



*Achieve
Ambitions*

SA Real Estate Market Performance

Q1 2020



Real Estate Market Overview



Office

A contracting economy coupled with rising unemployment has seen a dampened office sector, with national vacancy rates hovering around the 10% to 11% mark.

This somewhat challenging landscape has been offset by strong growth in gross fixed capital formation by businesses over the last three years, driving new occupancy and office expansion.

Rising operational costs, improved networking capabilities, and the global outbreak of Covid-19, has seen a strong shift in focus for corporates to scale down on office space and promote satellite working establishments. More specifically, a call for temporary shared office spaces, or flexi-spaces, is now emerging in the market.

These trends will inevitably reduce the demand for office space in the medium to long term, driving vacancies and constraining new traditional office space development. The market may alternatively move towards retrofitting and refurbishment, converting traditional office space into flexi or shared spaces.

In this period, asking rental rates are anticipated to decline in response to an oversupply of stock, placing increased pressure on vacancy rates.



Industrial

Industrial space remains the strongest asset class when compared to its commercial counterparts, with class leading year-on-year capital growth backed by low vacancy rates (3.4% national average). In response to a constrained economic climate and an increasingly competitive market, occupiers have been forced to scale down and consolidate their operations in order to cut costs and keep their businesses afloat.

Although manufacturing and heavy industrial spaces reflect the lowest vacancy rates, increased operational costs and a slowdown in Chinese production levels puts growing pressure on the viability of these operations. Consequently, vacancy rates in the segment are expected to rise, whilst rental growth will slow.

In contrast to the heavy industrial outlook, retail driven warehousing, storage and distribution spaces are set on a strong growth path in the short to medium term. This is driven by a relatively new and healthy E-commerce industry in South Africa. This trend is expected to strengthen as consumer preference and behaviours change, with increased market penetration as a result of more accessible and affordable technologies.



Hospitality

Amid a 21-day national lock-down, businesses and hospitality industries alike have been forced to shut down across South Africa. Global travel bans, as well as the postponement and cancellation of events has left a void throughout the industry. This will have an adverse impact on the hotel industry, with multiple hotel groups announcing temporary closure of venues and facilities.

The hotel snapshot updates must be read in context with the Covid-19 global pandemic, and more importantly, take cognisance of the country-wide 21-day lock down. Subsequently, all indicators will need to be re-evaluated once an updated assessment (post Covid-19 pandemic) of the hotel industry has been conducted. Fundamental changes to the dynamics and performance of the hospitality industry abroad, are expected to occur.

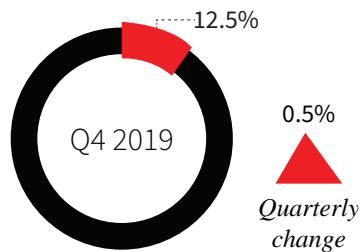
Q1 - Johannesburg snapshot

Office

Average prime rent (ZAR/sq m/month)

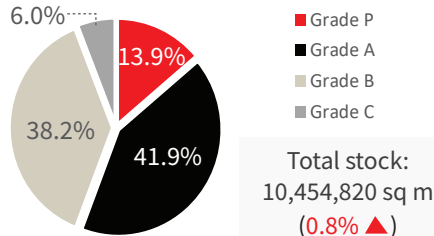


Vacancy rate



Source: SAPOA, JLL

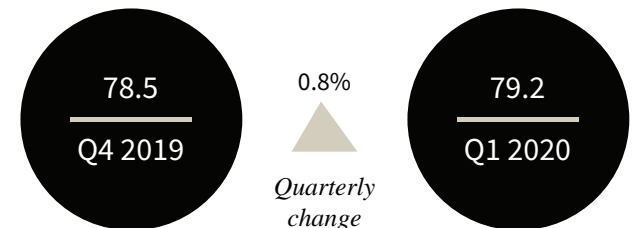
Supply



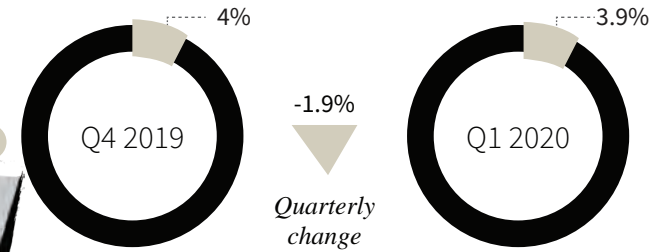
Source: JLL

Industrial

Average prime rent (ZAR/sq m/month)



