KEY FINDINGS

As at Q4 2019, the national office vacancy rate as recorded by SAPOA was 11.0% - marginally up on the quarter before while asking rentals grew by 2.5% compared to the same quarter a year before.

Since 2011, the country’s office vacancy rate has been trending sideways notwithstanding a couple of bounces, up and down, in between.

However, given the amount of stock that’s been constructed in this period, available office GLA increase dramatically in square meter terms.

Muted employment and economic growth continues to dampen the office property sector’s hopes of a clear-cut short to medium term recovery.

Gross fixed capital formation by the business & financial services sector -a key leading indicator for office occupancy has been steadily improving since 2017.

This suggests an improving probability of stabilisation in the short to medium term as occupiers start allocating capital to expansion instead of adopting a wait-and-see approach. This allows demand to catch up to supply thus improving the vacancy rate and by consequence asking rental growth and investment returns.

The quarter ending December 2019, saw vacancy rates soften in the Prime & B-grade segments but improve in the A & C-grade segments.

The C-grade office segment saw the largest improvement in vacancy rates of 140bp (mainly as a result of residential conversions), while A-grade vacancy rate improved by 20bps.

The vacancy rate of the Prime office segment is at an all time high at 10.6%.

Among the country’s five largest metropolitan municipalities, the City of Cape Town still has the lowest overall office vacancy rate at 7.3% following another slight improvement in the latest quarter.

Development activity in the office sector has slowed to its lowest level since the first quarter of 2006. Activity has essentially halved in the last 18 months as several concurrent developments have come to market.

At the end of the current quarter, developments under construction totalled 247k sqm.

As at the fourth quarter of 2019, the office sector’s drawn out recovery continues with an increasing amount of office square metreage dripping onto the market. Given the quantum of office supply relative to the low demand, it is debatable whether the sector can still be seen to be in recovery.

Given economic headwinds and structural growth constraints such as electricity supply, it is becoming increasingly hard to imagine the national office vacancy rate returning to mid-single digits within the next 3 years. Historically, real GDP growth of 3.5%+ was the minimum requirement needed to drive employment growth and subsequently the demand for office space. Current GDP forecasts suggest that a national office vacancy rate of around 10% might be the ‘new normal’ for the foreseeable future, all things considered.
HEADLINE RESULTS & DRIVERS
AGGREGATE VACANCY RATE UNMOVED

As at Q4 2019, the national office vacancy rate as recorded by SAPOA was 11.0% - marginally up on the quarter before. Asking rentals perked up by 2.5% when compared to the same quarter a year before. However, much of the growth was driven by an increase in the availability of higher quality office space since the SAPOA OVS’s aggregate rental growth is based on the asking rental of space available. In 2011, less than 1% of available space was categorised as Prime-grade. That figure has now gone up to above 10%.

By grade, asking rentals were down by 3.9% and 0.5% for A and B-grade offices while it was up by 6.7% for prime offices as a result of availability of newer, mostly speculative schemes.
HEADLINE RESULTS & DRIVERS
LOOKING BEYOND VACANCY RATE

Since 2011, the country’s office vacancy rate has been trending sideways notwithstanding a couple of bounces, up and down, in between. However, given the amount of stock that’s been constructed in this period, available office GLA increased dramatically in square meter terms. This begs the question, how relevant is the use of vacancy rate in analysing the sector’s performance over a period of time? It remains an important indicator of the market’s health but given the high level of development we’ve seen, it should be viewed in conjunction with the absolute level of office area available for letting.

To illustrate this, consider that the overall office vacancy rate in mid-2013 was 10.9%, very close to the current level of just over 11.0%. During this time, vacant office GLA increased by 19.3% in going from 1.74million sqm to 2.07m sqm, an increase of 330,000sqm. Assuming a generous 15sqm per employee, 22,000 jobs were needed to fill the 330,000sqm of additional vacant office space which essentially just maintained the status quo as far as vacancy rate goes. In other words, the larger the base the more jobs are needed to reduce the percentage of vacant space. For the office vacancy rate to return to single digit levels, a step change in employment growth is needed – an unlikely scenario in the short term given structural growth constraints around Eskom and the country’s credit rating.
THE OFFICE PROPERTY CYCLE
BUSINESSES STARTING TO COMMIT CAPITAL

Muted employment and economic growth continues to dampen the office property sector’s hopes of a clear-cut short to medium term recovery. Private sector employment has grown at an annualised rate of only 0.3% y/y since mid-2010 while business confidence is currently trending close to a 20 year low.

The graphic below illustrates the relationship between changes in business capital investment and the office vacancy rate (y/y change) since the early 2000’s.

Historically, there’s been a 1-2 year lag between significant changes in business capital investment—a key leading indicator for office occupancy— and shifts in office occupancy.

