

How The Industrial Property Market Is Changing

Tony Bales

www.eppingproperty.co.za

**Lets start by looking
back at where we have
come from**

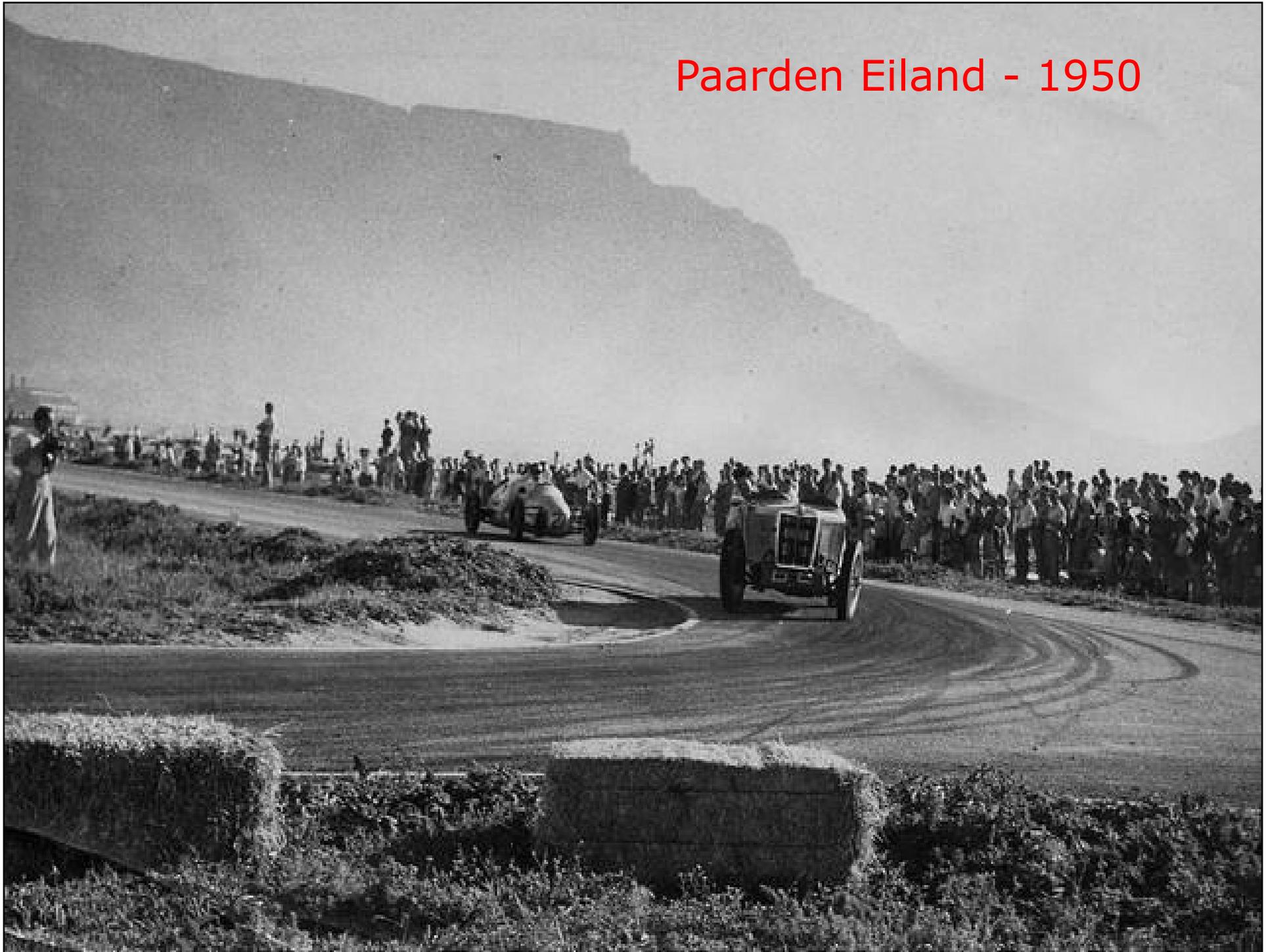
Paarden Eiland - 1950

Look at Foreshore!!

New N1 to Paarl just opened



Paarden Eiland - 1950



Blouberg - 1950

- a far away beach destination!