Vacancy rate

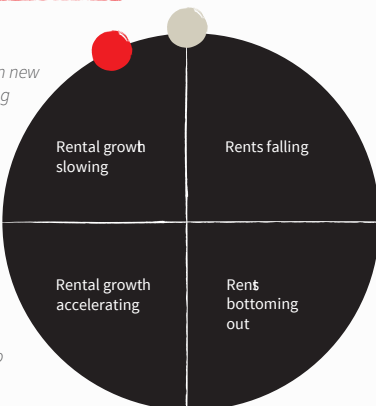


Source: Rode, JLL

Property Clock

JHB Office

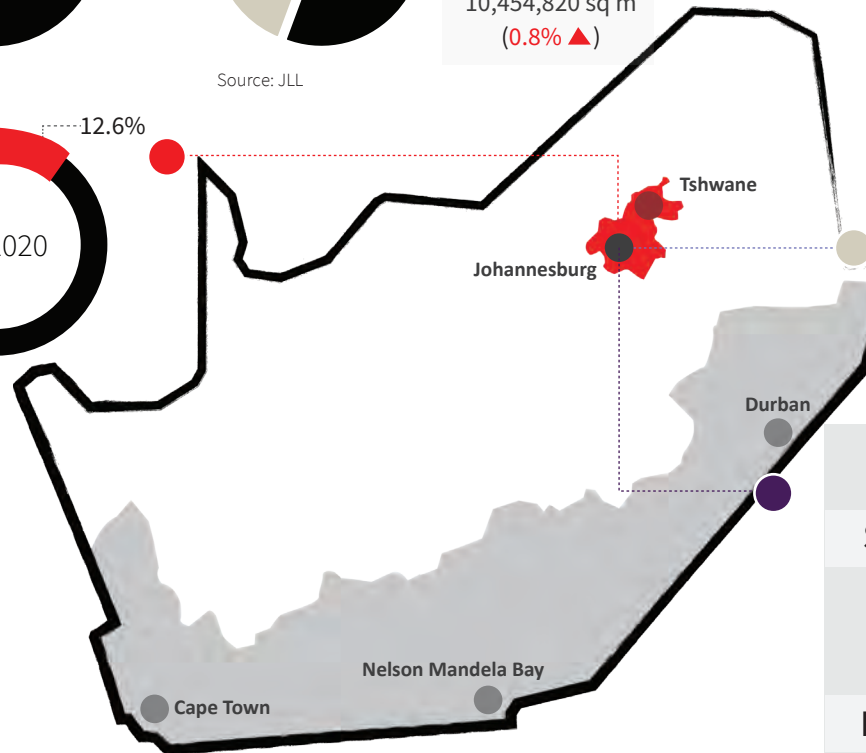
Continued growth in new stock puts increasing pressure on rentals, highly competitive market segments.



JHB Industrial

Rentals peak as supply starts exceeding market demand going into 2020, vacancies expected to climb to 5% mark.

* All positions relate to Prime properties



- Johannesburg Office
- Johannesburg Industrial
- Johannesburg Hotel

Hotel

Supply

Total number of rooms

2,936



Performance

Average daily rate (ZAR/day)

R1,061



Revenue per available room (ZAR/day)

