

# GROWTHPOINT

PROPERTIES

MEDIA RELEASE FROM GROWTHPOINT PROPERTIES LIMITED

05 February 2015

***Industrial properties are set to innovate and evolve with economic challenges in 2015***

Smart operating spaces with smaller floor areas, but larger volume, will define the industrial property market in South Africa in 2015 according to Engelbert Binedell, Growthpoint Industrial Property Divisional Director.

This will be driven by the consolidation of operations as industrial businesses remain under pressure, the immense impact of the Eskom electricity crisis on the industrial sector and continuing increasing energy prices as well as they supply dynamics of industrial space in certain areas across South Africa.

Binedell highlights the strong correlation between the fortunes of the retail sector in South Africa and those of industrial property.

“The failure of major retailer Ellerines has not only resulted in the failure of retail tenancies at shopping centres, but also the failure of tenancies at distribution centres, yet, while sentiment remains quite negative when it comes to economy, manufacturing output data is showing movement towards positive territory, which is good news for industrial property,” says Binedell.

In Gauteng Binedell is seeing an immediate demand for, and shortage of, B-grade industrial property stock. “Many companies finding this space, which is more affordable than A-grade premises, appealing in a tough economic climate,” he explains.

Binedell also sees industry working differently and innovating to adapt to the present set of challenges. “Industrial concerns are operating smarter to ensure their sustainability. This is also resulting in their property needs evolving and a new set of desirable specifications to match.”

He explains that, in a similar way to corporates using activities like hot-desking to optimise operations, minimise space requirements and cut costs, industrial companies are also likely to change behaviours to create new ways of streamlining their businesses, like working at off-peak times to benefit from off-peak tariff savings.

Indicating this changing behaviour, across the country Growthpoint is seeing industrial businesses consolidating their operations onto single sites, and seeking buildings with smaller footprints but greater volume from increased height.

In Durban, established industrial nodes remain dominant and are experiencing the strongest demand. These include Prospecton, Jacobs and Mobeni in the South, Springfield, Riverhorse and Briardene in the central areas and Westmead, Pinetown and New Germany in the west.

Some of the key drivers of demand are facilities with sufficient power, yard space and adequate internal stacking height.

“Asking rentals within these established nodes are proving far more attractive than new ‘greenfield’ developments can offer as a result of land costs are driving up asking rentals,” reports Binedell. However, he adds the N3 Western Corridor, which includes Hammersdale and Cato Ridge, is an exception.

# GROWTHPOINT

## PROPERTIES

“This strip remains a real option for larger distribution centres of 20,000sqm to 50,000sqm, resulting from a lack of land in proximity to the port and other key hubs. There is a gross undersupply of logistics yards in Durban’s South basin, close to the port. Land values in the Hammarsdale, Cato Ridge corridor are also more attractive than other greenfield nodes in the region,” says Binedell. Though he cautions the location also brings added considerations such as transport costs, bulk infrastructure services and other environmental and zoning approvals.

Striving for improved efficiencies and cost savings, many major national retailers such as Mr Price, Massmart, Bata and Pick n Pay are consolidating their different distribution centres into major distribution hubs. Here too the emphasis is on smaller floor area but larger volume. The desirable specifications include features such as 20-metre ceilings, super-flat laser screed floors, high-tech racking with in-rack sprinklers and generous hardstand yards. “In KwaZulu-Natal, there is a distinct undersupply, and genuine demand, for these types of logistics facilities,” Binedell points out.

He also notes that, when it comes to the undersupply of logistic space in Durban, the government has progressed significantly in addressing congestion within the port. “While the strategic plan for this area is a 10-year project, it is important to know where infrastructure spend is going to take place and where the priorities lie,” he adds.

With many of Growthpoint’s industrial properties in KwaZulu-Natal enjoying prime, high-demand positions, the JSE-listed REIT (Real Estate Investment Trust) is focused on the improvement of its existing buildings in this region to preserve rental growth and enhance their appeal. It is also progressing well with a new 10,000sqm development in the popular Mahogany Ridge node.

In Cape Town, Growthpoint reports its industrial property portfolio in areas such as Epping, Montague Gardens, Maitland and, to a lesser extent, Airport Industria, are proving most popular in the present market, especially for warehousing and logistics operations, in sizes up to 1,000sqm. As a result these areas are also showing an undersupply of industrial units ranging from 500sqm to 1,000sqm. With little land available for development and the inability to subdivide large old properties, this is undersupply is set to remain.

Based on prevailing pockets of growing demand, Growthpoint is undertaking developments in Airport Industria and Blackheath for large users. It has also identified top site in Bellville for large users.

“Investors and users in the Western Cape are starting to move beyond the traditional industrial nodes because of the availability of land, less traffic congestion, improved road infrastructure, more palatable rentals and the ability to deliver specially tailored premises,” notes Binedell.

**-ENDS-**

Released by:  
Growthpoint Properties Limited  
Engelbert Binedell, Industrial Division Head  
Tel: 011 944 6000

Distributed by:  
Marketing Concepts  
Suren Naidoo  
Tel: 011 783 0700