter also discounted to year_0 (date of valuation). The capitalization rate at the end of year five is known as the exit capitalization rate. To provide for ageing, this rate is typically slightly higher than the year_0 capitalization rate.

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**.

Freehold title: The owner of the land enjoys free ownership in perpetuity (no land rental payable to a landlord) and can use the land for any purpose, *albeit in accordance with the local regulations*. Cf. **Leasehold**.

Full title (FT): The house or other type of building is part of an **Estate** or **Cluster** scheme and is built on a separate erf registered at the Deeds Office. The scheme is governed by a homeowners' association rather than a sectional title body corporate. Thus, the term is used to distinguish it from **Sectional title (ST).** In theory, full-title homes could be built on **Leasehold** or **Freehold** land, although the former is unlikely in SA. It is, therefore, wrong to call 'full title' 'freehold', when it could in fact be full title on leasehold land; also, most, if not all, sectional title schemes are built on free-hold land.

Fundamental value (FmV): It is a subjective value based on the investor's own, subjective forecast of rentals and maybe the investor's unique or different in-house discount rate/ capitalization rate. An FmV higher than the more objective market value (MV) is a buy signal to an investor.

The calculation of the FmV is especially indicated where the economy, or property market, changes gear, e.g. a secular change in inflation rate or the real-rental cycle bottoming out. These are instances where any market is notoriously poor at forecasting trends.

An alternative term is intrinsic value.

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*7*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.

GBCSA: Green Building Council of South Africa.

Grey shell/box: Commercial space that is completely unfinished. That means it has unfinished floors, no interior (dry-)walls, no plumbing or electrical, and if it has AC, it may be without controls or ductwork. Source: https://seacoastconstruction.net/whats-the-difference-between-a-gray-shell-and-white-box-in-the-commercial-sector/
See also: **White box finish**

Haylett index: A measure of the movement of all input costs in the building industry, most significantly material and labour costs. Other costs include plant and fuel. Designed to recompense the building contractor for in-contract rises in input costs. Does not include profit margins for contractors. Official designation: CPAP Haylett Formula (Work Group 180 & 181). Work Group 180 covers lump-sum domestic buildings and Work Group 181 entails industrial and commercial buildings. The Haylett index published in RR is obtained from the **Medium-Term Forecasting Associates** (MFA).

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. For instance, 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.

Inclusionary housing: A housing programme that, through conditions attached to land-use rights approvals, requires private developers to dedicate a certain percentage of new housing developments to low-income and low-middle-income households, or to households that may not otherwise afford to live in those developments.

Source: City of Johannesburg, *Inclusionary Housing: Proposed Amendments*, 2 August 2018

Industrial-building grades:

Prime: An industrial property (including warehouses and distribution centres) 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 >6 m (excluding micro/ mini units);
f. Wide clear span of trusses (few internal pillars);
g. On ground level;
h. Adequate three-phase electrical power.
i. Roof insulation

The nine conditions above are *pre-requisites* 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 and sufficient yard space.

Secondary: This is industrial space which is not classifiable as **prime** because it does not satisfy all nine 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 nomenclature 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*)* [*interne rentabiliteit*]: 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. Cf. **geometric mean return**.

JSE: JSE Securities Exchange South Africa.

Labour tenant: A person who works on a commercial farm in exchange for the right to live on that farm without compensation, as well as the right to work a portion of that farm for himself.

Last-mile logistics units are smaller industrial spaces used by businesses as distribution centres to deliver goods.

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.

Leasehold land: The leaseholder (landlord) grants the **Lessee** a long lease on the *land* (in South Africa, typically 40-99 years), in exchange for which the tenant pays a rent stream to the landlord. At expiry of the lease, the land (together with the improvements) reverts to the leaseholder. This type of tenure is not common in South Africa, but since 1994 the government seems to prefer it when disposing of state land. Cf. **Freehold**.

Lessee: A tenant to whom space or land is rented under a lease. Cf. **Lessor**.

Lessor: A landlord that lets space to another under a lease. Cf. **Lessee**.

Market growth rate: The percentage by which property values or market rentals change over a given period based on market dynamics.

Market rental: The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. [Source: International Valuation Standards, 2020]

Market value: The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion. [Source: International Valuation Standards, 2020]

The MV is an objective value in that the crucial value determinants are largely derived from the marketplace. See also **price** and **fundamental value**.

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. Cf. **geometric** and **arithmetic mean**.

Metro: Metropolitan.

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

n: Number of respondents.

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

NNN lease: Also known as a triple-net lease. A fully repairing and insuring lease (tenant pays all operating costs). The commonest example is a **Leaseback**.