R457



Occupancy

43.1%

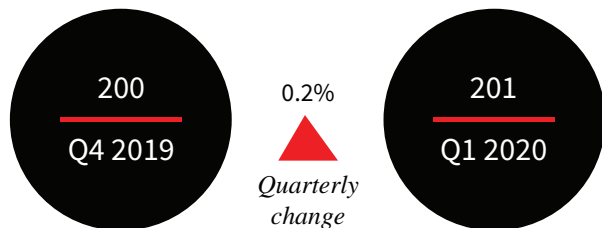


Source: STR Reports

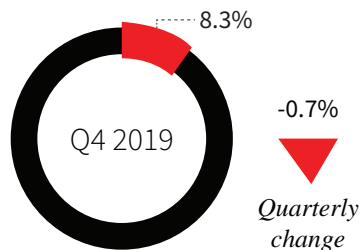
Q1 - City of Tshwane snapshot

Office

Average prime rent (ZAR/sq m/month)

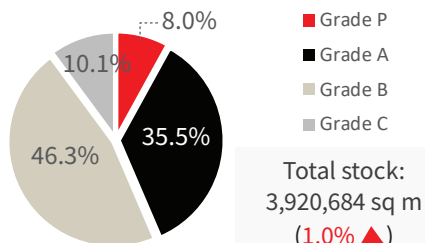


Vacancy rate



Source: SAPOA, JLL

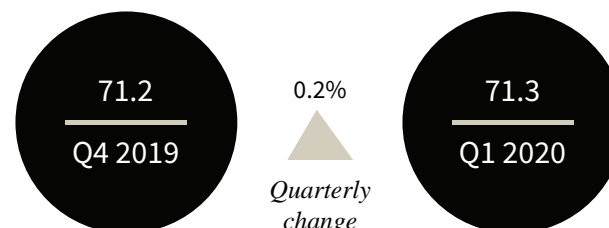
Supply



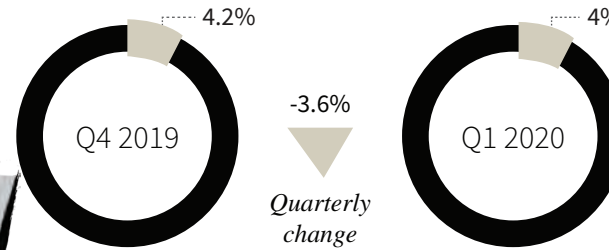
Source: SAPOA, JLL

Industrial

Average prime rent (ZAR/sq m/month)



Vacancy rate

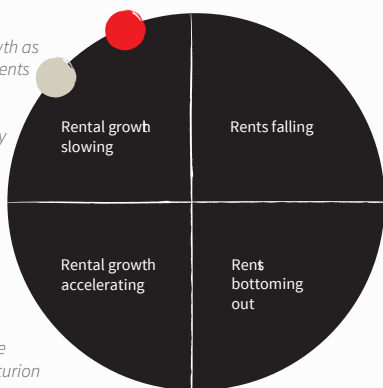


Source: Rode, JLL

Property Clock

Tshwane Office

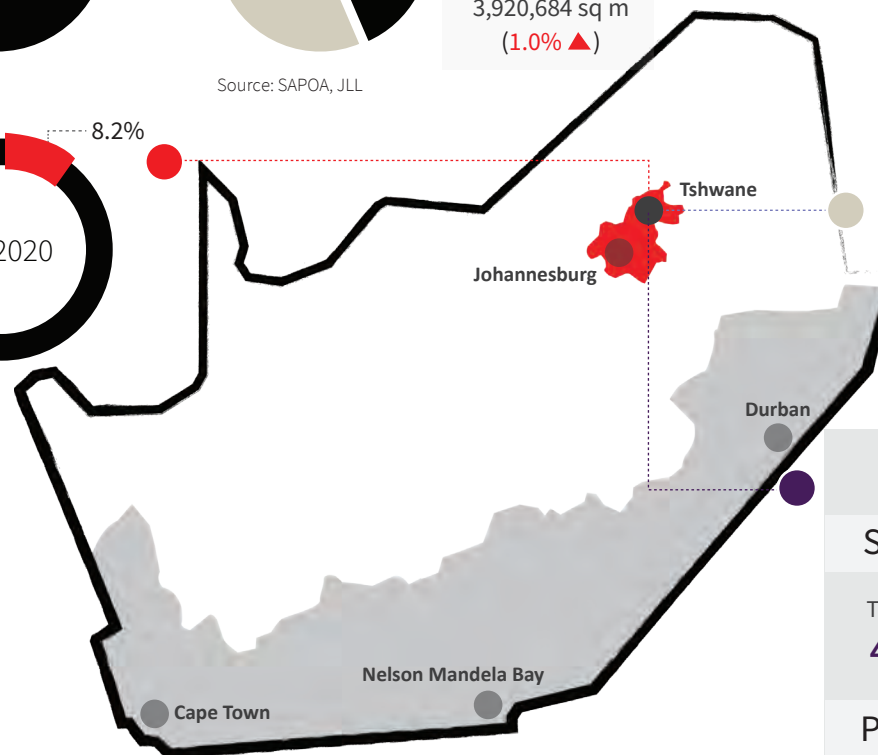
Slowed rental growth as multiple developments come to market, refurbishments increase occupancy rates.



