

# Exploring Property Themes in SA

A/Professor François Viruly



### Disruption sped up by Covid-19

- Work living space
- Repurposing
- Focus on housing
- Proptech



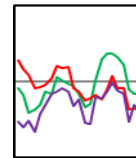
### Greater Polarisation of the Sector

- Sectoral
- Performance
- Changing ranking of Sectors



### Market Fundamentals

- Macro economics
- Interest Rates
- Dealing with uncertainty
- Valuations



### ESG

- Going beyond solar panels
- Focus on housing and infrastructure
- Transforming the sector.
- Focus on Social Entrepreneurs





## 1. Agrarian

Proximity to other people

Rural population

## 2. Early Industrial

Proximity to raw materials

Urbanisation

## 3. Mercantile

Proximity to markets

Suburbanisation

## 4. Capital

Proximity to financial capital

Urban renaissance

## 5. Digital

Proximity to other people

Urban dispersal

# The Property Market has always adapted to a changing Socio-Economic Environment



SOCIAL	TECHNOLOGICAL	ENVIRONMENTAL	ECONOMIC	POLITICAL
Our evolving relationship with space	The Four Industrial Revolutions	Relationship with the Environment	From home bound Economies to the Fordism	The Role of Government In the economy
Organization of Work and the Household	Transportation and Connections	Social Connection From landowners to Tech Firms	Evolving Globalisation	The creation of relevant Institutions

## CROWD-FUNDING & FINANCE



## CO-WORKING



## DIGITAL INNOVATION



## SELLING & LETTING



## SERVICES & SOFTWARE



## DATA & ANALYTICS



\*Recently acquired by Pam Golding

\*\*Recently acquired by MRI Software

# Co-working and Co-living and Branding the Sector

SMALL BUT LUCRATIVE

## Low-cost lifestyle estates bridging the gap

Two entrepreneurs are converting warehouses and factories near public transport nodes and places of work into residential units to meet Johannesburg's huge low-cost housing needs

05 MAY 2017 - 08:03 by JOAN MULLER



Low-cost living: Nano units rent for about R2,500/month

COMPANIES / PROPERTY

## Attacq to bring residential development to Waterfall City

The Mall of Africa owner plans to add high-rise apartments to the growing node

16 OCTOBER 2018 - 05:05 by ALISTAIR ANDERSON

## WeWork to open it's first SA location in Johannesburg

COMPANIES / 9 FEBRUARY 2019, 1:00PM / STAFF REPORTER

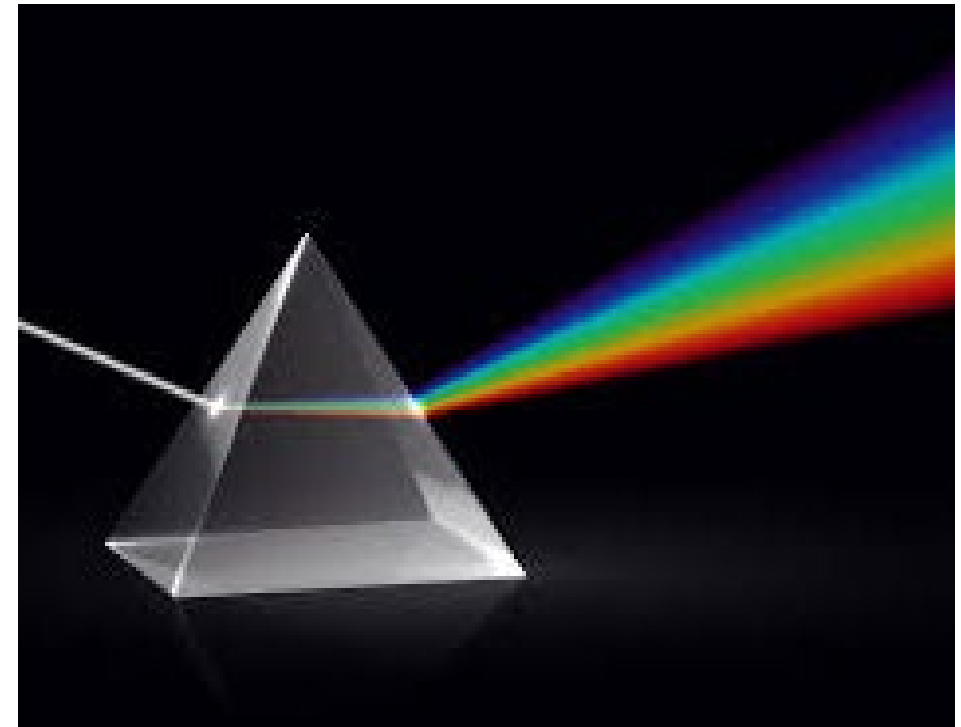
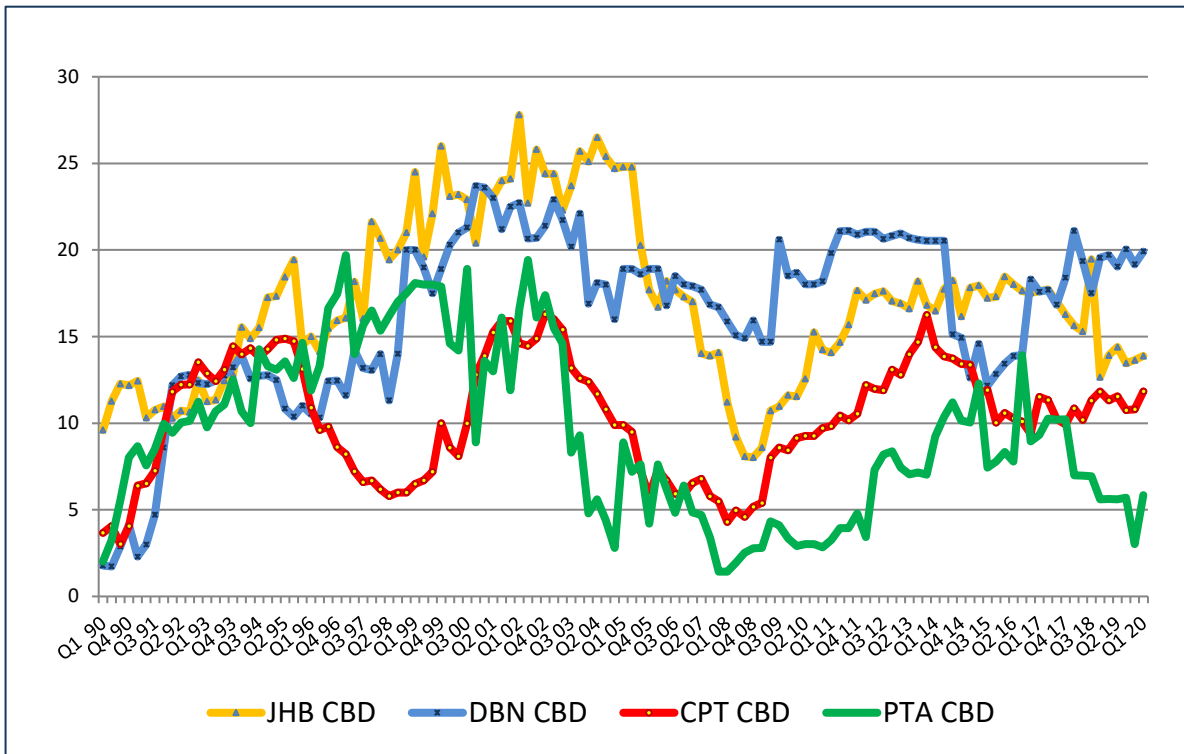


