

Incorporating Commercial & Industrial
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Industrials are the top performers

While shopping centres and office space battle against falling demand

BY BONNY FOURIE

THE industrial property market remains the best performing commercial sector in the country as developers continue to build and seek rewards for their risks.

Shopping malls, on the other hand, are struggling, and demand for office space is dwindling.

This is according to Lightstone, which has analysed retail and commercial data and forecast interesting current trends in the retail, industrial, and office markets.

Even though businesses may experience internal growth and require additional space, Linda Tshabalala, Lightstone's business development manager for the commercial-public sector, says the current trend indicates office tenants and owners will try to employ working space specialists.

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Lightstone has found that demand for office space is decreasing.
PICTURE: RABIE PROPERTY GROUP



Hot desking, where employees do not have dedicated desks but rotate with colleagues, creates greater workplace efficiencies.

Malls, offices hit by changing world

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and encourage mobile offices, rather than relocate to bigger office space.

"Another external element that needs to be considered is the global trend of shrinking office sizes. In recent years companies have started moving away from individual offices and cubicles in favour of a more social work setting. Minimalising work space has also played a part. As a result, many property managers and landlords are finding themselves leasing to a larger number of tenants, each utilising a smaller space with more employees."

Medium to small businesses have also started leaning towards flexible leases and sub-dividing space to share risk and ultimately reduce monthly costs, Tshabalala says.

An example of this is the new Sable Park development in Century City, which will bring 16 300m² of premium grade offices to the market by the end of June. Developed by the Rabie Property Group at a cost of R460 million, Sable Park will comprise two four-storey buildings of

8 000m² and 8 300m² respectively, each with two levels of underground parking.

Discovery has taken the larger building. The second building is ideally suited for a large user looking to make a strong corporate statement, but Rabie director Colin Anderson says it has been designed to be flexible and could be sub-divided to accommodate two or three users.

Also reflecting the trend, Manhattan Corner in Century City comprises seven offices ranging from 44m² to 114m², although they can be joined.

Broll Property Group's Frank Reardon says the trend is also for open-plan offices and "hot desking" where employees do not have dedicated desks but rotate with colleagues, creating greater workplace efficiencies.

When it comes to shopping malls, South Africa is the sixth most malled country in the world, says Reardon, adding this is "alarming" when considering the uncertain economy and contributing factors that need to be considered for a shopping centre or mall to be successful and show financial conviction.

"The additional pressure on the end

consumer's disposable income shows a decrease in foot traffic in shopping malls and ultimately the individual's spend. Stuttafords, River Island, Mango and other previously stable retailers have been forced to withdraw from the country, creating more vacancies in large shopping centres," Tshabalala says.

Lightstone says this could be indicative of developers moving to smaller strip malls with less gross leasable area to fill.

One of the only sectors to show resilience is the industrial zone, with developers continuing to build on risk and being rewarded with favourable uptakes of tenants in spaces such as warehouses.

Tshabalala says the logistics industry seems to be the catalyst for stability in the industry, with many new hi-tech warehouses catering specifically for this division.

Reardon says the industrial property market has been and will continue to be heavily affected by technological changes.

"This includes those associated with transport and logistics efficiencies and the changing retail sector with the growth of online shopping."

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