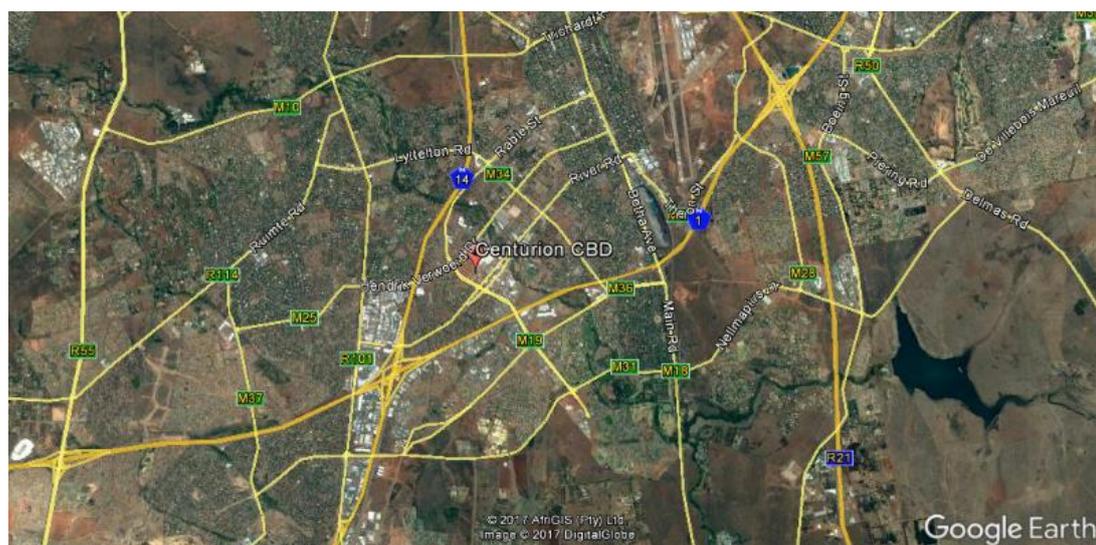


# Office Market Report June 2017

## Centurion CBD and Surrounds, Gauteng

### Snapshot

Grade		A-grade (~45% of stock)
Demand		↔
Supply		↑
Rate/m <sup>2</sup>		R130/m <sup>2</sup> Gross achieved

### Broll Insight

#### • Accessibility

Centurion CBD and Surrounds are easily accessible via the N1 or N14 highways and are situated approximately 13km south of the Pretoria CBD. The node is accessible via private and public transport with the Gautrain Centurion Station located at the corner of West Avenue and Gerhard Street.

#### • Aesthetic Appeal

A number of office parks have been recently developed, with modern architectural designs and features.

#### • Affordability

P-grade: R175/m<sup>2</sup>/month gross achieved  
A-grade: R130/m<sup>2</sup>/month gross achieved  
B-grade: R95/m<sup>2</sup>/month gross achieved

#### • Amenities

Centurion Mall, a super-regional shopping centre, is located within the node with several other retail

facilities in a 5km radius, providing the area with a variety of restaurants, shops and services. SuperSport Park Cricket Stadium, which hosts a number of sporting and musical events, is also situated within the node.

#### • Area's Security

A number of office parks in the region have boom-controlled access operated by private security companies.

#### • Availability of Space

The region is believed to have somewhat of an oversupply of office space, as at Q1:2017, Centurion CBD recorded an overall vacancy rate of around 17% with A-grade space being 11% vacant and B-grade space 22% vacant. Whereas, surrounding areas such as Highveld Technopark and Extensions recorded an overall vacancy of 9% with A-grade space recording a vacancy rate of approximately 9% and B-grade space being 10% vacant.

