

Developers bank on recovery in 12 months

THE level of new commercial development has improved, with more office projects coming onstream.

Tony Walsh, director at Colliers International, said that, for example, the Cradle City development, next to Lanseria Airport, combined office with light industrial space.

"Building will start in earnest in about 12 months. The developers already have some majors that want space in the area and further space is being developed in expectation of an increase in demand as the economy picks up," Walsh said.

While developments in previous recessions had tended to be done only to client specification, he said current developments tended to consist of a mix of building for specific tenants and speculation that demand would improve as projects came to market.

"Developers are expecting an upswing in about 12 months and it will take about that long to bring new projects to the market. Although we have lots of office vacancies at the moment in the various office parks, this will change as the economy picks up," Walsh said.

Landlords were aiming for yields in the 9% to 10% range and these yields were likely to be attainable when the projects were completed, he added.

At the same time, developers had to keep in touch with market requirements and most tenants tended to be looking for 500m² to 1 000m².

Projects for larger tenants would tend to be on the basis of signed leases.

"For example, we have a request for 5 000m² in Bedfordview, Johannesburg, and space in the area is in very short supply," Walsh said.

Another unusual aspect of development in the recession was that there was more activity in industrial development than in the commercial market, he said.

For example, there is a 20ha site at Gosforth Park near Rand Airport on which mini-factories are being built on speculation, but with some certainty that demand will ensure that the space would be let as it comes to market.

While churn in this segment is high, there are many tenants waiting for space.

"There are also larger projects coming

on stream, such as a 35 000m² Metro Cash and Carry warehouse being built on the same site.

"Much of the development is light industrial/warehousing and it tends to be specific to particular industrial nodes. Landlords are looking for yields of 9% to 10% and they should have little difficulty achieving these targets," Walsh said.

He added, though, that little new heavy industrial space was being constructed.

