

## Key facts

Demand	◀▶
Sales	◀▶
Supply	▲
Space in demand	501–1 000m <sup>2</sup>
Lease escalation	9%
Op cost escalation	10%

## Outlook (next 12 months)

Demand	◀▶
Sales	◀▶
Supply	▲
Lease escalation	9%
Op cost escalation	10%

## Rentals - Johannesburg CBD

Highest	R75
Medium	R65
Lowest	R50
Length of leases	3-5 years
Vacancy rates	7%

## Rentals - Braamfontein

Highest	R82
Medium	R65
Lowest	R55
Length of leases	3-5 years
Vacancy rates	5%

## Rentals - Newtown

Highest	R80
Medium	R70
Lowest	R65
Length of leases	3-5 years
Vacancy rates	5%

## Overview - Johannesburg CBD and Braamfontein



The Johannesburg CBD, Braamfontein and Newtown nodes have been undergoing a huge transformation. Developers like Olitzki Property Holdings, South Point and Johannesburg Land Company have contributed to this. The nodes are very good in terms of accessibility with regards to highways, rail and bus transport.

The major users are mining houses, banks, provincial government and trade unions.

In October 2004 an 18-square-kilometre area was designated the Urban Development Zone (UDZ) for the City of Johannesburg. It stretches roughly east-west from Fordsburg to Jeppesfontein and north-south from Bellevue to the M2. It includes

the inner-city zones of Newtown, Braamfontein, Hillbrow, Yeoville, Troyville and Doornfontein, as well as the Johannesburg CBD, Selby, Marshalltown and Ferreirasdorp, City & Suburban, Fairview and Benrose. This inner-city UDZ has contributed R8 billion to Johannesburg's CBD.

The UDZ tax incentive is part of a national scheme to encourage inner-city renewal across South Africa. Under the scheme, any tax-paying individual or entity owning commercial, industrial and/or residential property within the UDZ may claim a tax allowance covering 100% of the total cost of property refurbishments over a period of five years. New property developments may claim the tax allowance over 17 years.

## Johannesburg CBD



The Central Johannesburg Partnership (CJP), a private, non-profit company, working with the Johannesburg Development Agency (JDA), has been instrumental in improving the inner city by creating jobs, implementing strategic developments, campaigning for various policies and by-laws, establishing City Improvement Districts and being consultants and communicators in a number of security projects.

A City Improvement District (CID) is a defined geographic area within which property owners agree to pay for enhanced services to improve the physical and social environment of the area. The services provided are supplementary to those provided by the local authority and usually include safety and security patrol officers, pavement cleaning, litter collection, maintenance of public space and the removal of illegal posters.

Western Johannesburg, in the Fox and Rissik streets area, has more corporate offices, for example banks and mining houses. These landlords pay their CID levies more readily and therefore improvement in this area has been more pronounced. On the east side of the city, the CID has not been as effective as there are more private and fewer corporate owners.

The JDA has played a crucial role in these various projects, which include developing Ellis Park, Joubert Park and Gandhi Square; coordinating funding for the Braamfontein Corporate Precinct; upgrading Main Street (aided by the Johannesburg Land Company); assisting with the Joburg Art City Project; and researching the feasibility of changing an existing mixed-use precinct into a fashion and garment manufacturing node. Another innovative project which has been developed, by private enterprise, is Arts on Main. This

initiative was encouraged by the efforts of the JDA to upgrade the Ellis Park precinct.

On the eastern side of the CBD, the ABSA head office has recently been increased by an additional 50 000m<sup>2</sup> of offices. This has upgraded the area, making it safer and more attractive to an increasing number of private investors.

On the western side of the CBD is the fast-changing node known as Newtown. Newtown, linked to Braamfontein by the iconic Nelson Mandela Bridge and located near the Johannesburg city centre, is now considered the cultural hub of Gauteng and boasts a number of museums, cafes, bars and other creative industries. The change took place gradually: a former brickworks factory made way for a railway marshalling yard, which was followed by a fresh produce market, a mill, an abattoir and a power station. The area then changed drastically when the market and power station were relocated and an influx of aspiring actors, musicians and artists moved in. The City of Johannesburg Metro supported this change by deciding to develop the area as a cultural centre.

