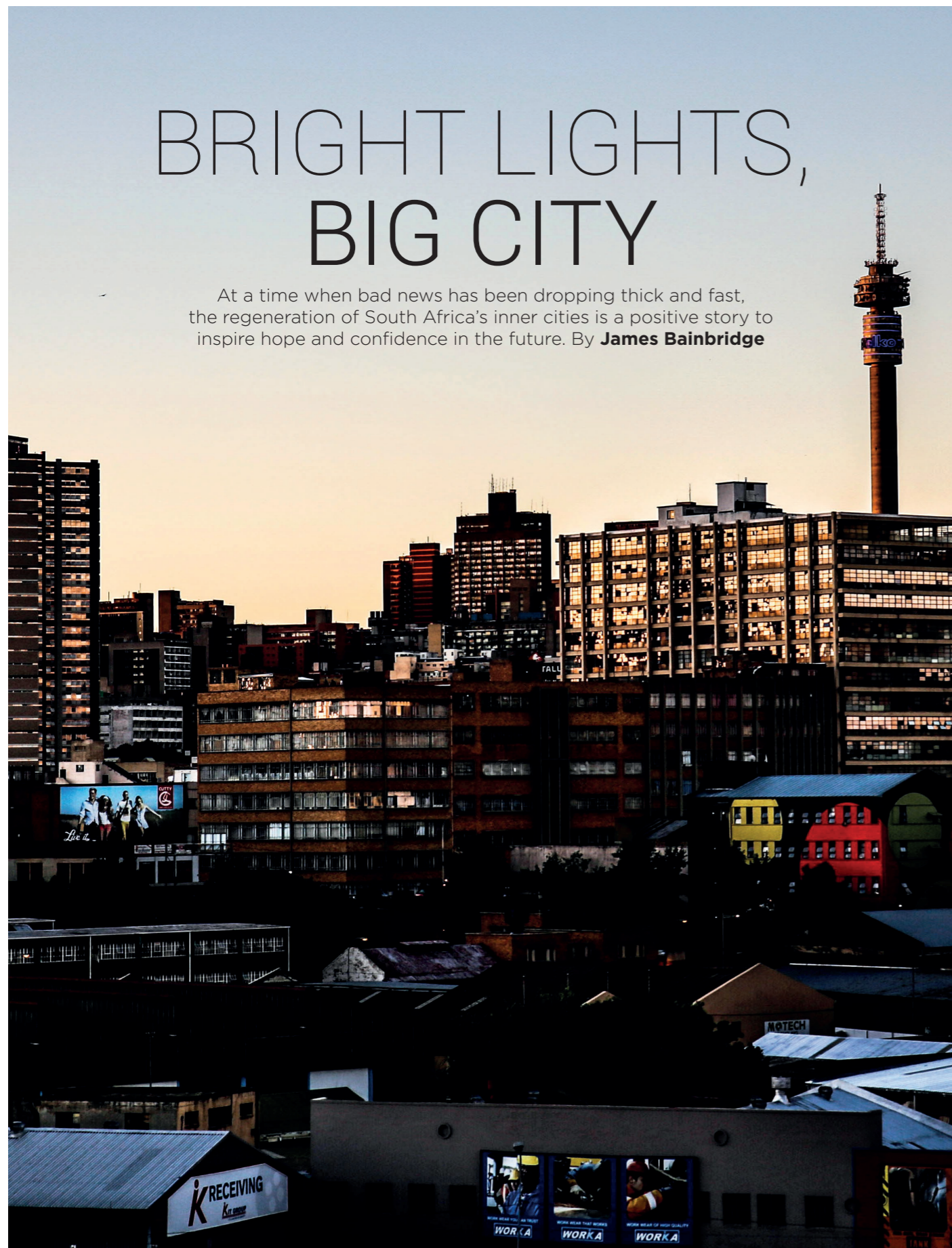


BRIGHT LIGHTS, BIG CITY

At a time when bad news has been dropping thick and fast, the regeneration of South Africa's inner cities is a positive story to inspire hope and confidence in the future. By **James Bainbridge**



Over the past decade, far-sighted, risk-taking property developers all across SA have been buying up patches of urban decay, landmark buildings overrun with squatters, boarded-up warehouses and ghostly streets, and breathing new life into these former no-go zones. Examples of these resurrected neighbourhoods include Braamfontein, Newtown and the Maboneng Precinct in Johannesburg; Cape Town's Woodstock and East City; and Richmond Hill in Port Elizabeth.

Propertuity, the property company behind Maboneng, is aiming to expand into five cities by 2020 and already has projects on the go in Durban and Pretoria. The 8 Morrison Street development – a renovated warehouse in the Durban CBD Rivertown Precinct – is reminiscent of

Maboneng a few years ago. The Slow Saturdays Market is one of the regular events in the complex, where retail and office pods cater to the city's hip start-ups. Underlying these developments is a strategy of promoting the area as an arts hub, to attract early adopters and the creative crowd back to the city from the 'burbs.

