

Real Estate and Construction

Executive Summary

This sector fact sheet provides key trade and investment related statistics for the real estate (and construction) sector. Specifically, it shows global trade and investment flows including an analysis of top markets and products for South Africa and the Western Cape highlighting the largest and fastest growing products and sub-sectors. The key highlights in the real estate sector are provided below:

SECTOR OVERVIEW

- Global portfolios are rebalancing towards real estate and investment flows are expected to tilt towards the Asia Pacific region.
- It is estimated that the direct commercial real estate transactional market will exceed USD1trn per annum by 2030.
- The South African investment property sector maintained modest growth delivering a total return of 15.3% in 2013, reported by the IPD South Africa Annual Property Index.
- The highest residential property yield per annum in Cape Town and Johannesburg is for 1 bedroom apartments at 6.38% p.a. and 11.33% respectively.
- South Africa is the 8th largest Real Estate Investment Trust in the world, with Growthpoint adding significantly to this ranking.

TRADE

- The global exports of construction services increased from ZAR439bn in 2006 to ZAR850bn in 2012.
- The Republic of Korea was the leading source market for construction services in 2011, valued at ZAR111bn, followed by China and Germany.
- Angola was the leading global destination market for construction services in 2011, valued at ZAR57bn, followed by Germany and Japan.
- South Africa is a net exporter of construction services.
- In 2012, South Africa exported ZAR497.7m worth of construction services and imported ZAR65.5m.

INVESTMENT

- Between January 2003 and October 2013, a total of 4803 FDI projects were recorded into the global real estate sector, equating to a 2.9% share of global FDI.
- South Africa is the 40th largest source market for global FDI projects in this sector and the 62nd largest destination market.
- United Kingdom-based Knight Frank invested ZAR264m in September 2012 into Cape Town's real estate sector.
- Cape-Town is ranked 1st out of 10 major cities for the cost of setting up and maintaining a real estate office.
- Cape Town is ranked 5th out of 10 major cities for the combined cost and quality of running a real estate office.

1. Sector Overview

The global real estate sector includes land and anything permanently fixed to it, including buildings, sheds and other items attached to the structure. Real estate can be grouped into three broad categories based on its use: residential, commercial and industrial (for example a brewery or a foundry). Examples of real estate include undeveloped land, houses, condominiums, town homes, office buildings, retail store buildings and factories.

Real estate investments are dramatically affected by the condition of the immediate area where the property is located. With the exception of a national or global recession, real estate values are affected primarily by local factors such as the availability of jobs, crime rates, school quality and property taxes.

The definition used in this sector analysis includes purchase prices, rental prices and construction services. This sector review will look at the retail sale of real estate and construction services globally and particularly in South Africa and the Western Cape.

1.1 The Global Real Estate Sector

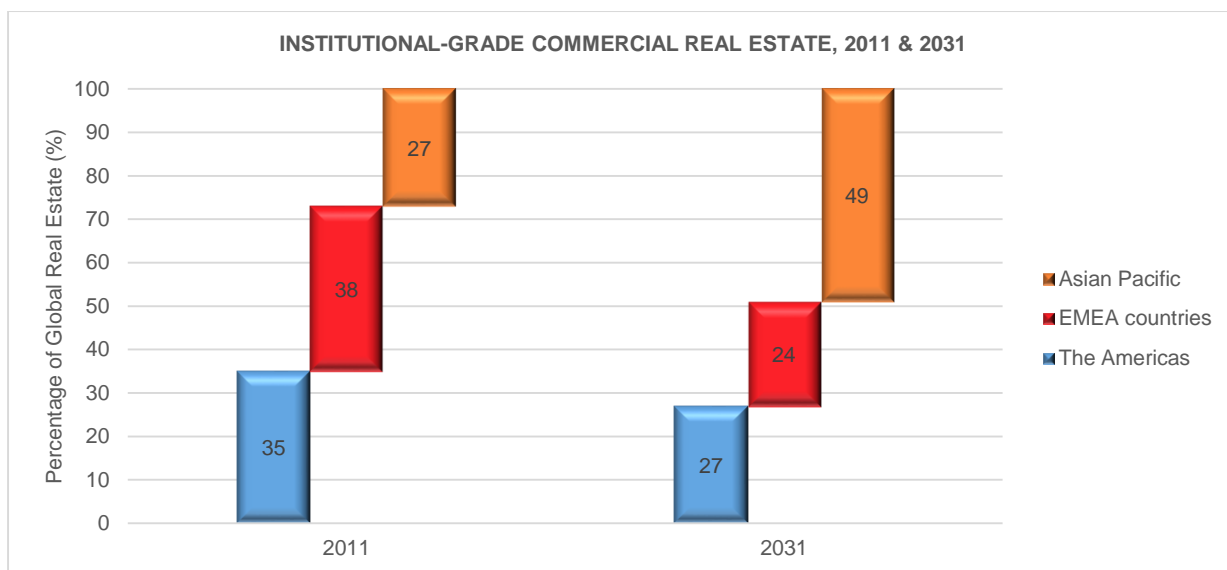
The profile of the real estate sector has changed since the global financial crisis. Since pre-2007 it can be seen that global portfolios are rebalancing towards real estate and real estate investment flows are expected to tilt towards the Asia Pacific region. PWC (2014) suggest that global trends of urbanisation and online shopping will lead to a decreased demand for retail real estate and an increased demand for industrial real estate such as warehouses closer to the urbanised nodes.

When considering the large relative size of the global bond and equity market, even small shifts towards real estate can have a large impact on this sector. For example, a 1% down-weighting in equity or bonds in favour of non-residential real estate implies an increase of around 7.8% rise in the real estate market (source: Jones Lang Lasalle, 2014). These increases towards real estate are led by a global hunt for higher yields.

Although real estate asset values have shown no immunity to the financial shocks in the past few years, real estate is coming forward as a preferred option for many investors. Jones Lang Lasalle estimates that the direct commercial real estate transactional market will exceed USD1trn per annum by 2030, compared with 2012 annual volumes of around USD450bn. This trend is illustrated by the following investments:

- The Canadian Pension Plan Investment Board increased its retail allocation from 4.3% in 2007 to 10.6% in 2012.
- The manager of the government pension fund in Norway has spent USD3bn on real estate and is targeting USD33bn by 2020.
- The National pension service in Korea will also increase its alternative investments from 2.5% in 2007 to 10% in 2016.