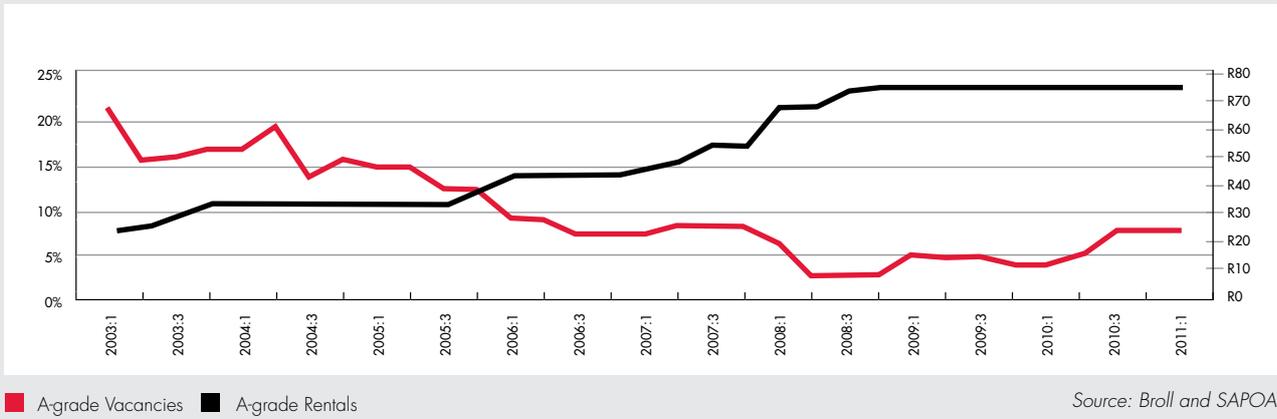
In order to attract more creative industries, Gauteng province is busy upgrading the area. Improvements have included constructing the Nelson Mandela off-ramp and upgrading Mary Fitzgerald Square. The latter project is being funded by the JDA at an estimated cost of R10 million and will be completed towards the end of July 2011. Atterbury Property Developments is developing a 35 000 m<sup>2</sup> retail centre at Newtown Junction called the Potato Sheds. They are also involved in The Majestic office complex, a tenant-driven, 7 800 m<sup>2</sup> development. The Majestic Hotel is the last phase in this extensive project. No information is available at the moment on this project

except that it will be on the old Transport Building site.