In Maboneng, this has seen Propertuity offering free accommodation to artists in exchange for artwork, and organising a programme of public murals and walking tours that promote the neighbourhood's cultural cred. Market on Main, held in the former bonded warehouse now serving as Maboneng's Arts on Main complex, has become downtown Joburg's go-to weekend



market – along with Neighbourgoods in Braamfontein.

While such markets showcase their areas and the cultural scene adds edgy appeal, they do not necessarily make residential property a good investment. Apartments designed to appeal to arty types with several hundred grand to spend, located in the still-demonised inner city – far from the usual homeowners' suburban stomping grounds – sound a bold investment. Nonetheless, buyers who were inspired by a Maboneng property tour and jumped to purchase that penthouse with skyline views for less than R1 million, may find they're sitting on an appreciating investment. Shruthi Nair, key projects manager at Propertuity, says that Maboneng's rate per m² has risen from R8 500 to R13 000 in six years.

Nair, a Maboneng resident herself, says the profile of the area's inhabitants now reaches well beyond young creatives and

Propertuity has this in mind in its new development on the north side of Maboneng, which includes some 200 apartments, 150 offices, a public park, outdoor gym, skate park and affordable private primary school. Monthly fees are R1 735 for the SPARK School, which follows the chain's 'learning lab' model of teacher-led instruction and computer-based tuition. At the centre of this new development is the 15-storey Hallmark House, where 70% of apartments have already sold, at prices from R445 000 for a 35m² unit to R3.5 million for a double-storey penthouse. The former diamond-polishing centre will include a Newmark hotel with 46 serviced apartments, which private investors can buy a stake in with the promise of guaranteed returns.

The need for improved facilities has been addressed elsewhere in central

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foreigners. 'We have an indiscriminate list of guys moving in: retirees who have downsized and want an urban lifestyle; young families, who find more support in this densely connected community than in the suburbs; and people who have travelled a lot and appreciate our cosmopolitan area and want a lock-up-and-go. The whole of Johannesburg CBD is changing; people are finding faith and looking for investment opportunities and platforms for collaboration.'

Rental stock currently far outweighs units for sale in central Johannesburg. Attracting a broader profile of buyer is key to growing the purchase market, changing its image from pioneering territory to mainstream proposition, and upping apartment prices. To attract those professional couples, young families and other middle-class investors from the suburbs, a whole raft of facilities is needed beyond galleries, bars and so on: healthcare, schools and transport links.

Joburg by Get Health, which opened its first affordable private clinic in the Stuttards Building in September 2015. With a branch coming in Braamfontein, the start-up aims to plug the gap between clinics and private GPs, offering the option to avoid the long queues and poor service at the former – without having to pay for a doctor's consultation just to get a simple prescription. Perfect, in other words, for people on a hospital plan rather than full medical cover – a group including many 20-somethings, young families and other first-time property buyers. The Get Health co-founder Gary Hill says the operation has been approached by the Atterbury Group, developer of the R1.2 billion Newtown Junction mall, with a view to providing healthcare at its future developments.

New projects, renovations and urban visions continue to flourish across the City of Gold, from Newtown to Maboneng; and across the Mother City from the





Woodstock Exchange to the Zeitz Museum of Contemporary Art Africa (MOCAA) in the V&A Waterfront's historical grain silo. The pace of change is a bit slower in Cape Town's relatively settled city centre, which has already peaked in terms of development potential – although property prices carry on rising. The most dynamic investment markets – with relatively low barriers to entry and high accumulation potential – are those fringing the CBD, such as Woodstock, Observatory, Salt River and Paarden Eiland.

Craig Algie, an estate agent with Seeff in Woodstock, points out that the City Bowl, hemmed in by mountains and sea, covers a small area compared with many urban centres, which creates spillover into the surrounding suburbs. The leafy Southern Suburbs were once a natural choice for first-time buyers or those looking to upsize, but a new generation of homeowners is staking its claim beneath Devil's Peak.

for major conversions and new-builds is relatively limited, due to development restrictions and the dwindling supply of old factories and warehouses ripe for regeneration. Local culture is another factor; Algie says a few student housing developments in the Bohemian enclave of Observatory faced challenges in getting their plans approved. In this context, the main opportunities lie in renovating the 'Smartie-box houses' that comprise the bulk of the properties between Victoria and Albert roads.