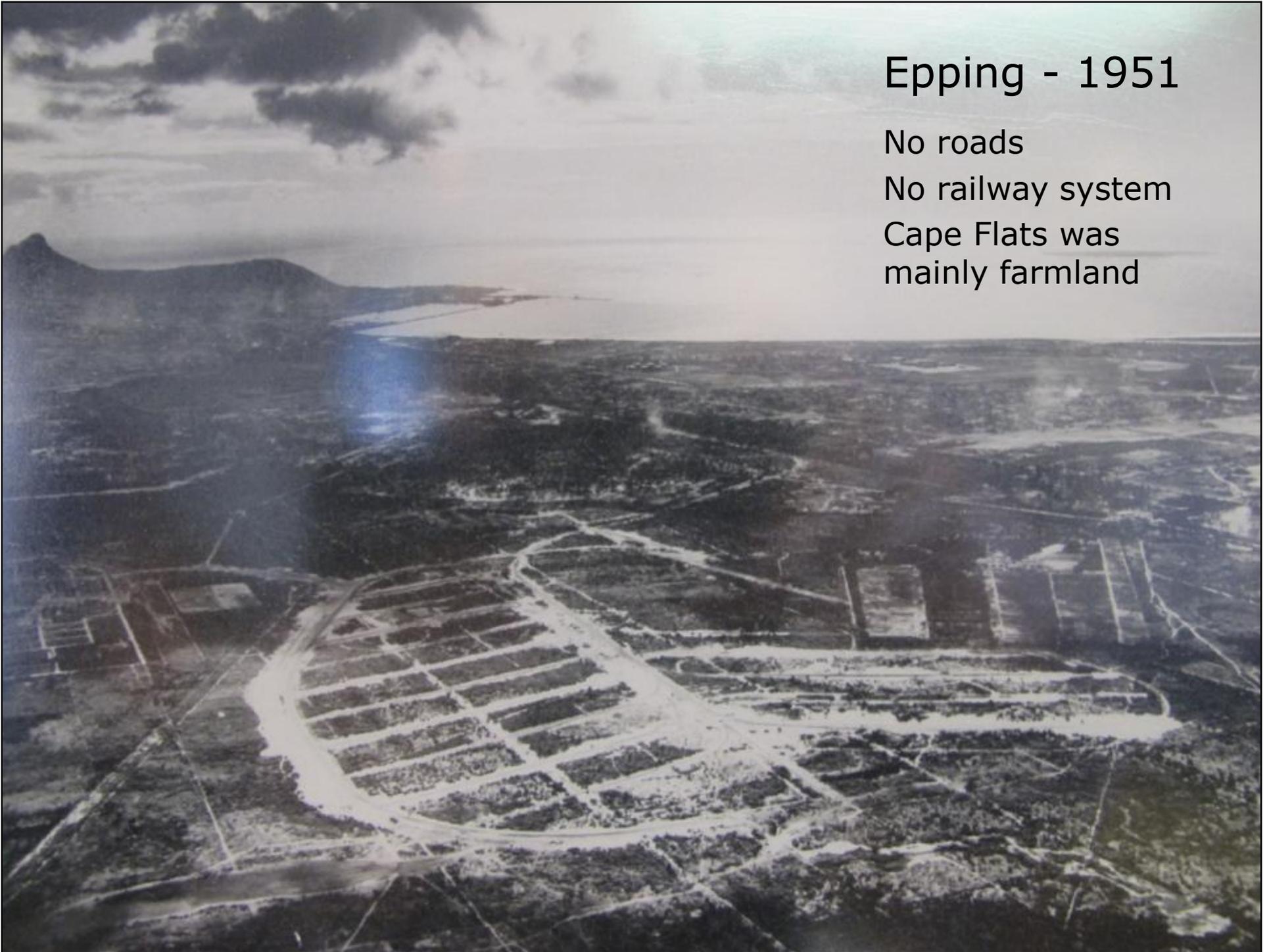


Epping - 1951

No roads

No railway system

Cape Flats was
mainly farmland



Roads undeveloped (by current standards)

Rail to greater Cape Town limited

(Main rail services were Simonstown to Cape Town)

City revolved around CBD/ Port

**Primary Industrial areas – CBD, Salt
River/ Woodstock & Paarden Eiland**

Main industries included clothing industry: Staff intensive & relied on rail for goods and staff transportation

Main Industrial networks served by rail for heavy goods transportation

Vehicular transportation undeveloped

State-of-the-Art trucks in 1950!!!



