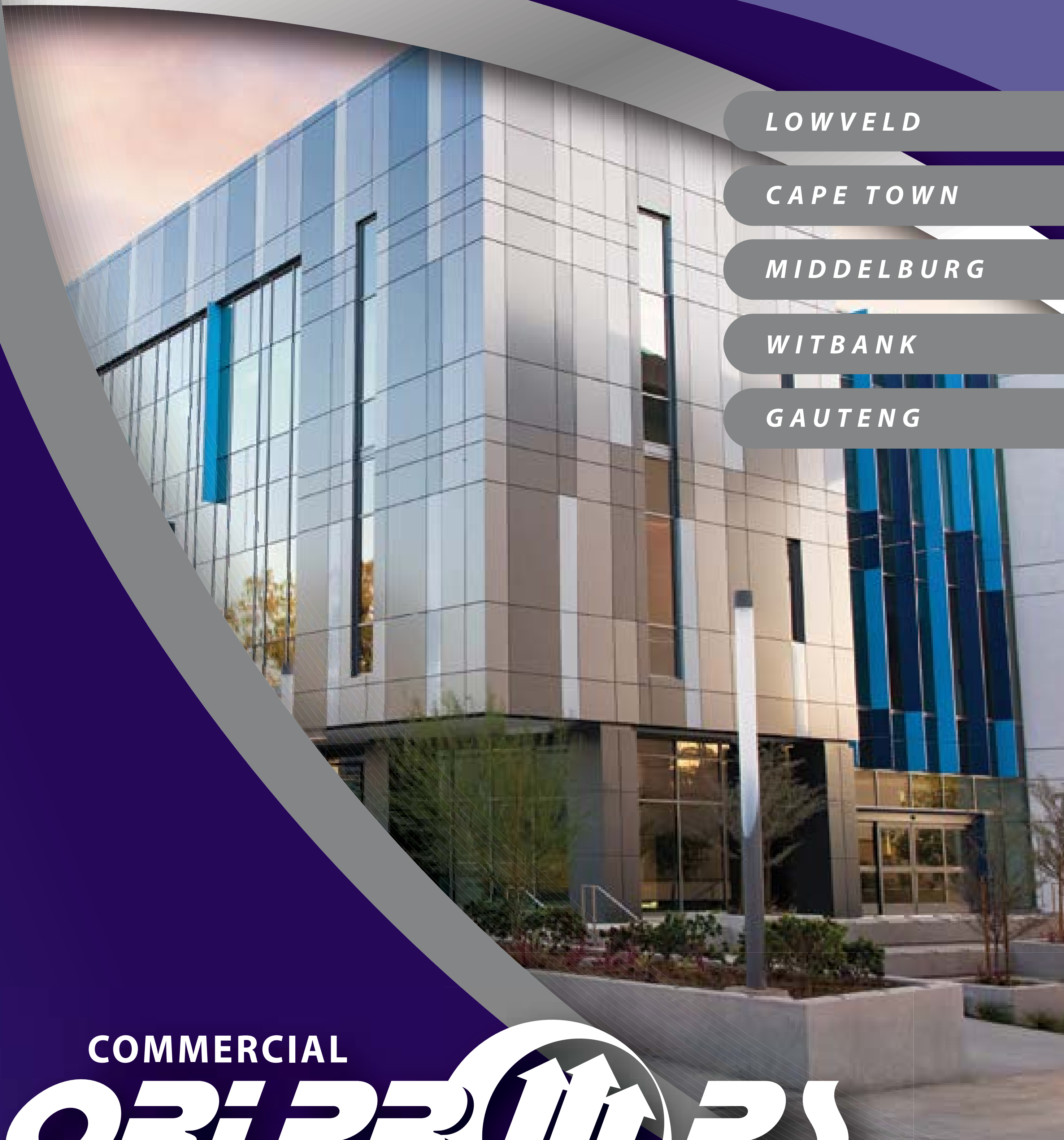
COMMERCIAL PROPERTY TRENDS REPORT

QUARTER 3 - 2023



LOWVELD

CAPE TOWN

MIDDELBURG

WITBANK

GAUTENG

COMMERCIAL

ORI PROPS

PROPERTY BROKERS

COMMERCIAL PROPERTY TRENDS REPORT

FOR THE THIRD QUARTER OF 2023

WE HAVE ADJUSTED OUR REPORTING PERIOD TO CALENDAR QUARTERS IN ORDER TO REMAIN ALIGNED WITH OTHER REPORTING BODIES. THE COMMENTS BELOW ARE FROM OUR AGENTS EXPERIENCE IN THE MARKET DURING THE REPORTING PERIOD. ALL RATES QUOTED ARE ACTUAL FIGURES ACHIEVED AND NOT "ASKING" RATES. IF WE HAVE NOT HAD ANY CHANGE OR HAVE NOT HAD ANY TRANSACTIONS IN THE AREAS NOTED, WE HAVE LEFT THE FIGURES UNCHANGED.

We are very happy to put the second quarter of 2023 behind us and look forward to a continued slow but noticeable improvement in the commercial property sector. With the opening of Oriprops Commercial Property Cape Town branch in Century City Cape Town, our main focus will be on the Western Cape in this report deservedly so, as this area continues to show growth and demand.

The market appears to have shifted in that, despite ongoing bouts of load shedding and a stagnant economy, business seems to have to come to terms with the trading conditions and demand is increasing, albeit slowly and in certain nodes. The small office market is definitely seeing an increase in demand as enquiries have climbed rapidly, however this remains a very small part of the sector and the office environment still shows the highest vacancy rate of the three commercial property sectors being Retail, Industrial and Offices. It is however encouraging that smaller businesses are looking for space again.

The Industrial sector remains the best performer of the three in this quarter with the most consistent and stable capitalisation rates as well as the lowest vacancy factor. In certain nodes we have even noted a decline in the vacancy factor, although this may not be the best news for brokers. Our main concern is that the rental cycle has not met the development cost cycle, resulting in less new development stock entering the market. The cold reality is that developers do not see the risk to reward in greenfield industrial development at less than around a 10 percent plus yield, and rightly so considering the various markets offering yields above this. The cost to develop and achieve competitive yields typically means pioneer rentals of R85/square metre