

Healthy and sustained demand for commercial property in SA

WELL-POSITIONED commercial property in outlying areas around South Africa is proving increasingly attractive to local and foreign buyers who continue to find value in sustainable investments, says Norman Raad, chief executive of Broll Auctions and Sales.

“Notably, there will always be demand for retail properties where investors in pursuit of yield and income perceive opportunities to unlock potential. A good example is the 7 530m² Queenstown Mall in the Eastern Cape, which was listed to go on auction but was sold for R62 million before our multiple auction held in June.”

Raad says with a yield of 10 percent, this is a fair market price from a private investor who has plans for expansion

and is bringing new tenants into the centre. Anchored by Pick n Pay and with other tenants including large, multi-national groups such as Pep and Standard Bank, the local retail centre is very well-positioned in Queenstown on the busy corner of Brewery Lane and the N6.

A further 20 000m² of retail, industrial and office space was sold at the auction. Properties included four lots comprising a total of over 2 300m² of office space in Wynberg, Cape Town, Napier in the Southern Cape, Polokwane in Limpopo and Edenburg in the Free State, which were sold by an institutional seller. Acquired by several private investors, these properties achieved a combined price of R9m.

Some of the other proper-

ties sold on the auction included a property with multi-tenanted industrial units in Boksburg, which was sold for R22.1m; an industrial mini-park in Heriotdale in Johannesburg which went for R16m, and multi-tenanted units in Wynberg, Johannesburg which fetched a total price of R9.24m.

A block of ground-floor retail and residential apartments in Norwood, Johannesburg was sold for R10.4m. In Lichtenberg in North West an office building was sold on the auction for R7.8m, a 4 610m² industrial warehouse in Powerville in Vereeniging was bought for R6.5m, and a small retail centre with upstairs offices in Bronkhorstspuit just east of Pretoria and en route to Witbank (eMalahleni)

was sold for R6.1m.

Raad says: “Not surprisingly, particularly in the current economic climate, we have found there is minimal demand for vacant buildings. The focus is on sustainable investments – where tenants can easily be replaced should they default or depart. As a result of lower risk, well-positioned properties will always be in demand.

“We have noticed that private investment market yields have moved above 10 percent. Historically, many properties achieved single digit yields, however, with an increased supply of stock in the market, buyers have an opportunity to be more selective. Sellers who envisage no upside on their respective properties are helping create movement in the market, affording buyers the

opportunity to unlock potential.”

He says other trends include listed property funds divesting themselves of non-core stock and stock that has achieved full potential.

“Listed funds may no longer wish to expend further time nor invest further in these properties, but the smaller property investors have the energy and vision to turn a fund’s rough diamond into a gem.”

The positive demand for commercial property is borne out by a recent Lightstone report, which reveals that transaction activity in the South African commercial market has increased in recent years. The report also highlights the acquisition of prop-

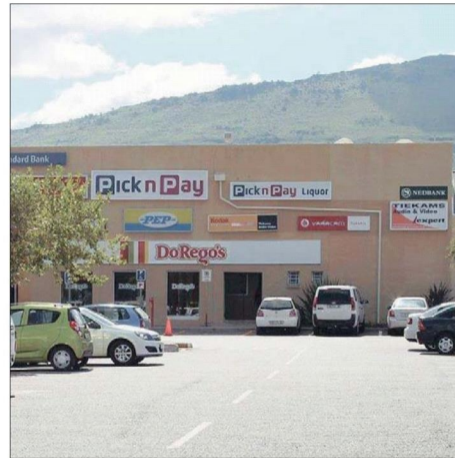
erties in non-CBD areas.

Bradley Stephens, managing director of Broll Auctions and Sales, says: “We have also seen investors sell off their smaller commercial property portfolios and invest in the REITs (real estate investment trusts) as these offer more liquidity and flexibility.

“Simultaneously this has created new opportunities for new players to enter the market. The only barrier to entry in the current market is finance and the loan to value conundrum.”

Broll Auctions and Sales’ next multiple auction of commercial properties will take place on August 18.

Call Stephens on 087 700 8269 or 082 443 7731 or e-mail bstephens@broll.co.za



GONE: The 7 530m² Queenstown Mall was sold for R62 million before going to auction.