Office-building grades defined by quality of finishes and facilities (not location):

- Grade A$^+$: Generally, new, top-quality, modern buildings; ample parking; a pace-setter in establishing rentals, a prestigious lobby finish. A minimum 4-star rating by **GBCSA** is a prerequisite.
- Grade A: Generally, not older than 10 years, unless renovated; high-quality finishes; adequate on-site parking; air-conditioning.
- Grade B: Generally, 10 to 20 years old, unless renovated; accommodation to modern standards; air-conditioning; on-site parking.
- Grade C: Generally, 20 to 30 years old, unless renovated; in fairly good condition, although finishes are not up to modern standards; may have some on-site parking; unlikely to be centrally air-conditioned.
- Grade D: A building reaching the end of its functional life but can be used for storage; 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, viz. A$^-$, B$^+$, B$^-$, C$^+$ or C$^-$ for purposes of fine-tuning market rental rates.

In every issue of *Rode's Report (*RR*),* we reflect rentals for the following sub-grades:

A$^+$ Reported in RR tables A Reported in RR tables A$^-$
B$^+$ B Reported in RR tables B$^-$
C$^+$ C Reported in RR tables C$^-$

Sub-grades not reported on, can be established by straight-line interpolation.

This schema has been appearing in *Rode's Report* since 1995. At a later stage, Sapoa (following the Australian example) changed the name of grade A$^+$ to P grade (for 'premium'). As the reader will see, the P-name does not fit in with the above schema, and for this reason, we did not follow the Sapoa nomenclature.

The vigilant reader will notice that, in contrast to Sapoa, we do not include 'location' as a determinant of grading. Our point of departure is that the grading should only reflect quality of finishes and facilities. However, location does of course play a role in determining market rental rates, which is why we in RR we report on market rental rates by **node** (and grade).

Node: In real estate, a node is an area of intensified commercial activity, including shops and offices. In South Africa, industrial townships are also often called nodes, although this practise is not recommended.

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 lease over the space. Often expressed as a percentage of the stock measured- 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 (gross operating costs): In the case of office buildings, the following items are included under total *gross* operating expenses, irrespective of who pays for these:

- Rates & taxes
- Cleaning of common areas
- External and common-area repairs and maintenance (normalized, i.e. averaged)
- Common-area electricity
- Security
- Management fee (excluding head office overheads)
- All leasing expenses: broker's commission and in-house payroll, advertising, net tenant alteration costs (normalized)
- Installation or relocation expenses (unless recovered), buyouts, etc.
- Insurance (fire & SASRIA). In the case of self-insurance, the market average should be included
- Audit fees

THE FOLLOWING ITEMS ARE EXCLUDED:

- Head office overheads
- Tenants' own electricity, water, refuse and sewage tariffs
- Recovered tenant alterations or installations.
- VAT.

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 (cf. the definition of market value).

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

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

REIT: A REIT is an entity that invests primarily in real estate and qualifies for special tax status in that there is single taxation at the end-investor (not the fund) level. The Dutch term 'fiscale beleggingsinstelling' (FBI) stresses the tax characteristic. The FBI is the world's oldest fiscally transparent investment structure for property (since 1969). Source: https://www.vastgoedmarkt.nl,
published 16/11/2017.

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 other utility charges, but *including* other operating costs (see **Outgoings**) recovered by the landlord, such as rates and taxes. In the case of case of shopping centres, promotion expenses are included in the gross rental. 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:
  - 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.
  - Secondly, it can also mean actual rental values (i.e. not deflated). See also **rental**, **real**.

Parking types:

- Detached open parking: parking bay is detached from the main building and with no cover.
- Detached shade-net parking: parking bay is detached from the main building with shade-net cover.
- Detached covered parking: parking bay is detached from the main building and has a solid roof.
- Structured parking: parking forms inherently part of a structure (for instance, the main building). It could be in the basement, in an abutting parkade or on the rooftop (where it could be open or covered).

- **Pioneer rental**: The highest rental 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 asking 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**.

Perpetual vacancy – see **Vacancy – long-term.**

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. Measure the rent-free period at the start of beneficial occupation.

Required rate of return: 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)

Sectional title: A type of property ownership method whereby 'sections' of a building, or a complex of buildings, are created to allow for each 'section' of the building to be individually owned. In Australia it is known as 'strata title', and in North America and Europe as 'condo-minium' (condo) (also, *Eigentumswohnung* in Germany).

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. Storefronts 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 (USA: power) centres.
- **Street-front shop**: as the name implies, a shop that fronts on the street. In the UK known as a high-street shop.