Tshwane Industrial

Rental growth slowing, increasingly competitive sector as developers move north towards Centurion

* All positions relate to Prime properties



- Tshwane Office
- Tshwane Industrial
- Tshwane Hotel

Hotel

Supply

Total number of rooms

4,249



Performance

Average daily rate (ZAR/day)

R932



Revenue per available room (ZAR/day)

R453



Occupancy

48.6%

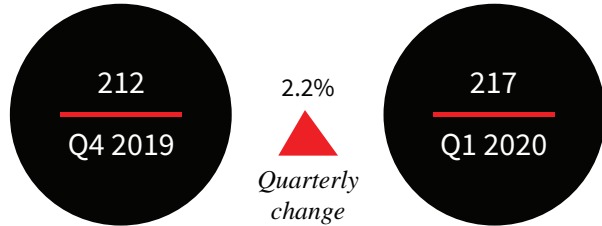


Source: STR Reports

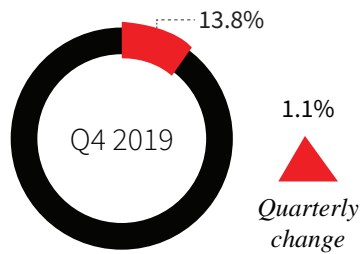
Q1 - Durban snapshot

Office

Average prime rent (ZAR/sq m/month)

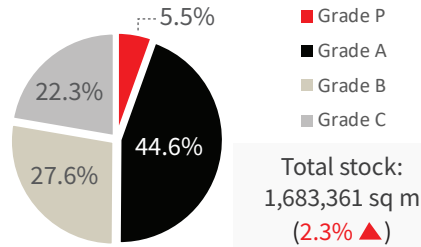


Vacancy rate



Source: SAPOA, JLL

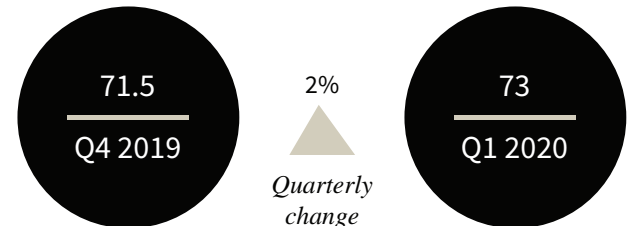
Supply



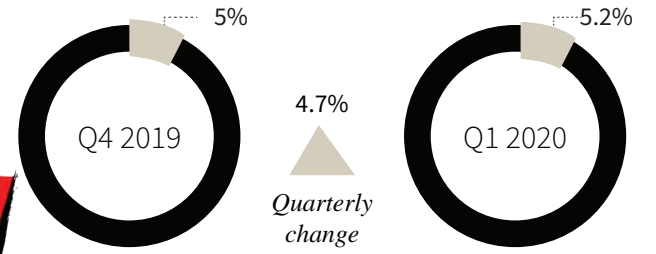
Source: SAPOA, JLL

Industrial

Average prime rent (ZAR/sq m/month)



Vacancy rate



Source: Rode, JLL

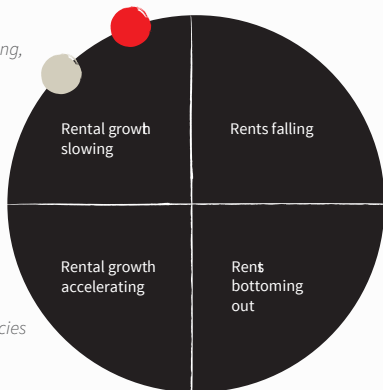
Property Clock

Durban Office

Rental prices peaking,
new office space
development
inflating vacancy
rates, tenants
market.

