

3 key factors driving Cape Town's commercial property boom

In recent years, South Africa has witnessed ongoing semigration with many choosing to make the move from Johannesburg to Cape Town - in particular.



Source: Supplied. John Jack, chief executive officer of Galetti Corporate Real Estate.

“Many companies have too embraced the migration trend, which has significant implications for both cities’ economies and the commercial-property sector,” explains John Jack, chief executive officer of Galetti Corporate Real Estate.

In stark contrast to Cape Town, South Africa’s former business hub, Sandton continues to grapple with high vacancy rates and a slow recovery. “Office rental rates in Johannesburg are under pressure as a result of the exodus of both individuals and businesses.”

However, for businesses seeking greener pastures, Cape Town’s office space is in short supply and high demand due to natural geography restrictions.

“We are currently seeing a 10 to 15% increase in A-Grade office rentals as prices continue to rise,” he adds.

The variables driving demand

In addition to commonly known factors such as improved quality of life, urban revitalisation, well-kept community areas and gardens, and civic-engagement initiatives, Jack outlines the three most pertinent factors driving the commercial-property boom in Cape Town:

- **Strategic location.** Cape Town’s strategic location continues to benefit the logistics sector. “The region offers a well-run port, an international airport and well-maintained road networks.”

Jack adds that many companies are hard-pressed to find warehouse and logistics premises, and as such, they are selling at high price tags – fast! “A property in the industrial node of Paarden Eiland recently sold for a record-breaking R10,000 per square metre at auction.”

In addition, Jack believes that efforts from city officials to foster a culture of innovation have been a major boost to the office sector.

"Fostering a deliberate culture of innovation and entrepreneurship serves as a magnet for businesses seeking growth opportunities. Cape Town's innovation hubs and districts, such as Innovation City and the Woodstock Hub, provide small businesses and tech start-ups with access to the investment and resources offered by larger companies, helping them accelerate their growth."

- **Increased investment.** The City of Cape Town's (COCT) commitment to enhancing its infrastructure is underpinned by a staggering R6.94bn allocation towards improvements alone.

“The City recently clocked its highest capital investment and infrastructure expenditure to date – totalling 93.5% of its planned budget. This outweighs the investments made in preparation for the 2010 FIFA World Cup,” says Jack.

Looking ahead, R43bn has been allocated for infrastructure upgrades over the next three years, underscoring the city's dedication to modernising and improving its essential systems and facilities.



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“The COCT's three-year infrastructure upgrade plans are anticipated to directly generate an additional 135,000 jobs, coinciding with four consecutive quarters of job growth in the city. This development carries significant economic benefits, not only for local businesses associated with these new job opportunities but also for the office sector, which is witnessing increased demand for workspace to accommodate the influx of new employees,” he adds.

- **Good governance.** The COCT has received a clean audit from the Auditor General every year since 2006 and has consistently been voted the most trusted metro in the country by the Consultative Citizen Satisfaction Index. This status is aided by an active and business-savvy mayor in Geordin Hill-Lewis, as well as the City's comparatively high level of service delivery.

“Cape Town has strategically positioned itself as the best place to do business in South Africa, even releasing an Ease of Business Index to track its performance as it moves to create additional economic and regulatory conditions that promote business activities in the region,” explains Jack.

“Finally, the City's substantial investment in alternative energy measures has been beneficial to property investors and commercial tenants, with the goal of combatting load shedding and safeguarding local businesses from operational disruptions.

“Notable initiatives in this regard include a R1.2bn investment in a solar PV and battery storage project, as well as plans to bolster the grid with an additional 500MW of electricity.”

An example for other metros to follow

Cape Town stands out as a major metro that offers investors a unique combination of robust rental- and capital growth, along with rising property valuations.

“This success isn’t by luck but by the outcome of deliberate investments in the marketing and positioning of Cape Town as a business destination,” says Jack. “These efforts, coupled with civic-engagement initiatives, have garnered support from local business owners in the CBD and have resulted in reduced crime rates and urban revitalisation.

“Looking ahead, it is our hope that other major metros can emulate Cape Town's success by implementing similar strategic interventions and concerted efforts. This proactive approach could help Johannesburg reverse the trend of people and businesses leaving the city and instead, foster a more growth outlook for the future,” he concludes.

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