Shopping centre types:

- **Super regional**: More than 100.000 rentable m²; more than 250 stores; comparison and specialised shopping very important; widest possible tenant mix with at least seven anchor tenants; large entertainment component such as cinema, electronic games, ice rinks. Examples are: Mall of Africa (Johannesburg); Menlyn Park (Pretoria), The Pavilion (Durban); Canal Walk (Cape Town).
- **Regional**: 50.000-100.000 rentable m²; 150-250 stores; anchors in most cases two large supermarkets (more than 5.000 m²) or one large supermarket (8.000 m²); significant entertainment component like cinema, electronic games/games arcade. Examples are: Mall of the South (Johannesburg); Forest Hill (Pretoria); Tyger Valley and N1 City Mall (Cape Town); Loch Logan Waterfront (Bloemfontein); Hemingways (East London); Garden Route Mall (George).
- **Small regional**: 25.000-50.000 rentable m²; 75-150 stores; generally serves as larger community centre; some of these centres also address needs of a specific market segment; anchor tenant is large supermarket (bigger than approximately 4.000 m²); up to two or three food anchors can be on offer in one centre; focus of the tenant mix is on comparative shopping in clothing and household items; entertainment mainly focused on cinemas. Examples are: La Lucia Mall (Durban); Walmer Park (Gqeberha); Mimosa Mall (Bloemfontein); Langeberg Mall (Mossel Bay).
- **Community**: 12.000-25.000 rentable m²; 50-150 stores; offers a wider tenant mix than a neighbourhood centre; anchor tenant one or two large supermarkets bigger than 2.500 m²; Dis-Chem and Clicks are popular tenants; some might have cinemas; Examples are: Cosmo Mall (Johannesburg); Middestad Mall (Cape Town); Mall@Lebo (Lebowakgomo, near Polokwane); Brandwag Centre (Bloemfontein); Beacon Bay Retail Park (East London).
- **Neighbourhood**: 5.000-12.000 rentable m²; 25-50 stores; anchor tenant is well-known food retailer - could also be a combination of two food retailers; other tenant types are convenience retailers, such as a pharmacy, butchery, hairdresser, dry cleaner, liquor store; hardware store, small clothing stores, restaurants and takeaways, independent stores run by residents. Examples are: Kyalami on Main (Johannesburg); Jean Avenue (Pretoria), Plattekloof Village (Cape Town).
- **Local convenience**: 1.000-5.000 rentable m²; 5-25 stores; caters mainly for daily milk

and bread purchases; the principal tenant is a café or grocer like Kwik Spar/OK MiniMark; could include takeaway foods, local restaurants, DVD stores, banks and ATM facilities. Examples are: Kenilworth Corner (Cape Town); Amalinda Square (East London).

- **Lifestyle centre**: 15.000-50.000 rentable m²; not a popular format in South Africa; role is to offer a unique retail shopping and entertainment experience in a relaxed and attractive environment. Characteristics are: a variety of dining options, inviting public spaces including fountains and street furniture, an upmarket tenant mix. Examples are: Lynnwood Bridge (Pretoria); The Palms Décor and Lifestyle Centre (Woodstock, Cape Town) and Cape Quarter (Waterkant, Cape Town) and Willowbridge (South) in Tyger Valley (Cape Town).

- **Retail warehouse (big-box retailer)**: Stand-alone; one or two tenants; 2.000-15.000 m²; air-conditioned, no ceiling, warehouse-like finishes, e.g. Makro, Builders Warehouse and Game.

- **Value centre**: Multi-tenanted strip centre; 10.000-50.000 m²; warehouse type finishes to deliver lower prices to consumers. Examples are Capegate Value Centre (Cape Town); Fourways Crossing (Johannesburg); Moffet Retail Park (Gqeberha).

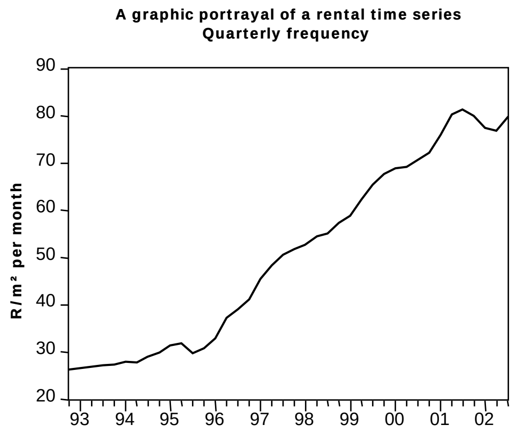
Smoothing: Removal of shorter-term fluctuations in a **time series**, by e.g. moving averages, exponential smoothing, or curve fitting.

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).

Standard deviation (SD): A measure of dispersion in a set of data. For instance, assume a normal distribution of observations and 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.

