BIZCOMMUNITY

JLL Q2 2016 property market reports released

JLL South Africa has released its Q2 2016 research reports for the Johannesburg retail market, office market, and industrial market, as well as the Cape Town office market.

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Notable highlights

In the retail market, despite its visible success, the opening of the iconic Mall of Africa has raised concerns regarding the health of the South African consumer and the true value of retail assets as an investment as consumer confidence continues to decline. However, the economy is likely to achieve strong retail sales growth in 2016, boding well for retail investors.

The Johannesburg office sector remains under pressure in line with the current economic slowdown. Nevertheless, Grade P buildings and new developments continue to perform far above the overall market trend, with continued growth in rentals and vacancies remaining low.

Demand in the Johannesburg industrial property market is neither growing nor declining, limiting deal sizes and activity in the market. The sector can therefore be described as being in a “steady state” with activity simply ensuring the maintenance of existing business. However, conditions like this usually point to a turning point in the business cycle, and sentiment measures are pointing to an upturn in the medium term.

In Cape Town, Q2 2016 appears to have marked a turning point in developer confidence. The current office development pipeline has decreased to 26,500m^2 from 64,700m^2 in Q1 2016 due to developments reaching completion during the quarter. The level of new developments entering the market, particularly speculative developments, is beginning to decrease. Treading cautiously to avoid oversupply, Cape Town maintains a good vacancy trend. According to SAPOA, Cape Town recorded a 7.8% vacancy rate in Q2 2016, having the lowest recorded vacancies among Johannesburg and KwaZulu-Natal, and a significantly lower vacancy rate compared to the national office vacancy rate of 10.5%.