



**FAST FACTORY:** Baker Street Properties brokered the deal for Digistics' 4 500m<sup>2</sup> distribution centre, which includes dry, cold and frozen sections and is scheduled to be completed in November.

## Industrial land market slows down

INDUSTRIAL land prices have fallen 30 percent in the past year, but still generally remain more than double those recorded in 2005.

Estate agents say the recent fall represents a correction after an unprecedented boom in industrial land values saw increases of up to 60 percent a year between 2006 and 2008.

Andy Beddow, director of Baker Street Properties, says: "A year ago the average industrial land price was about R1 350/m<sup>2</sup>, with exceptional sales as high as R1 750/m<sup>2</sup>. Now the average price is barely R950/m<sup>2</sup>. However, we must bear in mind that this land value was in the region of R400/m<sup>2</sup> in 2005.

"A market correction has also been experienced in rentals – where nine to 12 months ago R35/m<sup>2</sup> was achieved for reasonable industrial space, now the same

space is being rented at R30/m<sup>2</sup>."

Beddow says few industrial properties are being sold and developed at present, with unrealistic sellers' expectations brought about by the previous boom compounded by the banks' lack of liquidity.

"On the positive side, with declining interest rates, the sales capitalisation rates are also slowly on the decline, with yields averaging 10 percent to 11 percent for good industrial property across the board," says Beddow.

"There are exceptions, particularly in the food-related industry where we have been fortunate to broker two new development deals on the same site in Bellville South with two national tenants. The first is a new 4 500m<sup>2</sup> world-class bakery for a joint venture between Eastbalt (based in Chicago) and Astral Foods, supplying McDonald's and

KFC outlets in the Western Cape.

"The adjacent tenant is Digistics, a multi-temperature logistics partner to the same restaurant chains. This facility also measures 4 500m<sup>2</sup>. The combined capitalised lease values exceed R150 million."

The development of the site is a joint venture between Chiluan Property Developers and Swish Properties, spearheaded by Andrea Taverna-Turisan.

Next door to these two developments surplus land remains available to build another 5 000 m<sup>2</sup> warehouse facility with raised loading and a large yard.

"Although current industrial property trading conditions may be slow, we can see signs that the cycle is bottoming out.

"We expect a modest upswing towards the end of this year, improving into 2010," says Beddow.