Gross fixed capital formation by the business & financial services sector has been steadily improving since 2017. This suggests an improving probability of stabilisation in the short to medium term as occupiers start allocating capital to expansion instead of adopting a wait-and-see approach. This allows demand to catch up to supply thus improving the vacancy rate and by consequence asking rental growth and investment returns.

![Indexed financial & business services GFCF vs. Vacancy Rate](chart.png)

Source: South African Reserve Bank, StatsSA, Bureau for Economic Research
OFFICE VACANCY & RENTAL GROWTH
BY GRADE

The quarter ending December 2019, saw vacancy rates soften in the Prime & B-grade segments but improve in the A & C-grade segments.

- The C-grade office segment saw the largest improvement in vacancy rates of 140bp (mainly as a result of residential conversions), while A-grade vacancy rate improved by 20bps.
- Conversion activity has until now mostly been limited to the inner city office markets (& adjacent nodes like Braamfontein and Arcadia) but developers are now increasingly looking at decentralised office nodes such as Sandton, Sunninghill and Rosebank where conversions are starting to become increasingly feasible.
- The vacancy rate of the Prime office segment is at an all time high at 10.6%.
- The A & B-grade office segments ended the quarter with vacancy rates of 8.5% and 13.2% respectively – close to their long term averages.

Despite the office vacancy rate being unmoved at an aggregate level, the latest quarter saw 26 of 54 office nodes recording weakening occupancy rates while the balance of nodes saw flat to improving occupancy. Since 2011, not many nodes have recorded more than three consecutive quarters of positive uptake.
OFFICE VACANCY & RENTAL GROWTH
BY REGION

Among the country’s five largest metropolitan municipalities, the City of Cape Town still has the lowest overall office vacancy rate at 7.3% following another slight improvement in the latest quarter.

- The highest vacancy rate among the larger metros was the 13.8% recorded for the eThekwini municipality.
- The region’s overall office vacancy rate has been trending up since 2015 after an encouraging improvement through 2014.
- Within the region, the vacancy rate of the Durban CBD remains highest at 19.2% - down 80bps q/q.
- Umhlanga had the largest negative impact on the region’s overall vacancy rate with a 150bp increase resulting in a 40bp impact.
- eThekwini is followed by the City of Johannesburg at 12.5% – up 30bps from the quarter before.
- The vacancy rate in nodes like Sandton, Rosebank, Sunninghill, Illovo and Midrand are still hovering close to multi-year highs despite intermittent improvements along the way.
- Rosebank in particular has seen its vacancy rate spike as speculative developments come to market.
- The City of Tshwane recorded an aggregate office vacancy rate of 8.3% -down 50bps q/q.
- The Pretoria CBD and Arcadia have seen their vacancy rates improve to ten year lows.
- By contrast, the Hatfield/Hillcrest node has seen its office vacancy rate go above 20% for the first time since 1994.
CURRENT VACANCY RATE BY NODE PER REGION

Office Vacancy Rate - City of Johannesburg
December 2019

Source: MSCI Real Estate, SAPOA Office Vacancy Survey

Office Vacancy Rate - Nelson Mandela Bay Municipality
December 2019

Source: MSCI Real Estate, SAPOA Office Vacancy Survey

Office Vacancy Rate - eThekwini Municipality
December 2019

Source: MSCI Real Estate, SAPOA Office Vacancy Survey

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CURRENT VACANCY RATE BY NODE PER REGION

Office Vacancy Rate - City of Cape Town
December 2019

- CBD Cape Town: 10.8%
- Central: 1.9%
- Claremont: 8.2%
- Century City: 8.3%
- Bellville: 4.7%
- Waterfront: 4.9%

Office Vacancy Rate - City of Tshwane
December 2019

- CBD Pretoria: 3.0%
- Arcadia: 2.9%
- Sunnyside: 2.2%
- HATFIELD/HILLCREST: 20.4%
- Lynnwood/Denis: 9.5%
- Silver Lakes/The Willows: 6.5%
- Menlyn/Morning: 7.9%
- Highveld Technopark & Extensions: 10.7%
- Centurion CBD: 11.6%
- PTA Other Eastern Suburbs/Rouge 21: 5.6%

Source: MSCI Real Estate, SAPOA Office Vacancy Survey
DEVELOPMENT ACTIVITY SLOWS
FEWER SPECULATIVE SCHEMES

Development activity in the office sector has slowed to its lowest level since the first quarter of 2006. Activity has essentially halved in the last 18 months as several concurrent developments have come to market.

