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COMPANIES / PROPERTY

Africrest's R400m office conversion in Sunninghill almost complete

The private developer is converting the iconic former PwC office complex into hundreds of apartments for young professionals

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The Sunninghill building in Johannesburg is being converted into a R400m residential building called The Apollo. Picture: SUPPLIED

Private property developer Africrest has nearly completed the largest conversion of an office to residential property in SA's history.

The Sunninghill building in Johannesburg, which used to be auditing firm PwC's Gauteng office, is being converted into a R400m residential building called The Apollo, which will house more than 700 apartments. The conversion is being completed in phases.

This is part of a trend where landlords are taking vacancy-ridden offices and turning them into housing. Listed funds also recognise that residential property can be an investment-grade asset, which is property felt to be of sufficient size and quality to be an attractive purchase target by one of the large institutional portfolios, such as retirement funds or insurance companies.

They are playing catch-up to real estate markets in other countries. Residential property makes up about 20% of the world's major property indices but less than 3% of SA's.

Africrest has become a leader in office to residential conversions and is the fastest growing build-to-rent company in SA. It owns more than 2,500 apartments and is on track to own more than 3,500 apartments in the next 12 months.



An apartment at The Apollo. Picture: SUPPLIED

It acquired PwC's former office building in Sunninghill from listed real estate investment trust (Reit) Attacq, the majority owner of Mall of Africa. In October 2020, it began to convert the building. PwC in turn moved to Waterfall City in Midrand.

"We are very excited about residential property. We see it as the next asset class and that is why we have been very aggressive, converting a number of buildings," Africrest director Justin Blend said in an interview with Business Day.

Blend said pension fund managers had realised that residential property offers consistent returns, which can fund dividend payments.

“Retail assets have been struggling with the growth of online shopping and the over-saturation of malls in the market. Offices have also battled with vacancies before the pandemic already,” said Blend.

“Then with the boom in people working from home, there is even more pressure. But, all along, residential property has stood strong. We have a large growing population of young professionals from all over the continent wanting to rent from Africrest.”



Picture: SUPPLIED

He said his team had been eyeing the PwC office for years.

“We bought the building which is now The Alpha from Vukile Property Fund just before the hard lockdown was announced. This caused us to delay costs and put us under a lot of pressure. But it became very popular with renters. Then we could make progress on The Apollo,” he said.

The Apollo is expected to be completed in the next two to three months.

Africrest is also developing The Atlas, which will have about 320 units. Combined, The Apollo, The Atlas and The Alpha properties will be worth about R800m.

The Apollo includes studios that can be rented from R4,890 a month, one-beds from R5,990 a month and two-beds from R7,550. It also has lifestyle-focused common areas including Zoom pods for quiet private work, games rooms and a gym.

All of the Sunninghill properties were bought by Africrest at between R3,000/m² and R3,500/m².

Some of Africrest's other residential developments include The Leo in the Johannesburg CBD, The Village in Bramley and The Titan in Randburg. It also owns offices including The Design District and 132 Jan Smuts in Rosebank and Morningside Hub.

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