

Overview

The overall Durban office market is considered a regional office area for many large corporate occupiers. The market conditions are characterized by low demand from large occupiers, increasing vacancies, oversupply of stock and flat rental growth. The Umhlanga business node in the North of the city has in the recent years attracted much activity due to the level of infrastructure investment and general commercial developments. This has shifted activity from the older nodes, leaving them with increased vacancy pressure and declining rentals.

Market Performance

Demand for office space is relatively low as a result of the current economic climate. Leasing activity is, however, notably from small users between 200m² and 350m² as well as various call centers. A recent notable deal saw a 'blue-chip' company subletting space to a call center in Umhlanga, this confirming the pressure felt by some of the large businesses to downsize their office space. **Development activity** is concentrated in the uMhlanga office node, currently with over 54,000m² of new developments. Majority (up to 60%) of the committed construction is tenant driven, leaving a large number of speculative developments being added in the market that is stifled by low demand. This is expected to fuel further pressure in the office market and will possibly drive vacancies up and put pressure on gross rentals. Already in Q3 2018, the uMhlanga area saw vacancies rise to 6.4% from 3.4% in the last quarter signaling further pressure from additional stock.

Overall vacancies slowed in Q3 2018 to 12.1% after having climbed to over 13% earlier the last quarter. The reduction in vacancies was aided by increased take up in the Berea, Westville and the CBD nodal areas. **Rental performance** in Q3 2018 remained stable in majority of the submarkets, with some seeing real growth. For the rest of the market, rental pressure will continue as the economy is yielding no signs of improvement.

Outlook

In the next 6 to 12 months, the prime areas in the Durban office market are likely to remain stable but many older office areas will remain under pressure. It will take more than a year to see increased demand, even if the economy were to improve slightly as recently forecasted by the Reserve Bank.

MARKET INDICATORS

Table 1: Market Outlook

Prime Rents:	Achieved Prime rents are expected to remain stable in the next 6 months. But an increase in speculative supply would put pressure on rentals. ▶
Supply:	Supply will remain the same to the end of the year. Development activity is limited to high end markets. ▶
Vacancies	Vacancies are likely to increase should the current development pipeline come on stream. This would be worsened by the subdued demand for large offices. ▲
Demand:	The economic pressure is affecting the wider office market and the Durban office market would take strain from lack of economic performance. ▼

Table 2: Prime Office Rents – Q3 2018

LOCATION	ZAR	GBP	US\$	GROWTH %	
	SQ. M MONTH	SQ.M MONTH	SQ.M MONTH	Q TO Q % CHANGE	Y / Y % CHANGE
GRADE A OFFICES					
Ballito	145	7.55	9.82	2.1%	-3.3%
Berea	125	6.51	8.47	-3.8%	-3.8%
Durban CBD	100	5.21	6.78	0.0%	0.0%
Hillcrest	130	6.77	8.81	0.0%	8.3%
Umhlanga	170	8.85	11.52	0.0%	6.3%
Westville	130	6.77	8.81	0.0%	0.0%

Exchange rates:

Rand per GBP = R19,2

Rand per USD = 14.76

Table 3: Vacancies – Q3 2018

LOCATION (FIGURES ARE EXPRESSED IN %)	CURRENT Q	LAST Q	LAST Y
Ballito	8.6%	8.3%	14.7%
Berea	6.9%	10.3%	8.4%
Durban CBD	17.5%	19.4%	16.8%
Hillcrest	11.1%	10.3%	8.8%
Umhlanga	6.8%	6.4%	3.4%
Westville	6.2%	8.3%	11.0%
Overall Vacancies	12.1%	13.2%	11.7%

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DURBAN, SOUTH AFRICA

Office Market Snapshot

Third Quarter | 2018



EXCELLERATE

LOCATION	INVENTORY	OVERALL VACANT	GRADE A STOCK (SQM)	GRADE A RENTS	DEVELOPMENTS	GRADE A VACANT STOCK (M ²)	OVERALL VACANCY RATE
DURBAN	1,617,846	195,106	722,121		54,000	94,112	12.1%
Ballito	45,853	3922	15,125	145		9,537	8.6%
Berea	112,627	7773	59,991	125		7,645	6.9%
Durban CBD	781,949	136950	209,237	100		1,423	17.5%
Hillcrest	42,200	4702	34,352	130		10,579	11.1%
Umhlanga	433,459	29347	338,195	170	54,000	27,741	6.8%
Westville	201,758	12412	65,221	130		37,187	6.2%

¹ Prime Rentals reflect Gross Achieved rentals R per square metre / month
Source: SAPOA, Cushman & Wakefield Excellerate

Key Developments Q3 2018

PROPERTY	LOCATION	MAJOR TENANT	SIZE (SQ. m ²)	COMPLETION DATE
Park Square	Gateway Area	Nedbank	18,000	Dec-18

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