WeWork is announcing its arrival in South Africa and the company will open its first location in Johannesburg in 2019. Photo: File



# Trends in the Retail Property Sector

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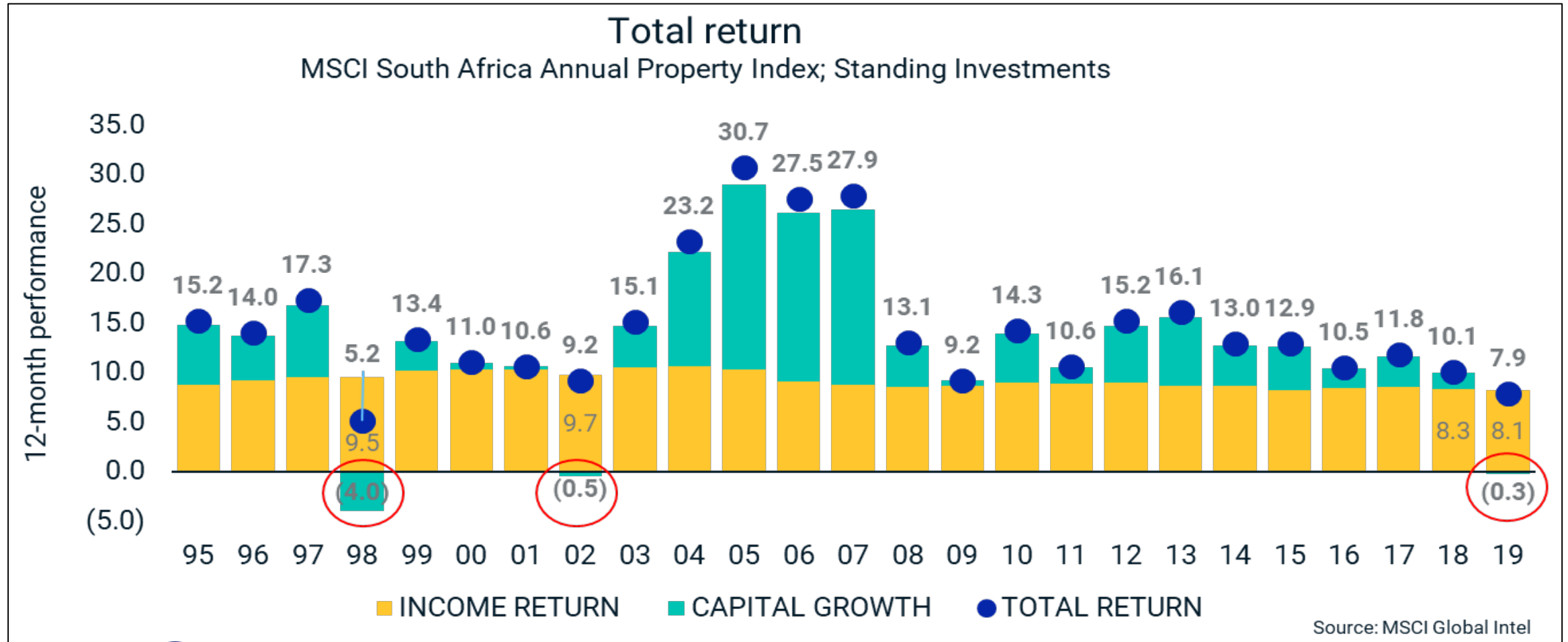


# Polarisation of the Sector

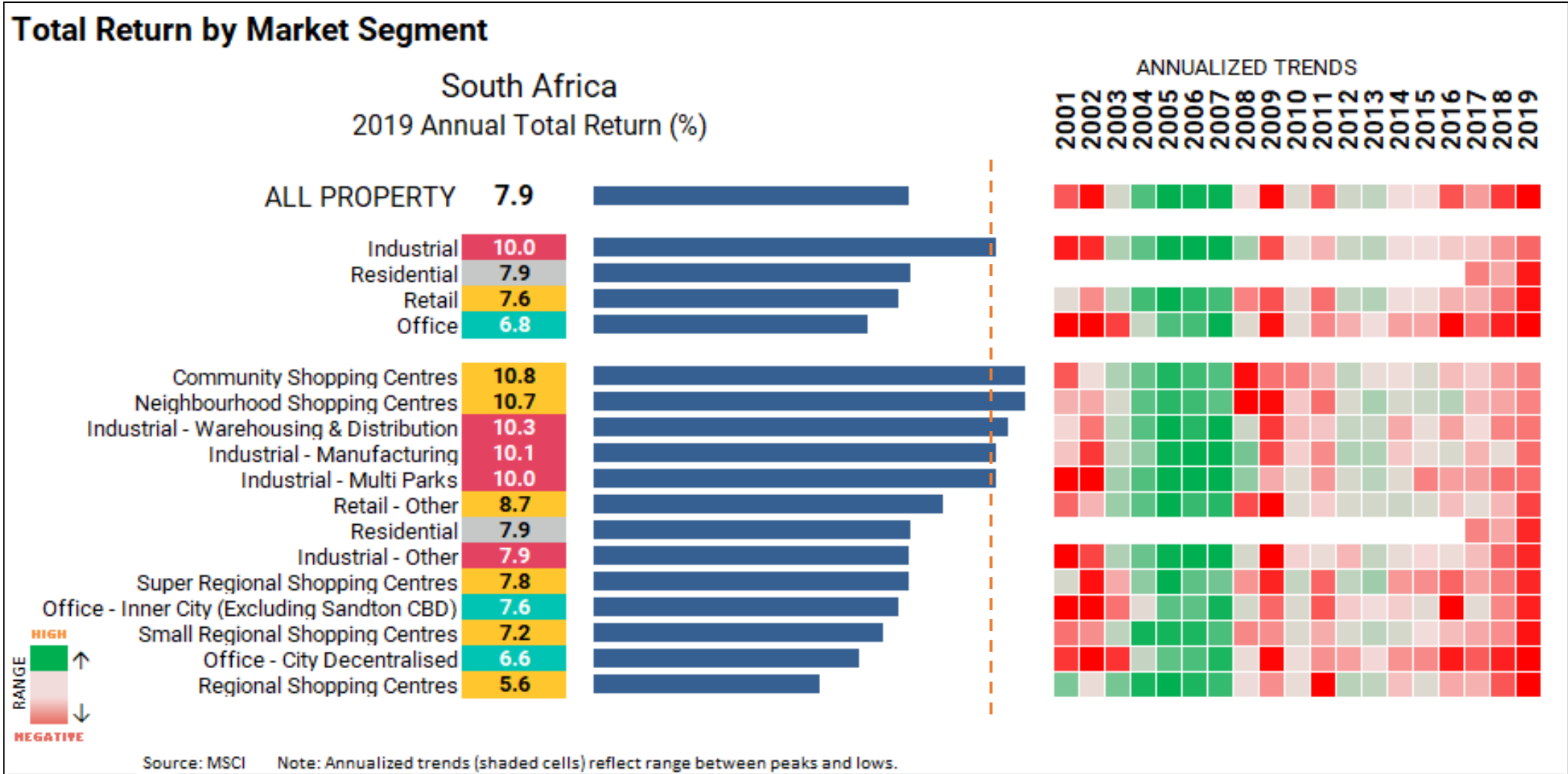


# South Africa : Capital Growth & Income Returns

Capital growth decline twice before and Income Returns never been lower  
All Property, Standing Investments