For buyers seeking a little piece of Maboneng in the Cape, opportunities include Upper Woodstock's The Iron Works, a sleek reimagining of a foundry dating back to 1922. Algie says Seeff is offering the mixed-use development's one- and two-bedroom apartments from R1.3 million; R2.7 million buys a 110m² unit on the eighth floor. He estimates that Woodstock's prices have climbed 20% per

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'For young people coming out of the City Bowl, who like the lifestyle of the city but can't afford the CBD and aren't ready for the Southern Suburbs, these areas offer great value,' says Algie. 'Almost all of Woodstock falls under urban heritage, which makes it difficult for developers to change too much, and people like the quaint little cottages and Victorian-style properties. There is also an active heritage movement among many Woodstock residents to retain the character of the cottages. Add in all the parks and, in five or six years, you could have a really charming little village on the outskirts of the City Bowl.'

While industrial conversions such as The Old Biscuit Mill and The Palms Decor and Lifestyle Centre remain poster children for Mother City regeneration, Algie says that the major development phase has passed in Woodstock. The potential

annum in the past three years, to the point where R1 million is the suburb's entry-level price and – at the top end – prices in Upper Woodstock and Walmer Estate reach the R4 million mark seen in parts of Claremont. This is creating new frontiers for investors and spreading the regeneration out towards the Black River. 'There was a time when Salt River didn't enjoy a good reputation, but now, young people come through and they realise it's actually a really nice area. Four or five years ago, they would have looked at Upper Woodstock, but now they have to cast their nets a little wider.'

Russell Smith, CEO of developers Land Equity Group, says the demand for student housing is also contributing to the city's urban regeneration. 'Woodstock is right between UCT [University of Cape Town] and CPUT [Cape Peninsula University of Technology] and those institutions have

only added around 2 000 beds in the past 10 years, but far more are needed.'

The buy-to-let opportunities in this space include Rawson's Madison Place in Observatory, where units start out at R1.4 million. Smith says another option is an investment portfolio such as Indluplace Properties. Land Equity Group's projects include The Iron Works and The Old Match Factory (also in Observatory), a conversion of the Lion Match Factory to an 11 500m² call centre and retail block. Smith jokingly describes the behaviour of developments such as these as 'the Disney effect': 'They built Disney World in a swamp and a major city grew up around it.'

This is certainly the case in Johannesburg, where new developments form pinpricks, bubbles, corridors and, eventually, whole neighbourhoods of urban regeneration. Just one example: Maboneng's northern extension will eventually encircle Platinum Place, part of a low-income housing project by developer Afhco. With the help of low-interest funding from Agence Française de Développement (AFD) – a French-based development agency – Afhco has provided 1 100 new apartments for renters with a monthly income of R4 000 to R6 000 – people who may otherwise have resorted to squatting in a hijacked building.

Afhco's portfolio also includes Castle Mansions, which became central Joburg's first major legal property conversion when it opened as an apartment block in 2004. Another Afhco record is the 26-storey

skyscraper at 120 End Street, the world's biggest conversion from commercial to residential, with 925 apartments. Afhco took over management of the neighbouring public park, which now provides a green space for residents and a playground for their children.

Renney Plit, Afhco's operations director and the chairperson of the Johannesburg Property Owners and Managers Association (JPOMA), says that the inner-city market remains skewed towards rentals, because most apartments cater to lower-income inhabitants and banks are jumpy about giving mortgages. 'The banks would more likely grant a bond based on your personal assets than on the underlying value of the property. They recognise the inner city more as an environment for major investors.'

Nonetheless, there are opportunities, especially if you take the buy-to-let route – including the Braamfontein Living development Afhco is involved in. This factory conversion near the 44 Stanley shopping precinct will have 300 units, ranging from R800 000 bachelor flats to R2 million two-bedroom apartments.

In general, Plit says buyers should do their homework and make a calculated, rather than emotional purchase. Ensure you spend some time in the area and talk to locals to get a sense of vacancy levels; for buy-to-let, ensure the rent you will get, minus the body-corporate levies, justifies the sale price; and make sure the building will be well managed and maintained –

or you could end up spending precious time attending to tenants' complaints on a regular basis.

Certainly, there are opportunities for adventurous investors. Brian Kent McKechnie, an associate architect at Johannesburg's Activate Architects, owns eight apartments in the Ansteys Building, a landmark art deco ziggurat dating back to 1936. The lot cost him R100 000 a decade ago and he says a lucky friend picked up a 120m² penthouse for just R600! Today, an 80m² apartment in the building goes for R500 000, and one of McKechnie's tenants recently moved into the building from the suburb of Melville, believing the CBD to be safer. Of course, the investment only really makes sense if you appreciate the anarchic African buzz of downtown Joburg. 'The CBD lifestyle is really taking off, and where else in the world would you find a penthouse for R500 000? From Ansteys, you can walk to the Gautrain, to major corporate offices – and to Little Lags.'

Max Katz, a partner at Synprop Investment Property Brokers, agrees that investors should have a passion for urban regeneration and belief in its potential. 'With the developers' work, every facet of life as we know it is being regenerated in downtown Joburg – art, entertainment, health, education. A lot of people who have not been downtown for years are blown away, but you have got to have faith.' ①