plus, in certain areas even higher. The general industrial tenant is showing resistance to this rate and as such are looking for existing buildings, or choosing to remain where they are, also rightly so considering the current economic situation. This ultimately leads to low level of existing stock and developers not adding stock, except in exceptional circumstances or very long term, national tenant projects. Where to from here? Typically, we would want to see the economy grow which in turn grows logistics, manufacturing and associated sectors, leading to a demand for more GLA to accommodate the increased trading. The increased demand in a low supply environment will drive the rental prices and encourage developers to resume greenfields projects. Until this happens, we should still see a shortage of industrial supply and a developer focus on existing site redevelopment projects.

Our exciting news is that we have officially opened our Cape Town offices. Based in Century City, our brokers are well positioned to assist landlords and sellers of commercial property in all nodes. The attraction of the Mother City is undeniable with 58 000 property transaction, worth R130 billion in 2021 registered and a growth of 28% in 10 years, or over 100 000 residents according to the City of Cape Towns' latest census. City planning are frantically working to develop plans for this and further anticipated increases in population along with the economic and development growth that goes hand in hand with "semigration". The City's Urban Planning and Design Department have just released a detailed Spatial Trends Report, available on their website here, https://bit.ly/SpatialTrendsReport showing the current and future development plans. We see a bright future for our Cape Town branch and are ideally positioned to assist clients in this economic hub.

I hope that our next quarters commercial property trend report will have some positive news to share.

Sincerely

Craig McFadyen

Principal.

INDUSTRIAL TRENDS

Below is market information as experienced by our brokers in our area of operation. These are not necessarily asking rates but are either from actual transactions or what our area specialist feels is achievable in the current market conditions. Where fields are left blank we either do not have available stock in that range or there are not enough transactions to form an informed opinion.

