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# Africrest Properties pumps R800m into Sunninghill office-to-residential conversions

Buy-to-let residential market may be in the doldrums, but this innovative 'built-to-rent' player is thriving.

By Suren Naidoo 17 May 2021 ⌚ 10:38



Justin Blend, director of Africrest Properties in front of the old PwC head-office campus in Sunninghill that is being converted into an apartment complex. Image: Suren Naidoo, Moneyweb

Even before Covid-19 hit last year, the once hot office node of Sunninghill in Johannesburg saw its office vacancies hitting almost 20% – even higher than Sandton and one of the highest in South Africa.

This, as massive office headquarters in Sunninghill became vacant with the likes of auditing giant PwC moving out to the nearby boom node of Waterfall City, driven by JSE-listed Attacq.

But now, vacancies are falling dramatically, thanks to private developer and investor, Africrest Properties, which has seen an opportunity to convert large office complexes in Sunninghill into “apartment communities”.

The group, run by brothers Justin and Greg Blend together with Grant Friedman, is investing about R800 million in Sunninghill. Around half of this figure is linked to developing The Apollo, which the company says is one of the biggest office-to-residential conversions in South Africa currently.

Africrest purchased PwC’s old 30 000m<sup>2</sup> head office campus in Sunninghill last year from Attacq for just over R76 million and took transfer of the property in January 2021.

However, it is investing a further R300 million in a practical overhaul of the expansive property into a 700-unit apartment complex.

“This is our flagship and most exciting office-to-residential redevelopment to date,” Justin Blend tells Moneyweb.



*An aerial view of The Apollo in Sunninghill, which will be home to 700 apartments. Image: Supplied*

“A lot of work as already been done, with all the drywalling and office compartments in the original building being broken down and removed, creating massive open spaces on each floor for the internal construction of all the new apartments,” he adds.

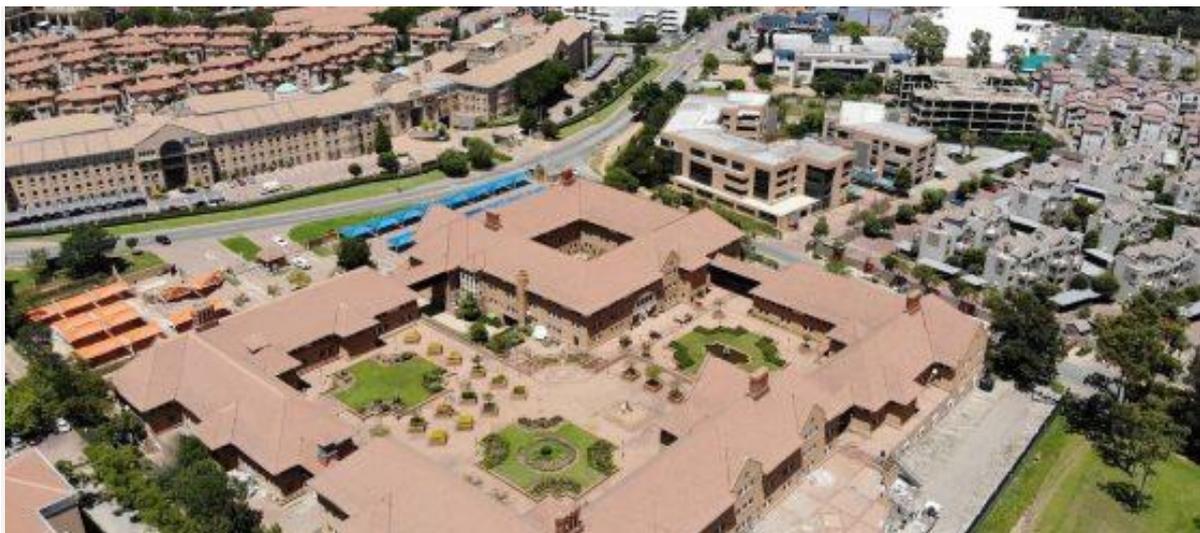
“In fact, we now have tenants moving into parts of the complex that have been completed. The Apollo is yet to be officially launched, but we are seeing strong demand on the back of the success of one of our other office-to-apartment conversions in Sunninghill,” Blend points out.

