

# Semigration drives up commercial property demand in Winelands

Commercial property prices in the Winelands have been rising well above the inflation rate over the past five years, with a consistently active market seeing values increase by up to 15% per annum in the most sought-after nodes, says Detlef Struck, commercial property specialist for Lew Geffen Sotheby's International Realty in Stellenbosch and Somerset West.



He says one of the key driving forces has been the continued influx of semigrants from upcountry which has significantly driven up the demand, especially for office and retail space.

“Stellenbosch has a higher concentration of retail and office space with only a couple of light industrial buildings on the outskirts of town and demand is especially high in the historical town centre with very little stock currently available.

“There have also been very few commercial property sales in Stellenbosch in recent years because existing landlords are receiving very good rental returns of up to R300 per m<sup>2</sup> and are therefore hanging onto their properties.”

Struck adds that the commercial sector in Stellenbosch is following hot on the heels of the residential market in that investors who buy property in a good location can also expect continuous solid capital growth.

## Long-term growth potential

In 2012, Nedbank Group demonstrated its confidence in the long-term growth potential of the retail sector in the town by not only providing the finance for the completion of the new Eikestad Mall precinct, but also taking an equity stake in the development. The precinct, a five-phase, multi-purpose property re-development is now widely regarded as one of the prime retail and residential growth nodes in South Africa.

Kobus Conradie, commercial property specialist for Lew Geffen Sotheby's International Realty in Paarl says that although demand for commercial space in Paarl has been steadily increasing, it spiked last year.

"This was largely driven by upcountry buyers who had initially bought residential properties in the lifestyle estates in Paarl and many have now started duplicating or moving businesses down to the Western Cape."

## **Light industrial properties in demand**

Conradie says that the biggest demand has been for light industrial properties, especially rental units of between 200m<sup>2</sup> and 300m<sup>2</sup>, however, more and more national and international players are building factories and depots close to the N1 and other major routes.

"Dal Josafat is one of the most popular industrial area as it offers a variety of properties at very accessible rentals, but Paarl also offers upmarket industrial parks like Zandwijk Park which boasts many blue chip tenants, but investors and renters must be prepared to pay a premium for the better address in Southern Paarl."

"The retail sector has also seen tremendous growth," says Conradie, "with national brands opening regularly in newly built malls and on busy intersections in Paarl centre."

"Two large malls, the Paarl Mall and Rembrandt Mall, were recently completed with another new mall and a private school already in the planning stages to cater to the ever-growing market for homes in secure residential estates."

## **Somerset West, a commercial hotspot**

Chris Cilliers, CEO and principal for Lew Geffen Sotheby's International Realty in the Winelands, says: "Somerset West is fast becoming known as a commercial hotspot and a prime location to buy commercial space as an investment."

"Having grown exponentially during the last decade, commercially it now comprises different pockets, with the new office space and light industrial units close to Somerset Mall in highest demand."

"Office and retail space in the old part of Somerset West is considerably cheaper, but this is due to the dwindling foot traffic as the new commercial area continues to grow."

She adds with commercial property prices that are still about 20% cheaper than in Cape Town, the boom time in the commercial capital of the Helderberg Basin looks set to continue into the foreseeable future.

## **Influx of skilled migrants**

Lew Geffen, chairman of Lew Geffen Sotheby's International Realty, believes there are currently few better property investments in South Africa than Winelands commercial space.

"Given the current political turmoil, the Western Cape will continue to experience a high influx of skilled migrants from other

metros and inevitably business follows and demand spikes.

“Additionally, yields on commercial property are traditionally better because, unlike residential property where rental increases usually drop when the economy slumps, commercial leases usually keep pace with inflation.”

Geffen points out that another key factor underpinning the commercial growth in the region is the fact that people continue seek a better quality lifestyle away from the increasingly frenetic cities and the Winelands ticks all the main boxes.

Conradie concurs: “I have fielded a number of enquiries recently from companies wanting to relocate their businesses to farms where they can offer their workers more quiet and tranquil working conditions.”

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