## Highlights

### Trends

- A number of older office blocks are being refurbished, especially those in close proximity to the Gautrain Centurion Station. Moreover, office spaces within walking distance of the Gautrain bus routes are in high demand.
- The node is seeing increased traffic congestion due to large occupiers relocating from the Pretoria CBD.
- The area is still prone to an oversupply of office space, resulting in tenants having higher bargaining power when signing leases. Additionally, tenants seem to be requesting smaller premise sizes and shorter lease term periods.

### Tenants

Several large occupiers such as the Road Accident Fund, Telkom Mobile and Momentum have offices in the area, with smaller tenants generally preferring to be located in close proximity to public transport routes.

## Market Overview

The Centurion CBD and Surrounds have been plagued by an oversupply of office space over the last few years. A large amount of these developments have taken place in the Eco Park area and was developed speculatively.

The node overall is prone to traffic congestion particularly on the John Vorster on/off ramp and into Highveld Technopark and Eco Park during peak

times. This congestion is exacerbated by the road upgrades taking place on Jean Avenue.

Demand for space is currently stable yet supply is expected to increase with several developments underway. Nearly 52% of the office stock in Centurion CBD is B-grade and roughly 48% is A-grade, while in Highveld Technopark and Extensions A-grade makes up 72% of stock with 28% being B-grade. The node overall is however experiencing increasing vacancies in both A- and B-grade buildings.

B-grade office space in the node is marketed between R70/m<sup>2</sup>/month and R115/m<sup>2</sup>/month while A-grade space is marketed at between R120/m<sup>2</sup>/month and R145/m<sup>2</sup>/month. Selected P-grade units range from R145/m<sup>2</sup>/month to R210/m<sup>2</sup>/month. Additionally, escalation rates in the node vary from 8% to 10% for both rental and operating costs.

The node is expected to continue experiencing the pressure of high vacancies, which could eventually lead to stagnant rental growth, higher tenant bargaining power in lease negotiations and increased landlord incentives.

## Construction Activity

There are various new developments currently under construction as well as future developments planned in the Centurion CBD and Surrounds node.

- Phase one of the nodes first P-grade, 5-Star Green rated building, PPS Centurion Square, consisting of 9,300m<sup>2</sup> of office space, was completed late 2015. Phase 2, which consists of

an additional 12,500m<sup>2</sup> of office space, is in the final planning stages.

- Symbio City, comprising of three buildings, one of which is estimated to be 110 storeys high (447 meters), thereby making it the tallest building in Africa, was approved by the former Tshwane City Council administration. However, the project has since been opposed by private property owners and a court application to stop the project is said to be underway.
- The first two buildings in the West End development have been completed as well as West Avenue giving direct access to the Gautrain Station. The office park has a shuttle service transporting commuters along the ± 500 meters to the station.

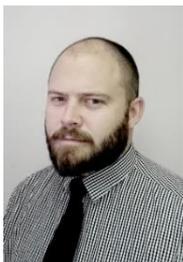
- Business Connexion's (BCX) new head office in Centurion is nearing completion. The development consists of approximately 36,000m<sup>2</sup> of office space and 2,500m<sup>2</sup> of warehouse space.
- Ground has broken and the foundations laid on the Lakeside Towers development in Centurion located directly across from the Gautrain Centurion Station. Consisting of approximately 6,850m<sup>2</sup> of P-grade office space, this building will have a Green Star rating design.

### Concluding Remarks

As a result of steady supply of new office space, the Centurion CBD and Surrounds could continue to face rising vacancies.

### Grade Overview

	P-grade	A-grade	B-grade
Space in demand (m <sup>2</sup> )	200 - 5,000	100 - 4,000	50 - 4,000
Lease escalation	8 - 10%	8 - 10%	8 - 10%
Lease operating cost escalation	8 - 10%	8 - 10%	8 - 10%
Gross asking rentals (R/m <sup>2</sup> /month)	145 - 210	120 - 145	70 - 115
Gross achieved rentals (R/m <sup>2</sup> /month)	175	130	95
Length of lease (years)	3 - 10	3 - 10	1 - 5



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