Cross-border capital flows are rising, with a tilt towards emerging markets and particularly the Asia Pacific region. Direct commercial real estate investment in 2012 accounted for 77% of the 2007 peak value in the Asian Pacific region (excluding Japan this would be 117%). The comparable figures for the Americas and Europe are 62% and 46% respectively. Pramerica Real Estate Investors estimate that while the United States and EMEA countries weightings to the global commercial investable arena will decline, Asia Pacific is likely to rise from 27% of the global total in 2011 to around 50% of the global total in 2031.



Source: Pramerica Real Estate Investors, 2014

In the Asia Pacific, Indonesia and Vietnam are starting to see strengthening in real estate interest due to improvements in real estate transparency. Other countries that have incentivised growth through increased transparency include Turkey and Brazil.

1.2 The South African Real Estate Sector

The South African government is optimistic about 2014 growth, projecting that the economy will expand by 3%, based on projections released by SARB. Interest rates are low and the SARB repo rate is at 5.75%. The SABOR (South African Benchmark Overnight Rate) stood at 5.65% in August 2014.

It is expected that the real estate sector will remain stable in 2014. This is due to its position as an attractive regional base, resulting in high occupancy rates and increasing rental. However the development pipeline is well below pre-2010 levels when South Africa hosted the FIFA World Cup. This is further affected by stagnant growth in the construction sector, where real growth in 2011 was only 0.5% and forecast growth in 2012 and 2013 is around 2.5%.

SOUTH AFRICA'S CONSTRUCTION AND INFRASTRUCTURE DATA, 2011-2018								
	2011	2012e	2013f	2014f	2015f	2016f	2017f	2018f
Construction Industry Value (ZARbn)	100.0	112.6	126.8	137.9	151.0	164.2	179.0	196.0
Construction Industry Real growth (% growth)	0.5	2.5	2.4	3.3	3.9	3.6	4.0	4.5
Total Capital Investment (ZARbn)	553.3	604.4	655.1	709.8	772.8	836.2	900.0	964.0
Total Capital Investment (% of GDP)	19.0	19.2	19.4	19.5	19.5	19.4	19.4	19.3
Construction industry employees as % of total labour force	3.8	3.9	4.0	4.1	4.2	4.3	4.4	4.6

Source: BMI, 2014

The South African investment property sector maintained modest growth delivering a total return of 15.3% in 2013, reported by the IPD South Africa Annual Property Index. Gains were evident particularly in the industrial and retail sectors. At a sector level, the report confirms that industrial properties came to the fore with a total return of 17.1%, marginally outperforming retail properties at 16.8%. This growth was attributed to increases in capital growth. South African listed property ranked high among the country's companies earning the most for shareholders. The sector featured strongly overall, with 16% of the top 50 performing companies over five years being listed property companies. This percentage is based on share-price growth and investor returns.

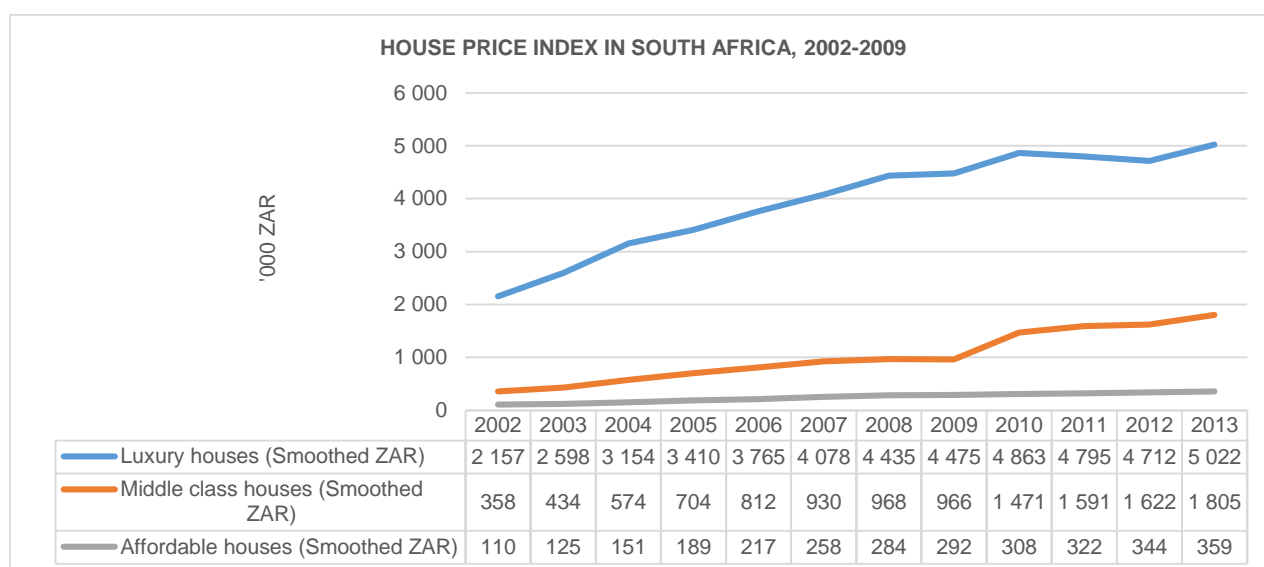
1.2.1 Residential Property

ABSA expects that nominal house price growth and consumer price inflation will result in relatively low real house price inflation in 2014. The slowing economy, low growth in employment, real household disposable income, and tight credit due to deteriorating consumer credit-risk profiles are affecting the property market negatively. For example, outstanding residential mortgages increased 0.7% to ZAR1.11 trillion (US\$105.84 billion) in November 2013 from the previous quarter, according to the South African Reserve Bank (SARB). Furthermore, the percentage of credit applications that have been rejected have also increased by around 10% from 2008 to 2013.

NCR, CREDIT APPLICATIONS AND REJECTIONS, 2008-2-13			
YEAR	CREDIT APPLICATIONS RECEIVED	CREDIT APPLICATIONS REJECTED	PERCENT REJECTIONS (%)
2008	25367541	11176660	44.06
2009	23557503	10357835	43.97
2010	26171179	10658888	40.73
2011	30459153	13561762	44.52
2012	41125318	21497681	52.27
2013	41437516	23457642	56.61

Source: Quantec, 2014

The ABSA housing index shows the average price for different housing categories in South Africa. Their definition of affordable houses are those up to ZAR500 000 in 2012. Middle segment houses are those up to ZAR3.6m in 2012 and luxury houses are those above ZAR3.6 million up to ZAR13.4 million in 2012. In 2013 the average affordable house was valued at ZAR358 920, with a growth of 4% from 2012 to 2013. The average middle class house was valued at ZAR1.8m (11%) and the average luxury house was valued at ZAR5m (7%).