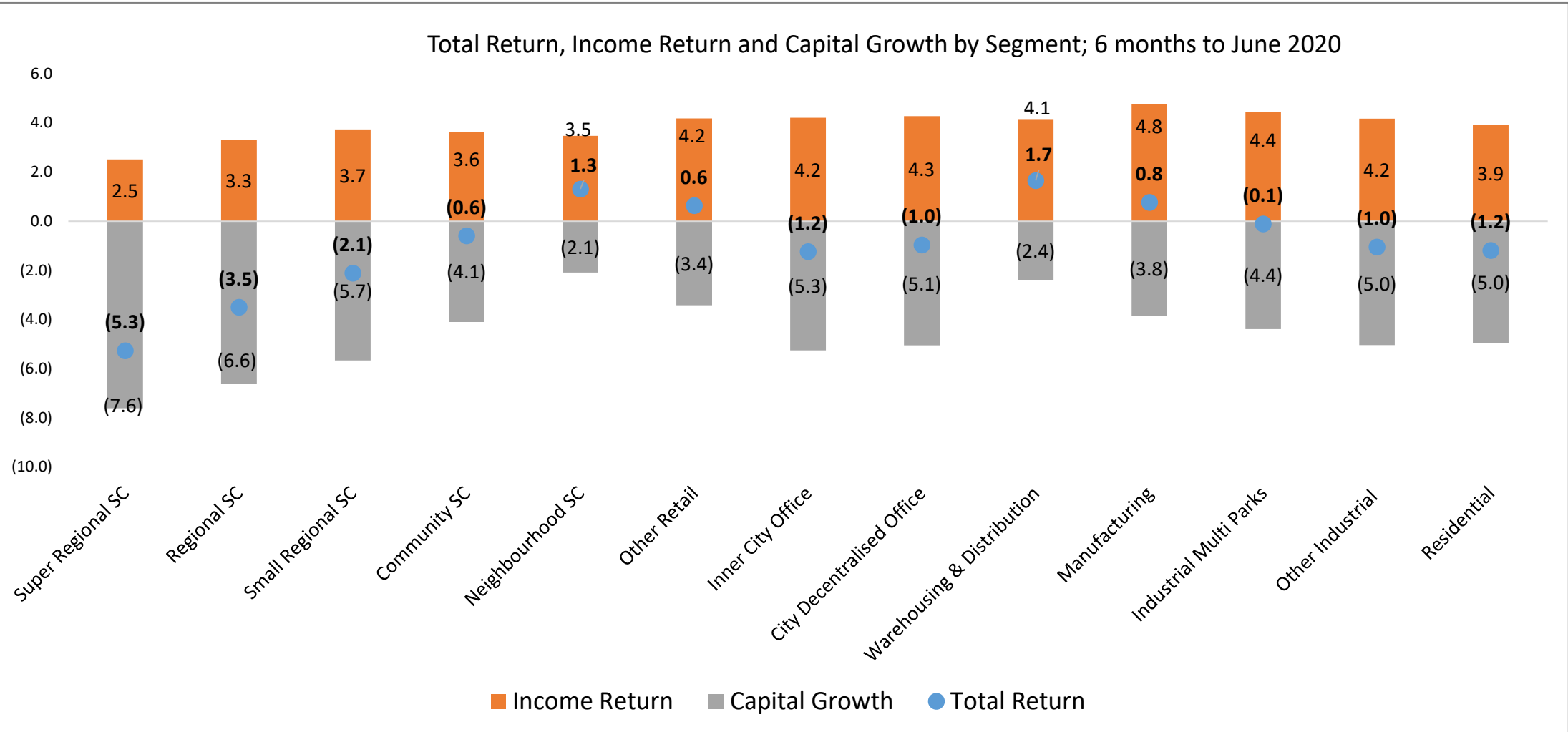


# South Africa-Small Format Retail & Industrial lead the way



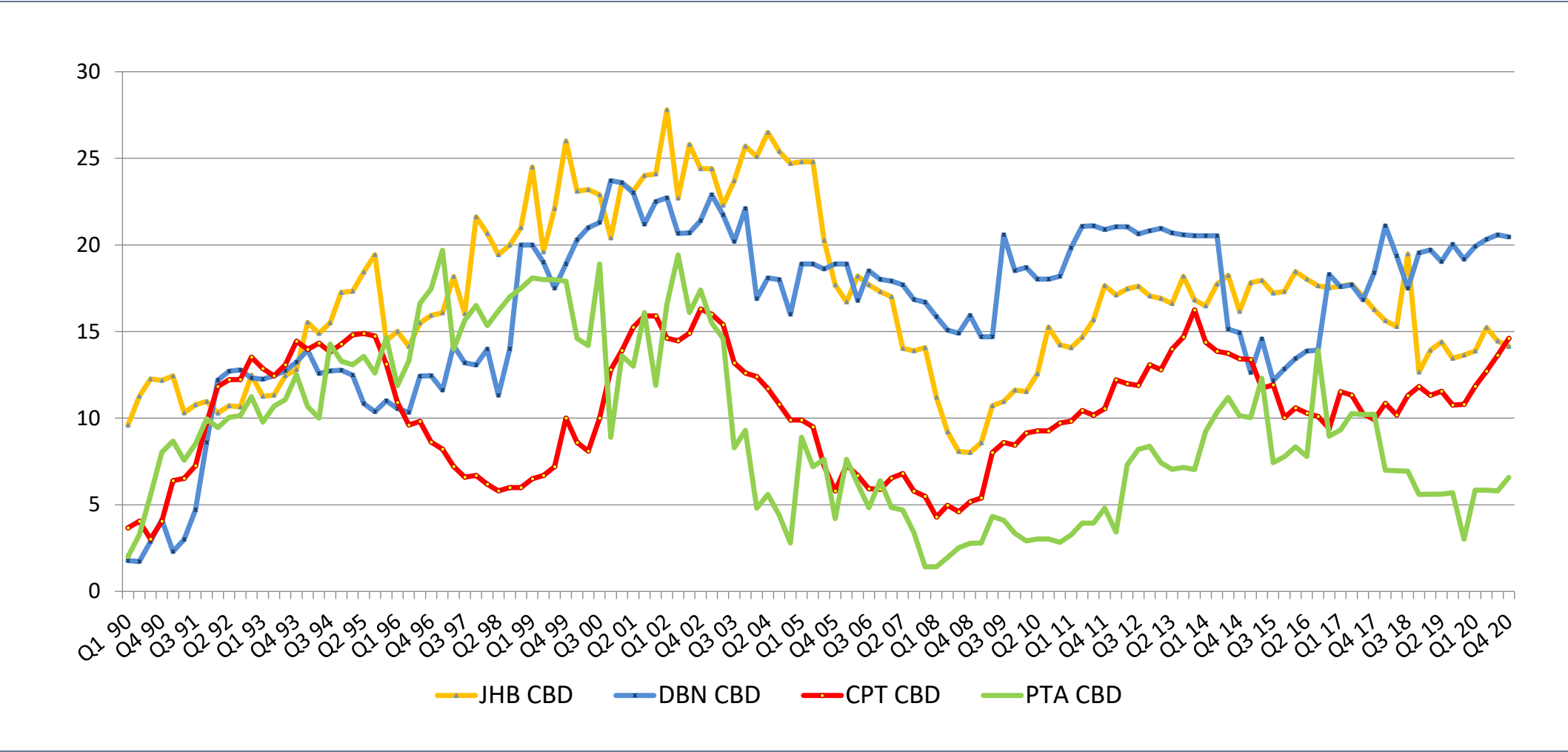
# South Africa: Devaluations across market segments