Through rate: Where a property consists of various components (for example office and industrial space) the through [rental] rate is the weighted average rental rate of these components.



Time series/data series [tydreeks]**:** A set of observations for the same variable at regular intervals (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.

Town house [*meenthuis*]: A modern town house has a small footprint on multiple floors. In the UK it is known as a terraced house. Town houses are often found in **cluster** complexes. Historically, it was the (small) house of the landed gentry in town. Cf. in Afrikaans *tuishuis/dorpshuis*, a small house in town where farmers used to stay for N*agmaal* (Communion).

Triple-net lease: see **NNN lease**.

Vacancy – long-term, also called **perpetual vacancy.** Mathematically, when capitalizing (turning an income stream into a current capital amount), the implicit assumption is that the income stream will extend into perpetuity. Thus, when capitalizing, the valuer should assume a perpetual vacancy, even if the building is currently fully let, because the building will have vacancies from time to time. The perpetual vacancy (measured in gross market rents) must be deducted from the *first year's* market-related income *before* capitalizing. The 'first year' could be Year_1, Year_6 or Year_11, etc, depending on when capitalization (in perpetuity) of the cash stream takes place. Of course, where there is a long-term lease on the whole building with a strong covenant, the long-term vacancy would only apply from the end of the long lease and would, therefore, be low at the valuation date.

Vacancy – short-term. Where the current vacancy is higher than the estimated **perpetual vacancy**, the difference must be subtracted from the capitalized amount (note: **after** capitalizing). This implies the valuer must estimate how long it will take to fill the short-term excess vacant space.

VAT: value-added tax.

WALE: Weighted average lease to expiry. A metric to gauge the risk of a portfolio of properties going vacant. Measured in years.

White box finish: Commercial space that comes partially complete with basic finishings, where the tenant simply has to add final touches to make the space its own. Generally, this means it has walls that are ready to paint, exterior walls, windows and doors, a finished ceiling with standard lighting, standard electrical, AC with ductwork and controls, a completed sprinkler system finished at ceiling height, and a finished restroom (if applicable as the restroom could by located in the common area of the building). It excludes interior walls, paint and wall coverings, electrical fixtures, flooring, and tenant-specific equipment or office upgrades. Source: https://seacoastconstruction.net/whats-the-difference-between-a-gray-shell-and-white-box-in-the-commercial-sector/
See also: **Grey shell/box**

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-on-year (y-on-y) growth: Rate by which a figure has changed compared to a year earlier.

Year 0: Refers to the year ended at the present time (the valuation date).

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. Bureau of Market Research, University of South Africa
3. Sapoa
4. International Valuation Standards, 2020

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/Brokers: "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."

Escalation rate (for industrial lease-backs):

The question put to the panellists is:

Owners/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)?"

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.

Industrial rentals: The question put to panellists is:

"In your opinion, what are the current gross *achievable/market* rentals per m² (NOT asking rent, NOT exception deals, NOT escalated contractual rents) for prime industrial buildings for the industrial nodes and floor-area sizes indicated below? (Exclude VAT.)"

The assumed floor area sizes are: 250 m², 500 m², 1 000 m², 2 500 m² and 5 000 m². Respondents are also asked to fill in their vacancy estimate for prime industrial space, using a scale of 1 to 9. See the table below for detail on the vacancy scale.

Vacancy scale for industrial nodes		
<5%	5 – 10%	>10%
1 2 3 Low	**4 5 6** Medium	**7 8 9** 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 (NOT asking price, NOT exception deals) for vacant, serviced levelled stands in the industrial nodes and for the stand sizes indicated below? 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."

The information is required for stand sizes of 1'000 m², 2'000 m², 5'000 m² and 10'000 m².

Flat rentals: The question put to panellists is:

"In your opinion, what are the current 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 coefficient of determination r^2 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^2 close to 1 is a good fit.

<u>An example:</u>

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 m².

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:

ln Y = 3,8855 — (0,2263 (6,6201))
= 3,8855 — 1,4981
= 2,3874

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 1 July 2022

Source: AECOM Africa Property & Construction Cost Guide 2022/23

This section provides a list of approximate inclusive building cost rates for various building types in South Africa.

Rates are current to 1 July 2022, and therefore represent the average expected building cost rates for 2022. It must be emphasised that these rates are indicative only, and should be used circumspectly, as they are dependent upon a number of assumptions. 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, Second Edition*' (effective from 7 November 2007), published by the South African Property Owners' Association (SAPOA).

