

# Shortage of quality properties in SA

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The number of commercial property transactions increased sharply last year, while the average size of transactions declined, reflecting more frequent small property deals and a shortage of large assets on the market.



According to global real estate services firm Jones Lang LaSalle, the total value of commercial property transactions declined 5% last year to R16.7bn, although the number of recorded transactions increased by 75%.

Had Redefine Properties or Growthpoint Properties acquired Fountainhead Property Trust's R10.3bn portfolio during the year, this picture would no doubt have looked different.

According to Jones Lang, LaSalle's *Commercial Real Estate Transaction Review* for April, transaction volumes increased in all three sectors - office, retail and industrial. A total of 128 transactions were recorded last year, up from 73 in 2011, with the volume of office transactions increasing by 100% year-on-year.

Jones Lang LaSalle said there was a shortage of quality assets for sale in the investment market "as matured funds are holding on to prime assets".

The most significant transactions were between listed funds, with smaller funds picking up second-grade stock. Stanlib investment analyst Ndabe Mkhize said within the listed property sector, "the transactions that we've seen have been bigger companies selling smaller assets because those properties are either non-core or the companies are attempting to get a high 'return on effort' by focusing on a few but individually large properties".

The higher number of deals and corresponding lower total value of transactions was not likely to be due to a rise in capitalisation rates or a decrease in the value of properties on a like-for-like basis. "In our view, it's a question of big property companies selling a large number of smaller properties," Mkhize said.

An example was Capital Property Fund, which had recently announced the sale of some of its assets to newly listed black economic empowerment funds.

There was also more activity among the newly listed groups who generally had smaller assets and acquired assets from

private individuals or other small groups. He said that the bidding war for Fountainhead Property Trust's R10.3bn portfolio by SA's two largest listed property groups could be attributed to the shortage of large and quality assets in the market.

Fountainhead had assets, including Centurion Mall and the newly redeveloped Blue Route Mall, which was "why it was contested so much".

"It was probably the last retail portfolio available with good quality assets," Mkhize added.

Source: *Business Day* via I-Net Bridge

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