Standing Investments

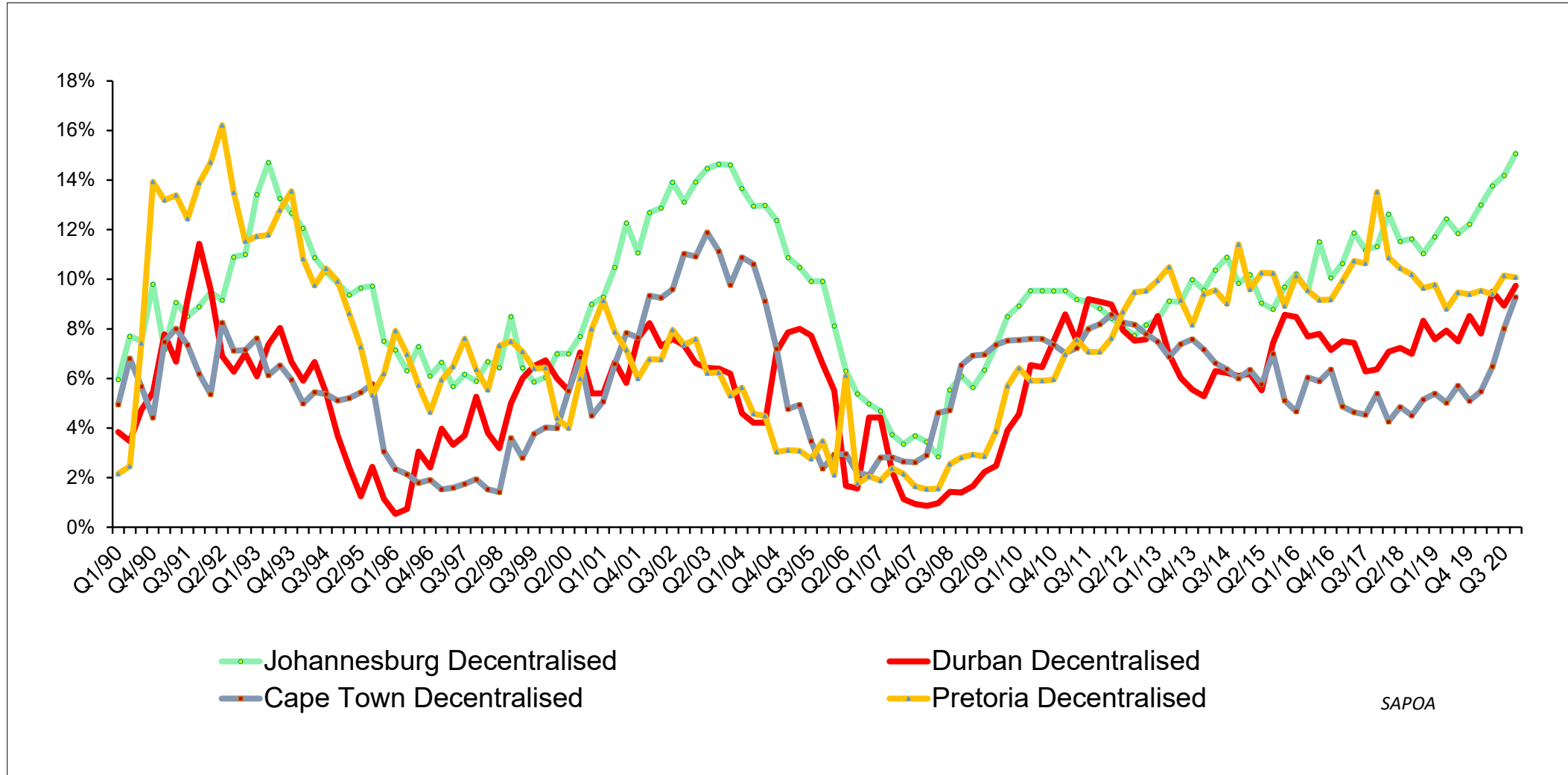


Source MSCI

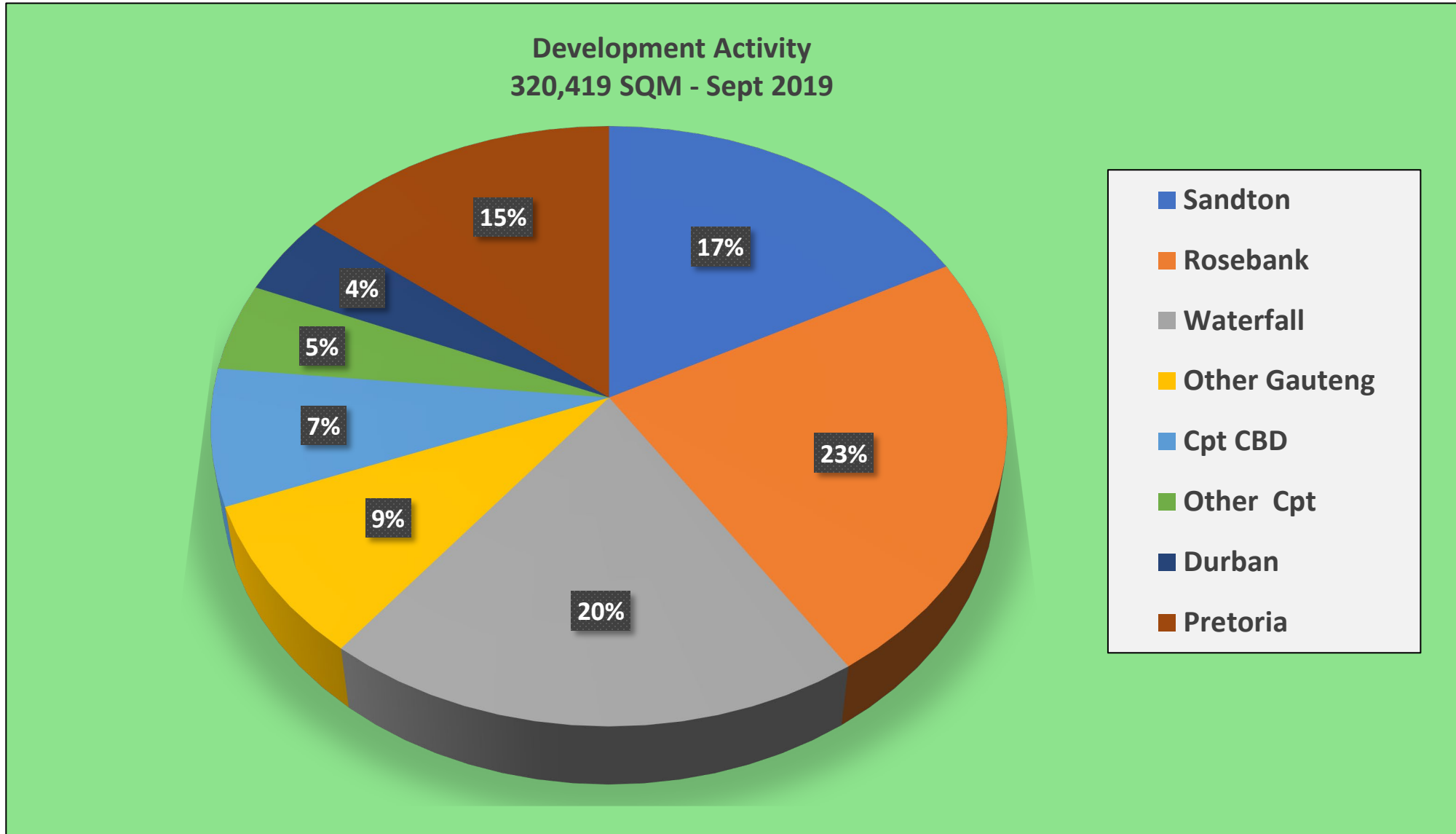
# CBD Office Vacancy Rate Q4 2020 in %



# Decentralised A & B Office Vacancies Q4 2020



# Development Activity Sept 2019



# Urban Land Institute Emerging Trends (2021)

Table 2-1 Sector prospects in 2021

Overall prospects		Rank	Investment	Rank	Development	Rank	Income
1	Data centres	1	○ 4.55	1	○ 4.45	1	○ 4.30
2	Logistics facilities	2	○ 4.51	2	○ 4.39	3	○ 4.21
3	Life sciences*	3	○ 4.43	3	○ 4.32	4	○ 4.09
4	New energy infrastructure*	5	○ 4.29	4	○ 4.26	2	○ 4.23
5	Industrial/warehouse	6	○ 4.24	5	○ 4.12	5	○ 3.92
6	Health care	7	○ 4.18	7	○ 4.02	6	○ 3.90
7	Private rented residential	9	○ 4.12	8	○ 4.02	8	○ 3.84
8	Affordable housing	8	○ 4.12	6	○ 4.04	9	○ 3.69
9	Communication towers/ fibre*	4	○ 4.36	13	○ 3.62	7	○ 3.86
10	Social housing	11	○ 3.96	9	○ 3.92	13	○ 3.65
11	Retirement/assisted living	10	○ 4.00	10	○ 3.87	11	○ 3.66
12	Self-storage facilities*	12	○ 3.94	11	○ 3.85	10	○ 3.68
13	Housebuilding for sale	13	○ 3.71	12	○ 3.74	12	○ 3.65
14	Co-living	14	○ 3.47	14	○ 3.46	14	○ 3.38