- At the end of the current quarter, developments under construction totalled 247k sqm.
- Expressed as a percentage of existing market stock, development activity is currently at 1.3% -off the 6.6% high of Q4 2007 and below the long-term average of 4.2%.
- While the overall level of development has been slowing, Q4 2019 saw the pre-let rate of current developments tick up to 60% - above the long term average of 52%.
- Given the current visible pipeline, office development activity is likely to remain constrained in the next year given a drop-off in large scale projects. Developers are favouring a tenant-driven approach when they do commit development capital.
- As at December 2019, 4 of the top 5 development nodes were in Gauteng with Sandton, Waterfall, Menlyn & Rosebank accounting for a combined 61% of total office development. The Cape Town CBD round out the top 5 with regards to the overall level of office development under construction.

Development activity has been getting increasingly concentrated with only 16 nodes currently sporting any level of action. In 2014, as many as 35 out of 54 different office nodes had office development projects on the go.
OFFICE DEVELOPMENT ACTIVITY
SLOWING AND CONCENTRATING

Development Activity declines, becoming more concentrated
Number of nodes with ongoing development activity

Source: MBCJ Real Estate, SAPOA Office Vacancy Survey
TWO THIRDS OF OFFICES FULLY LET % OF OFFICES BY VACANCY BRACKET & GRADE

As at Q4 2019, 66 out of every 100 office properties were fully let while only 3 out of every 100 were completely empty. The average fully let office had a GLA of 5.1k while the average empty office was 19% smaller at 4.1k sqm. Across all office grades, the buildings that were completely empty were on average smaller than those occupied to varying degrees. The proportion of empty offices was higher among secondary offices with 3.3 out of every 100 B & C-grade office buildings standing empty at present (~2.6% of GLA).

An interesting finding in the B-grade office segment is that there is currently a higher percentage of buildings completely vacant than there is in the 50-70% and 70-99% vacancy brackets. This suggests that there could be a tipping point beyond the 50% occupancy level where a building might become less desirable to the point of it becoming completely vacant and potentially primed for residential conversion or a major refurbishment.

As at December 2019, 67 out of every 100 A-grade office buildings were fully let -68/100 for B-grade and 58/100 for C-grade. (see table below) In saying that, the pressure points vary between the office grades. Perhaps surprising is the fact that 13 out of every 100 Prime office buildings have a vacancy rate exceeding 30% compared to 8% for the A-grade segment.

Among the top 20 largest office nodes, the Pretoria CBD remains an outlier with 92% of buildings fully let, possibly as a result of a larger government office presence. Braamfontein currently has the highest percentage of empty buildings at 11% perhaps, possibly presenting an attractive entry point for developers eyeing student residential conversions.

Distribution of Office Buildings
By building vacancy rate & grade

<table>
<thead>
<tr>
<th>Vacancy Rate bracket</th>
<th>P</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>Grand Total</th>
</tr>
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<tbody>
<tr>
<td>Building Fully Let</td>
<td>49.2%</td>
<td>67.8%</td>
<td>67.5%</td>
<td>57.9%</td>
<td>65.9%</td>
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<tr>
<td>Below 5%</td>
<td>Average GLA 10 920</td>
<td>Average GLA 5 715</td>
<td>Average GLA 3 833</td>
<td>Average GLA 6 137</td>
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</tr>
<tr>
<td>5-10%</td>
<td>7.7%</td>
<td>5.2%</td>
<td>3.2%</td>
<td>1.9%</td>
<td>4.1%</td>
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<tr>
<td>Average GLA 27 464</td>
<td>Average GLA 14 814</td>
<td>Average GLA 10 097</td>
<td>Average GLA 7 989</td>
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<td></td>
</tr>
<tr>
<td>10-30%</td>
<td>10.0%</td>
<td>6.1%</td>
<td>5.3%</td>
<td>5.4%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Average GLA 13 344</td>
<td>Average GLA 10 586</td>
<td>Average GLA 7 013</td>
<td>Average GLA 7 270</td>
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<td></td>
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<tr>
<td>30-50%</td>
<td>16.9%</td>
<td>12.3%</td>
<td>12.4%</td>
<td>16.6%</td>
<td>13.0%</td>
</tr>
<tr>
<td>Average GLA 13 633</td>
<td>Average GLA 10 031</td>
<td>Average GLA 8 863</td>
<td>Average GLA 7 100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>50-70%</td>
<td>10.0%</td>
<td>3.9%</td>
<td>4.9%</td>
<td>9.3%</td>
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<tr>
<td>Average GLA 13 633</td>
<td>Average GLA 6 629</td>
<td>Average GLA 5 968</td>
<td>Average GLA 5 905</td>
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<td></td>
</tr>
<tr>
<td>70-99%</td>
<td>2.3%</td>
<td>1.8%</td>
<td>2.5%</td>
<td>3.9%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Average GLA 10 794</td>
<td>Average GLA 7 010</td>
<td>Average GLA 8 530</td>
<td>Average GLA 5 665</td>
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<td></td>
</tr>
<tr>
<td>Empty building</td>
<td>1.5%</td>
<td>1.4%</td>
<td>1.6%</td>
<td>3.1%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Average GLA 16 354</td>
<td>Average GLA 5 100</td>
<td>Average GLA 5 642</td>
<td>Average GLA 4 841</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>2.3%</td>
<td>2.1%</td>
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<td>2.8%</td>
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<tr>
<td></td>
<td>Average GLA 4 784</td>
<td>Average GLA 3 849</td>
<td>Average GLA 4 159</td>
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</tr>
</tbody>
</table>

Source: MRSC Real Estate; SAPOA
WHICH NODES DROVE THE CHANGE IN VACANCY?