Durban Industrial

Rental growth
beginning to slow
in order to balance
out growing vacancies

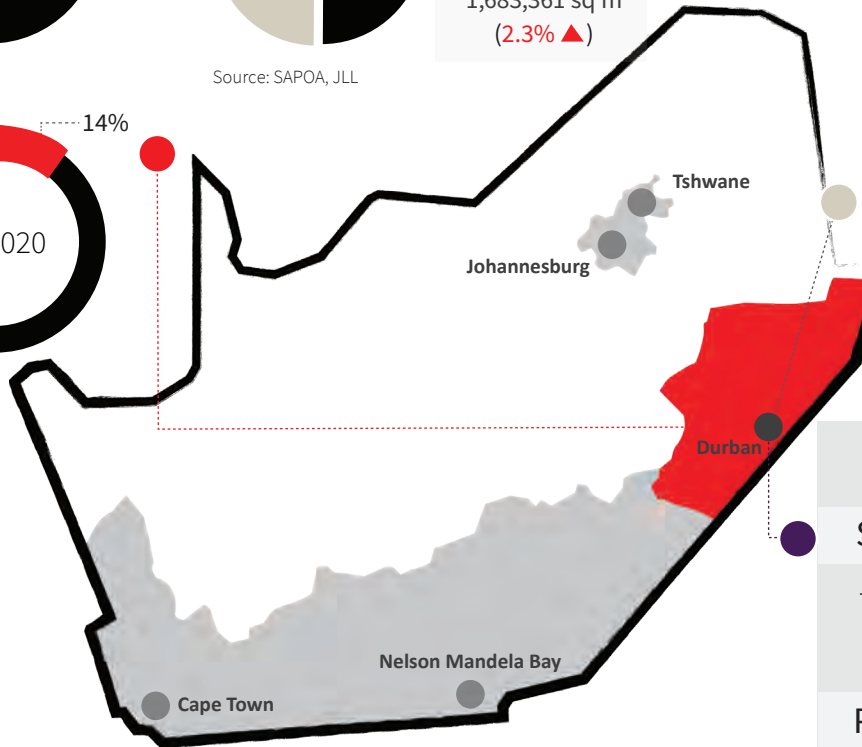


📁 Durban Office

🏭 Durban Industrial

🏨 Durban Hotel

* All positions relate to Prime properties



Hotel

Supply

Total number of rooms

3,962



Performance

Average daily rate
(ZAR/day)

R1,176



Revenue per available
room (ZAR/day)

R902



Occupancy

76.7%

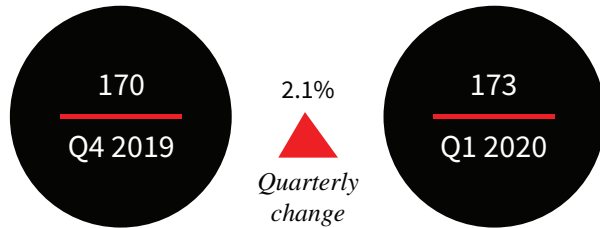


Source: STR Reports

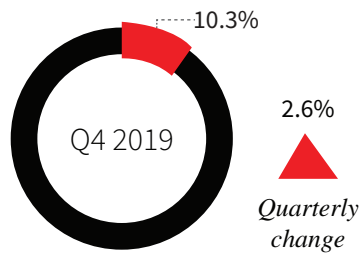
Q1 - Nelson Mandela Bay snapshot

Office

Average prime rent (ZAR/sq m/month)

