

INDUSTRIAL VACANCY SURVEY



THE VOICE OF COMMERCIAL PROPERTY

MAY 2010

Based on data from the IPD South Africa database as at 31 December 2009

On the pulse of
the property world



I. Sample Composition

| Sample Coverage | | | | |
|----------------------------------|------------------|-----------------------|----------------------------------|----------|
| Square metres covered: | m ² | Number of Properties: | Average Nodal Composition | % of GLA |
| All Industrial | 5,249,784 | 568 | | |
| Warehousing | 1,102,978 | 83 | Warehousing | 21.0% |
| High-Tech/High Grade Industrials | 1,055,690 | 110 | High-Tech/High Grade Industrials | 20.1% |
| Light Manufacturing | 1,441,548 | 172 | Light Manufacturing | 27.5% |
| Standard Units | 1,649,568 | 203 | Standard Units | 31.4% |

| Top 10 Largest Nodes in Sample (by number) | | Top 10 Largest Nodes in Sample (by m ²) | |
|--|----------------------|---|----------------|
| Node | Number of Properties | Node | m ² |
| Midrand/Olifantsfontein | 44 | Epping/Airport/Langa | 363,400 |
| Pinetown | 39 | Pinetown | 354,260 |
| Epping/Airport/Langa | 38 | Jet Park | 333,715 |
| Jet Park | 34 | Midrand/Olifantsfontein | 293,202 |
| Meadowdale/Tunney | 31 | Germiston | 276,308 |
| Spartan | 22 | Boksburg | 264,063 |
| Isando | 22 | Milnerton/Montague Gardens/Paarden Eiland | 234,524 |
| Durban North/Umgeni/Springfield | 21 | Isando | 226,715 |
| Germiston | 19 | Meadowdale/Tunney | 207,581 |
| Milnerton/Montague Gardens/Paarden Eiland | 18 | Umbilo/Mobeni/Westridge | 189,375 |

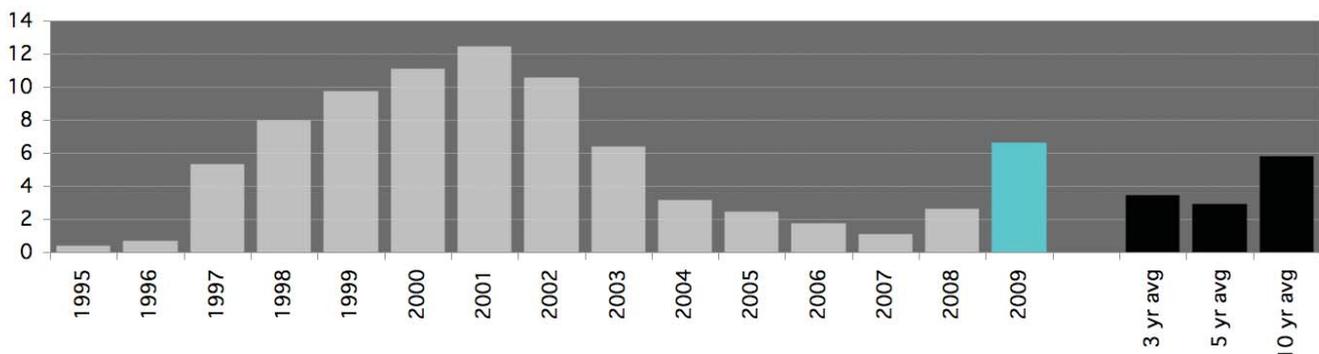
II. Top 5 Nodes by Majority Composition

Minimum 20 properties in node

| Warehousing | % of GLA | High-Tech/High Grade Industrials | % of GLA |
|---------------------------------|----------|----------------------------------|----------|
| Meadowdale/Tunney | 37.0% | Midrand/Olifantsfontein | 48.4% |
| Durban North/Umgeni/Springfield | 27.6% | Jet Park | 35.9% |
| Jet Park | 24.3% | Spartan | 33.0% |
| Pinetown | 17.3% | Durban North/Umgeni/Springfield | 32.4% |
| Isando | 15.8% | Pinetown | 20.3% |

| Light Manufacturing | % of GLA | Standard Units | % of GLA |
|----------------------------------|----------|---------------------------------|----------|
| Rossllyn/Klerksoord/Akasia | 95.9% | Pinetown | 45.1% |
| Airode | 92.6% | Meadowdale/Tunney | 42.8% |
| Jeppestown/Kensington/Heriotdale | 67.0% | Midrand/Olifantsfontein | 37.2% |
| Isando | 65.7% | Durban North/Umgeni/Springfield | 33.0% |
| Booysens/Selby/Glenesk | 57.9% | Jet Park | 30.6% |