While the overall, national office vacancy rate remains relatively unchanged there is a lot of movement in the underlying tenant base.

On a nodal level, there continues to be significant variance – both in terms of absolute vacancy rate and the direction of their recent trends up or down as a seemingly static pool of tenants shuffle between different nodes and buildings. The graphic below illustrates the top 10 nodes in terms of their negative weighted impact on the overall vacancy rate in the most recent quarter.

The top 10 detractors of total vacancy rate had a weighted impact of +56bps while the remaining 44 nodes had a net -49bp impact – resulting in the <10bp increase at a sector level.

During the quarter ending December 2019, Rosebank had the largest negative impact of +26bps on the overall vacancy rate courtesy of a 10.4% q/q shift to 17.9%. The node has seen several speculative developments come to market – many with significant vacancy.

Sunninghill, Hatfield and Melrose all impacted the overall figure negatively as a result of their vacancy rates shifting out. With the exception of Rosebank, Melrose/Waverley recorded the largest quarter-on-quarter increase with a 420bp increase taking its vacancy rate to 9.1%.
UNLET NEW DEVELOPMENTS POSE A RISK TO RENTAL GROWTH

Further analysis of the total vacancy rate on a nodal level reveals that several nodes currently have a relatively wide spread between their ‘total’ vacancy rate (incl. un-let developments) and the vacancy rate on completed-existing property. Speculative developments pose a downside risk to rental growth if unlet and a failure to do so might see the node’s vacancy rate converge on the current ‘total vacancy rate’.

Unlet new developments in Century City (CTN), Menlyn (PTA) and the Cape Town CBD currently pose a risk to rental growth in the short to medium term.

Rosebank’s office vacancy rate has increased significantly as a result of unlet new developments that have come onto market. Development activity in the node picked up steam from 2016 (following a quiet period post the Gautain-driven development boom of 2011-2013) and remained robust through 2018 – however around mid-2018, the pre-let rate of developments slumped, culminating in the vacancy rate of completed buildings in the node spiking to 18.4% in Q4 2019 from 7.6% in the quarter before.
STILL IN RECOVERY OR IS THIS THE 'NEW NORMAL'?

As at the fourth quarter of 2019, the office sector’s drawn out recovery continues with an increasing amount of office square metreage dripping onto the market. The longer the current recovery phase of the cycle draws out, the longer it will take for occupancy rates to get back to ‘equilibrium levels’.

Given the quantum of office supply relative to the low demand, it is debatable whether the sector can still be seen to be in recovery. The figure below compares the current recovery phase to the previous phases of the office vacancy cycle in terms of its total vacancy rate and available space.

The current cycle’s vacancy rate (incl. unlet developments) is not the highest in recent history – but the absolute level of available space is. E.g. The total vacancy rate was ~12.5% in 2005 with 1.5m sqm of office area available for leasing (also the start of the previous growth phase with GDP growth in excess of 5%). Currently, the total vacancy rate is 100bps lower but there is almost 700,000sqm more available to let.

Given economic headwinds and structural growth constraints such as electricity supply, it is becoming increasingly hard to imagine the national office vacancy rate returning to mid-single digits within the next 3 years. Historically, real GDP growth of 3.5%+ was the minimum requirement needed to drive employment growth and subsequently the demand for office space. Current GDP forecasts suggest that a national office vacancy rate of around 10% might be the ‘new normal’ for the foreseeable future, all things considered.
OFFICE NODE DEFINITIONS

JOHANNESBURG

BEDFORDVIEW / BRUMA: Includes the offices around and adjacent Bruma Lake, Eastgate Shopping Centre and Bedford Shopping Centre. Also offices adjacent to Gilllooly’s Farm, Skeen Boulevard as well as along the R22 and R24 in the direction of OR Tambo International Airport.

BRAAMFONTEIN: Bounded by the M1 highway to the west, the railway line to the south, Joubert St to the east and the Braamfontein Ridge to the north including the Braampark development but excluding the University campus.

BRYANSTON / EPSOM DOWNS: This area adjacent to the intersection between the Western Bypass and William Nicol Dr, including Peter Place.

CBD JOHANNESBURG: Bounded by the M2 and M1 highways to the south and west respectively, the railway to the north and End St to the east.

CONSTANTIA Kloof Basin: Includes area either side of Hendrik Potgieter Rd, including Monash University to the west with the Western bypass to the east.