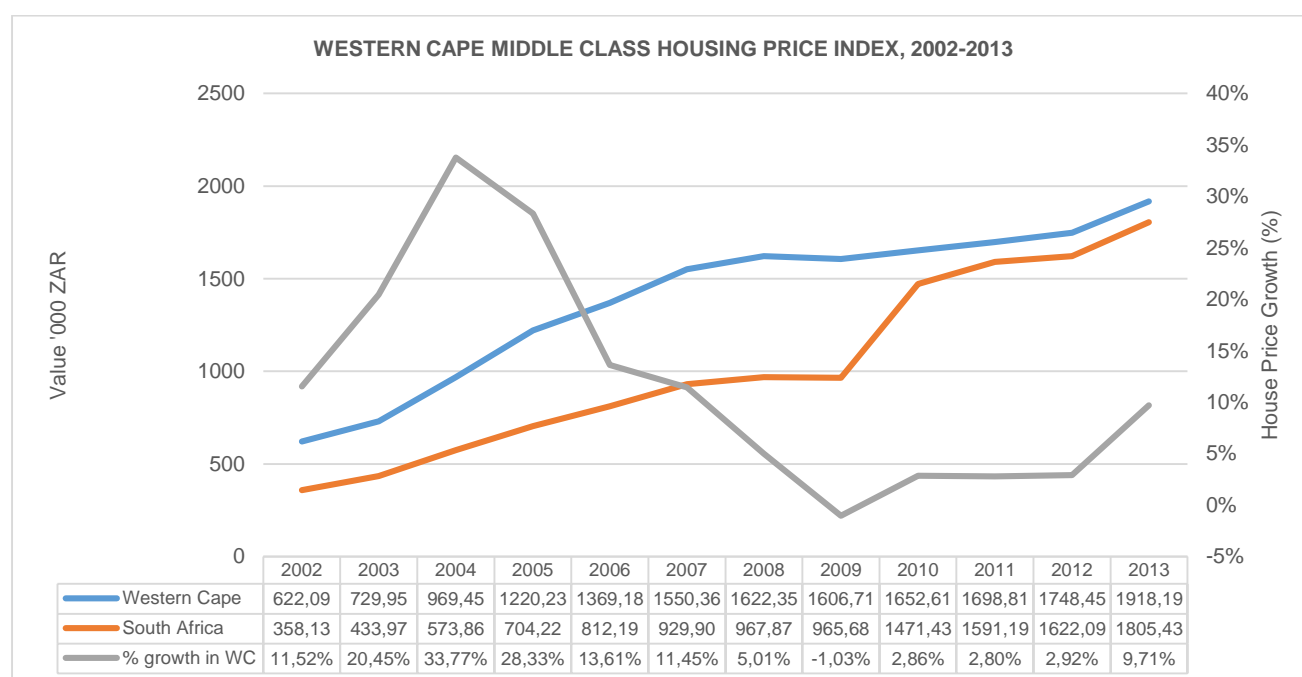
Source: ABSA House Index, 2014

During the housing boom (2000 to 2006), overall house prices rose by an average of 20% annually. Riding on the back of a growing middle class. House price rises peaked in October 2004 with 35.7% annual growth (32.5% in real terms). However in 2008 the boom ended with the global financial crisis. The growth trajectory of house prices shown below reveals that after the financial crisis in 2008, affordable house prices grew by 19% middle class house prices experienced negative growth and luxury houses experiencing only 1% growth. This reveals that the demand for affordable houses was likely to have remained the same with the demand for middle class and luxury houses dropping. During the recovery, the demand for middle class houses and luxury houses grew by 54% and 9% respectively. This momentum was lost again in 2011 and 2012 due to political and labour force concerns, however there have been signs of a second recovery in 2013.

HOUSE PRICE GROWTH IN SA, 2008-2012									
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Growth of affordable houses (%)	13.1%	20.8%	25.1%	14.8%	18.9%	10.2%	2.8%	5.5%	6.6%
Growth of middle class houses (%)	22.7%	15.3%	14.5%	4.1%	-0.2%	52.4%	8.1%	1.9%	11.3%
Growth of luxury houses (%)	8.1%	10.4%	8.3%	8.8%	0.9%	8.7%	-1.4%	-1.7%	4.4%

Source: ABSA House Index, 2014

Looking at the Western Cape middle class housing index in comparison to the South African index, the graph shows that since 2010, the South African middle class house prices have caught up to those in the Western Cape with a consistent difference of around ZAR100 000. In 2013 the average middle class house price was ZAR1.8m in South Africa and ZAR1.9m in the Western Cape. In the Western Cape house price growth dropped from a high of 34% in 2004 to -1% in 2009



Source: ABSA House Index, 2014

The table below shows the average rental, purchase price and yield for prime location houses and apartments in Cape Town and Johannesburg.

PRIME LOCATION RENTS IN JOHANNESBURG AND CAPE TOWN, 2014			
LOCATION	COST (US\$)		YIELD (p.a.)
	TO BUY	MONTHLY RENT	
Cape Town - Apartments			
65 sq. m.	184,925	983	6.38%
120 sq. m.	492,120	2,236	5.45%
300 sq. m.	1,437,300	4,890	4.08%
Cape Town - Houses			
3 bedroom	893,682	2,910	3.91%
4 bedroom	1,126,056	3,873	4.13%
5 bedroom	1,373,985	4,634	4.05%
Johannesburg - Apartments			
1 bedroom	103,795	980	11.33%
2 bedroom	235,322	1,792	9.14%
3 bedroom	315,356	2,389	9.09%

PRIME LOCATION RENTS IN JOHANNESBURG AND CAPE TOWN, 2014			
LOCATION	COST (US\$)		YIELD (p.a.)
	TO BUY	MONTHLY RENT	
Johannesburg - House			
3 bedroom	648,987	2,955	5.46%
4 bedroom	878,281	3,989	5.45%
5 bedroom	1,481,975	6,652	5.39%

Source: *Global Property Guide, 2014*

Districts researched: **Cape Town:** Atlantic Seaboard (Bakoven, Bantry Bay, Camps Bay, Clifton, Fresnaye, Green Point, Mouille Point.), Hout Bay, Waterfront, City Bowl. **Johannesburg:** Northern Suburbs (Dunkeld, Hyde Park, Houghton Estate, Illovo, Inanda, Melrose, Parkhurst, Parktown, Parkview, Sandhurst, Saxonwold and Westcliff