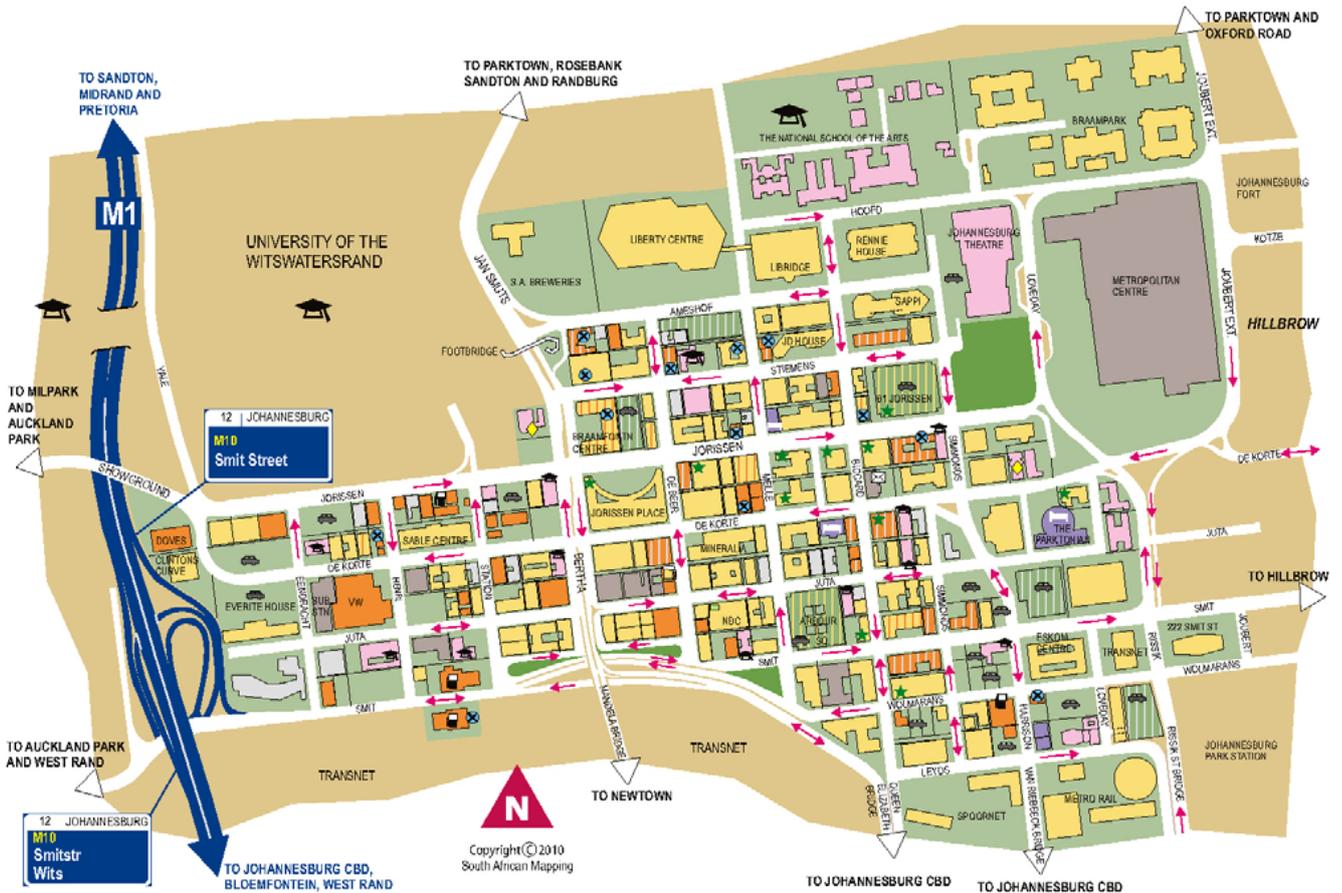
Crowie Projects has a tenant-driven 5 000 m<sup>2</sup> development behind 1 Central Place, across from Mary Fitzgerald Square.

Rentals in the Johannesburg CBD have increased steadily over the years, levelling off at R75 since the end of 2008. Vacancies decreased steadily until 2010, then started climbing, due mainly to new, refurbished space coming online.

