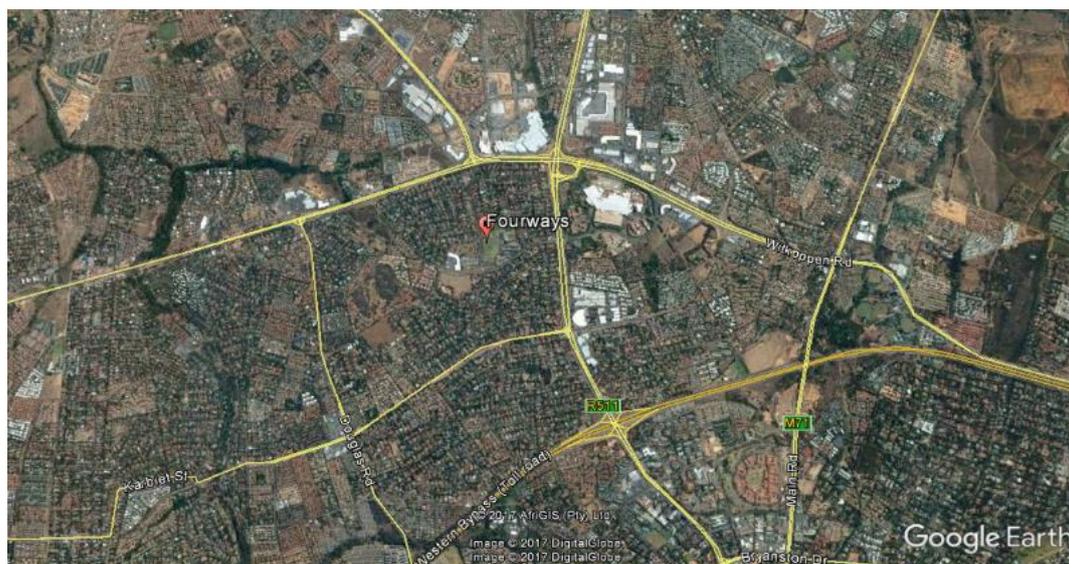


Office Market Report June 2017

Fourways and Surrounds, Gauteng

Snapshot

Grade		A-grade (~84% of stock)
Demand		↔
Supply		↔
Rate/m²		R130/m ² - 150/m ² Gross Achieved

Broll Insight

• Accessibility

Fourways and surrounds are easily accessible via a number of main arterials such as the N1 Western Bypass, Witkoppen Road and William Nicol Drive but traffic congestion is a major concern in the area.

• Aesthetic Appeal

More than 95% of the total office stock in the Fourways node is A-grade and P-grade in nature, thus buildings are modern and well-maintained with high-end finishes.

• Affordability

P-grade: R165/m²/month - R175/m²/month gross achieved

A-grade: R130/m²/month - R150/m²/month gross achieved

B-grade: R75/m²/month - R100/m²/month gross achieved

• Amenities

Amenities found within the node include, but are not limited to, schools, hospitals, recreational areas as well as retail and entertainment facilities such as Fourways Mall, Montecasino and other popular shopping centres.

• Area's Security

Most buildings offer private security with boomed access control, some of which are located within secure office parks.

• Availability of Space

As at Q1:2017, P-grade and B-grade spaces were generally fully let. However, A-grade space, which makes up over 80% of total stock, recorded a vacancy rate of around 12%.

Highlights

Trends

- The node has seen new developments in the last few years, although generally for residential purposes.

- Demand for office space is expected to increase over the next 12 to 24 months primarily due to the expansion of Fourways Mall as well as improved road infrastructure such as the widening of roads and addition of traffic lanes. Supply on the other hand is envisioned to remain stable.

Take-up

- Rentals are competitive, however, potential occupiers view traffic congestion in the area as a major deterrent, therefore effecting tenant take-up. However, traffic congestion is being addressed with major improvements along Cedar and Witkoppen Roads.
- Monte Circle Office Park is currently under construction in response to the demand for high-end office space in close proximity to Montecasino due to the success of the Palazzo Towers and The Pivot.

Tenants

- Tenants normally sign lease agreements of 2 to 5 years for A-grade space, 1 to 3 years for B-grade space and can sometimes sign a tenancy of up to 7 years for P-grade offices.
- Fourways tends to attract small and medium sized service businesses with an increased number of multi-national companies in P-grade offices such as TIBCO, Takedo, Temenos, Internet Filing Solutions, Omega Digital and Tsogo Sun.

Market Overview

Fourways and surrounds are located to the north of the N1 Western Bypass and is one of the fastest developing residential nodes in Johannesburg. The

node is also known for its strong retail and entertainment offering.

In addition to recently completed and current developments underway, the Fourways node is seeing some much needed infrastructure upgrades, with the William Nicol Drive upgrade now complete, Cedar and Witkoppen Roads still under construction as well as the new interchanges near Fourways Mall.

In addition to infrastructural upgrades, the node is also seeing the revamp and expansion of Fourways Mall, which will be adding on new space, as well as consolidating existing retail space bringing the total size of the centre to approximately 170,000m².

The Fourways office node offers approximately 217,000m² of office space. B-grade offices are fairly reasonably priced with monthly gross achieved rentals of between R75/m² and R100/m², while A-grade gross achieved rentals range between R130/m²/month and R150/m²/month. P-grade gross achieved rentals are somewhat on par with Bryanston, its neighbour, ranging between R165/m²/month and R175/m²/month.

Parking is also reasonably priced compared to neighbouring nodes, starting at R350/bay/month for open parking in B-grade complexes and reaching around R600/bay/month for basement and covered parking in P-grade office parks.

Construction Activity

The Monte Circle Office Park, opposite Montecasino, has added stock to the market and has attracted tenants due to its convenient location, with the

Gautrain bus stopping at Montecasino. Buildings A and B of Monte Circle are complete with building C scheduled for completion in June 2018.

Concluding Remarks

For tenants seeking the ideal location along or near

main arterials, and that can work around traffic congestion, Fourways offers a variety of office spaces at affordable prices. Additionally, demand for office space is expected to increase as the node undergoes infrastructural upgrades as well as retail upgrades and expansions.

Grade Overview

	P-grade	A-grade	B-grade
Space in demand (m ²)	1,000 - 2,000	500 - 1,000	250 - 500
Lease escalation	7.75% - 8.5%	8% - 9%	8.5% - 10%
Lease operating cost escalation	7.75% - 8.5%	8% - 9%	8.5% - 10%
Gross asking rentals (R/m ² /month)	180	160	105
Gross achieved rentals (R/m ² /month)	165 - 175	130 - 150	75 - 100
Length of lease (years)	5 - 7	2 - 5	1 - 3



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