15	Student housing	15	○ 3.36	16	○ 3.28	15	○ 3.16
16	Serviced apartments	16	○ 3.33	15	○ 3.32	16	○ 3.12
17	Central city offices	17	○ 3.21	18	○ 2.93	17	○ 3.10
18	Parking	20	○ 3.08	17	○ 3.06	18	○ 3.10
19	Business parks	18	○ 3.16	20	○ 2.79	19	○ 2.94
20	Flexible/serviced offices and co-working	19	○ 3.08	19	○ 2.80	20	○ 2.79
21	Suburban offices	21	○ 2.81	21	○ 2.54	21	○ 2.78
22	Retail parks	22	○ 2.78	23	○ 2.30	22	○ 2.53
23	Leisure	23	○ 2.66	22	○ 2.49	23	○ 2.38
24	High street shops	24	○ 2.45	25	○ 2.14	24	○ 2.27
25	Hotels	26	○ 2.21	24	○ 2.15	27	○ 2.01
26	City centre shopping centres	25	○ 2.24	26	○ 1.87	25	○ 2.10
27	Out-of-town shopping centres/retail destinations	27	○ 2.11	27	○ 1.78	26	○ 2.02

○ Generally good = above 3.5    ○ Fair = 2.5–3.5    ○ Generally poor = under 2.5

# Liberty Two Degrees' assets lose R1.5bn in value

Landlord feels the lockdown acutely because of its exposure to super-regional malls such as Sandton City

 BL PREMIUM

27 JULY 2020 - 19:32 by ALISTAIR ANDERSON

## Valuation practice alert - COVID-19

Updated 10 July 2020

This update contains the following changes:

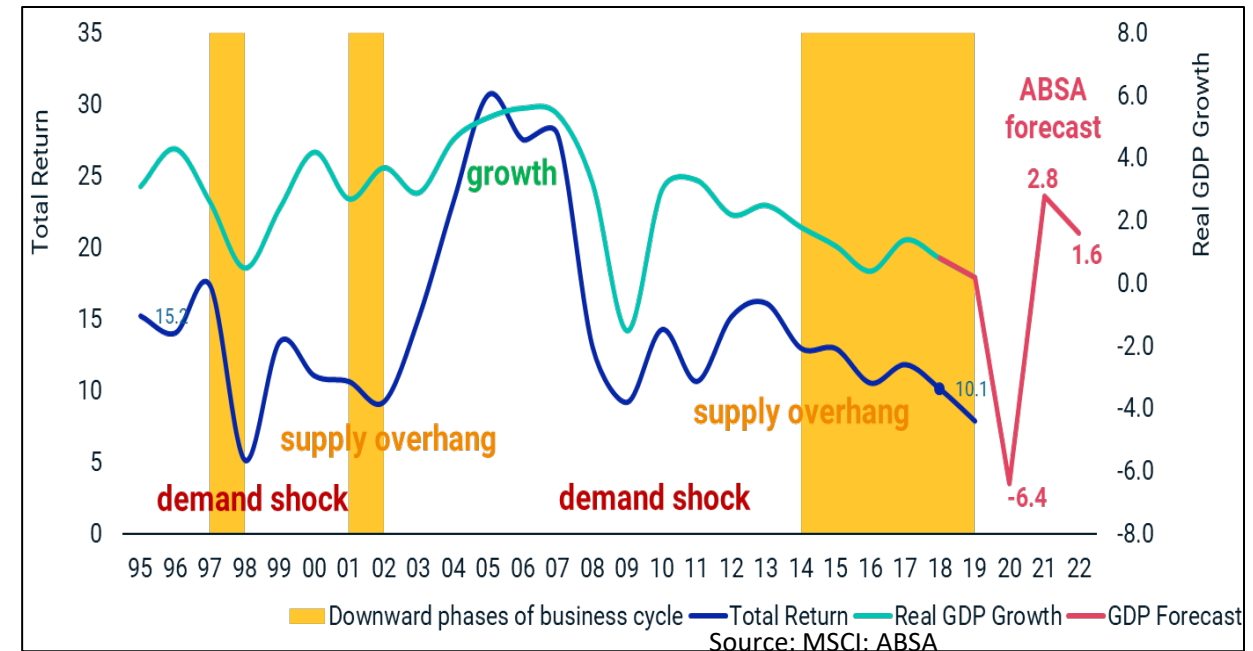
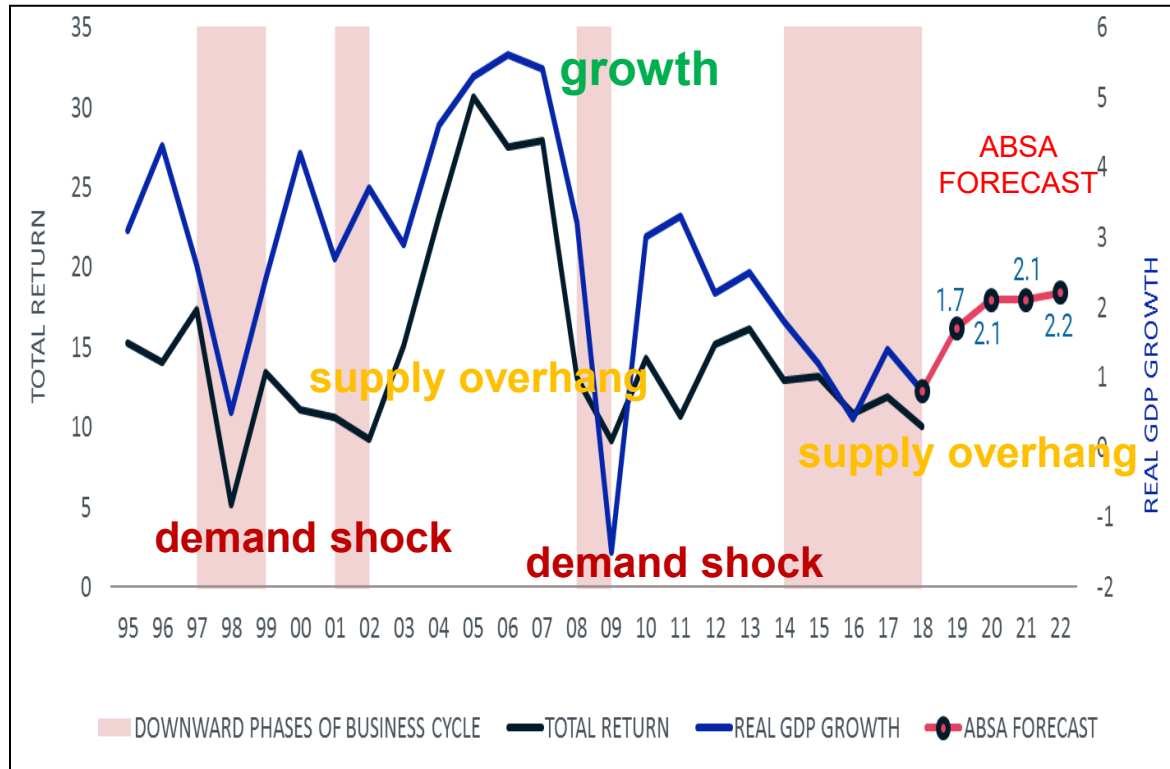
- Revised phrasing for material uncertainty declarations (there should be explicit reference as to which properties are being valued subject to continued material valuation uncertainty).
- Reference to rental and other income considerations.

A supplement to this global practice alert is also available to download on the right-hand side of this page and RICS regulated members should read this in conjunction with this RICS valuation practice alert.