Africrest had a small office property in Sunninghill a few years ago, next to another bigger office complex owned at the time by JSE-listed Vukile Property Fund.

Blend says he noticed that this property was largely vacant, but also had a campus environment which meant it could work well being converted into a residential complex.

His group purchased the property from Vukile back in 2019 and began converting part of it into apartments. It had invested around R200 million into this project when Covid-19 hit last year, delaying letting out the new residential offering.

“Despite the delay caused by the Covid-19 lockdown, we were surprised to find most of the units being taken up by the end of the year. We have about 232 apartments currently in this development, called The Alpha ... Only about five are currently vacant,” he says.



*The former Sunhill Park property, bottom left, has been redeveloped into The Alpha complex with over 230 apartments currently and is adjacent to PwC's old head office building. Image: Supplied*

“I knew that we would do well with this development considering its location in Sunninghill and [the] range of amenities we were offering. But, to be virtually fully let amid Covid-19 and the general state of the economy and broader property market, even astonished us,” he adds.

Blend points out that Africrest had its eye on the old PwC head office campus, located just across the road from The Alpha development, since the accounting firm moved out in 2018.

Moneyweb reported previously that Attacq had been trying to dispose of the old PwC campus, after it bought the property as part of the deal with PwC to relocate to Waterfall City.

The development deal also involved Atterbury, the property group that developed PwC's new head office tower at Waterfall City for Attacq and which is behind the establishment and listing of Attacq.

The old PwC headquarters has been largely vacant over the last few years, with the now defunct JSE-listed construction firm Group 5 being the last notable name to take up space in part of the Sunninghill property.

Africrest, which is giving the property a new lease of life, is becoming a major player in the so-called 'built-to-rent' residential market, largely on the back of converting old office blocks into apartments.

The Apollo has a mix of bachelor, 1-bedroom and 2-bedroom apartments. While sizes range from 20m<sup>2</sup> to 50m<sup>2</sup>, Blend is loath to refer to the units as 'micro-apartments' highlighting the overall offering of all the other services and amenities on site.

The group rents out the apartments and manages the properties in-house as communities with other amenities and offerings such as on-site restaurants, gyms, pools, braai areas, laundromats, free wifi, tennis and soccer courts, and, more recently, even workspaces, boardrooms and video pods as the pandemic-induced work-from-home trend grows.

Blend says while Africrest has been involved in the commercial property sector in Joburg for 15 years, the group got into office-to-residential conversions about five years ago.

"Residential property has become a big part of our business ... Our overall portfolio [office and residential] is valued at around R2 billion, with our office properties accounting for around R1 billion," he notes.

"We currently own just over 2 300 apartments. However, with the developments underway, we will own more than 3 000 apartments within the next 12 months," adds Blend.

Africrest has two other office-to-residential property projects currently under development in greater Johannesburg. The group has also just secured another office property in Sunninghill, which it is earmarking for a residential conversion.

"Our target market is young professionals, generally earning between R15 000 to R35 000 a month after tax ... Those who want a value for money lifestyle," he says.

Blend points out that Africrest's success in the market is also linked to the whole built-to-rent model, where all apartments in a residential building or apartment complex are owned by one landlord.

"We think it is crucial to have in-house management and leasing to sustain the highest quality ... Our tenants love to have a single landlord who can control things like noise levels and day-to-day maintenance in a complex," he says.

Meanwhile, Blend is not contemplating listing Africrest on the JSE anytime soon.

"We are finding that institutional players are starting to take note of built-to-rent or BTR properties as an investment class given the highly predictable nature of the income. We therefore get approaches on a regular basis," he notes.

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Suren is a passionate young South African business journalist with a keen interest in property, tourism, retail, media and sports.