Gross rental return on a Johannesburg apartment is good, ranging from 9.99% to 11.32%. Three and four-bedroom houses in Johannesburg earn moderate to good rental yields of around 5.45%. The most desirable neighbourhoods in Johannesburg are in the north of the city, including suburbs like Dunkeld, Hyde Park, Houghton, Illovo, Inanda, Melrose, Parkhurst, Parktown, Parkview, Sandhurst, Saxonwold and Westcliff. A two-bedroom apartment in the northern suburbs of Johannesburg will cost around USD234,000, while a three-bedroom apartment costs around USD315,000. Renting an apartment in Johannesburg, on average, costs between USD1,800 to USD2,400 per month, depending on whether it has 2 or 3 bedrooms. Renting a house in Johannesburg costs about the same as in Cape Town. In both cities, to rent a three-bedroom house costs around USD2,900 per month.

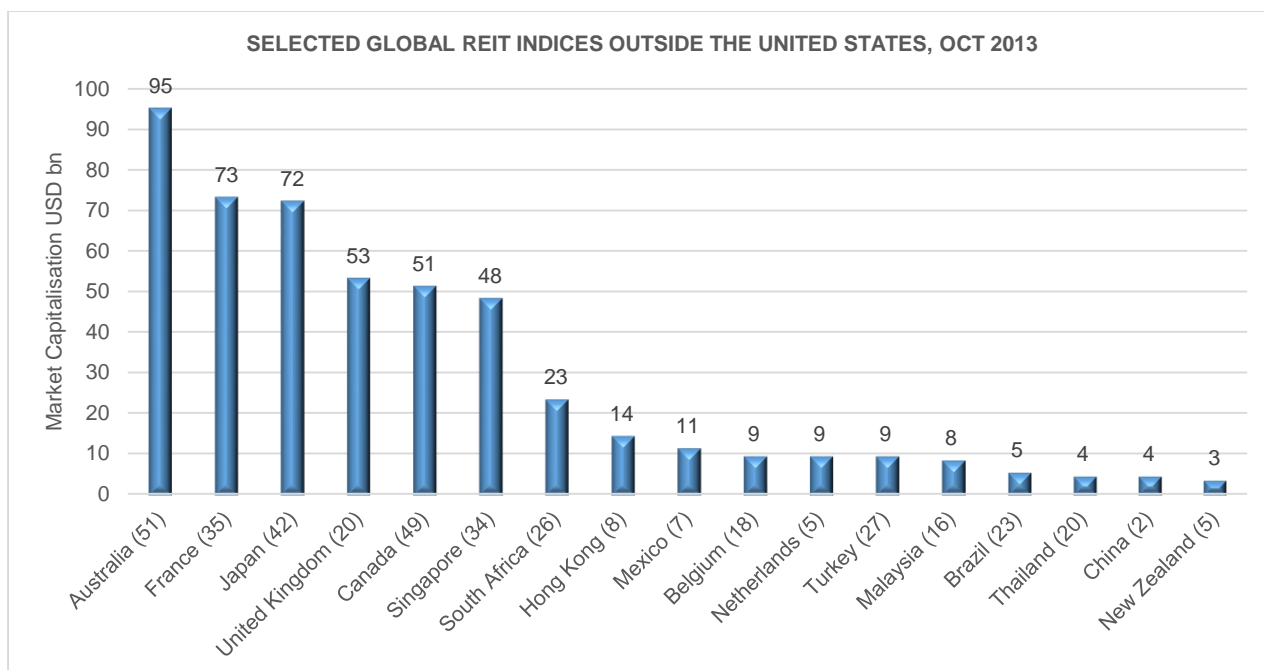
In Cape Town the situation is different with regards to the return on investment. Apartments and houses in Cape Town return rental yields, ranging from 4.08% to 6.38% for apartments, and 3.91% to 4.05% for houses. A 120m² apartment located in a prime neighbourhood will cost around USD490,000 to buy. A bigger apartment, around 300m², will cost around USD1,500,000. Renting a Cape Town apartment will cost from around USD15 to USD19 per m² per month. The highest yield per annum in Cape Town is experienced for 65m² apartments at 6.38% p.a. and the highest return in Johannesburg is also a 1 bedroom apartment at 11.33% p.a.

1.2.2 Commercial Property

South Africa's retail sector is the third-largest contributor to the national gross domestic product, contributing 12.5%. This shows the significance of commercial property in the property portfolio. The International Council of Shopping Centres (ICSC) has also announced a collaboration with the South African Council of Shopping Centres (SACSC). The organisations will work to integrate South Africa's shopping centres with retail networks worldwide, enabling the industry to make use of resources from across the globe. This bodes well for further growth in the retail sector and thus the commercial property sector.

From March 28th 2013, property companies could list as Real Estate Investment Trusts (REITs) on the JSE, encouraging foreign investment in the property sector. Listed Company REITs or Trust REITs are publically traded on the JSE REIT board and qualify for a REIT tax dispensation. Most South African REITs own several kinds of commercial properties like shopping centres, office buildings, factories, warehouses, hotels etc.

South Africa is the 8th largest REIT in the world, with Growthpoint adding significantly to this ranking. The graph below shows the South African REIT market capitalisation in comparison to other selected REIT markets. Besides opening up investment in South African publicly traded commercial real estate, the advent of the South African REIT is also creating access to more information about the sector and ensuring it connects with peers and investors both in South Africa and globally.



Source: Global Research Network Property Insight, 2013.

* Number of listed REITs per country in parentheses

The South African listed REITs are shown below:

Listed REITs

- ☐ Accelerate
- ☐ Acucap
- ☐ Annuity
- ☐ Arrowhead A
- ☐ Arrowhead B
- ☐ Ascension A
- ☐ Ascension B
- ☐ Capital
- ☐ Delprop
- ☐ Dipula A
- ☐ Dipula B
- ☐ Emira

Listed REITs F-P

- ☐ Fairvest
- ☐ Fortress A
- ☐ Fortress B
- ☐ Fountainhead
- ☐ Growthpoint
- ☐ Hospitality A
- ☐ Hospitality B
- ☐ Hyprop
- ☐ Investec Prop
- ☐ Octodec
- ☐ Premium

Listed REITs R-Z

- ☐ Rebosis
- ☐ Redefine
- ☐ Resilient
- ☐ SA Corporate
- ☐ Safari
- ☐ Sycom
- ☐ Synergy A
- ☐ Synergy B
- ☐ Tower
- ☐ Vividend
- ☐ Vukile
- ☐ Vunani Prop

Many of the country's leading retail landmarks are owned by leading REITs, such as the V&A Waterfront in Cape Town, in which Growthpoint Properties owns a 50% stake. Safari Investments RSA Limited ("Safari") became the latest listing under the REITs sector on the Main Board of the JSE on the 2 April 2014. Safari Investment's market capitalisation is around R1.278bn. Cape-based residential property developer Visual International and German-focused Sirius Real Estate, listed on London's AIM, are expected to list on the JSE in 2014.