# Market Fundamentals

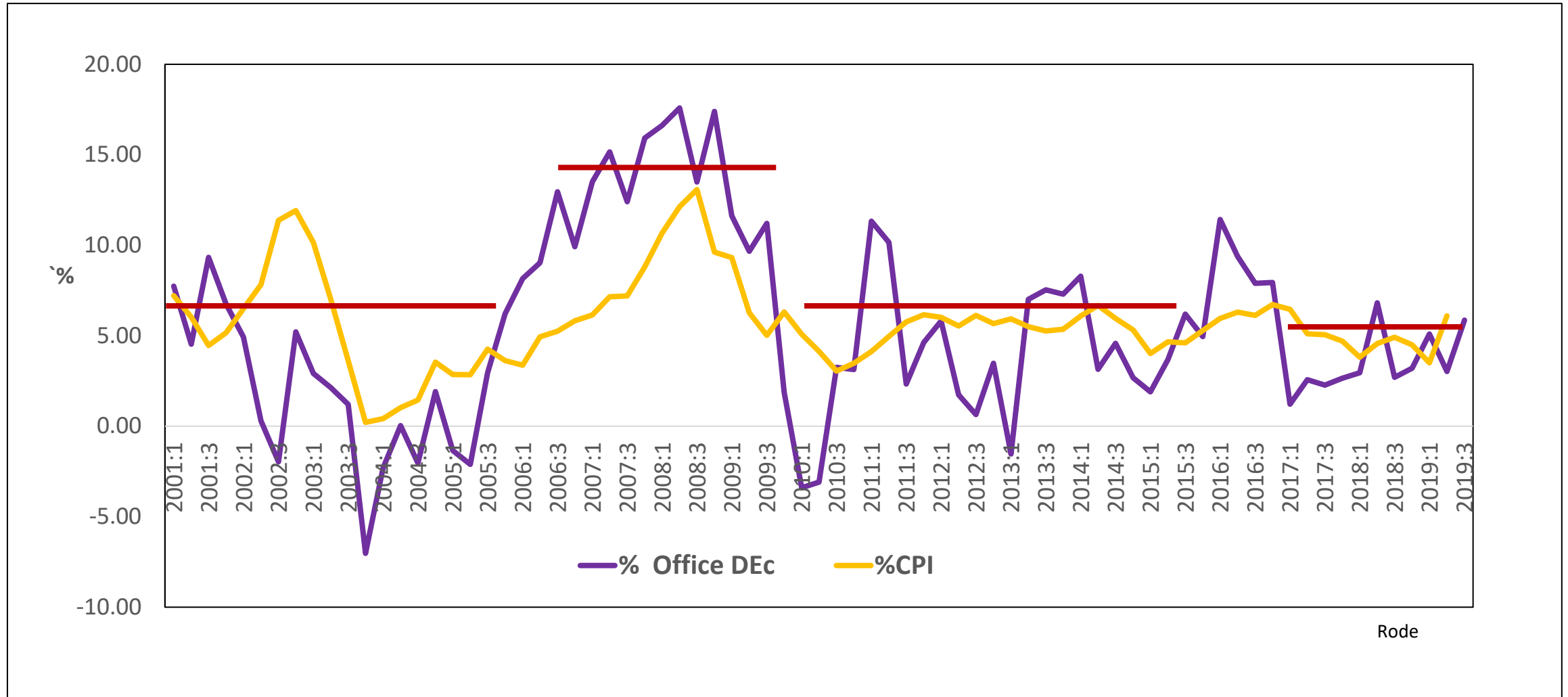


# Economic Growth and Property Returns



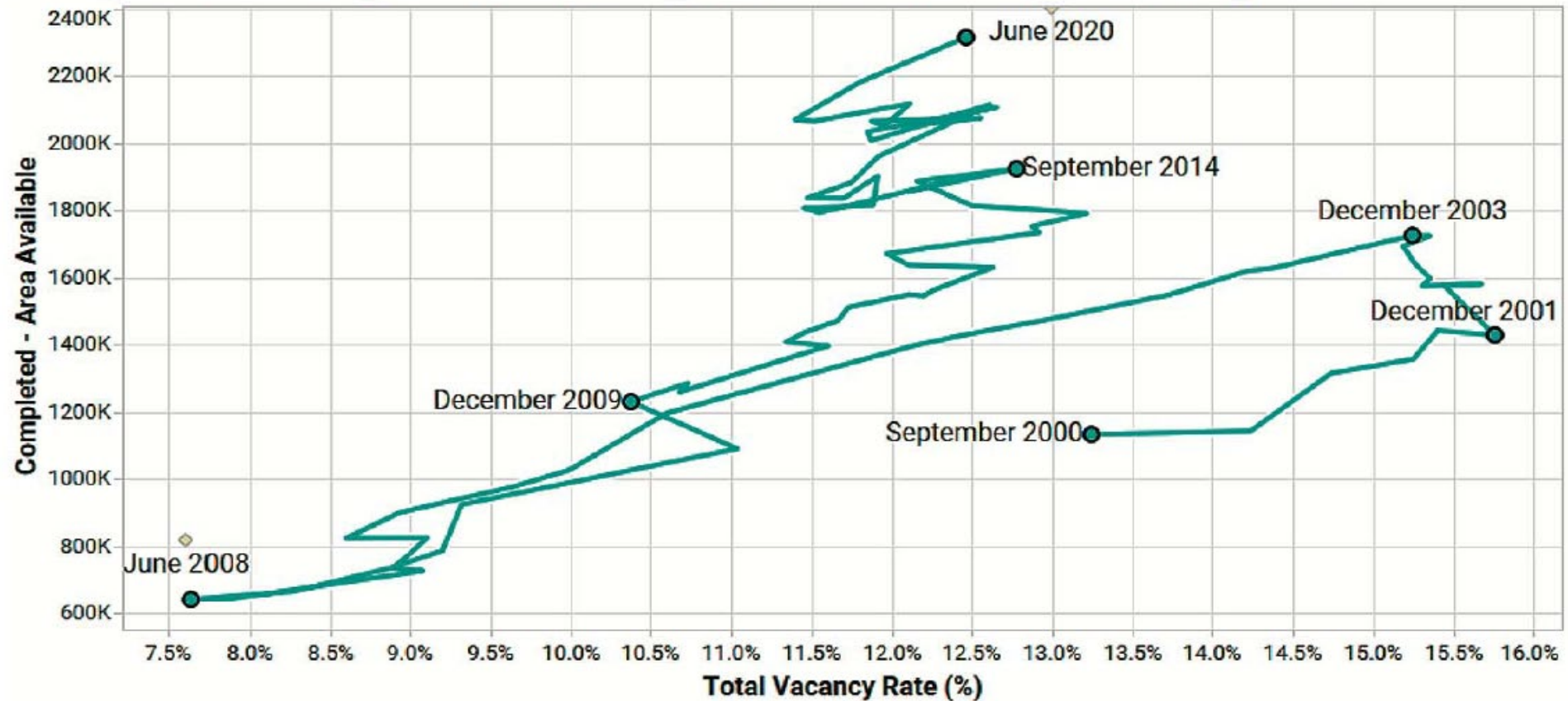
Source: MSCI; ABSA

# The 8% Benchmark Increase is not being met in the Decentralised JHB Office Market



# Watch the Quantum of Space available in the Office Market

The quantum of space available gives context to the Vacancy Rate



Source: MSCI Real Estate, SAPOA Office Vacancy Survey

# ESG



Climate change strategy,  
Biodiversity,  
Water efficiency,  
Energy efficiency,  
Carbon intensity,  
Environmental  
management system



Equal opportunities,  
Freedom of association,  
Health and safety,  
Human rights,  
Customer &  
products responsibility,  
Child labour

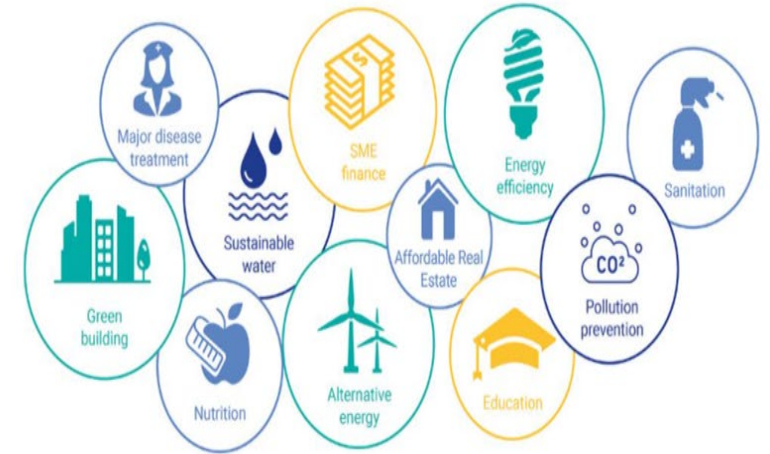


Business ethics,  
Compliance,  
Board independence,  
Executive compensation,  
Shareholder democracy