INDUSTRIAL PROPERTY - QUARTER 2 - 2023

MBOMBELA	Actual market rentals achieved/sqm Building Size				Average Escalation Rate %	Vacant land price/sqm Zoned, serviced Contributions paid	Actual yields Achieved on Buildings sold
	250	500	1000	2500+			
Nelspruit East	R55	R50	R42	R40	7,00%	R1 450	10.5%
Nelspruit West	R55	R50	R45	R40	7,00%		11%
Riverside Industrial Park	R65	R60	R55	R55	7.5%	R1 400	11%
Riverside Park	R75	R75	R75	R65	7,00%	R1 185	10.3%
Rocky Drift	R45	R45	R40	R40	7,00%	R800	13%

MIDDELBURG	Actual market rentals achieved/sqm Building Size				Average Escalation Rate %	Vacant land price/sqm Zoned, serviced Contributions paid	Actual yields Achieved on Buildings sold
	250	500	1000	2500+			
Vaalbank	R57	R57	R48	R35	7%	R450	12.5%
SAE Business Park	R65	R65	R50	R35	7.5%	R700	10.5%
Central	R65	R65	R60	R0	7%	R400	13%

WITBANK	Actual market rentals achieved/sqm Building Size				Average Escalation Rate %	Vacant land price/sqm Zoned, serviced Contributions paid	Actual yields Achieved on Buildings sold
	250	500	1000	2500+			
Klarinet	R35	R35	R30	R30	7.5%	R280	12%
Mareldene	R70	R68	R80	R75	8%	R700	11.5%
Klipfontein	R65	R65	R61	R60	7.5%	R0	12%

GAUTENG EAST RAND	Actual market rentals achieved/sqm Building Size				Average Escalation Rate %	Vacant land price/sqm Zoned, serviced Contributions paid	Actual yields Achieved on Buildings sold
	250	500	1000	2500+			
Benoni	R40	R35	R30	R30	7%	R850	11%
Jet Park	R55	R50	R45	R40	7%	R1 100	11%
Bardene	R55	R55	R45	R40	7%	R1 200	12%
Pomona	R65	R65	R75	R70	8%	R1 200	10%
Isando	R50	R50	R48	R45	7%	R1 000	11%
Spartan	R45	R45	R43	R40	7.5%	R980	12%

OFFICE TRENDS

Below is market information as experienced by our brokers in our area of operation. These are not necessarily asking rates but are either from actual transactions or what our area specialist feels is achievable in the current market conditions. Where fields are left blank we either do not have available stock in that range or there are not enough transactions to form an informed opinion.

OFFICE PROPERTY - QUARTER 2 - 2023

MBOMBELA	Actual market rentals achieved/sqm				Parking Per Bay	Average Escalation Rate %	Vacant land price/sqm Zoned, serviced Contributions paid	Actual yields Achieved on Buildings sold
	Building Size							
	250	500	1000	2500+				
Nelspruit CBD incl. surrounds								
A-Grade	R140	R130	R125	R0	R480	8%	R0	11.5%
B-Grade	R115	R110	R100	R75	R400	8%	R0	12.5%
C-Grade	R85	R80	R75	R62	R400	7.5%	R0	14%
Riverside Park								
A-Grade	R155	R155	R145	R130	R500	8%	R1 600	
B-Grade	R125	R0	R0	R0	R450	7%	R1 600	
Nelspruit Other areas								
A-Grade								
B-Grade								

HIGHVELD	Actual market rentals achieved/sqm				Parking Per Bay	Average Escalation Rate %	Vacant land price/sqm Zoned, serviced Contributions paid	Actual yields Achieved on Buildings sold
	Building Size							
	250	500	1000	2500+				
Middelburg								
A-Grade	R95	R85	R60	R0	R180	7%	R1 100	11%
B-Grade	R70	R50	R40	R0	R110	7%	R1 050	11%
C-Grade	R30	R25	R25	R25	R0	6.5%		12%
Witbank								
A-Grade	R165	R160	R148	R0	R300	7%	R1 400	11%
B-Grade	R130	R125	R120	R0	R200	7%	R1 400	12.2%
C-Grade	R110	R110	R0	R0	R0	7%	R0	15%
East Rand								
A-Grade	R120	R115	R100	R90	R550	7%	R1 400	11%
B-Grade	R95	R95	R95	R90	R480	7%	R1 250	12%
C-Grade	R75	R75	R75	R65	R350	6%	R1 000	13%

CONTRIBUTING BROKERS

We, as a team, hope you found this information interesting and valuable to your property decisions.

Please feel free to contact any one of our team for further advice and information.

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