CRESTA / BLACKHEATH: Includes offices in Cresta, Darrenwood, Blackheath and Northcliff & extensions and Randpark either side of Beyers Naude bounded by Milner Rd to the east and Christiana de Wet/Northumberland to the west, and from Milner in the south up to the N1 in the north.

FOURWAYS: Bounded by Uranium Rd to the north, Main Rd to the east, William Nicol intersection to the south and Waterford Estate to the west.

GREENSTONE / LONGMEADOW / MODDERFONTEIN / EDENVALE: Bounded by the N3 to the west, Peace St/Modderfontein Rd to the north, Palliser Rd to the east and Aitken Rd to the south.

HOUGHTON / KILARNEY: Included are the offices in Kilarny and Houghton on either side of the M1 highway as well as the Houghton Isle development.

HYDE PARK / DUNKELD: The node of the intersection of Jan Smuts Ave and William Nicol Dr including Dunkeld West, Hyde Park and the upper part of Craighall Park.

ILLOVO: The office node in Rudd Rd, Oxford Rd and Illovo Boulevard areas.

MELROSE / WAVERLEY: The area enclosed by Corlett Dr, Oxford Rd, Glenhove Rd and Atholl- Oaklands/Scott St as well as the Waverley area across the M1 Highway.

MIDRAND: Includes buildings which are predominantly offices in the Midrand and Halfway House area.

MILPARK: Includes the Richmond/Sunyside office development node, the Milpark developments west of Empire Rd, the SABC complex and surrounding offices.

MORNINGSIDE: Includes Morningside, Morningside Manor & Gallo Manor areas bounded by Kelvin Dr, Bowling Rd, South Rd and the Western Service Rd/M1.

NEWTOWN: Includes the area enclosed by Commissioner, West, Car and Queen Streets.

PARKTOWN: Includes the Parktown nodes adjacent to Jan Smuts Ave up to the ridge, Central Parktown and the office area around Anerley Rd and Sunnyside Park Hotel.
OFFICE NODE DEFINITIONS

JOHANNESBURG...continued

RANDBURG: The Randburg CBD and extending into Ferndale, north to Bond St, west to Malibongwe Dr and east along Bram Fischer Dr into Jan Smuts Ave adjoining Bordeaux, up to Republic Rd. Also continuing south along both sides of Bram Fischer until Conrad Dr in Blaargowrie.

RANDPARK/RANDPARK RIDGE: Bounded by N1 to the south, Randpark Ridge to the west, Boskruin/Bromhof to the east and Christiaan de Wet/Northumberland to the north.

RIVONIA: The office node along Rivonia Rd up to 12th Ave, bounded by Summit Rd to the west, Bowling Rd to the east and Cullinan Place to the south.

ROSEBANK: Bounded by Bolton Rd, Jan Smuts Ave, Oxford Rd and Jellicoe Ave, including sundry buildings in Parkwood and Parktown North along the major arterial Rds.

SANDTON AND ENVIRONS: The Sandton CBD & adjacent office nodes incl. Wierda Valley, Benmore & Sandown. Also included are the offices along Katherine Rd travelling towards the M1 highway.

SUNNINGHILL: Centrally contained in the well-defined commercial hub. The North boundary is the main residential portion of the suburb. The East boundary terminates at Woodmead Dr. The Southern boundary is all properties that are accessed directly from Witkoppen Rd until it intersects with Millcliff Rd which then provides its Western boundary. The exclusion in terms of commercial buildings are the small, owner occupied properties that were constructed at the northern end of Peltier Rd.

WOODMEAD: The node is contained by the M1 highway to the East, Maxwell Dr to the North and Kelvin Dr to the South. The bulk of the commercial buildings are located in the office parks located directly to the West of Woodmead Dr, up to and including those on the Country Club Johannesburg boundary.

PORT ELIZABETH

CENTRAL/PARK DRIVE: The area bounded by Rink St to the East, Park Dr/Cape Rd to the South, Mount Rd to the west and Westbourne Rd to the North.

GREENACRES: The area bounded by Koningingham Rd to the East, Westview Dr to the South, 2nd Ave to the West and Norvic Dr/Worricer St to the North.

NEWTON PARK: The area bounded by 2nd Ave to the East, Hurd St to the South, 7th Ave and to the West and King Edward St to the North.

WALMER/FAIRVIEW: The area bounded by 1st Ave to the East, Heugh Rd to the South, William Moffett Expressway and 17th Ave to the West and Main Rd to the North.
OFFICE NODE DEFINITIONS

CAPE TOWN

**BELLVILLE:** Jip de Jager/Mike Pienaar to the West, Voortrekker Rd to the South, Old Oak to the East and Van Riebeeck Rd to the North.