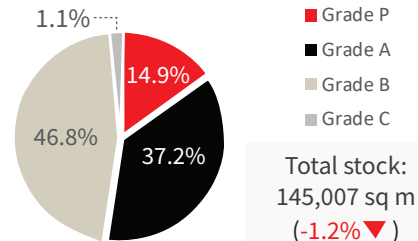


Vacancy rate



Source: SAPOA, JLL

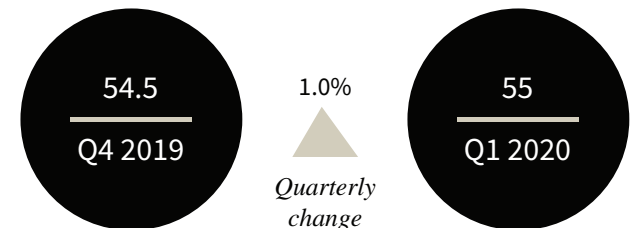
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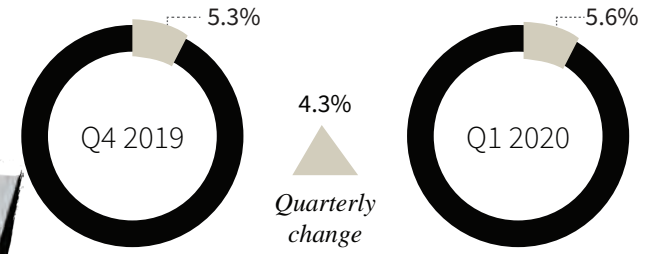
Source: SAPOA, JLL

Industrial

Average prime rent (ZAR/sq m/month)



Vacancy rate

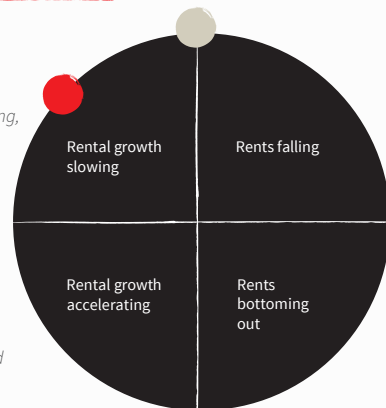


Source: Rode, JLL

Property Clock

Nelson Mandela Bay Office

Rental growth progressively declining, high vacancies constrain development pipeline

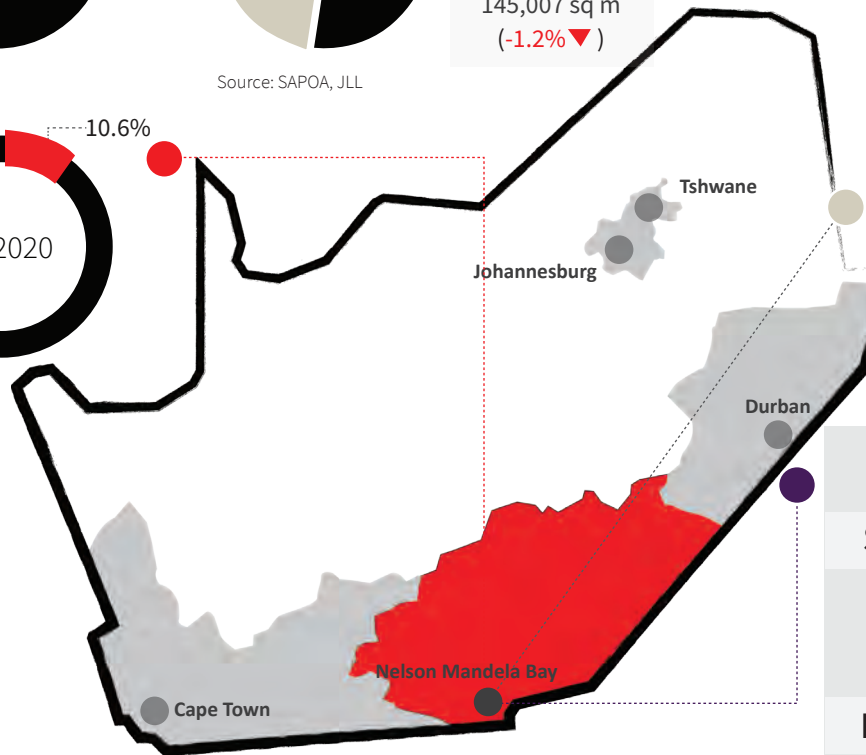


Nelson Mandela Bay Industrial

Tenant market, high numbers of stock, rentals peaked

- Nelson Mandela Bay Office
- Nelson Mandela Bay Industrial
- Nelson Mandela Bay Hotel

