COMMERCIAL PROPERTY TRENDS REPORT

QUARTER 1 - 2024

COMMERCIAL
ORI PROPS
PROPERTY BROKERS

COMMERCIAL PROPERTY TRENDS REPORT

FOR THE FIRST QUARTER OF 2024

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.

The South African Commercial Property Market - Review of the previous 6 months and outlook for 2024

Introduction

The South African commercial property market has experienced significant shifts over the last six months, driven by evolving economic conditions, changing work dynamics, and emerging trends. As we look ahead to the rest of 2024, we expect several key factors to shape the office and industrial property sectors. The national elections in May 2024 have certainly created a level of uncertainty in the country which has split over into the commercial & industrial property market, particularly with larger businesses and developers choosing to shelve any projects until after the election, where the future economic road should be more clear.

Review of the Last 6 Months

The last six months have been marked by a gradual recovery in the South African commercial property market, following the disruptions caused by the COVID-19 pandemic, load shedding and the high interest rate environement. Both the office and industrial property sectors have shown resilience and adaptability, with several notable trends emerging.

1. **Office Sector Adaptation**

   The office sector has been undergoing a transformation in response to changing work dynamics. The rise of remote and hybrid work models has led many companies to reassess their office space requirements. As a result, there has been a growing demand for flexible office solutions, such as coworking spaces, serviced offices, and hybrid workspaces. At the same time we are seeing larger companies pushing for staff to return to more "normal" office hours. Smaller businesses seem to running as usual with the demand for offices under 500 square metres increasing, specifically in the Bedfordview area and interestingly in the redevelopment nodes of Cape Town such as Gardens, Woodstock and Observatory. Century City remains a sought after office destination, provided the right rental rate can be secured.

   While some of the larger companies are downsizing their office footprints, others are investing in redesigning their spaces to accommodate collaborative work and provide a better experience for employees. Health and safety considerations, such as improved ventilation, touchless technology, and energy efficient spaces, have become a priority for office occupiers.

2. **Industrial Sector Resilience**

   The industrial property sector has demonstrated resilience over the last six months, driven by the growth of e-commerce, logistics, and distribution networks. The accelerated shift towards online shopping has increased demand for well-located industrial properties, particularly in urban areas.

   Cape Town, East Rand and Witbank are examples where warehousing and distribution facilities near major transport hubs and industrial manufacturing nodes have been in high demand, as companies seek to optimize their supply chains and improve last-mile delivery capabilities.

Investors have been focusing on modern, well-equipped warehouses that can accommodate the growing needs of e-commerce and logistics companies. There is a definite interest in the mining sector and activity has been high in these nodes.

3. **Sustainability and Technology Integration**

   Environmental sustainability and technology integration have emerged as key trends in the commercial property market. There has been a growing demand for green buildings that are energy-efficient, environmentally friendly, and resource-efficient. Developers and investors are increasingly incorporating sustainable design features, such as solar panels, green roofs, and water-saving systems, into their projects.

   Technology integration has also been a focus, albeit mainly in the major centres, with the adoption of smart building solutions to enhance operational efficiency, reduce costs, and improve the tenant experience. Smart buildings equipped with IoT devices, sensors, and automation systems are becoming increasingly common, providing real-time data on energy usage, occupancy levels, and building performance.

Outlook for 2024

Looking ahead to the rest of 2024, several trends are expected to shape the South African office and industrial property markets.

1. **Continued demand for flexible office spaces as well as smaller office units**

   The trend towards flexible office solutions is expected to continue in 2024, as companies embrace remote and hybrid work models. Coworking spaces, serviced offices, and hybrid workspaces will remain popular, offering flexibility and cost-effectiveness for businesses of all sizes. We anticipate the requirement for smaller office space to continue unabated during 2024 as smaller businesses grow and expand into formalised space.