Construction cost normally vary between the different provinces of South Africa. Costs in parts of the Western Cape and KwaZulu-Natal, specifically upper-class residential areas, for example, are generally significantly higher than Gauteng due to the demand for this type of accommodation. However, these rates are based on data received from Gauteng, where possible. Be mindful that cost differences between provinces at a given point in time are not constant and may vary over time due to differences in supply and demand or other factors. Specific costs for any region can be provided upon request by any AECOM office in that region.

Rates include the cost of appropriate building services, for example, air-conditioning, but exclude costs of site infrastructure development, parking, any future escalation, loss of interest, professional fees and value-added tax (VAT).

Building rates

Rates include the cost of appropriate building services, e.g. air-conditioning, but exclude costs of site infrastructure development, parking, any future escalation, loss of interest, professional fees and value-added tax (VAT).

Offices

1.	Low-rise office park development with standard specification	/m²	R9.300 – R11.500
2.	Low-rise prestigious office park development	/m²	R12.000 – R17.800
3.	High-rise tower block with standard specification	/m²	R13.500 – R17.800
4.	High-rise prestigious tower block	/m²	R17.800 – R22.500

***Note**: Office rates exclude parking and include appropriate tenant allowances incorporating carpets, wallpaper, louvre drapes, partitions, lighting, air-conditioning and electrical reticulation.*

Parking

1.	Parking on grade, including integral landscaping	/m²	R650 – R850
2.	Structured parking	/m²	R4.600 – R5.000
3.	Parking in semi-basement	/m²	R5.000 – R6.800
4.	Parking in basement	/m²	R5.300 – R9.300

Retail

1.	Local convenience centres (not exceeding 5.000m²)	/m²	R9.100 – R12.000
2.	Neighbourhood centres (5.000m² - 12.000m²)	/m²	R10.000 – R12.800
3.	Community centres (12.000m² - 25.000m²)	/m²	R10.900 – R14.000
4.	Minor regional centres (25.000m² - 50.000m²)	/m²	R12.000 – R14.900
5.	Regional centres (50.000m² - 100.000m²)	/m²	R12.800 – R15.500
6.	Super regional centres (exceeding 100.000m²)	/m²	R13.500 – R17.400

***Note**: Super regional centres and regional centres are generally inward trading with internal malls, whereas convenience, neighbourhood and community centres are generally outward trading with no internal malls. Retail rates include the cost of tenant requirements and specifications of national chain stores. Retail costs vary considerably depending on the tenant mix and sizing of the various stores.*

Industrial

Industrial warehouse, including office and change facilities within the structure area:

1.	Steel frame, steel cladding and roof sheeting (light-duty)	/m²	R4.600 – R6.800
2.	Steel frame, brickwork to ceiling, steel cladding above and roof sheeting (heavy-duty)	/m²	R5.300 – R7.600
3.	Administration offices, ablution and change room block	/m²	R8.600 – R11.000
4.	Cold storage facilities	/m²	R16.100 – R23.000

Residential

1.	Site services to low-cost housing stand (250m² - 350m²)	/site	R58.000 – R93.000
2.	RDP housing	/m²	R2.800 – R3.000
3.	Low-cost housing	/m²	R3.500 – R6.000
4.	Simple low-rise apartment block	/m²	R8.500 – R11.800
5.	Economic duplex townhouse	/m²	R8.000 – R12.100
6.	Prestige apartment block	/m²	R16.600 – R24.300

7.	Private dwelling houses:		
	• Economic	/m²	R6.500
	• Standard	/m²	R8.100
	• Middle-class	/m²	R9.800
	• Luxury	/m²	R13.600
	• Exclusive	/m²	R21.500
	• Exceptional ('super luxury')	/m²	R30.000 – R65.000
8.	Outbuildings:		
	• Standard	/m²	R6.000
	• Luxury	/m²	R8.000
9.	Carport (shaded):		
	• Single	/no.	R5.200
	• Double	/no.	R10.500
10.	Carport (covered):		
	• Single	/no.	R8.200
	• Double	/no.	R16.000
11.	Swimming pool:		
	• Not exceeding 50kl	/no.	R103.000
	• Exceeding 50kl and not exceeding 100kl	/no.	R182.000
12.	Tennis court:		
	• Standard	/no.	R607.000
	• Floodlit	/no.	R750.000

Hotels

1.	Budget	/key	R730.000 – R1.200.000
2.	Mid-scale (3-star)	/key	R1.200.000 – R1.750.000
3.	Upper-scale (4-star)	/key	R1.750.000 – R2.500.000
4.	Luxury (5-star)	/key	R2.500.000 – R3.500.000

Note: *Hotel rates include allowances for furniture, fittings and equipment (FF&E).*