**CBD CAPE TOWN:** Chiappini St to West, Gardens suburb to South, Tennant St to East and Harbour Freeway to North.

**CENTURY CITY:** Properties within the Century City mixed use node; includes offices located either side of Ratanga Road up to Century Boulevard.

**CLAREMONT:** Highwick/Pine to the South, Protea/Campground Rd to the North, Palmyra to the East and the M3 to the West.

**CENTRAL:** Encompasses the Pinelands Office node and the Black River Park precinct. Bounded by Settlers Way to the South, Jan Smuts to the North and East and Liesbeek Parkway to the West.

**RONDEBOSCH / NEWLANDS:** Protea/Campground Rd to the South, Woolsock Rd to the North, Campground Rd to the East and the M3 to the West.

**WATERFRONT:** Properties within the V&A Waterfront precinct.

DURBAN

**BALLITO:** The main area of Ballito and surrounds, including Salt Rock and the Dube Tradeport.

**BEREA:** Offices located in the larger Berea area west of the M4 & R104 and south of the M19.

**CBD DURBAN:** The area bounded by Victoria Embankment and Winder St to the south, the railway line, Cross St, First Ave and Stamford Hill Rd to the west, Argyle Rd to the north and Brickhill and Point Rds to the east.

**HILLCREST/GILLITS:** The Hillcrest office node can be defined as a triangular shape bounded by King Cetshwayo Highway (M13) in the south, Kassier Rd to the west and a line from the intersection of Kassier Rd & the R103 (Main Rd) to the intersection of King Cetshwayo Highway (M13) in the north east. Also included in this node are offices

**UMHLANGA/LA LUCIA:** Includes the office properties adjacent to Armstrong Avenue in La Lucia through to the M41 in Umhlanga. To the west , the node includes the office properties located along Flanders Drive in Mount Edgecombe while to the north and east, the node includes the New Town Centre node, Ridgeside and office located along Lighthouse Road to Lagoon Drive.

**WESTVILLE:** Offices located in the larger Westville area of Durban including those located along The Boulevard in the south and the N2 to the east.
OFFICE NODE DEFINITIONS

PRETORIA

**ARCADIA:** Bounded by Du Toit St to the west, Hill St to the east, Schoeman and Park Sts to the south and Belvedere St to the north.

**BROOKLYN/ NIEUW MUCKLENEUK/ GROENKLOOF/WATERKLOOF:** Bounded by the Fountains Circle, Lynnwood Rd, Brooklyn Rd, Dely Rd, Rigel Rd North and Sibelius St.

**CBD PRETORIA:** Is bounded by Potgieter St to the west, Boom St to the north, Scheiding St to the south and Du Toit / Van Boeshoten St to the east.

**CENTURION CBD:** Is bounded by John Vorster extension and Rabie Street to the west, Botha Avenue to the north and east and Alexandria Road and the N1 highway to the south.

**HATFIELD / HILLCREST:** Is bounded by Church St to the north, Duncan and Brooklyn Sts to the east, Festival St to the west and Lynnwood St to the south.

**HIGHVELD TECHNOPARK / HIGHVELD EXTENSIONS:** The area bounded by the N1 highway to the north, Jean Avenue extension to the east, Nellmapius Drive to the south and the Ben Schoeman highway to the west.

**LYNNWOOD/MENLO PARK/HAZELWOOD/PERSEQUOR PARK:** Bounded by Brooklyn Rd to the west, the N4 Freeway to the north, General Louis Botha to the east and Garsfontein Rd to the south.

**MENLYN / FAERIE GLEN / ASHELA GARDENS:** Bounded by Dely Rd to the west, Ingersol and Kelvin Sts to the north, General Louis Botha to the east and Garsfontein Rd to the south.

**PRETORIA – OTHER SUBURBAN AREAS:** Comprises of small office nodes throughout the eastern suburbs of Pretoria which fall outside the boundaries of all the other suburban nodes.

**THE WILLOWS / SILVER LAKES / TJUGER VALLEY:** The area east of Lynnwood Ridge all along Lynnwood Road and extension passing through The Willows past Silver Lakes and extending to the Lombardy Office Park.

**SUNNYSIDE:** Is bounded by Park St to the north, Johnston St to the east, Walker St to the south and Du Toit / Van Boeshoten to the west.
OFFICE GRADE DEFINITIONS

- **P-grade (Prime grade):** Top quality, modern space. Prime buildings are often considered iconic and a flagship in its market and a pace-setter in establishing rentals. Essential features include high security - both manned and electronic. Includes the latest or recent generation of building services, ample parking, a prestigious lobby finish.

- **A-grade:** These buildings are well located, high quality properties providing good access and are professionally managed. They feature high quality modern finishes, air conditioning, adequate on-site parking, with market rentals near the top of the range in the metropolitan areas where they are located.