Accordingly, buildings tended to be clustered around rail networks and CBD/ Port

Buildings had no need to have high ceilings

Doors had no need to be high

Double storey buildings were efficient and less costly

Loading facilities were very limited

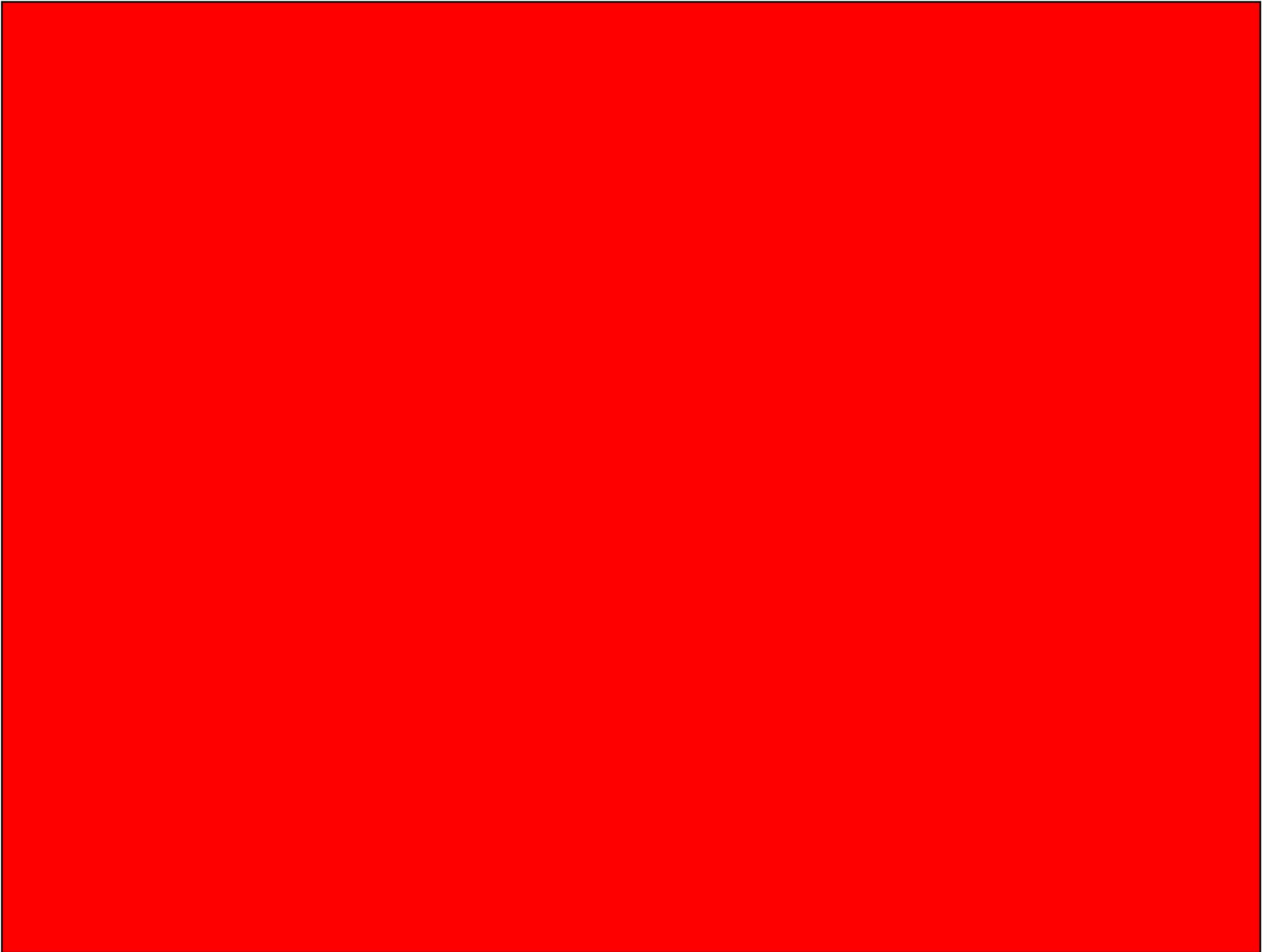
Athlone Power
Station built in 1962



Epping – 1967

Cape Town's industrial revolution!!.