BMI forecast that rental rates in the retail sector will be consistent with the exception of Cape Town where a 5% increase in rental rates for 2014 is expected due to a strong demand that will not be met by current supply projections.

FORECAST RENTS IN RETAIL PROPERTY (ZAR/m ² per month)				
LOCATION	2013-2014f (Oct-Mar)		2013-2014f (Oct-Mar)	
	Min	Max	Trend	(% change)
Johannesburg	77.50	280.00	Same	0%
Cape Town	107.50	269.00	Increase	5%
Durban	100.00	267.50	Same	0%

f = BMI forecast. Source: BMI

As there is no forecasted change to the structure of the retail market, BMI forecast that net yields will remain consistent across all three cities surveyed by BMI.

FORECAST NET YIELD IN RETAIL PROPERTY 2011-2018 (%)								
LOCATION	2011	2012	2013e	2014f	2015f	2016f	2017f	2018f
Johannesburg	5 - 10%	4-5%	5 - 10%	5 - 10%	5 - 10%	5 - 10%	5 - 10%	5 - 10%
Cape Town	5 - 12%	9-12%	5 - 12%	5 - 12%	5 - 12%	5 - 12%	5 - 12%	5 - 12%
Durban	8 - 12%	8 - 10%	8 - 10%	8 - 10%	8 - 10%	8 - 10%	8 - 10%	8 - 10%

e/f = BMI estimate/forecast. Source: BMI

1.2.3 Industrial Property

On a national basis, the yearly growth in industrial rentals is slowly increasing, benefiting from the lagged impact of declining vacancy rates. In Q4 2012, prime rentals recorded a nationally averaged growth rate of 7%, with the strongest yearly growth of 9% being achieved in the Cape Peninsula. However, the national average still failed to be in excess of building-cost inflation.

Resulting from a low vacancy rate and strong demand, BMI forecast a 5% increase in rents in the Johannesburg industrial real estate sector. BMI forecast that Cape Town and Durban will remain stable.

FORECAST RENTS IN INDUSTRIAL PROPERTY (ZAR/m ² per month)				
LOCATION	2013-2014f (Oct-Mar)		2013-2014f (Oct-Mar)	
	Min	Max	Trend	(% change)
Johannesburg	25.50	61.50	Increase	5%
Cape Town	27.50	79.00	Same	0%
Durban	39.00	82.50	Same	0%

f = BMI forecast. Source: BMI

Due to the static nature of the supply and demand dynamic, BMI forecasts expect that net yields will remain the same in 2014.

FORECAST NET YIELD IN INDUSTRIAL PROPERTY 2011-2018 (%)								
LOCATION	2011	2012	2013e	2014f	2015f	2016f	2017f	2018f
Johannesburg	5 - 10%	4-5%	3 - 8%	3 - 8%	3 - 8%	3 - 8%	3 - 8%	3 - 8%
Cape Town	5-12%	7-10%	5 - 10%	5 - 10%	5 - 10%	5 - 10%	5 - 10%	5 - 10%
Durban	8-12%	8 - 10%	3 - 10%	3 - 10%	3 - 10%	3 - 10%	3 - 10%	3 - 10%

Source: Business Monitor International, 2014

2. SWOT Analysis

The figure below shows the SWOT analysis of South Africa's Real Estate industry:

SOUTH AFRICAN REAL ESTATE SWOT ANALYSIS	
STRENGTHS	WEAKNESSES
<p>Several well established local and international real estate firms have pursued or are pursuing projects, including gated communities, game agricultural farms and resorts.</p> <p>The construction industry is the third largest employer in the country and provides work for more than 1.3 million people. The industry may need to double its output over the next 10 years to meet investment demand and this has implications for workforce participation.</p> <p>The government is undertaking land reforms and, over the long term, these should help the industry to find a balance that is sustainable for the population.</p> <p>Strong system of government providing country stability.</p>	<p>The construction industry has a high liquidation rate caused by the instability of small firms, volatility in demand and high levels of competition.</p> <p>Many in the business community regard the labour market as over regulated.</p> <p>The hangover from the 2010 World Cup continues to affect the market.</p> <p>There is a lack of skilled labourers.</p>
OPPORTUNITIES	THREATS
<p>Many South African real estate companies have pursued international alliances and offer specialist services with foreign investors and buyers.</p> <p>The construction industry amounts to just less than 3% of GDP, but ongoing government development policies offer strong opportunities for industry growth.</p>	<p>Power shortages sometimes lead to project delays particularly in Gauteng.</p> <p>The supply and demand imbalance will persist if economic growth stalls.</p> <p>Further state fracture in neighbouring Zimbabwe could affect South African markets.</p>

Source: Business Monitor International, 2014

3. Trade

3.1 Global Trade in Construction Services

Global exports of construction services according to Trademap (2014) include work performed on construction projects and installations by employees of an enterprise in locations outside the economic territory of the enterprise. The work is generally performed for a short time period and therefore the constructing enterprise appears to be non-resident in the economy where the construction services are carried out. However, the one-year rule is to be applied flexibly. Goods imported by the enterprise for use in the projects are included in the value of these services rather than being recorded under goods.

It must be noted, however that this is the global minimum as many countries have not reported these figures to the International Trade Centre. Around 107 countries recorded their figures in 2011.

The graph below shows the global exports in construction services from 2006 to 2012. Global trade in construction services increased steadily from 2006 to 2008, before a dip in 2010 following the financial crisis. Increases in exports were recorded from 2011 and 2012, with 2012 recording values just lower than the high in 2008. The minimum global exports of construction services increased from ZAR439bn in 2006 to ZAR850bn in 2012. In 2012, exports of these services increased by 12%.



