

# GLOBAL SPOTLIGHT

## Johannesburg, South Africa



### Johannesburg is the economic and financial hub of South Africa and accounts for 40% of economic activity of the wealthiest province in South Africa.

- The South African property market outperformed European property for the second year in a row. Regional shopping centers are still the most highly regarded property type, followed by industrial leaseback and decentralized offices. Cap rates still point south, and are unlikely to face upward pressure in the near term.
- Inventory levels rose strongly in manufacturing as well as in the wholesale, retail and motor trade sectors, consistent with the general buoyancy of demand in the market. The manufacturing sector is expected to continue to perform well, which should sustain low industrial vacancies and support the upswing in industrial rentals.
- Retail outperformed all assets classes with a record return of 30.1%. With 24 shopping centers under construction nationally, including four regional malls over 40,000 SM, there has been some concern that a retail oversupply alongside a potential slowdown in consume spending, may place pressure on rental rates. However, retail continues to outperform the other sectors, and seems destined to do so for another year.
- The South African property market is gearing itself for the introduction of REITS in the near future. The current market has a well-developed listed property sector, which has mimicked REITS in a number of ways, with just a few issues outstanding, such as capital gains taxation.
- Despite recent interest rate hikes, and expected deterioration in short-term inflation, long-term inflation expectations are still positive and the market is buoyant. At worst, there may be a decrease in the number of transactions by owner occupiers and private investors who are generally more interest-rate sensitive than institutional investors.

## Johannesburg At A Glance

Population	3,225,812 (2001 est.)
Location	Eastern plateau area of South Africa
GDP	\$201.4 billion (2006 est.)
Inflation	5% (2006 est.)
Interest	10.0% (Repo-Per Annum)
Unemployment	25.5% (2006 est.)
Conversion	\$1 US = Rand 7.3738

Property	Rent/SF/Year Low	High	Effective Avg.	Vacancy Rate
Downtown Office Class A CBD	\$3.30	\$8.32	\$8.30	6.5%
Downtown Office Class A SANDTON	\$8.30	\$18.90	\$13.60	5.8%
Suburban Office Class A (Prime)	\$13.30	\$15.60	\$14.30	1.0%
Industrial Bulk Warehouse	\$3.80	\$7.60	\$3.80	1.6%
Retail Downtown	\$45.30	\$75.60	\$60.50	2.0%

NAI FINLAY offers local market expertise in Johannesburg, South Africa.

## About NAI Global:

NAI Global is one of the world's leading providers of commercial real estate services. We bring together people and resources wherever needed to deliver outstanding results for our clients.

### At A Glance

350	Offices
45	Countries
5,000	Professionals
\$40 billion	Annual Transaction Volume
200	MSF of Property Management

For more information about NAI Global please visit [www.naiglobal.com](http://www.naiglobal.com) or call 609.945.4000



Commercial Real Estate Services, Worldwide.

August 2007

Build on the power of our network.™