

# More new projects for Sandton despite congestion

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Despite concerns about a looming oversupply of office space and increased road congestion, commercial real estate investors and developers continue to pour billions into the Sandton CBD.



Village Walk redevelopment: R2,5bn project to finally break ground.

Photographer: Russell Roberts

Image source: [Financial Mail](#)

One of the biggest projects expected to break ground in Sandton this year is the R2,5bn redevelopment of insurer MMI Group's old Village Walk shopping centre opposite the JSE on the corner of Maude Street and Rivonia Road.

The centre, which has stood half empty since mid-2012 pending the resolution of a dispute with former tenants, was finally demolished in August last year.

## Work, live, shop, play

MMI owns a directly held property portfolio valued at around R7bn. It hopes to press the button on the Village Walk project within the next six months. MMI property fund manager Natasha O'Reilly says the redevelopment will follow the mixed-use "work, live, shop and play" trend.

The plan is to build a two-level retail offering of around 12,000m<sup>2</sup> -15,000m<sup>2</sup>, smaller than the centre's previous footprint of around 20,000m<sup>2</sup>, which will be topped by two high-rise office blocks of 25,000m<sup>2</sup> each and possibly a residential component of around 60 apartments (8,000m<sup>2</sup>).

Each of the three towers is likely to be between 12 and 20 storeys high. The new centre is likely to be anchored by one or two national grocers, a gym and a number of restaurants and coffee shops.

MMI is looking to take up some of the office space and negotiations with other potential office tenants are under way.

But O'Reilly stresses that plans for the project are still "fluid" and will be tenant driven. Construction will start only once the development has been 70% pre-let. "There is a lot of new office space coming onto the Sandton market, so we won't build on a speculative basis."

Another major development set to commence in Sandton later this year is the Legacy hotel group and Nedbank's The Leonardo, near the Village Walk site. The 42-storey mixed-use skyscraper will add 200 luxury apartments and nine floors of office space to the Sandton market. The Leonardo's topfloor penthouse is expected to sell for a whopping R180m (see FM Fox 29 January 29, 4 February).

The Liberty Group last month also announced a R300m redevelopment of Nelson Mandela Square, which will introduce a number of new restaurants and clothing stores. US fashion brand Forever 21 will be the new anchor of Liberty's centre.

A few blocks away in Stella Road, opposite the Sandton Gautrain station, Old Mutual recently broke ground for a 12-storey head office for its emerging markets division. The 30,000m<sup>2</sup> building will also house 500 employees from Mutual & Federal on completion end-2017.

### **35% of greater Johannesburg's office development pipeline earmarked for Sandton**

Latest figures from Jones Lang LaSalle (JLL) show that around 35% of greater Johannesburg's office development pipeline is earmarked for Sandton. In second-half 2014 alone, around 88,800m<sup>2</sup> of new office space was completed.

At least another 181,000m<sup>2</sup> is under construction, including Discovery's new 80,000m<sup>2</sup> head office on the corner of Rivonia Road and Katherine Street and Sasol's new 67,000m<sup>2</sup> head office, also in Katherine Street (see table).

The question is whether there will be enough demand from local and international corporates to fill the new office space coming on to the market.

JLL head of research Zandile Makhoba says while the vacancy rate in brand-new premium grade offices is negligible, the amount of empty office space in existing Agrade buildings has nearly doubled over the past two years, from 8,9% to 16,6%.

"Many tenants are simply relocating from older to newer buildings, which is putting pressure on vacancies of existing properties."

Makhoba says Sandton remains attractive to businesses in the finance, insurance and legal space. But it seems the node has now reached its absorption level. "Rental rates have already become stagnant in the past year. So it's likely that developers will start to hold back, particularly on speculative projects."

**Source:** Financial Mail

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