

Randburg Business Node

2006

Location

The Randburg commercial node includes commercial development in the Randburg CBD and Ferndale, up to Bond Street and Hendrik Verwoerd Drive in the north and east respectively, Main Avenue to the west and Republic Road to the south.

The node can be regarded as a link between the prime northern corridors of Sandton and the fast growing northwestern sector of the city. Access to the node is achieved from the N1 and major arterials such as Republic Road, Hendrik Verwoerd/Main Road, though regional accessibility is regarded as a constraint in the wider context. The existing taxi rank facility serves an important commuter hub for shoppers and workers from Diepsloot, Honeydew and even Soweto.

General characteristics

Central Randburg is an established node, which has by and large reached a mature phase in its property life cycle. Commercial development is focused on the town centre, and increasingly along the key arterials of Hendrik Verwoerd Drive, and Jan Smuts Avenue. Commercial uses are characterised by motor-related retailers and service-providers, either operating out of small and specialised strip malls, or from street-front premises. Retail land uses in the node include the Randburg Square (ex Sanlam Centre) in the town centre – recently transferred by Sanlam to Vukile and re-branded 'Randburg Square'.

Arising out of long term concerns regarding urban decay in the central core of the CBD in particular, an improvement district has been established, the implications of which are beginning to take effect. The Central Improvement District (CID) covers the area defined by Dover Street, Hendrik Verwoerd Drive, Harley Street, Selkirk and Kent Avenues. The three-year, four-phase urban revitalisation project, includes fairly significant road works as well as the development and integration of municipal land. In mid 2005, a capex budget of R65million was approved for the node. According to the Johannesburg Development Agency (JDA), the taxi rank will be upgraded; council offices will be upgraded and moved back into the old civic centre and roads will be improved. In the first phase, completed in November 2005, traffic flow into Pretoria Avenue was improved by opening up the intersection of Philips and Burke streets. New street lighting was installed, roads were resurfaced and pavements greened. The second phase, starting in 2006, involves upgrading both the intersections of Hill Street/Pretoria Avenue and Hendrik Verwoerd Drive/Pretoria Avenue. The informal traders' market near the taxi rank will also be spruced up. The market will be extended into the parking area north of the civic centre, where additional trading stalls will be put up. The development of the market will cost R6-million and the upgrading of the two intersections will cost more than R2,3-million. In the third phase, Hendrik Verwoerd Drive will be closed off between Selkirk and Jan Smuts avenues. A pedestrian space, largely modelled on Main Street in the Joburg CBD, will be developed in the resulting triangle. Pretoria Avenue will be given a new look, with new bus stops and street furniture installed. In the fourth phase the original outdoor mall of Hill Street will be reopened for road traffic, with pedestrian-friendly pavements.

There has been some shift from high-order to low-order retailing, as consumer demographics and incomes have changed. The intersection of Hendrik Verwoerd Drive and Republic Road is home to the head offices of Multichoice and M-Net. Other key tenants in the area include Sasol, Porsche, Nestle and Credit Guarantee.

Nodal property market

Subsequent to office vacancies having come down quite strongly in early 2005 to just over 12% from a mid 2003 peak of nearly 22%, the vacancy rate has climbed up to 15% most recently. Naturally, net annual take up has reduced but remains positive. Part of the reason for this trend is the demand for sectional title/owner-occupied space in the node with a commensurate negative impact on leased space. A grade space which represents just over 20% of stock in the node has a relatively low vacancy rate of 6%, with B grade comprising over 50% of stock having a significantly higher vacancy rate of over 13%, and C grade space yet higher at 26%. Rentals range between R30-58/m² for A grade space and between R28-50/m² for B grade space. There has been no rental growth over the past two years. Rode's survey suggests that there has been about 6% growth in A grade rentals and eProp rentals, hovering around R35/m², have also not experienced any growth. Certainly the rental market is not in great shape notwithstanding the demand for business owned space.

Office yields have not move much over the past year and average asset value translates to R3061/m² for B grade space and R6970/m² for A grade space. According to the Rode survey, multi tenant cap rates are around 12.9% (down from 15%) for B grade space and 10.8% (down from 13.4 %) for A grade buildings. The improvements in cap rates are probably more owing to broader market trends than Randburg market fundamentals.

The perception is that Randburg buildings are often older and suffering from some level of economic obsolescence, although this is less true for properties located away from the central core area around the Old Municipal Offices. According to brokers the main arterial strips of Hendrik Verwoerd Drive and Republic Road achieve the highest rentals.

Retail rentals can range from R25-65/m² as reflecting space listed on eProp. One of the bigger refurbishments and repositioning of retail has come in the form of the Brightwater Commons phased upgrading and re-branding project by Grayprop. Redevelopment of the Checkers Centre mooted in 2004 has not progressed and in fact has been occupied by a church. The Sanlam Centre has been repositioned as the Randburg Square and appears to be performing quite well at present from a retail perspective, but not from an office perspective. Major projects around the Hill Street precinct will have important implications for the CBD core going forward; particularly as the Jan Smuts/Hill Street reconnection could revitalise this core area and promote new retail redevelopments such as envisaged for the Checkers Centre. Excluding the Brightwaters project located outside the node, retail supply amounts to about 118 000m².

Land typically retails for around R170-220/m² for the purposes of higher order residential developments. Typically 4015m² stands have sold between R600 000-R900 000. Plans for the Old Municipal triangle site at the intersection of Jan Smuts and Hendrik Verwoerd, as well as the land north of the Trustbank Centre, include proposals for residential apartments. There are also other large private sector residential initiatives in the area. Growth of the residential fabric should also help to support the retail sector in the longer term.

Concluding remarks

Randburg is a relatively mature node, located in close proximity to prime commercial nodes, including Bryanston and Sandton business district. The node is perceived to be a secondary commercial node, however, and has lower rentals and higher yields than the aforementioned areas. Urban decay has become a concern in recent years and critical to its future is the urban revitalisation project of the central core spurred by local business, the COJ and the Johannesburg Development Agency. Getting this right will dramatically improve perceptions about the node, all of which should see the property markets in the area reach a new level of investor and business confidence.