- **B-grade:** Generally older buildings, but accommodation and finishes are close to modern standards because of refurbishments and renovation from time to time. Air conditioning and on-site parking or bays dedicated to the building is essential.

- **C-grade:** Buildings typically in fair condition but with older style finishes, services and building systems. Infrastructure generally limited. May or may not be air-conditioned or have on-site parking.
### Completed Buildings

<table>
<thead>
<tr>
<th>Total Rentable Area (m²)</th>
<th>Area Available for Leasing (m²)</th>
<th>Vacancy Rate (%)</th>
<th>Previous Months</th>
<th>Gross Asking Rentals (R/m²)</th>
<th>Total Rentable Area (m²)</th>
<th>Area Available for Leasing (m²)</th>
<th>Gross Asking Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>188,127</td>
<td>50,219</td>
<td>22.6%</td>
<td>0.9%</td>
<td>1.2%</td>
<td>215,264</td>
<td>261</td>
<td>215,264</td>
</tr>
<tr>
<td>160,690</td>
<td>16,757</td>
<td>10.4%</td>
<td>0.9%</td>
<td>1.2%</td>
<td>140,350</td>
<td>180</td>
<td>140,350</td>
</tr>
<tr>
<td>171,162</td>
<td>18,076</td>
<td>15.4%</td>
<td>1.3%</td>
<td>1.9%</td>
<td>215,264</td>
<td>215</td>
<td>215,264</td>
</tr>
<tr>
<td>48,586</td>
<td>4,685</td>
<td>9.8%</td>
<td>7.6%</td>
<td>9.1%</td>
<td>35,115</td>
<td>135</td>
<td>35,115</td>
</tr>
<tr>
<td>Total</td>
<td>478,480</td>
<td>85,736</td>
<td>7.9%</td>
<td>7.9%</td>
<td>24,712</td>
<td>6,652</td>
<td>258</td>
</tr>
</tbody>
</table>

### New Developments

<table>
<thead>
<tr>
<th>Total Rentable Area (m²)</th>
<th>Area Available for Leasing (m²)</th>
<th>Type of Property</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,974,577</td>
<td>313,922</td>
<td>Residential</td>
</tr>
<tr>
<td>6,370</td>
<td>-</td>
<td>Commercial</td>
</tr>
<tr>
<td>357,173</td>
<td>63,222</td>
<td>Commercial</td>
</tr>
<tr>
<td>Total</td>
<td>542,543</td>
<td>Commercial</td>
</tr>
</tbody>
</table>

### CITY OF CAPE TOWN

<table>
<thead>
<tr>
<th>Total Rentable Area (m²)</th>
<th>Area Available for Leasing (m²)</th>
<th>Type of Property</th>
</tr>
</thead>
<tbody>
<tr>
<td>567,353</td>
<td>26,809</td>
<td>Residential</td>
</tr>
<tr>
<td>8,400</td>
<td>1,660</td>
<td>Residential</td>
</tr>
<tr>
<td>41,975</td>
<td>1,196</td>
<td>Residential</td>
</tr>
<tr>
<td>Total</td>
<td>580,222</td>
<td>Residential</td>
</tr>
</tbody>
</table>

### DEDIEDEEP/WEVENDA

<table>
<thead>
<tr>
<th>Total Rentable Area (m²)</th>
<th>Area Available for Leasing (m²)</th>
<th>Type of Property</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,023,572</td>
<td>110,560</td>
<td>Residential</td>
</tr>
<tr>
<td>71,654</td>
<td>1,916</td>
<td>Commercial</td>
</tr>
<tr>
<td>Total</td>
<td>1,103,740</td>
<td>Commercial</td>
</tr>
</tbody>
</table>

### CITY OF TSHWANE

<table>
<thead>
<tr>
<th>Total Rentable Area (m²)</th>
<th>Area Available for Leasing (m²)</th>
<th>Type of Property</th>
</tr>
</thead>
<tbody>
<tr>
<td>92,518</td>
<td>16,305</td>
<td>Commercial</td>
</tr>
<tr>
<td>Total</td>
<td>108,823</td>
<td>Commercial</td>
</tr>
</tbody>
</table>

### NORTHERN SHAPELANDS

<table>
<thead>
<tr>
<th>Total Rentable Area (m²)</th>
<th>Area Available for Leasing (m²)</th>
<th>Type of Property</th>
</tr>
</thead>
<tbody>
<tr>
<td>35,524</td>
<td>23,323</td>
<td>Commercial</td>
</tr>
<tr>
<td>Total</td>
<td>58,847</td>
<td>Commercial</td>
</tr>
</tbody>
</table>

### THEKWA MUNICIPALITY

<table>
<thead>
<tr>
<th>Total Rentable Area (m²)</th>
<th>Area Available for Leasing (m²)</th>
<th>Type of Property</th>
</tr>
</thead>
<tbody>
<tr>
<td>61,704</td>
<td>6,424</td>
<td>Commercial</td>
</tr>
<tr>
<td>Total</td>
<td>68,128</td>
<td>Commercial</td>
</tr>
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</table>