Studios

1.	Studios: dancing, art exhibitions, etc.	/m²	R16.000 – R23.000

Conference Centres

1.	Conference centre to international standards	/m²	R30.000 – R38.000

Retirement Centres

1.	Dwelling houses :		
	• middle class	/m²	R9.500
	• luxury	/m²	R13.500
2.	Apartment block :		
	• middle class	/m²	R9.900
	• luxury	/m²	R15.300

3.	Community centre :		
	• middle class	/m²	R13.000
	• luxury	/m²	R18.900
4.	Frail care	/m²	R15.300
Schools			
1.	Primary school	/m²	R7.600 – R8.800
2.	Secondary school	/m²	R9.100 – R9.800
Hospitals			
1.	District hospital	/m²	R31.300
Note: *Hospital rates exclude allowances for furniture, fittings and equipment (FF&E).*			
Stadiums			
1.	Stadium to PSL standards	/seat	R39.000 – R60.000
2.	Stadium to FIFA standards	/seat	R90.000 – R120.000
3.	Stadium pitch to FIFA standards	/pitch	R26.000.000 – R30.000.000
Prisons			
1.	1.000 Inmate prison	/inmate	R680.000 – R725.000
2.	500 Inmate prison	/inmate	R725.000 – R810.000
3.	High/maximum security prison	/inmate	R108.000 – R1.400.000
Infrastructure airport development costs			
Rates exclude any future escalation, loss of interest, professional fees, VAT and ACSA direct costs.			
Apron stands (incl. associated infrastructure)			
1.	Code F stand (85m long x 80m wide = 6.800m²)	/m²	R6.400
2.	Code E stand (80m long x 65m wide = 5.200m²)	/m²	R6.800
3.	Code C stand (56m long x 40m wide = 2.240m²)	/m²	R8.600
Taxi lanes (incl. associated infrastructure)			
1.	Code F taxi lane (101m wide)	/m	R215.000
2.	Code E taxi lane (85m wide)	/m	R180.000
3.	Code C taxi lane (49m wide)	/m	R107.000
Service roads			
1.	Service road (10m wide)	/m	R21.500
2.	Dual carriage service road (15m wide)	/m	R27.000
Taxi ways (incl. associated infrastructure)			
1.	Code F taxi way (70m wide)	/m	R160.000
Runways (incl. associated infrastructure)			
1.	Code F runway (3.885m long x 60m wide = 233.100m²)	/m	R360.000

Parking (excl. bulk earthworks)			
1.	Structured parking	/bay	R220.000
2.	Basement parking	/bay	R330.000
Perimeter fencing/ Security gates			
1.	Perimeter walls with perimeter intrusion detection (PIDS)	/m	R10.000
Terminal & other buildings (excl. bulk earthworks, external site & services works)			
1.	Terminal building (excl. terminal building baggage & X-ray)	/m²	R35.000
2.	Pier terminal building (excl. telescopic air bridges, seating & aircraft docking system)	/m²	R33.000
3.	Telescopic air bridges	/unit	R13.250.000
4.	Aircraft Docking System	/unit	R1.908.000

Building services

The following rates are for building services (mechanical and electrical), which are 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 significantly depending on the orientation, shading, extent and type of glazing, external wall and roof construction.

Electrical installation			
1.	Office buildings — standard installation	/m²	R900 – R1.300
2.	Office buildings — sophisticated installation	/m²	R1.300 – R1.650
3.	Office buildings — UPS, substations, standby generators	/m²	R600 – R825
4.	Residential	/m²	800 – R1.300
5.	Shopping centres	/m²	R1.300 – R1.650
6.	Hotels	/m²	R1.400 – R1.900
7.	Hospitals	/m²	R1.850 – R2.700
Electronic installation			
1.	Offices — standard installation	/m²	R420 – R600
2.	Offices — sophisticated installation	/m²	R580 – R830
3.	Residential	/m²	R370 – R580
4.	Shopping centres	/m²	R850 – R1.100
5.	Hotels	/m²	R750 – R1.050
6.	Hospitals	/m²	R850 – R1.200

Note: *Electronic installation include access control, CCTV, public address, fire detection, data installation, WiFi, CATV, PABX (Private Automatic Branch Exchange) and Building Management Systems (BMS).*

Fire protection installation			
1.	Sprinkler system including hydrants and hose reels (excluding void sprinkler)	/m²	R340 – R460