Source: TradeMap, 2014

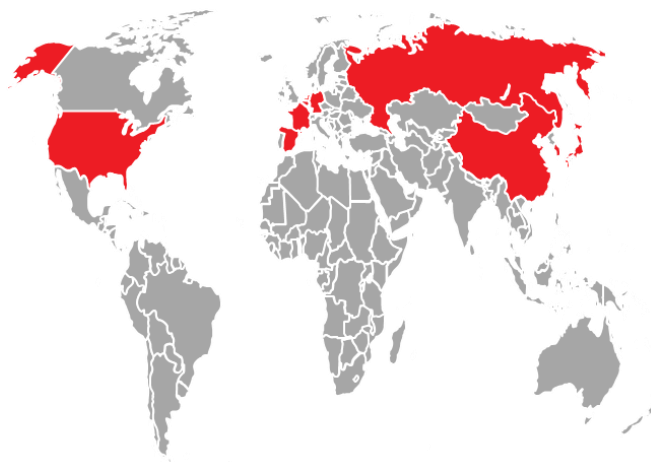
As can be seen below, the Republic of Korea was the leading source market for construction services in 2012, valued at ZAR161bn, followed by China and Japan valued at ZAR100bn and ZAR95bn respectively. Other top source markets were Germany (ZAR86bn) and Spain (ZAR41bn). Five of the top 10 source markets are European markets. South Africa is ranked 114th, with ZAR0.5bn worth of exports.

Top exporting markets in Africa in ranking order in 2012 are as follows:

- Egypt (ZAR4.897bn)
- Tunisia (ZAR3.327bn)
- Uganda (ZAR2.000bn)
- Algeria (ZAR927m)
- Senegal (ZAR606m)

TOP 10 EXPORTING MARKETS FOR CONSTRUCTION SERVICES, 2012			
RANK	SOURCE MARKETS	VALUE 2012 (ZARbn)	% GROWTH 2011-2012
1	Korea, Republic of	161.19	44.83
2	China	100.16	-5.40
3	Japan	94.75	20.29
4	Germany	85.86	-6.06
5	Spain	40.75	29.02
6	France	38.80	-10.03
7	Russian Federation	38.67	22.01
8	United States of America	27.28	16.79
9	Netherlands	24.54	25.95
10	Belgium	19.73	-3.97
58	South Africa	0.5	1.77
TOTAL		850.28	5.14

Source: TradeMap, 2014



Germany was the leading global destination market for construction services in 2012, valued at ZAR65bn, followed by Japan and Russia valued at ZAR63bn and ZAR62bn respectively. Angola is ranked 4th (ZAR50bn), due to the rapid growth of the economy. Other top source markets were China (ZAR30bn) and the Republic of Korea (ZAR28bn). South Africa is ranked 102nd, importing construction services worth ZAR0.06bn, growing by 9% from 2011.

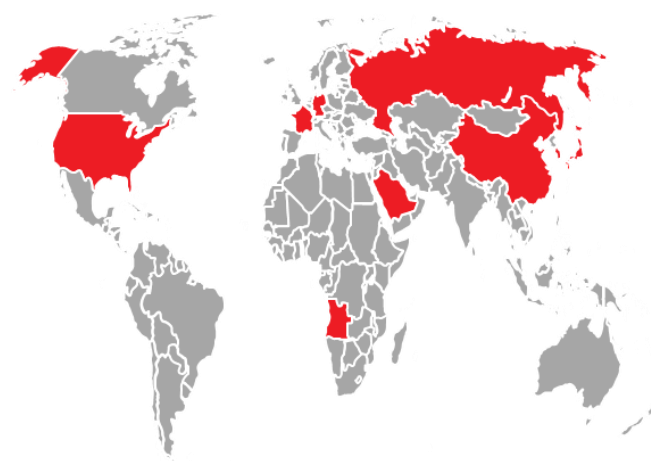
Top importing markets in Africa in ranking order in 2012 are as follows:

- Angola (ZAR50.952bn)
- Algeria (ZAR16.269bn)
- Mozambique (ZAR16.191bn)
- Ethiopia (ZAR2.936bn)
- Tunisia (ZAR2.631bn)

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TOP 10 IMPORTING MARKETS FOR CONSTRUCTION SERVICES, 2012			
RANK	DESTINATION MARKETS	VALUE 2012 (ZARbn)	% GROWTH 2011-2012
1	Germany	64.69	12.92
2	Japan	63.43	14.52
3	Russian Federation	62.11	54.24
4	Angola	50.95	-10.67
5	China	29.60	10.39
6	Korea, Republic of	27.51	0.81
7	United States of America	26.79	25.67
8	Kazakhstan	22.54	65.09
9	Saudi Arabia	22.32	20.39
10	Netherlands	20.56	31.37
102	South Africa	0.07	9.13
TOTAL		597.66	5.94

Source: TradeMap, 2014



3.2 South African Construction Services Trade

South Africa has been a net exporter of construction services over the past decade. In 2012, South Africa exported ZAR497.70m worth of construction services and imported ZAR65.5m. South African exports of construction services increased steadily up until the global financial crisis in 2008, recovering in 2010, with a compound annual growth rate (CAGR) of 13% over the decade. Imports experienced a CAGR of around 9%.



