

Commercial property market in KZN showing remarkable resilience and growth

After a challenging period marked by a more than 20% decline in 2022, the commercial property market in KwaZulu-Natal (KZN) is experiencing a remarkable resurgence.



Source: Supplied. Malusi Mthuli, provincial head for FNB Commercial Property Finance in KZN.

That's according to Malusi Mthuli, provincial head for FNB Commercial Property Finance in KZN, who points out that despite this growth taking place from a relatively low base, the upward trends are clearly evident and appear to be firmly entrenched.

He highlights strong supporting evidence of this fact in the form of a steadily increasing number of large property finance deals that FNB Commercial Property Finance in KZN has been instrumental in concluding over the past 12 months.

"These strong deals point to buyers and developers having more confidence and optimism about the KZN market than has been the case since the pandemic," Mthuli says, "and despite the challenging interest-rate environment, stakeholders in the region appear to be less wary of the market than has been the case in recent years, with many now proactively looking for good opportunities again."

Even the office market, which has long suffered from an oversupply – a situation exacerbated by Covid-19 and work-from-home arrangements – is now showing signs of recovery according to Mthuli.

"A strong underpin in this regard has come from the Business Process Outsourcing (BPO) sector, which has seen significant investment by global organisations into establishing South African call centres, many of which are located in KZN and particularly in the Umhlanga precinct," he notes.

According to Mthuli, the only area in KZN where the commercial office property market is still somewhat sluggish is the Durban CBD, where tenant quality and demand for sizeable spaces have seen a steady decline in recent years. This has led to a large-scale exodus out of the CBD by larger tenants that still operated from there until fairly recently.

"On the positive side, lower commercial demand in the CBD continues to create many unique opportunities for the conversion of offices into residential units or mixed-use spaces, which a number of developers are undertaking now," he says.

Future prospects in KZN

Given that the general uptick in the commercial property market in most of KZN has taken place despite the current high interest rates, Mthuli is confident that the scene is set for a significantly stronger upward trajectory as the anticipated rate cuts begin to materialise in 2024.

And he points to the country's banks being another valuable contributor to the improving commercial-property trends in the province, and the country, as these financial institutions have taken positive steps to shift their approach to financing commercial-property deals against the changing economic landscape.



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"To account for higher interest rates and the shifting relationship between intrinsic property values and actual yields, most banks, including FNB, have become far more sophisticated in how they structure their funding deals with clients," he explains, "and the result is far more compelling finance offerings that are designed to unlock long-term value for investors and developers - all of which are playing a key role in driving the increasingly positive market sentiment."

On the subject of industrial property in KZN, Mthuli is very positive. "Industrial property across KZN remains as strong as ever," he highlights, "with continued growth in demand for industrial space translating into steadily increasing investment, particularly into well-located 'flat land', large industrial building developments and, particularly, industrial parks that incorporate significant storage capabilities."

He says that on-site storage has become especially important to industrial tenants, as the lingering challenges experienced by Transnet have created the need for longer storage periods of goods awaiting road transportation.

"The proven resilience and steady growth of both industrial property and commercial property in KZN over 2023 is a testament to the province's significant value and importance as a key contributor to the South African economy," Mthuli concludes, "and a strong indicator of the vital role KZN has to play in ensuring a prosperous future for SA Inc."