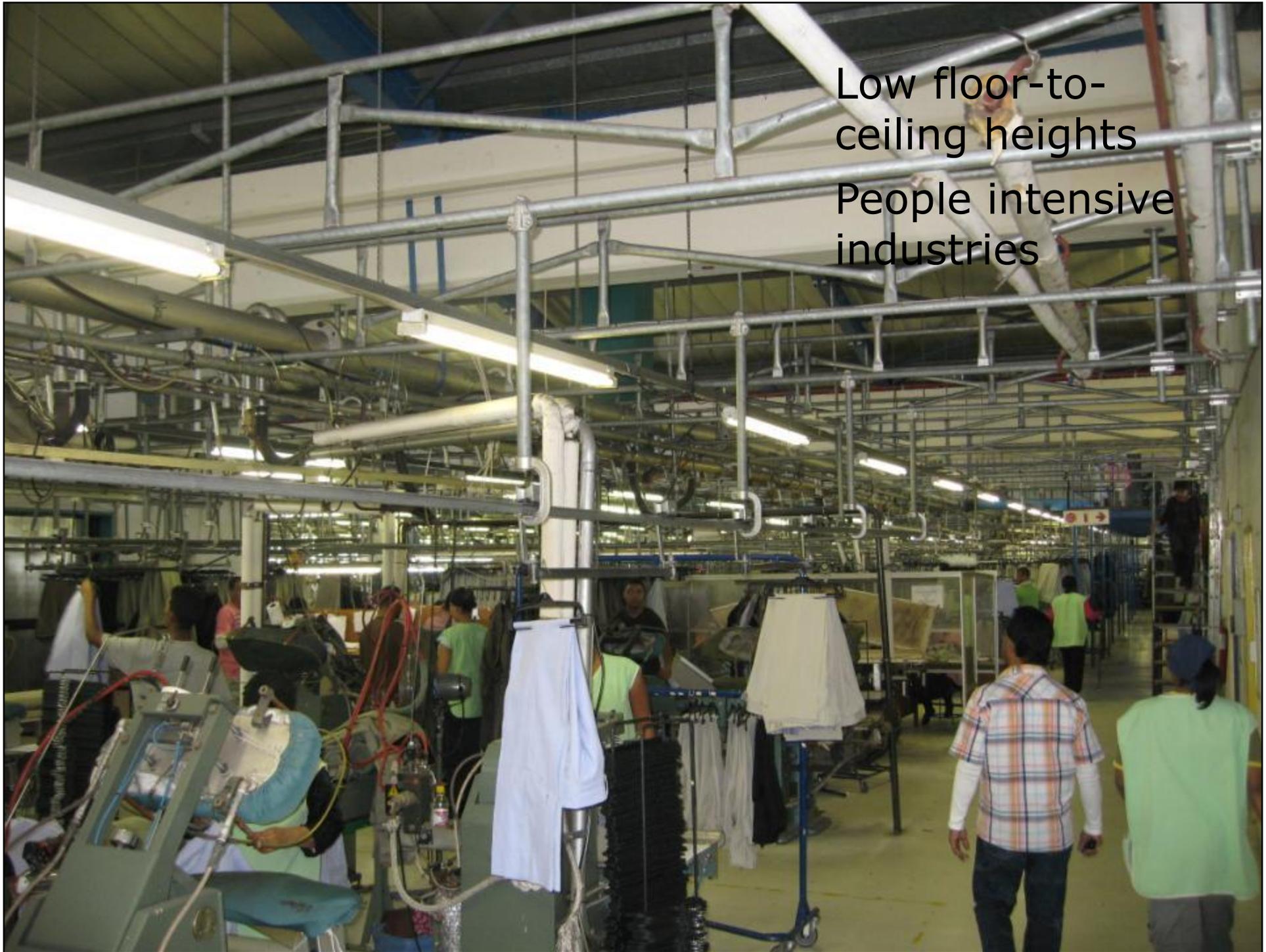


**Some examples of buildings built
during the 50's and 60's**

Salt River
Multi-storey



Low floor-to-ceiling heights
People intensive industries



Abundant power



Originally built to service the Wool Industry



Double Storey
Loading facilities
not up to modern
standards



Narrow alleys



Low floor-to-ceiling heights



Built for smaller
vehicles



This total is 1/10th
the load capacity of
modern trucks

MAX VEHICLE MASS

3500 KG

MAX VOERTUIG

MASSA

Congested
loading



**From 1960's to 1990's saw
spectacular growth in greater
Cape Town due to population
explosion and the corresponding
expansion of road systems and
infrastructure**

1990 Industrial Rentals

Epping	R3,78
Paarden Eiland	R4,42
Montague Gardens	R5,30
Maitland	R4,70

1990 Land Values

Paarden Eiland	150
Montague Gardens	80
Airport Industria	55
Epping	95
CBD	200

Paarden Eiland

Industrial /
1,000m²

1992 **6.80**

2006 **22.50**

2009 **32.00**

17 years

9.5%

***Compound Return
over 17 years***

Lets Fast Forward to

2012

Vastly developed
road networks



Koeberg
interchange
before upgrade



A large container ship is docked at night, illuminated by bright lights. The deck is covered with stacks of colorful containers, and several cranes are visible. The ship's hull is dark, and the water reflects the lights. In the background, another smaller ship is visible. The sky is dark blue.

In the last year
800,000 containers
have been
processed through
Cape Town docks.
That equates to
2,200 containers
each day of the
year!!

The BIG game changer
– **interlink trucks**

22m long

4,3m high

30m turning circle



Raised loading bays
- More efficient
- More secure



m³

Higher stacking
Greater volume of racking





Massively
increased
forklift
technology



Asbestos OUT!