Air-conditioning installation			
1.	Ventilation to parking/services areas	/m²	R340 – R570
2.	Office buildings: console units	/m²	R950 – R1.400
3.	Office buildings: console/split units	/m²	R1.100 – R1.750
4.	Office buildings: package units	/m²	R1.600 – R2.400
5.	Office buildings: central plant	/m²	R2.000 – R3.100
6.	Residential: split units	/m²	R1.100 – R1.750
7.	Shopping centres: split units	/m²	R1.300 – R1.850
8.	Shopping centres: package units	/m²	R1.600 – R2.400
9.	Shopping centres: evaporative cooling	/m²	R1.000 – R1.500
10.	Hotels: public areas	/m²	R2.000 – R3.100
11.	Hospitals: central plant	/m²	R2.600 – R4.100
12.	Hotels: console units	/key	R25.000 – R34.000
13.	Hotels: split units	/key	R34.000 – R52.000
14.	Hotels: central plant	/key	R68.000 – R102.000
15.	Hospitals: operating theatres	/theatre	R750.000 – R1.250.000

Notes

1. Regional variations: Construction costs normally vary between the different provinces of South Africa. Costs in the Western Cape and KwaZulu-Natal, specifically upper class residential, for example, are generally significantly higher than Gauteng due to the demand for this accommodation. However, these rates are based on data received from Gauteng, where possible. Be mindful that cost differences between provinces at a given point in time are not constant and may vary over time due to differences in supply and demand or other factors. Specific costs for any region can be provided upon request by any AECOM office in that region.

2. Value added tax (VAT): As the majority of developers are registered vendors in the property industry, any VAT on commercial property development is fully recoverable. Therefore, to reflect the net development cost, VAT should be excluded. Should the gross cost (i.e. after VAT inclusion) be required, the VAT at the ruling rate (currently 15%) should be added.

   Awareness must be made of the effect that VAT has on cash flow over a period of time. This will vary according to the payment period of the individual vendor. However, in all cases, it will add to the capital cost of the project to the extent of interest on outstanding VAT for the VAT cycle of the vendor.

3. For guidance with regard to the cost of buildings rated under the Green Star South Africa rating tool system, see the latest edition of the AECOM publication entitled "Quick Guide to Green Design Attributes."

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

Work group 180 Lump Sum Domestic Buildings (December 2021 = 100)

Forecast date: March 2023

	2022		2023		2024		2025		2026		2027	
Month	**Index**	**% ch**	**Index**	**% ch**	**Index**	**% ch**	**Index**	**% ch**	**Index**	**% ch**	**Index**	**% ch**
Jan	100,8	13,1	106,3	5,5	112,4	5,7	117,8	4,8	123,1	4,5	128,9	4,8
Feb	101,5	12,0	107,0	5,5	113,0	5,5	118,2	4,6	123,6	4,6	129,2	4,5
Mar	102,5	12,0	107,8	5,2	113,6	5,4	118,7	4,5	124,2	4,6	129,7	4,4
Apr	103,5	11,3	108,7	5,0	114,4	5,3	119,6	4,5	125,1	4,6	130,6	4,4
May	105,1	11,6	109,3	4,0	114,7	4,9	120,0	4,6	125,7	4,8	131,4	4,5
Jun	105,6	9,9	109,9	4,1	115,3	4,9	120,7	4,7	126,5	4,8	132,2	4,5
Jul	106,4	9,9	110,8	4,2	115,9	4,6	121,1	4,5	127,0	4,8	132,6	4,5
Aug	105,8	8,8	111,0	4,9	116,1	4,6	121,3	4,5	127,3	4,9	133,0	4,5
Sep	105,3	7,2	111,5	5,8	116,5	4,6	121,8	4,5	127,6	4,8	133,3	4,5
Oct	104,8	6,3	111,7	6,6	116,9	4,6	122,2	4,5	128,1	4,8	133,8	4,5
Nov	105,1	5,7	111,8	6,4	117,1	4,7	122,4	4,6	128,4	4,9	134,3	4,6
Dec	105,3	5,3	112,0	6,3	117,3	4,7	122,5	4,5	128,6	5,0	134,6	4,6
Avg,	**104,3**	**9,4**	**109,8**	**5,3**	**115,3**	**5,0**	**120,5**	**4,6**	**126,3**	**4,8**	**132,0**	**4,5**

Source: *Bureau for Economic Research (BER)*

BER Building Cost Index (non-residential tender prices)

