

Reconceptualising location

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From SOUTH AFRICAN PROPERTY INVESTOR

Anyone in the property industry will tell you the key to property investment is "location, location, location". This is generally interpreted as the property being in a "prime" location for it to be highly rated; however this begs the question – how does one define "prime" location?

Is Sandton prime? Most people would argue it is. Why? It is an upmarket area in the heart of Johannesburg's central business district. Therefore, a good area to invest in. Is Germiston prime? Situated in Gauteng's East Rand, nowhere near the financial capital of South Africa, serving a predominantly lower and middle class market, Germiston is hardly a "prime" destination. Yet it is here that ApexHi's flagship shopping centre, Golden Walk, is located.

Attracting almost one million shoppers per month, this 36,000m² fully let retail centre is currently undergoing a significant R110,5-million refurbishment to accommodate the demand for more space in the centre - a demand created by retailers and shoppers alike, which has resulted in increased rentals being achieved when leases expire and are renewed.

Despite its middle and lower income market, the centre boasts some of the highest trading densities of stores such as A&D Spitz. This property is currently delivering yields of about 12% on the most recent valuation - a far cry from the say 9% achieved by its peers in "prime" locations such as Hyde Park and Sandton.

Why is Golden Walk so successful? ApexHi MD David Rice says it is because of its "prime" location within Germiston. The centre is ideally situated between the major transport hubs and the central business district of Germiston. "Thousands of commuters arrive by taxi or train every day, and literally walk through Golden Walk to get to work. And then they walk back through the centre to get home again," says Rice. More than 76% of the shoppers at Golden Walk are commuters, and ApexHi has embraced this market by relocating one of the taxi ranks onto its site as part of the revamp.

"Although Germiston could be classified as a "secondary" location, Golden Walk's location within Germiston is most definitely "prime". It would be safe to say that if the centre was situated elsewhere in Germiston we would not see the same results," he says.

And this is true for many retail centres in ApexHi's portfolio. From Hammanskraal to Ermelo, Kempton Park to Port Elizabeth. No "bling" addresses here, but all the centres are ideally located to serve a market that retailers and shoppers are eager to reach.

We can have the same debate about the office sector. There are offices in prime locations in Sandton that are vacant. Yet there is very little vacant space in the Pretoria inner city. Who would consider the Pretoria inner city to be "prime" space? Government would. Rice says the government departments have settled in the Pretoria inner city and they are not budging. A large property that can accommodate a government department in the inner city of Pretoria, close to transport and shopping facilities for staff, can provide lucrative returns on investment. From ApexHi's point of view, these properties are in "prime" locations for its market," he says.

So perhaps we need to redefine the term "prime". We can no longer categorise properties by the town or suburb in which the property is located. Each property needs to be assessed independently on its ability to serve its market.

Is Sandton prime? Not always. Is Germiston prime? It could be!