III. Long Term Vacancy Trend (All Industrial - South Africa)





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IV. Provincial Data

| Province | Vacancy Rate (%) | Net Income Receivable per m2 (monthly) | GLA (m ²) | Number of Properties |
|---------------|------------------|--|-----------------------|----------------------|
| Gauteng | 7.1 | R 22.8 | 3,268,685 | 369 |
| Western Cape | 7.1 | R 22.6 | 929,167 | 80 |
| KwaZulu Natal | 3.1 | R 24.7 | 942,039 | 100 |

V. Segment Data

| Segment | Vacancy Rate (%) | Net Income Receivable per m2 (monthly) | GLA (m ²) | Average property GLA |
|----------------------------------|------------------|--|-----------------------|----------------------|
| Warehousing | 7.4 | R 25.9 | 1,102,978 | 13,289 |
| High-Tech/High Grade Industrials | 1.7 | R 26.4 | 1,055,690 | 9,597 |
| Light Manufacturing | 11.2 | R 16.4 | 1,441,548 | 8,381 |
| Standard Units | 6.8 | R 23.9 | 1,649,568 | 8,126 |

VI. Vacancies by Key Industrial Area

The Key Industrial Nodes detailed below are a conglomeration of IPD Nodes - grouped together to indicate functional industrial areas within the selected cities.

| Node | Vacancy Rate (%) | GLA (m ²) | Number of Properties | Average property GLA |
|--|------------------|-----------------------|----------------------|----------------------|
| Gauteng | | | | |
| R24/R21/N12 Triangle | 3.6 | 778,870 | 91 | 8,559 |
| N3/N17 Junction | 8.3 | 276,308 | 19 | 14,543 |
| N1/R101 Corridor | 6.8 | 315,169 | 50 | 6,303 |
| M2 East/West Corridor | 2.0 | 293,539 | 26 | 11,290 |
| N12 East of Jet Park | 14.9 | 303,437 | 17 | 17,849 |
| M1 Corridor to Buccleuch | 6.0 | 137,125 | 21 | 6,530 |
| R512 Corridor inc. Strijdom Park | 5.3 | 133,078 | 22 | 6,049 |
| Alberton/Alrode Basin bound by the R59 & N3 | 4.5 | 142,929 | 19 | 7,523 |
| South West Industrial - Main Reef Corridor incl. Ormonde | 9.3 | 160,821 | 20 | 8,041 |
| R21 North of OR Tambo Int Airport | 2.1 | 141,886 | 25 | 5,675 |
| N3/R25/Allandale Triangle | 4.9 | 73,221 | 15 | 4,881 |
| N14 Centurion Corridor | 1.6 | 88,852 | 8 | 11,107 |
| Greater Pretoria | 8.3 | 241,599 | 18 | 13,422 |
| KwaZulu Natal | | | | |
| Greater Pinetown | 2.9 | 354,260 | 39 | 9,084 |
| Southern Industrial Basin | 2.7 | 189,375 | 11 | 17,216 |
| Umgeni River Node - north to Redhill | 7.9 | 135,960 | 21 | 6,474 |
| East of the M4 - Jacobs to Isipingo | 0.4 | 121,164 | 7 | 17,309 |
| Western Cape | | | | |
| Central Industrial Zone- bound by the N1/N2/R300 | 3.7 | 599,263 | 56 | 10,701 |
| N7 Corridor (North of N1) | 5.7 | 234,524 | 18 | 13,029 |

VII. Glossary

| | |
|--|--|
| Warehousing | |
| Warehousing | Eaves height greater than 6 metres with good circulation and docking space and multiple access portals |
| High-Tech/High Grade Industrials are inclusive of: | |
| High-Tech Industrial | Modern construction with office content between 25% - 50% of the gross market rental. |
| High Grade Industrial | Eaves height greater than 6 metres with good yard/circulation space |
| Light Manufacturing | |
| Light Manufacturing | Office content less than 15% of market rental. Eaves height <6m or limited yard/circulation space or restricted accessibility. |
| Standard Units are inclusive of: | |
| Mini Units | Modular units with a majority of rentable areas being less than 500 m2 per unit |
| Midi Units | Modular units with a majority of rentable areas being between 500 and 1000m2 per unit. |
| Maxi Units | Modular units with a majority of rentable areas being greater than 1000m2 per unit. |

