

Emira upbeat over conversion of office block to residential

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Emira Property Fund is confident that its first asset conversion of a property from office to residential will succeed and that this will prompt the company to complete more value-enhancing property conversions.



Image source: www.pexels.com

The company is converting an office building in Rosebank into a residential building housing 280 apartment units aimed at professionals working in the node. Emira's CEO, Geoff Jennett, said the cost of the conversion was slightly more than R200m. Following completion, the residential development would be worth about R250m.

"Residential real estate should form part of any property investor's diversified portfolio. It is part of the life cycle of an office property". We want to reduce our office component and we are starting with our building in Rosebank," said Jennett.

Emira would launch the development between April and June 2018, charging monthly rentals of R6,000-R9,000 for the 30m²-50m² units.

"You start off with one conversion project like this and you learn. Your next step will then be better informed. Residential property might be specialist and operational but you still can be right to have it in your portfolio," said Jennett.

He said the development served a niche that many developers had missed. "There is an oversupply of offices but a shortage of quality residential accommodation in Rosebank. Many developers are investing in high-end rental properties, which demand R25,000 per month.

"We want to appeal to working millennials," he said.

Emira's South African portfolio is worth R13bn. The next development after Rosebank could be located in Bryanston, Johannesburg. Jennett said conversions from office into retail were not easy to execute.

"Offices are often square and have a large common area in the middle which you cannot charge for. So we need to find more rectangular buildings. There are other aspects which also need to be in place for a conversion to retail," he said.

Some large property groups have not considered converting office properties into residential ones yet, despite high vacancies in the sector. The office vacancy report of the South African Property Owners' Association for the second quarter put the national office vacancy rate at 11.8%, the highest level in 12 years.

Growthpoint Properties MD Estienne de Klerk said the R71.9bn fund was of present not converting any offices into residential units. Arrowhead Properties CEO Mark Kaplan said his company might convert its Sasol office building in Rosebank into residential units soon but this would be a complicated process, which could take 18 months.

Source: Business Day

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