*Source: Anevis*

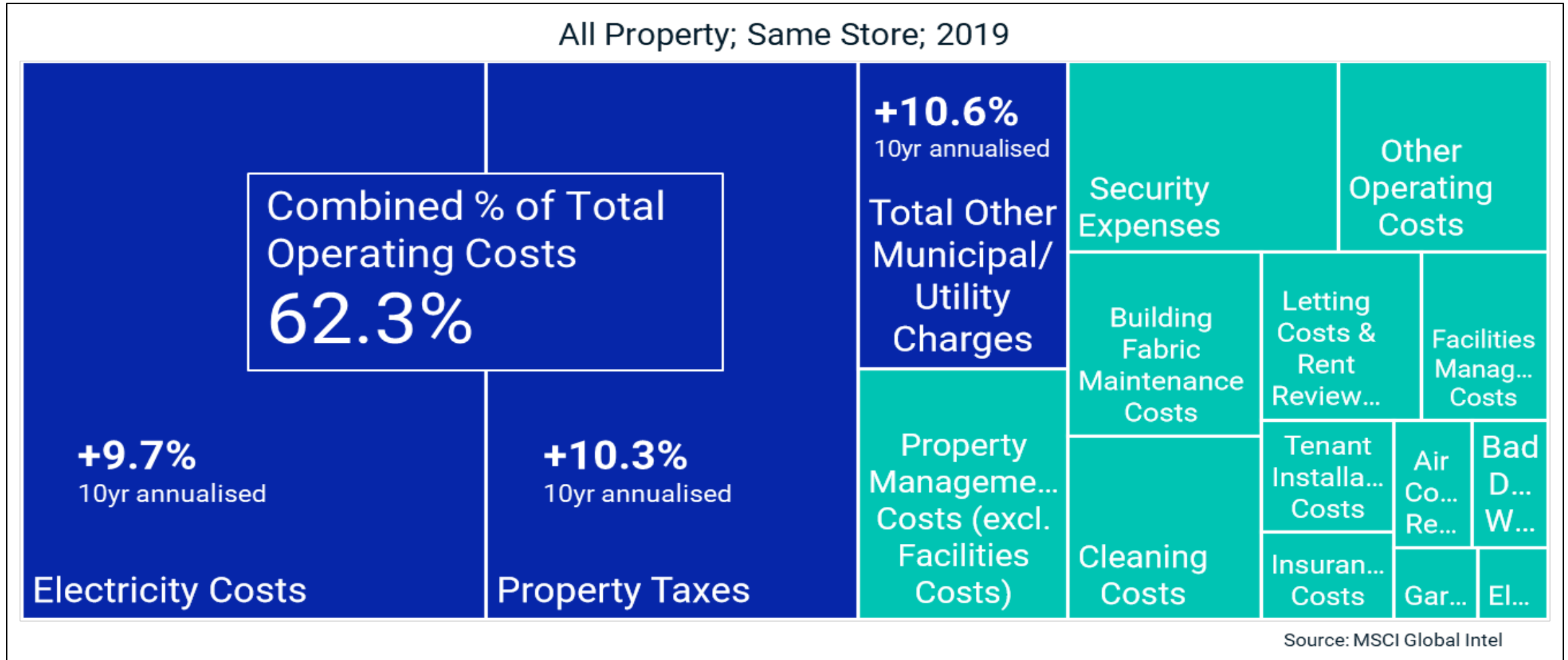
## MSCI ESG SUSTAINABLE IMPACT METRICS

Supporting alignment  
with the U.N. Sustainable  
Development Goals

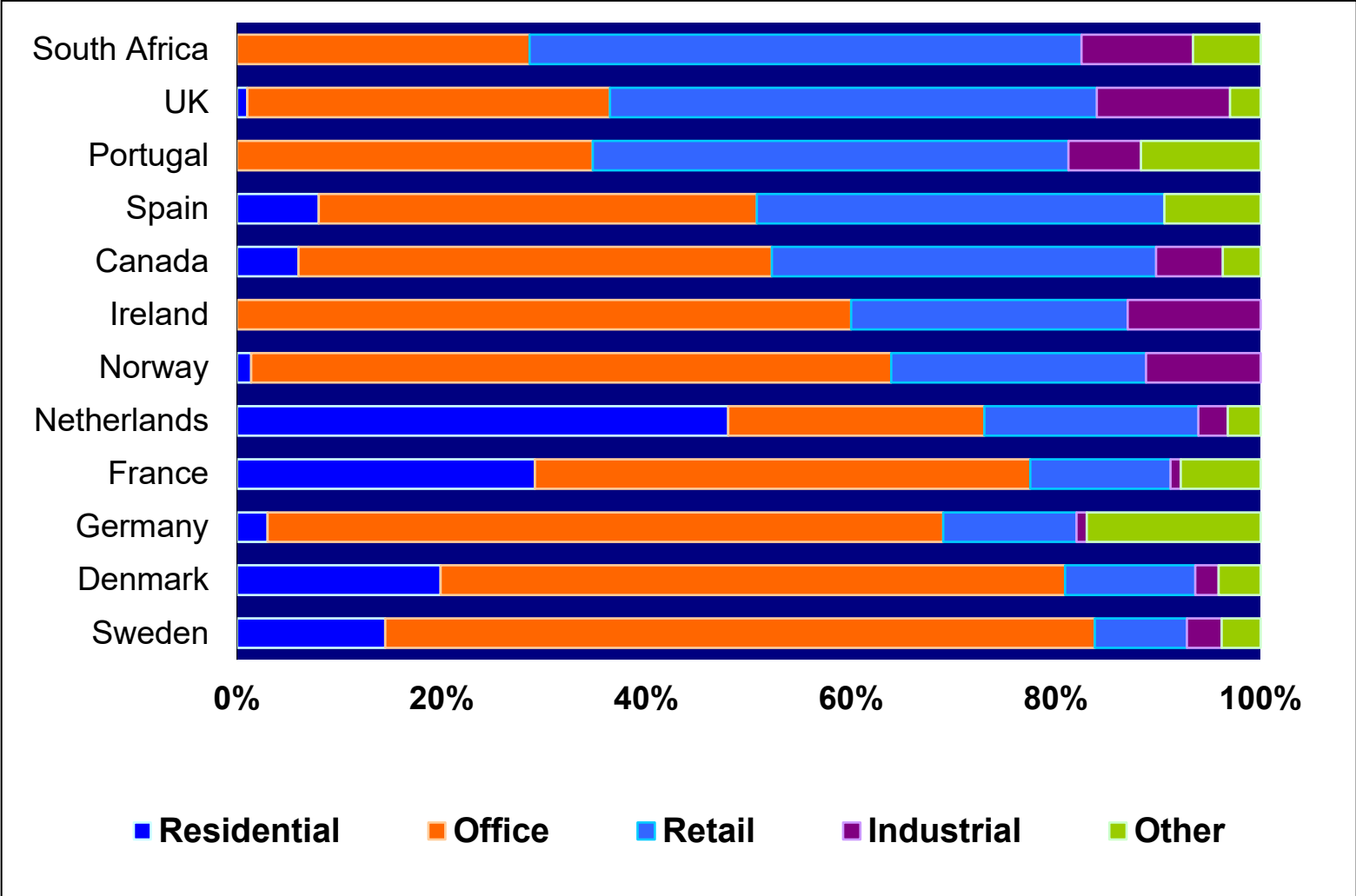


# ESG

# South Africa-Despite administered cost inflation at almost 2 x Base Rental Growth



# A Renewed Focus on the Residential Sector



SAPIX/IPD





## Home, Work and Wellness

A focus from negotiating parking bays to public spaces

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# South Africa's Rank Declines

Transparent Ranking	2016 Ranking	2018 Ranking	2020 Ranking
18		Italy	
19	Italy	Spain	Spain
20	Spain	Poland	Poland
21	Norway	South Africa	Austria
22	South Africa	Austria	Norway
23	Austria	Norway	Chinese Taipei
24	Portugal	Chinese Taipei	South Africa
25	Czech Republic		Czech Republic
26			Portugal
27			Hungary

Source : JLL



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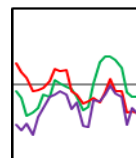
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- Siyabonga
- Kea Leboha
- Dankie
- Thank you

