

South Africa Offices – A landlord's market

South Africa is the fifth-cheapest office destination in the world, which means that office property rentals are likely to continue rising.

According to the latest global report, Office Space Across the World, by real estate services group Cushman & Wakefield, SA was ranked 54th out of 58 countries when it came to the most expensive office locations .

Prime office space in Johannesburg's Sandton central business district fetches rentals of € 207/ m² a year.

Other countries that offered similarly cheap rentals included Lithuania at € 204/m² a year and Indonesia at € 194/m² .

David Green, MD of Pace Property Group, the associate office for Cushman & Wakefield in SA, said London again achieved top spot as the most expensive office destination with the West End fetching rentals of € 2277/m² a year.

Second on the list was Hong Kong, where office space fetched € 1745/m² . Tokyo, Mumbai, Moscow and Paris were placed third to sixth.

“To South Africans it might seem as though office rentals are expensive, but in relation to the rest of the world they are cheap,” said Green.

It seems local office space has actually become cheaper in the past year in global terms — last year SA was ranked 49th.

“It shows there is a lot more potential for office rentals to continue to rise in line with what has happened in other countries,” said Green. “It's never going to become one of the most expensive places, but rentals are going to continue to climb and it is likely that we will see a further 25% growth in rentals this year .” He says that last year rentals also grew 25%.

But the rental hikes in SA can still be considered mild compared with other parts of the world. “Rentals in Rio de Janeiro (in Brazil) rose 59% last year, compared with the 25% in SA.”

One reason behind the “upward pressure” on rentals is the limited number of speculative developments, particularly in light of the energy crisis in SA.

“In addition, rapidly growing needs of corporate SA to take up existing office supply have outstripped supply, certainly creating the platform for a landlord’s market,” said Green.