* All positions relate to Prime properties



Hotel

Supply

Total number of rooms

1,646



Performance

Average daily rate (ZAR/day)

R998



Revenue per available room (ZAR/day)

R713



Occupancy

71.4%



Source: STR Reports

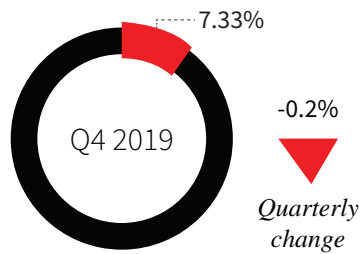
Q1 - Cape Town snapshot

Office

Average prime rent (ZAR/sq m/month)

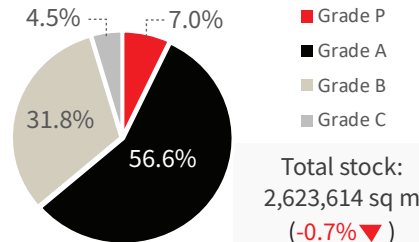


Vacancy rate



Source: SAPOA, JLL

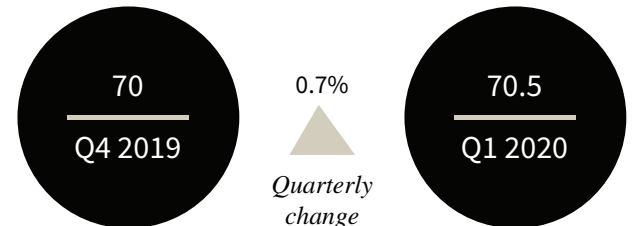
Supply



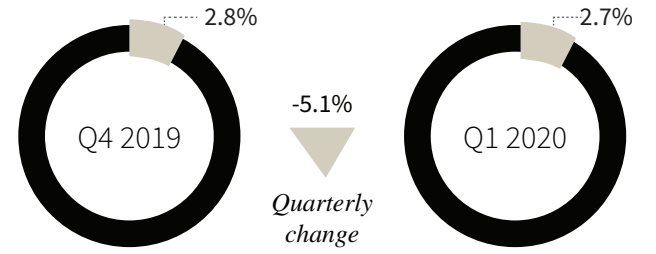
Source: SAPOA, JLL

Industrial

Average prime rent (ZAR/sq m/month)



Vacancy rate



Source: Rode, JLL

Property Clock

CPT Office

Rental prices peaking and stable, declining vacancy rates drive healthy development pipeline