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Efficient forms of energy IN



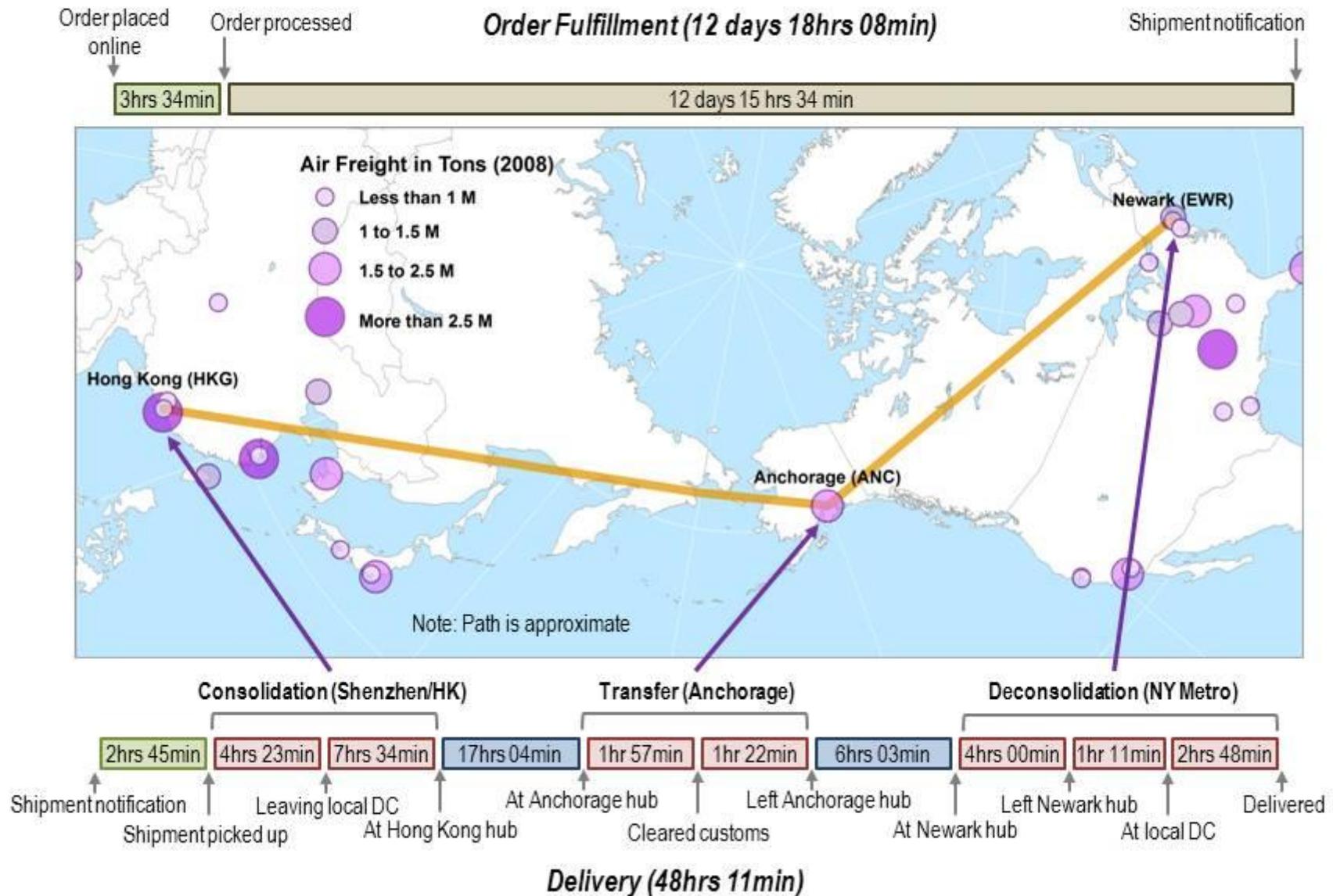
Order-Delivery Sequence of an Apple iPad

Action	Location	Date - Time (EST)	Duration
Order placed online	NA	25/07/10 – 11:52PM	
Order processed	NA	26/07/10 – 3:26AM	3hrs 34min
Shipment notification	NA	3/8/10 – 8:10PM	12days 15hrs 34min
Shipment picked up at supplier DC	Shenzhen, China	3/8/10 – 10:55PM	2hrs 45min
Left local FedEx DC	Shenzhen, China	4/8/10 – 3:18AM	4hrs 23min
At Hong Kong hub	Hong Kong, China	4/8/10 – 11:52AM	7hrs 34min
At Anchorage hub	Anchorage, AK, USA	5/8/10 – 4:56PM	17hrs 04min
Cleared customs	Anchorage, AK, USA	5/8/10 – 6:53PM	1hr 57min
Left Anchorage hub	Anchorage, AK, USA	5/8/10 – 8:15PM	1hr 22min
At Newark hub	Newark, NJ, USA	6/8/10 – 2:18AM	6hrs 3min
Left Newark hub	Newark, NJ, USA	8/8/10 – 6:18AM	4hrs 0min
At local FedEx DC	Moonachie, NJ, USA	8/8/10 – 7:29AM	1hr 11min
Delivered	Fort Lee, NJ, USA	8/8/10 – 10:17AM	2hr 48min

