

Top trends set to impact SA's commercial property market in 2021

By [Norman Raad](#)

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Covid-19 simply accelerated many existing trends, like retail footprint reductions and the appeal of quality retail assets outside of big cities.



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2020 may go down as the year when big cities around the world lost their appeal, both as a place to work and live. Gauteng businessmen and their families swapped Sandton for St Francis Bay while Western Cape residents swapped Constantia for the Garden Route. While this exodus to smaller towns was happening, private investors, listed funds and businesses were reducing debt by selling off non-core assets, and this trend will continue into the coming year.

Rarely-seen high quality properties marketed

As a result, we will see increasing numbers of properties which are seldom seen on the market, including the likes of Mbombela Shoprite Centre in Nelspruit, Nzehelele Valley Shopping Centre in Makhado and the Boxer Superstore Shopping Centre in Ermelo, go under the hammer.

Previously, such quality assets have been tightly held onto by owners who are now raising cash to reinvest. While retail centres in the major centres has slumped – the South African Property Owners Association Retail Trends Report for Q3 reports a surging rent-to-sales ratio in super regional malls, implying a drop in tenant affordability – in smaller provinces such as Mpumalanga and the Limpopo, retail centres have captive and robust niche markets.

Covid-19 showed sellers who have been riding the crest of the wave and holding onto income-generating assets which bring in a lot of cash that nothing is bullet proof. But in outlying areas, these assets, many of which have strong anchor tenants, remain strong, and Broll is seeing many buyers who are committed to bricks and mortar and feel safer in the sector.

With the prime lending rate at a historical low of 7%, you can have a unique shopping property selling at a 12% return. The usual buyers are now sellers - banks are more risk averse and will continue to not throw money at lenders, however traditional cash buyers are taking advantage of lower interest rates.



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Technological advances

While the move to live-streamed virtual auctions has been successful for Broll, with more investors participating due to ease of use and the high convenience factor, it is not clear if this trend will continue to flourish across the industry. Likely, there may be a move to a hybrid offering that integrates real world with virtual technology. Since Broll's first virtual auction at the start of the pandemic, buyer numbers have increased fourfold and the company has taken over 150 properties to market.

Commercial real estate will evolve along with proptech and change in ways including supply chain improvement, which brings about better utilisation of commercial spaces, streamlined processes which adds additional availability of both retail and commercial spaces, and increasing demand for high-quality spaces in prime locations.



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Alternative spaces

There is a trend towards alternative spaces, such as the medical industry adopting traditional retail spaces which offer easy accessibility. Covid-19 has seen the rise of new conversions as offices become absolute, creating churn in the property sector. Barriers to entry are now lowered, it is now easier than ever to buy commercial property - this is the time for innovative investors with ideas. Investors are looking for properties that work for mass retailers and affordable industrial parks. The clever money will be spent in high density areas.

Forced sales as full impact of Covid-19 hits

The commercial property Covid-19 cycle is unpredictable; no-one can predict where the bottom is. A lot of property will be coming onto the market next year as businesses have no choice but to sell assets across residential, retail and student accommodation. There will be ample opportunities that offer a good return on investments for the smart investor.

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