Dec 2021 = 100

	First quarter	Second quarter	Third quarter	Fourth quarter	Average
2013	66,1	64,0	67,2	66,6	**66,0**
% ch	11,7	5,4	8,6	4,8	**7,6**
2014	66,2	71,6	73,1	75,2	**71,5**
% ch	0,1	11,9	8,7	12,9	**8,4**
2015	75,2	75,3	74,5	76,7	**75,4**
% ch	13,6	5,2	2,0	2,0	**5,5**
2016	73,9	79,8	81,5	80,3	**78,9**
% ch	-1,7	6,0	9,5	4,8	**4,6**
2017	80,5	82,8	82,3	84,7	**82,6**
% ch	8,9	3,7	0,9	5,4	**4,6**
2018	86,5	88,5	87,8	89,7	**88,2**
% ch	7,5	7,0	6,6	6,0	**6,8**
2019	90,3	93,4	90,9	93,8	**92,1**
% ch	4,3	5,5	3,6	4,5	**4,5**
2020	92,7	93,1	96,2	94,7	**94,2**
% ch	2,6	-0,4	5,8	0,9	**2,2**
2021	95,6	96,3	96,8	100,0	**97,2**
% ch	3,1	3,4	0,6	5,6	**3,2**
2022	101,0	109,0	105,1	105,1	**105,0**
% ch	5,7	13,2	8,6	5,1	**8,1**

Source: The data is from the *Building Cost* Report of the Bureau for Economic Research (BER), tel. 021 808 9780, and is published with its permission.

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
1998	19,25	19,25	18,25	18,25	18,25	22,25	24,00	25,50	25,50	24,50	23,50	23,00	**21,79**
1999	22,00	21,00	20,00	19,00	19,00	18,00	17,50	16,50	16,50	15,50	15,50	15,50	**18,00**
2000	14,50	14,50	14,50	14,50	14,50	14,50	14,50	14,50	14,50	14,50	14,50	14,50	**14,50**
2001	14,50	14,50	14,50	14,50	14,50	13,75	13,50	13,50	13,00	13,00	13,00	13,00	**13,77**
2002	14,00	14,00	15,00	15,00	15,00	16,00	16,00	16,00	17,00	17,00	17,00	17,00	**15,75**
2003	17,00	17,00	17,00	17,00	17,00	15,50	15,50	14,50	13,50	12,00	12,00	11,50	**14,96**
2004	11,50	11,50	11,50	11,50	11,50	11,50	11,50	11,00	11,00	11,00	11,00	11,00	**11,29**
2005	11,00	11,00	11,00	10,50	10,50	10,50	10,50	10,50	10,50	10,50	10,50	10,50	**10,63**
2006	10,50	10,50	10,50	10,50	10,50	11,00	11,00	11,50	11,50	12,00	12,00	12,50	**11,17**
2007	12,50	12,50	12,50	12,50	12,50	13,00	13,00	13,50	14,00	14,00	14,00	14,50	**13,17**
2008	14,50	14,50	14,50	15,00	15,00	15,50	15,50	15,50	15,50	15,50	15,50	15,00	**15,13**
2009	15,00	14,00	13,00	13,00	11,00	11,00	11,00	10,50	10,50	10,50	10,50	10,50	**11,71**
2010	10,50	10,50	10,00	10,00	10,00	10,00	10,00	10,00	9,50	9,50	9,00	9,00	**9,83**
2011	9,00	9,00	9,00	9,00	9,00	9,00	9,00	9,00	9,00	9,00	9,00	9,00	**9,00**
2012	9,00	9,00	9,00	9,00	9,00	9,00	8,50	8,50	8,50	8,50	8,50	8,50	**8,75**
2013	8,50	8,50	8,50	8,50	8,50	8,50	8,50	8,50	8,50	8,50	8,50	8,50	**8,50**
2014	9,00	9,00	9,00	9,00	9,00	9,00	9,25	9,25	9,25	9,25	9,25	9,25	**9,13**
2015	9,25	9,25	9,25	9,25	9,25	9,25	9,50	9,50	9,50	9,50	9,75	9,75	**9,42**
2016	10,25	10,25	10,50	10,50	10,50	10,50	10,50	10,50	10,50	10,50	10,50	10,50	**10,46**
2017	10,50	10,50	10,50	10,50	10,50	10,50	10,25	10,25	10,25	10,25	10,25	10,25	**10,38**
2018	10,25	10,25	10,00	10,00	10,00	10,00	10,00	10,00	10,00	10,00	10,25	10,25	**10,08**
2019	10,25	10,25	10,25	10,25	10,25	10,25	10,00	10,00	10,00	10,00	10,00	10,00	**10,13**
2020	9,75	9,75	8,75	7,75	7,25	7,25	7,00	7,00	7,00	7,00	7,00	7,00	**7,71**
2021	7,00	7,00	7,00	7,00	7,00	7,00	7,00	7,00	7,00	7,00	7,25	7,25	**7,04**
2022	7,50	7,50	7,75	7,75	8,25	8,25	9,00	9,00	9,75	9,75	10,50	10,50	**8,79**
2023	10,75	10,75	11,25										

Source: *IHS Markit*

*Individual mortgage rates will depend on the creditworthiness of the mortgagor.