**Huge leaps in Logistics Technologies
- Globally integrated systems**

Logistics systems fine tuned down to the minute

Order-Delivery Sequence of an Apple iPad



**The net result is that
the modern
industrial property
requirement is
significantly different
to that of the past**

**The best companies
(i.e. the best profile
tenants) WILL pay
the best rentals for
for the best and most
appropriate
industrial properties**

Not only modern and high, but also temperature controlled



Offices same height as
warehouse behind







New Ellerines
Warehouse in Epping

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12,5m stacking height

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Excellent loading facilities



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SACD Warehouse, Paarden Eiland



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14m stacking height
Few columns



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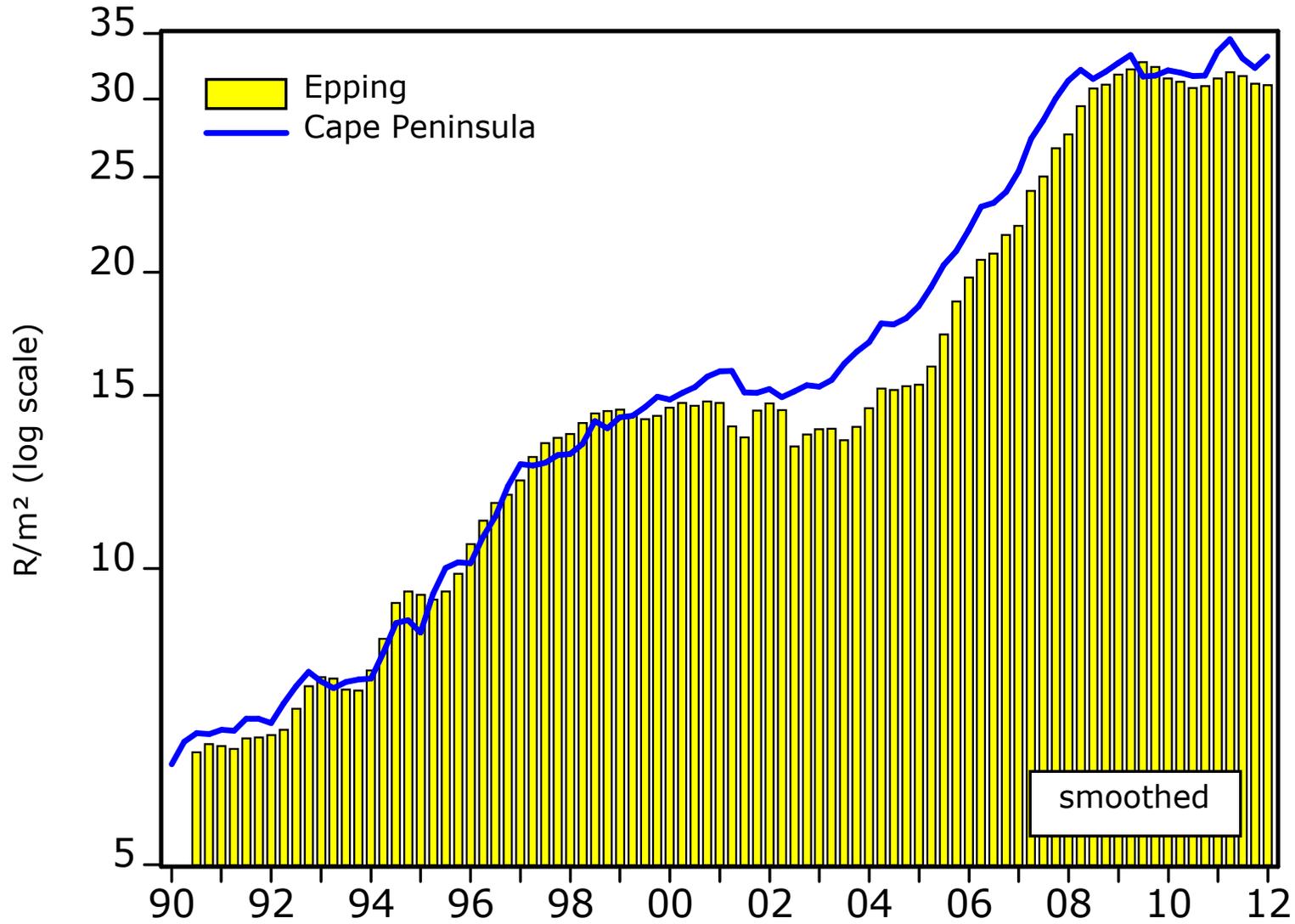
Just imagine the amount of water that comes off the roof in a downpour!!



