

Commercial property gold rush

Commercial property in SA's central business districts is booming, Alliance Group says.

"Despite the downturn, there have been significant transactions in downtown Johannesburg, Pretoria, Durban and Cape Town," Alliance CE Rael Levitt says.

"Auction floors in major urban areas are showing that investors are flocking to snap up office blocks in downtown areas — many of which are now being converted into student accommodation," he says.

The city with the highest inner city demand is Cape Town, and according to Alliance Group, more than R250m worth of property sales have been concluded in the city this year. Demand for prime inner-city real estate remains strong.

"We have proven that income generating and fully tenanted properties achieve phenomenal results on our auction floors. With this property having a noted vacancy factor, it seems evident that properties that have inherent potential — or the age-old adage of location, location, location — can also benefit from the auction mechanism and our marketing efforts," Alliance Group's Ryan Joffe says.

Meanwhile, Alliance Group has added four multiple-auction dates to its sale diary in response to growing demand from private buyers and investors in the auction room.

The group will hold additional auctions in Johannesburg, Cape Town, Durban and Port Elizabeth.

"In this market, investors are looking to move before commercial property prices increase, and positive 2010 World Cup sentiment inflates value," Levitt says.

The lots that will be coming under the hammer include a R600m portfolio from one of SA's listed property funds. Several JSE-listed property owning groups in SA are embarking on strategies that will reduce the number of properties they hold, but increase the average value of property in their portfolios from about R40m to R100m.

Levitt says many funds are selling off smaller, noncore buildings which are often multi-tenanted and lack the potential to be transformed into larger developments. Funds are seeking to acquire new blue-chip higher-profile stock, and plan to continue with programmes of refurbishing, upgrading or extending existing stock.

"Auctions over the next year will start offering the greatest selection of commercial property ever seen in SA as prime stock changes hands from listed funds to private investors. The gold rush for prime commercial real estate starts this December," Levitt says. "Most of it will happen on auction floors."

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