Property trends forecast for 2018

By Linda Tshabalala

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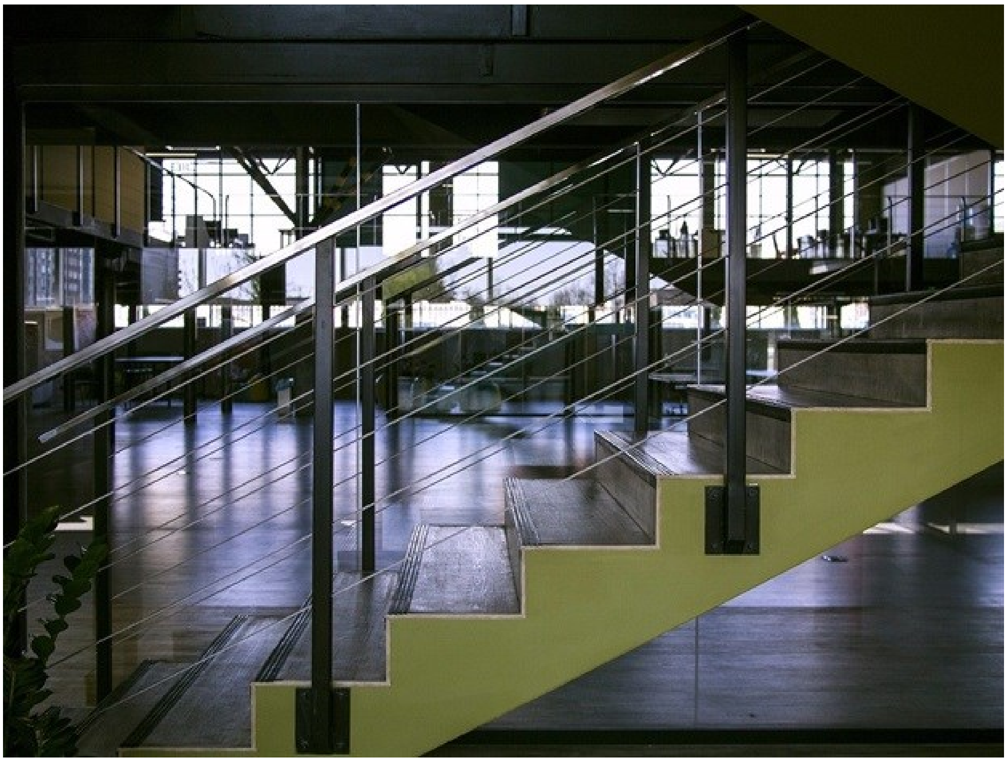
Lightstone evaluates commercial and retail data within South Africa and forecasts 2018 trends for business, retail space and industrial zones.



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Office space

Even though businesses may experience internal growth and require additional space, the current trend indicates that office tenants and owners will rather endeavour to employ the services of working space specialists, encourage mobile offices rather than relocating 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 and 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 subdividing space to share risk and ultimately reduce monthly costs.

Retail

South Africa is the sixth most 'malled' country in the world. This is rather alarming considering the uncertain economic climate and all the different 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 and more vacancies in large shopping centres. According to Lightstone, this could be indicative of developers moving to smaller, nimbler ‘strip malls’ with much less gross leasable property (GLA) to fill.

Industrial

One of the only sectors to show resilience is the industrial zones. Developers are continuing to build on risk and are rewarded with a favourable uptake of tenants in spaces such as warehouses. Interestingly, the logistics industry seems to be the catalyst for the stability in the industry with many new high-tech warehouses catering specifically for this division.

A great example of this is Fortress Income Fund which is seen as a leader in this space after disposing most of its office portfolio and old industrial assets, to turn its focus on developing new high-tech warehouses aimed at the logistics sector.

Bond insight

The total number of registered bonds in 2017 YTD show a decrease compared to 2016 year-on-year. The City of Cape Town is the only municipality with a notable increase from 2016 and sustained growth of bonds registered to the value of just over R25bn as well as increased inflation of 9.5% from 2016. Bond data shows a decline in transactional activity in Johannesburg from 2016, with a drop of 8.5% in value.

The following table shows the top 10 municipalities with the highest bond activity:

Municipality	Principal Town	2016		2017 YTD	
City of Cape Town	Cape Town	21 784	17,2%	25 867	26,7%
City of Johannesburg	Johannesburg	25 360	20,0%	16 850	17,4%
City of Tshwane	Pretoria	12 268	9,7%	8 495	8,8%
eThekwini	Durban	12 488	9,9%	7 797	8,0%
Ekurhuleni	Germiston	12 177	9,6%	5 523	5,7%
Nelson Mandela Bay	Port Elizabeth	3 074	2,4%	3 570	3,7%
Stellenbosch	Stellenbosch	1 701	1,3%	1 566	1,6%
City of Mbombela	Nelspruit	1 037	0,8%	1 118	1,2%
Drakenstein	Paarl	1 523	1,2%	1 101	1,1%
The Msunduzi	Pietermaritzburg	406	0,3%	1 043	1,1%

ABOUT LINDA TSHABALALA

Linda Tshabalala is business development manager for the Commercial-Public Sector at Lightstone. He has a strong background in property, sales and finance and is very passionate about client engagement. He firmly believes that for any business to be successful, they need to speak to, and understand, their clients. He has excelled in the commercial property sector as a broker and boasts some accolades including top 14 brokers in SA 2014.
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