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**What returns can
one expect?**

Nominal prime industrial rentals (500m² units) Epping vs Cape Peninsula



Source of data: Rode's Time Series

smoothed

**But, the previous
graph reflects the
averages and one
really does need to
delve into more
detail to see exactly
what is happening**

**Most of current
vacancies are in
buildings that do not
offer modern
facilities and are
nearing the end of
their functional life**

**Current rental range
is huge:**

R18/m² to R62/m²

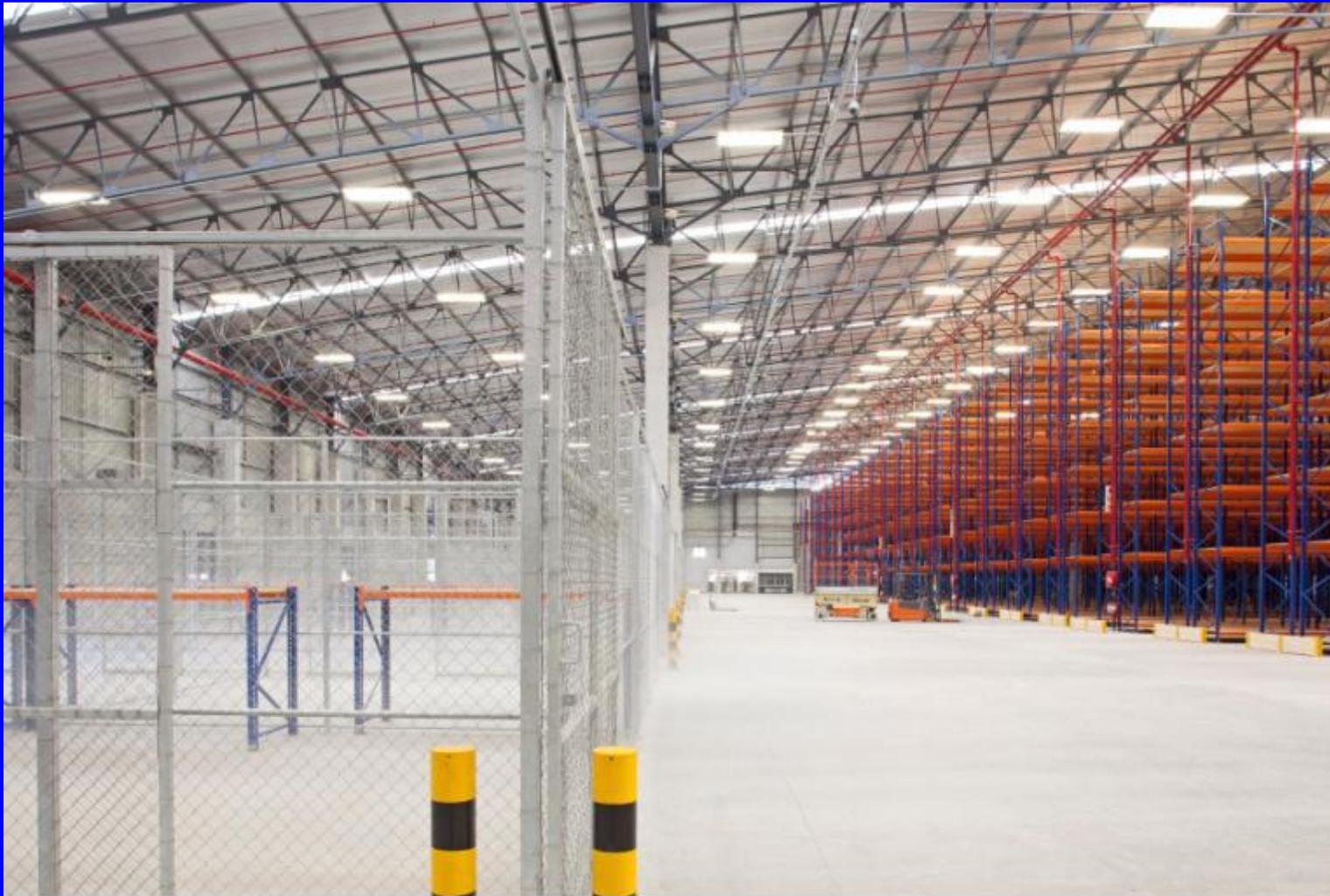
R18/m²



Approx. R60/m²



Approx. R62/m²



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**The 2011 IPD index
showed the best
performance was
achieved by the
industrial sector with
a total return of
11.9%**

**What can we expect
in the near
future?.....**

Cladded racking systems?