Johannesburg CBD A-grade Gross Rentals vs. Johannesburg CBD vacancies



### Braamfontein

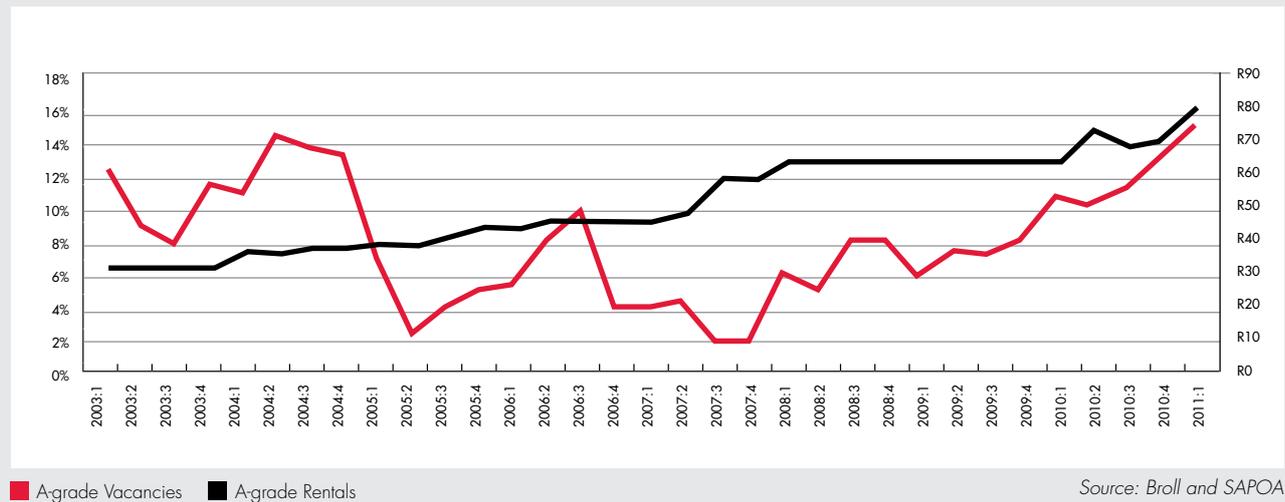


The Braamfontein node is characterised by the University of the Witwatersrand on the west side. Corporate tenants, including Sappi and Liberty, dominate the east side. Braamfontein has good public transport infrastructure, especially at Park Station. There is a strong non-governmental organisation (NGO) presence in the node.

Over recent years, South Point Properties has acquired 20 buildings in Braamfontein and converted them into student

accommodation with facilities to provide recreation for the tenants. Vacancies in Braamfontein have increased sharply, due mainly to Nedbank vacating 15 000 m<sup>2</sup> of office space in Braampark. Braamfontein stands a good chance of increased commercial development when the Gautrain station has been completed. In general, however, there's very little A-grade office space in Braamfontein and it's currently more of a tenants' market. Rentals range from R55/m<sup>2</sup> for grade-C space up to R80/m<sup>2</sup> for grade-A space.

## Braamfontein A-grade Gross Rentals vs. Braamfontein vacancies



Courtesy Gautrain

## Business sentiment and perceptions of the area

Business sentiment and perceptions of the area have improved in the last couple of years due to the upgrades brought about by the work of the City of Johannesburg. The city now can be compared to many international cities.

Most of the buildings are conventional office buildings. The city still has a fair amount of land, predominantly towards the west. This has been taken up by Abland, which is developing the city's first office park, Stimela Square. The Johannesburg Land Company has developed an iconic building for the Zurich Insurance Company.

Olitzki Property Holding (OPH) has secured a 45-year lease term with the Fox Street, Gandhi Square and Main Street consortium. The idea is to convert these main-street commercial hubs into pedestrian zones, with beautiful paving and some great landscaping.

The demand for space is average. Government is still the major occupier, followed by call centres.

Park Station, which is reaching completion, is the southernmost station on the Gautrain's south-north line and borders the Metrorail Johannesburg Park Station in Braamfontein. This underground station serves as a major transport interchange hub. A fully integrated public transport system, consisting of Gautrain bus feeders and the City of Johannesburg's Bus Rapid Transport system, will be put into operation. The main areas to be fed by this station are the Johannesburg CBD, Auckland Park, the University of Johannesburg, the University of the Witwatersrand, the SABC, Killarney, Parktown and Braamfontein. The station offers parking for 1 200 cars, with additional space for bicycles and motorcycles.

## Leasing

Most of the leases are with government, which remains the main driver of additional take-up of space. The remaining demand is for medium-sized space, ranging from 500 to 1 000 m<sup>2</sup>.



### Featured property

## Stimela Square Johannesburg CBD

Besides 75 000m<sup>2</sup> of office space, the newly developed Stimela Square will include a two-star hotel and a retail component of 522m<sup>2</sup>. This mixed-use development is readily accessible as it is close to Westgate train station, Rea Vaya BRT routes and other transport hubs, and has easy access to the M1 and M2 highways. Gross rentals are R120/m<sup>2</sup> and basement parking is available.

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