### SOUTH AFRICA

<table>
<thead>
<tr>
<th>Total Rentable Area (m²)</th>
<th>Area Available for Leasing (m²)</th>
<th>Type of Property</th>
</tr>
</thead>
<tbody>
<tr>
<td>486,347</td>
<td>47,570</td>
<td>Commercial</td>
</tr>
<tr>
<td>Total</td>
<td>533,917</td>
<td>Commercial</td>
</tr>
</tbody>
</table>

### Tshwane

<table>
<thead>
<tr>
<th>Total Rentable Area (m²)</th>
<th>Area Available for Leasing (m²)</th>
<th>Type of Property</th>
</tr>
</thead>
<tbody>
<tr>
<td>329,420</td>
<td>9,403</td>
<td>Commercial</td>
</tr>
<tr>
<td>Total</td>
<td>338,823</td>
<td>Commercial</td>
</tr>
<tr>
<td>Building Class</td>
<td>Total Rentable Area (m²)</td>
<td>Area Available for leasing (m²)</td>
</tr>
<tr>
<td>----------------</td>
<td>--------------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>MT65</td>
<td>46,900</td>
<td>2,690</td>
</tr>
<tr>
<td>MT84/MT111/MT97</td>
<td>378,272</td>
<td>15,820</td>
</tr>
<tr>
<td>MT108</td>
<td>166,600</td>
<td>5,252</td>
</tr>
<tr>
<td>Total</td>
<td>262,222</td>
<td>24,152</td>
</tr>
<tr>
<td>MT65</td>
<td>134,560</td>
<td>0.0%</td>
</tr>
<tr>
<td>MT84/MT111/MT97</td>
<td>378,272</td>
<td>5,252</td>
</tr>
<tr>
<td>MT108</td>
<td>166,600</td>
<td>5,252</td>
</tr>
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<td>262,222</td>
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<td>134,560</td>
<td>0.0%</td>
</tr>
<tr>
<td>MT84/MT111/MT97</td>
<td>378,272</td>
<td>5,252</td>
</tr>
<tr>
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<td>5,252</td>
</tr>
<tr>
<td>Total</td>
<td>262,222</td>
<td>24,152</td>
</tr>
</tbody>
</table>

**Completed Buildings**

**New Developments**

**BROOKLYN**

**MID-CITY GLENDALE**

**CENTURION**

**HAYFIELD HILLS**

**HIGHLAND TECHNO-PARK**

**LYNNWOOD ORMOND PARK/PARKERSE QUO PARK HAZELWOOD**

**VILYNFARE GLENDALE/GARDENS**

**SILVER LAKES THE WILLOWS**

**WINDERMERE**

**NELSON MANDELA BAY**

**CENTRAL PARK**

**GREENACRES**

**HUMLAIRE**

**NEWTOWN**

**WINDERMERE/FAIRWAY**

<table>
<thead>
<tr>
<th>P</th>
<th>2,061,479</th>
<th>218,485</th>
<th>10.6%</th>
<th>8.3%</th>
<th>7.8%</th>
<th>8.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>4,069,259</td>
<td>686,325</td>
<td>16.8%</td>
<td>8.7%</td>
<td>8.5%</td>
<td>8.8%</td>
</tr>
<tr>
<td>B</td>
<td>2,181,977</td>
<td>950,783</td>
<td>13.2%</td>
<td>13.1%</td>
<td>14.1%</td>
<td>13.1%</td>
</tr>
<tr>
<td>C</td>
<td>3,515,949</td>
<td>219,777</td>
<td>14.5%</td>
<td>10.9%</td>
<td>10.6%</td>
<td>10.9%</td>
</tr>
<tr>
<td>Total</td>
<td>18,927,453</td>
<td>2,073,310</td>
<td>11.0%</td>
<td>11.0%</td>
<td>11.3%</td>
<td>11.0%</td>
</tr>
</tbody>
</table>

**Gross Asking Rent (R/m²):**

**Total Rentable Area (m²):**

**Area Available for leasing (m²):**

**Gross Asking Rent:**

**Total Rentable Area:**

**Area Available for leasing:**

**Gross Asking Rent (R/m²):**

**Completed Buildings**

**New Developments**

**BROOKLYN**

**MID-CITY GLENDALE**

**CENTURION**

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**CENTRAL PARK**

**GREENACRES**

**HUMLAIRE**

**NEWTOWN**

**WINDERMERE/FAIRWAY**

**T:** (011) 883 0679 | F:** (011) 883 0684

**Email:** marketingmanager@sapoa.org.za

**Web:** www.sapoa.org.za

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Office Vacancy Report
December 2019

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