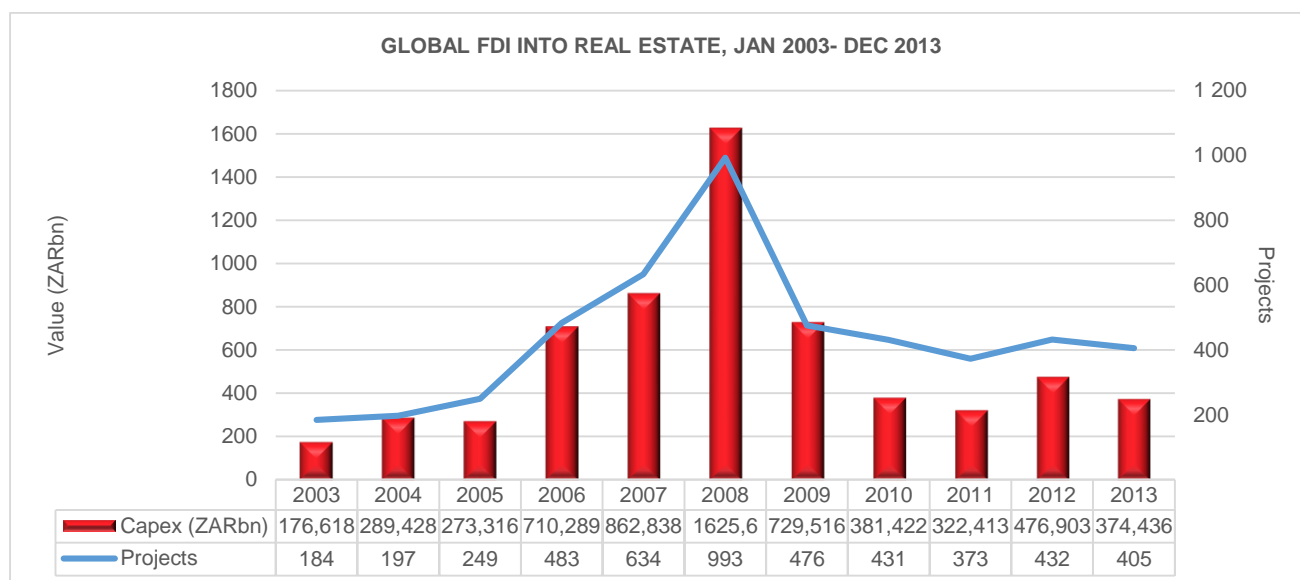
Source: TradeMap, 2014

**No services data is currently available for South African provinces.

3. FDI

3.1 Global FDI into the Real Estate Sector

Between January 2003 and December 2013 a total of 4 857 FDI projects in the real estate sector were recorded. These projects represent a total capital investment of ZAR6,222.78bn which is an average investment of ZAR1,281.17m per project. During the period, a total of 3,471,057 jobs were created.



Source: FDI Intelligence, 2014

The United States was the leading source market in terms of investment projects in the global real estate industry with 1,123 investment projects, accounting for 23% of projects and 13% of CAPEX. The United Kingdom and the UAE ranked second and third with 506 projects (10%) and 244 projects (5%). South Africa was the 40th source market for real estate FDI, with 21 projects and ZAR34bn. South Africa is a net investor into the real estate sector.

SOURCE MARKETS FOR FDI IN THE REAL ESTATE SECTOR, 2003-DEC 2013						
RANK	SOURCE MARKETS	PROJECTS	% PROJECTS	CAPEX (ZARm)	% CAPEX	JOBS
1	United States	1 123	23	821 738.5	13.2	399 726
2	United Kingdom	506	10	362 093.3	5.8	241 688
3	UAE	244	5	915 261.0	14.7	236 265
4	Austria	210	4	170 438.9	2.7	243 831
5	Singapore	210	4	381 213.8	6.1	222 125
6	Spain	194	4	161 233.0	2.6	167 514
7	Netherlands	176	4	188 793.5	3.0	172 615
8	Luxembourg	167	3	81 449.4	1.3	38 730
9	Australia	165	3	229 795.6	3.7	105 031
10	France	152	3	104 153.8	1.7	99 615
40	South Africa	21	0.4	33 981.3	0.5	11 293
TOTAL		4803	100%	7481513.8	100%	310197

Source: FDI Intelligence, 2014

The United States was also the leading destination market in terms of investment projects, for real estate with 747 investment projects, accounting for 15%. China and Romania ranked second and third with 373 (8%) projects and 274 (6%) projects respectively. South Africa ranks 62nd in terms of FDI projects with 12 projects in the period, with a CAPEX value of ZAR8.01bn.

DESTINATION MARKETS FOR FDI IN THE REAL ESTATE SECTOR, 2003-DEC 2013						
RANK	DESTINATION MARKETS	PROJECTS	% PROJECTS	CAPEX (ZARm)	% CAPEX	JOBS
1	United States	747	15.38	376 937.1	6.1	119 773
2	China	373	7.68	666 994.0	10.7	357 679
3	Romania	274	5.64	256 463.7	4.1	493 934
4	Poland	254	5.23	225 484.0	3.6	225 619
5	Russia	232	4.78	279 960.6	4.5	242 034
6	United Kingdom	172	3.54	433 116.5	7.0	70 031
7	India	161	3.31	190 876.1	3.1	122 221
8	Germany	150	3.09	78 488.1	1.3	49 388
9	UAE	131	2.70	184 235.2	3.0	82 943
10	Spain	129	2.66	86 440.9	1.4	88 413
62	South Africa	12	0.25	8 010.9	.1	1 237
TOTAL		4 857	100.00	6 222 780.1	100.0	3 471 057

Source: FDI Intelligence, 2014

Regus was the leading global company investing in the real estate sector with 200 projects, followed by ProLogis and Goodman Group with 99 projects and 57 projects respectively. The largest investment made by Regus was valued at ZAR2.12bn. This investment was to open a new international business center in Washington, D.C.

TOP 10 INVESTING COMPANIES IN THE REAL ESTATE SECTOR, JAN 2003-DEC 2013			
RANK	INVESTING COMPANY	NUMBER OF PROJECTS	CAPEX (ZARm)
1	Regus	200	82 753.8
2	ProLogis	99	165 414.0
3	Goodman Group	57	77 013.5
4	CB Richard Ellis (CBRE)	49	15 812.7
5	Jones Lang LaSalle (JLL)	48	12 433.1
6	Servcorp	39	13 773.7
7	Ascott Group	38	78 713.5
8	Globe Trade Centre (GTC)	32	27 479.8
9	Avison Young	29	4 785.1
10	DAMAC Properties	27	52 875.6
TOTAL		4 857	6 222 780.1

Source: FDI Intelligence, 2014

3.2 FDI into the South African Real estate Sector

Between 2003 and 2013, a total of 12 FDI projects were recorded into the South African real estate sector. This limited number of projects represents a total capital investment of ZAR9.69bn which is an average investment of ZAR807.60m per project. During the period, a total of 1,237 jobs were created.

Knight Frank invested ZAR264m in September 2012 in the Cape Town real estate sector in a sales, marketing & support project. The real-estate consultancy firm, has opened a new office in Cape Town, South Africa. The company will specialise in commercial and industrial valuation and development appraisal, while also facilitating and servicing the flow of business between the country and Africa.

There were four projects into the Western Cape, highlighted below. The largest single real estate investment into South Africa began into the Western Cape in 2008 worth ZAR7.149bn by Trump. The Trump Organisation signed an exclusive ten year deal with Cape Town's property developer Devland to develop residential and hotel projects. It is expected to cover some 300,000m². Cape Town is top of the intended destinations. In an interview with the Financial Times, Trump junior noted that Africa is a continent where they didn't have any developments and South Africa is the central business hub for Africa. They endeavoured to invest in real estate when it was not at its peak.

