

Office landlords are having to pull rabbits out of hats to attract tenants

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Office landlords have had to be creative to attract tenants, with stagnant demand for space given the slow economic growth in SA.

Office owners are trying all kinds of initiatives to get tenants to sign contracts, including offering one or two years' rent free and contributing to tenants' fit-outs.

Emira Property Fund, which released financial results for the year to June on Wednesday, said it had granted certain tenants rent breaks during its latest financial year, in order to keep them.

"We'd rather try to help good tenants stay. They may have a temporary problem with cash flow but could have been a reliable rent payer in the past," said Ulana van Biljon, chief operating officer at Emira.

Private landlord Africrest has developed a shared ownership model with tenants. CEO Justin Blend said he devised a tenant partnership model that was popular among tenants who wanted to have ownership in their buildings.

This model allowed tenants to enter joint ventures with Africrest to purchase their existing or new property without the tenant having to contribute any money to the deal. They would then not place pressure upon their cash flow.

The most recent deal concluded was with beauty retail chain Sorbet for a new head office in Rivonia. CEO Ian Fuhr said the deal helped the group manage its capital.

"We were attracted by the tenant partnership model, which has allowed Sorbet to continue growing our business without constraining our capital while enjoying the benefits of having partial ownership in our property," he said.

Blend said another company that had opted for the model was furniture rental company Lounge Around. The company had ownership in a large, light-industrial warehouse, which it was previously renting but on which it had had an option to purchase.

As Africrest put up all the funds required, Lounge Around was able to take an ownership stake in the property while not encumbering its cash flow.

"The results are encouraging" Mark and Didi Friedman, the owners of Lounge Around, said.

Blend said that over the years, tenants "would love to have ownership in their property but would rather put cash into their business, which often grows at a faster rate than property".

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