Rental growth slowing

Rents falling

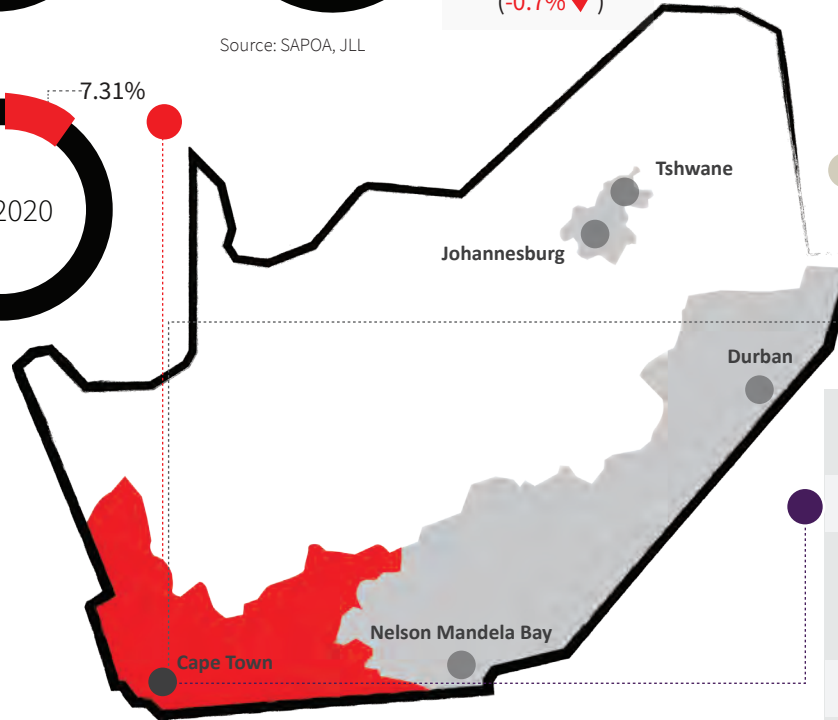
CPT Industrial

Slowed rental growth driven by increased stock and shifts to curb vacancy

Rental growth accelerating

Rents bottoming out

* All positions relate to Prime properties



- 📁 Cape Town Office
- 🏭 Cape Town Industrial
- 🏨 Cape Town Hotel

Hotel

Supply

Total number of rooms

10,683



Performance

Average daily rate (ZAR/day)

R2,242



Revenue per available room (ZAR/day)

R1,543



Occupancy

68.9%



Source: STR Reports

Definitions and Methodology

Future Supply

JLL estimates of future supply is updated on a quarterly basis and is based on primary research (physical inspections) and secondary research (discussions with developers). The future supply is reflective of projects actively under construction. It excludes projects that have been announced, where ground works have not started. We remain cautious of the ability of some projects to meet their stated completion deadlines, with significant delays in project delivery leading to a low materialization rate.

Office Supply

The current supply of completed office GLA is based on a comprehensive list of office buildings that have been handed over for immediate occupation. This includes stand alone office buildings and office space within mixed-use buildings. Our project list excludes government owned and wholly occupied buildings.

Performance

The weighted average rent (WAR) is based on estimates from the JLL Offices and Business Space team. It reflects the WAR across a basket of Grade A buildings in the CBD. Grade A buildings are defined as high quality office spaces, well located, with good access to infrastructure (metro) and amenities including F&B and retail. The WAR of Grade A buildings represents the top open-market, net rent (exclusive of service charge and incentives) for a new lease that could be expected for a notional office unit. Vacancy rate is based on estimates from the JLL Offices and Business Space team. It reflects the weighted average rate across a basket of buildings in the CBD, that make up approximately 70% of the CBD supply and 13% of the total current supply.

Retail Supply

The classification of retail centers is based on the Urban Land Institute (ULI) definition and based on their Gross Leasable Area (GLA):

Super Regional Malls have a GLA of above 90,000 sq m
Regional Malls have a GLA of 30,000 - 90,000 sq m
Community Malls have a GLA of 10,000 - 30,000 sq m
Neighborhood Malls have a GLA of 3,000 - 10,000 sq m
Convenience Malls have a GLA of less than 3,000 sq m

The current supply of completed retail GLA is based on a comprehensive list of mall-based retail that have been handed over for immediate occupation. Our project list excludes street retail and retail within mixed-use buildings.

Performance

Average rents are based on estimates from the JLL Retail team. It reflects the rents across a basket of primary and secondary retail centers. Primary and secondary retail centers are identified based on their turnover levels. Primary Malls are the best performing malls with highest levels of turnover. Secondary Malls are the average performing malls with lower levels of turnover. Average rents represent the top open market net rent expected for a standard in line unit shop of 100 sq m in a basket of regional and super regional centers. Given the variation in rentals, we quote percentage change for retail rents rather than actual figures. Vacancy rate is based on estimates from the JLL Retail team. It reflects the average rate across a basket of super regional and regional centers.

Hotels Supply

The current supply of hotel rooms is based on data from our quarterly surveys, reflecting hotel rooms that have been handed over for immediate occupation. Our project list includes all graded supply and includes serviced apartments.

Performance

STR performance data is based on a monthly survey conducted by STR Global on a sample of international standard midscale and upscale hotels. Average Daily Rates (ADR) and Revenue Per Available Room (Rev Par) are the key performance metrics.



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