SOURCE MARKETS FOR FDI IN THE SOUTH AFRICAN REAL ESTATE SECTOR, JAN 2003-DEC 2013								
PROJECT DATE	INVESTING COMPANY	SOURCE COUNTRY	DESTINATION STATE	INDUSTRY SECTOR	SUB-SECTOR	INDUSTRY ACTIVITY	VALUE (ZARm)	JOBS
Sep 2012	Knight Frank	United Kingdom	KwaZulu-Natal	Real Estate	Real estate services	Sales, Marketing & Support	263.68	19
Sep 2012	Knight Frank	United Kingdom	Western Cape	Real Estate	Real estate services	Sales, Marketing & Support	263.68	19
Sep 2012	Knight Frank	United Kingdom	Gauteng	Real Estate	Real estate services	Sales, Marketing & Support	263.68	19
Jul 2009	Better Homes	UAE	Not Specified	Real Estate	Real estate services	Sales, Marketing & Support	263.68	19
Dec 2008	Aylesford International	United Kingdom	Western Cape	Real Estate	Real estate services	Sales, Marketing & Support	263.68	19
Sep 2008	Trump	United States	Western Cape	Real Estate	Real estate services	Construction	7149.33	875
Mar 2008	Aylesford International	United Kingdom	Eastern Cape	Real Estate	Residential building	Sales, Marketing & Support	263.68	19
Oct 2007	Istithmar Real Estate	UAE	Western Cape	Real Estate	Real estate services	Sales, Marketing & Support	163.66	20
Jan 2007	International Housing	Netherlands	Gauteng	Real Estate	Real estate services	Headquarters	51.24	55
Oct 2005	MINC	United Kingdom	Gauteng	Real Estate	Real estate services	Business Services	296.75	21
Sep 2005	Liberty Properties	United States	KwaZulu-Natal	Real Estate	Real estate services	Construction	151.26	131
Nov 2003	Sothebys International	United States	Not Specified	Real Estate	Real estate services	Business Services	296.75	21
TOTAL							9691.16	1237

Source: FDI Intelligence, 2014

Cape Town real estate offices are ranked 5th out of 10 selected global cities for quality and cost ratings. In terms of quality, the location that performs best is London with a total quality score of 231.73 followed by Prague, Barcelona and Budapest with Quality scores of 165.4, 99.9 and 99.3 respectively. Quality ratings are based on industry cluster; labour availability and quality; general business environment; infrastructure and accessibility and living environment.

The location with the lowest costs is Cape Town with operating costs of around ZAR 7.92m per annum followed by Johannesburg, Budapest and Prague with costs of ZAR 8.41m, ZAR 9.18m and ZAR 10.79m per annum respectively. Cost ratings are based on labour costs; property costs and utility costs.

BENCHMARKING OF REAL ESTATE OFFICES IN 10 GLOBAL CITIES							
LOCATION	OVERALL		QUALITY		COST		
	RANK	RATING (0-100)	RANK	SCORE	RANK	INDEX	TOTAL COST (ZAR)
Prague	1	100.00	2	165.41	4	69.38	10 785 399
London	2	95.89	1	231.73	10	195.77	30 433 307
Budapest	3	84.30	4	99.27	3	59.04	9 178 406
Johannesburg	4	74.11	9	57.08	2	54.09	8 408 765
Cape Town	5	74.05	10	47.45	1	50.98	7 924 970
Barcelona	6	65.04	3	99.89	6	97.19	15 107 745
Lisbon	7	54.31	8	68.79	5	96.76	15 041 536
Dublin	8	51.95	6	76.62	7	116.32	18 082 753
Detroit (MI)	9	50.20	7	75.75	8	123.41	19 184 670
Stockholm	10	48.61	5	77.97	9	137.05	21 304 467

Source: FDI Benchmarking, 2014

3.3 South African FDI into the Global Real estate Sector

Between January 2003 and October 2013 a total of 21 FDI projects were recorded into the global real estate sector. These projects represent a total capital investment of ZAR41.1bn which is an average investment of ZAR1957.41m per project. During the period, a total of 11293 jobs were created.

The most recent South African investments were by Broll Property Group, who invested around ZAR263.7m in Kenya, Madagascar, Rwanda and Mauritius. The new sales, marketing and support offices are part of a wider growth strategy aimed at increasing the company's market share across sub-Saharan Africa.

DESTINATION MARKETS FOR FDI FROM THE SOUTH AFRICAN REAL ESTATE SECTOR, JAN 2010-OCT 2013								
PROJECT DATE	INVESTING COMPANY	SOURCE MARKET	DESTINATION	INDUSTRY SECTOR	SUB-SECTOR	INDUSTRY ACTIVITY	VALUE (ZARm)	JOBS
May 2013	Broll Property Group	Gauteng	Kenya	Real estate services	Professional Services	Sales, Marketing & Support	263.69	19
May 2013	Broll Property Group	Gauteng	Madagascar	Real estate services	Professional Services	Sales, Marketing & Support	263.69	19
Apr 2013	Broll Property Group	Gauteng	Rwanda	Real estate services	Professional Services	Sales, Marketing & Support	263.69	19
Mar 2013	Broll Property Group	Gauteng	Mauritius	Real estate services	Professional Services	Sales, Marketing & Support	263.69	19
Mar 2013	Atterbury Property	Gauteng	Namibia	Commercial & institutional	Construction	Construction	1161.88	1005
Feb 2013	Delico Property	Gauteng	Ghana	Commercial & institutional	Construction	Construction	7149.34	875
Jun 2011	Atterbury Property	Gauteng	Mauritius	Commercial & institutional	Construction	Construction	7149.34	875
Apr 2010	JHI	Gauteng	Tanzania	Real estate services	Professional Services	Sales, Marketing & Support	263.69	19
Apr 2010	JHI	Gauteng	Zimbabwe	Real estate services	Professional Services	Sales, Marketing & Support	263.69	19
TOTAL							41108.56	11293

Source: FDI Intelligence, 2014

There was one investment from the Western Cape into the real estate sector by Corovest International Property Group, a subsidiary of Coronation Investments and Trading Limited (Coronation) into the United Kingdom in December 2008. Corovest invested in the city of Stockport (North West (United Kingdom)), in the real estate sector in a construction project to develop a 26,300 sq ft mixed-used scheme in Stockport. It was a ZAR5bn investment, creating 752 jobs and comprised of a hotel, offices and residential accommodation.

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