2. Growth in the Industrial Sector

The industrial property sector is expected to see continued growth in 2024, driven by the expansion of e-commerce, logistics, and distribution networks. Demand for well-located industrial properties near major transport hubs will remain high, as companies seek to optimize their supply chains and improve last-mile delivery capabilities. We anticipate the major centres of Gauteng and Cape Town to continue with demand for industrial space and we do not expect the stock supply in high-demand areas to improve until such time as the demand to supply ratio has driven rental prices to a point that developers re-enter the market with new projects.

In conclusion, the South African office and industrial property markets are expected to continue evolving in 2024, driven by changing work dynamics, political events, emerging trends, and evolving tenant preferences and budgets. By embracing flexibility, sustainability, technology, and wellness, property owners and developers should be able to capitalize on emerging opportunities and navigate the evolving landscape successfully.

Craig McFadyen
Principal.

INDUSTRIAL PROPERTY TRENDS
QUARTER 1 - 2024

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.

MBOMBELA

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%

CAPE TOWN

CAPE TOWN	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+			
Montague Gardens	R65	R65	R65	R60	7%	0	0%
Epping Industrial	R65	R65	R65	R55	7%	0	0%
Maitland	R65	R65	R65	R0	7%	0	0%
Rivergate	R65	R65	R60	R58	7%	1350	0%

WITBANK

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%

MIDDELBURG

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%

GAUTENG / EAST RAND

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 PROPERTY TRENDS

QUARTER 1 - 2024

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MBOMBELA

MBOMBELA	Actual market rentals achieved/sqm Building Size 250	500	1000	2500+	Parking Per Bay	Average Escalation Rate %	Vacant land price/sqm Zoned, serviced Contributions paid	Actual yields Achieved on Buildings sold
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								

MIDDELBURG & WITBANK

HIGHVELD	Actual market rentals achieved/sqm Building Size 250	500	1000	2500+	Parking Per Bay	Average Escalation Rate %	Vacant land price/sqm Zoned, serviced Contributions paid	Actual yields Achieved on Buildings sold
Middelburg								
A-Grade	R95	R85	R60	R0	R250	7%	R1 000	11%
B-Grade	R70	R50	R40	R0	R200	7%	R850	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%

CITY OF CAPE TOWN

HIGHVELD	Actual market rentals achieved/sqm — Building Size 250	500	1000	2500+	Parking Per Bay	Average Escalation Rate %	Vacant land price/sqm Zoned, serviced Contributions paid	Actual yields Achieved on Buildings sold
Woodstock								
A-Grade	R0	R0	R0	R0	R0	7%	R0	11%
B-Grade	R122	R115	R120	R0	R0	7%	R0	11%
C-Grade	R65	R0	R0	R0	R0	6.5%		12%
Gardens								
A-Grade	R150	R0	R0	R0	R0	7%	R0	11%
B-Grade	R145	R0	R0	R0	R0	7%	R0	12.2%
C-Grade	R0	R0	R0	R0	R0	7%	R0	15%
Salt River								
A-Grade	R140	R0	R0	R0	R0	7%	R0	11%
B-Grade	R95	R0	R0	R0	R0	7%	R0	12%
C-Grade	R0	R0	R0	R0	R0	6%	R0	13%
Observatory								
A-Grade	R0	R0	R0	R0	R0	7%	R0	11%
B-Grade	R100	R0	R0	R0	R0	7%	R0	12%
C-Grade	R70	R0	R0	R0	R0	6%	R0	13%
Century City								
A-Grade	R150	R150	R150	R150	R1 200	8%	R0	0%
B-Grade	R145	R145	R145	R145	R1 200	8%	R0	0%
C-Grade	R135	R135	R135	R135	R1 200	8%	R0	0%

GAUTENG / EAST RAND

HIGHVELD	Actual market rentals achieved/sqm — Building Size 250	500	1000	2500+	Parking Per Bay	Average Escalation Rate %	Vacant land price/sqm Zoned, serviced Contributions paid	Actual yields Achieved on Buildings sold
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%

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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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