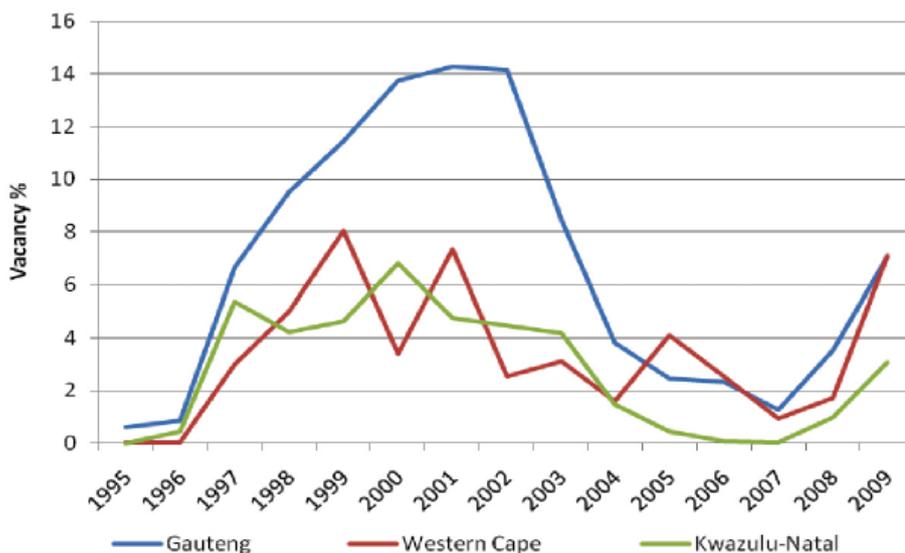
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Industrial vacancies on the rise

Industrial vacancies experienced their sharpest increase in over a decade, as the impact of recession drove the national average up from 2.6% in 2008 to 6.7% as at December 2009. This is the highest vacancy level for industrial property since 2002. The recent figures represent a significant shift away from the unusually low vacancy levels of recent years, with the 2009 vacancy considerably higher than the three, five and ten-year averages of 3.5%, 2.9% and 5.8% respectively. With the vacancy level registering 3.7% as at June 2009, the deterioration appears to have accelerated in the second half of the year.

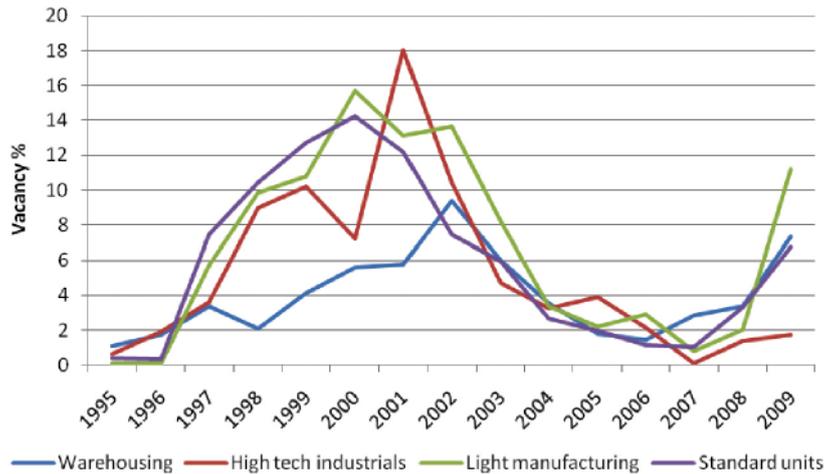
Of the three provinces with the greatest amount of industrial property, KwaZulu Natal has a substantially lower vacancy rate at 3.1% compared to 7.1% for both Gauteng and Western Cape. While lower in absolute terms, however, this is still 0.5% above the long term (ten year) average for KZN, whereas the 7.1% vacancy for Gauteng is actually in line with its respective long run average. Gauteng has historically displayed greater volatility and between 1998 and 2003 its vacancy rate had ballooned well above the other provinces, as shown in Figure 1 below. The 2009 value for Western Cape, conversely, is more than double the long term provincial average. KZN shows a correlation between nodal vacancy rates and average property GLA, with the nodes having the largest average property GLA's displaying the lowest vacancy rate; this relationship is not necessarily evident in the other provinces.