Stacking up to 30m



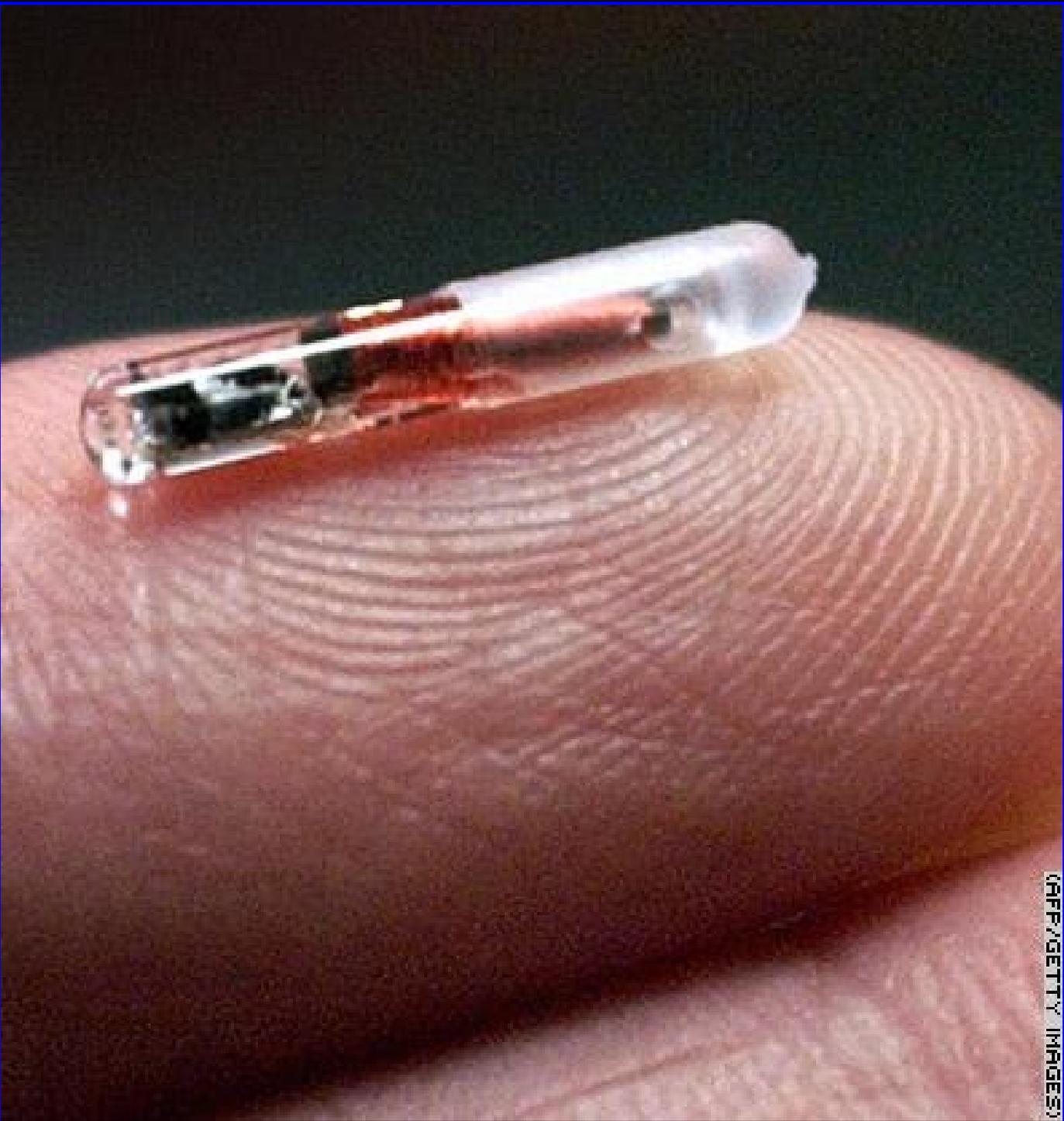
Fully Automated Warehouses





Radio Frequency ID
- another huge game changer





(AFP/GETTY IMAGES)

On-board RFID screen locates containers ... in 3D



The business efficiency models that flow from RFID technologies are endless and will catapult a huge number of industries into a whole new sphere



So, what factors do we need to take into consideration if we want to achieve the best from the industrial property sector?

Location, Location and Location

Truck turning capabilities

(ideally min 30m radius)

High loading doors (min 4,4m)

Raised loading facilities

Security

Warehouse heights of 8m+

(ideally 10m – 14m stacking height)

Sprinklered

(plus all other fire regulations)

Superior floors

(weight & level)

**Efficient use of light, power
and modern building
materials**

Future technologies

Eg. RFID could be the single biggest “game changer” in the next 10 years in many industries, and could have a profound impact on how industrial property is designed and utilised in the future!!

**Investors and asset
managers need to
understand the
changing industrial
environment**

There will be great rewards for those who make it their business to satisfy the changing property related needs of industrial companies

Thank you

Tony Bales

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