Figure 1: Industrial vacancy by province. Source: IPD Nodal Analysis 2009



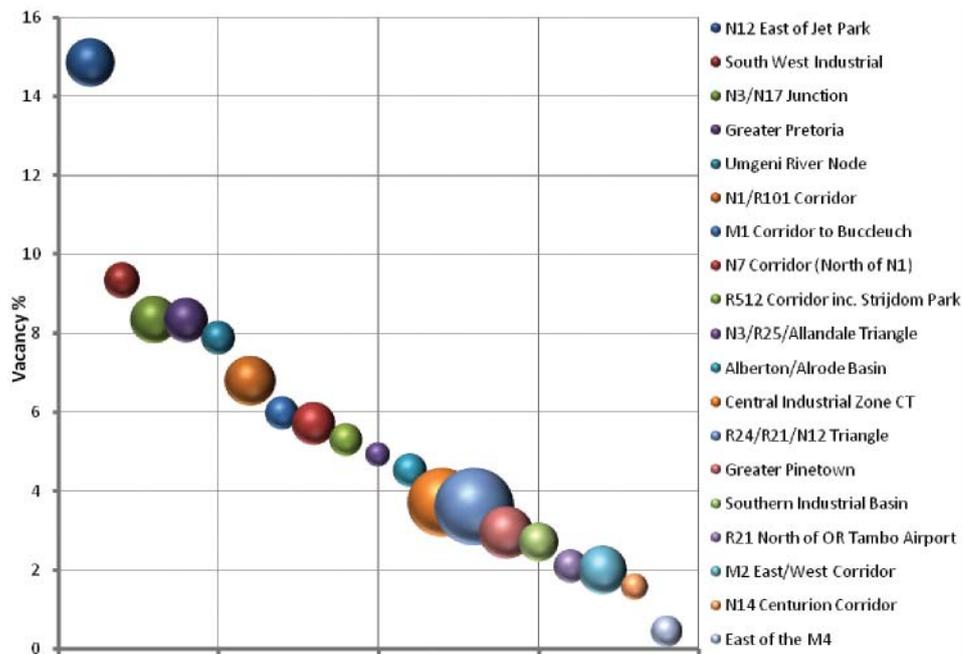
High tech industrial property – which accounts for approximately 20% of the total industrial sample by floor space and 24% by capital value – has experienced somewhat of a turnaround in fortunes in recent years. In 2001 it had the highest vacancy of any industrial property segment, yet in more recent years it has managed to maintain extraordinarily low vacancy levels in the face of generally universal rises. The segment's ability to reposition itself and broaden its scope to compete in the office space market has clearly produced positive results. Interestingly enough, the average GLA of properties within the high tech sample is slightly larger than light manufacturing. The increase in the light manufacturing vacancy rate over the past year is dramatic and underlies the difficult business conditions experienced in the manufacturing sector in general.

Figure 2: Industrial vacancy by segment. Source: IPD Nodal Analysis 2009



Despite the overall rise in vacancy, within particular areas and nodes there were in fact isolated cases of decreasing vacancies. Parts of the northern and eastern suburbs of Johannesburg – R21 north of OR Tambo International Airport, N3/R25/Allandale Triangle, R24/R21/N12 Triangle all saw decreases in vacancies. Centurion experienced a substantial 4.8 percentage point fall in vacancies, in contrast to the greater Pretoria area where vacancies rose by 6.3 percentage points. The area around the N12 East of Jet Park suffered the largest increase in vacancies, and the 2009 vacancy level now sits notably above the other reported nodes as reflected in Figure 3.

Figure 3: Industrial vacancy by node and size. Size of bubble represents GLA of node. Source: IPD Research



For more information

Further information is available in the IPD South Africa Nodal Analysis – a comprehensive analysis of property data for key areas and nodes in South Africa. For more information or to order a copy please contact Jess Cleland at (011) 883 4977 or jcleland@ipdindex.co.za.