



AFRICREST PROPERTIES

At Africrest, Residential Property is a Way of Life

PRODUCTION: Timothy Reeder

South Africa's fastest-growing build to rent apartment company, Africrest offers quality, expertly-managed spaces at affordable rentals. Its residential business has rocketed in just five years, making it today an industry leader, firmly backed by strong funding, astute management and an unwavering focus on tenants' needs. "This is our recipe for growth," sums up Director Grant Friedman.



The Village Bramley

Africrest Properties (Africrest) owns, re-develops and manages (in-house) office, retail and industrial properties, priding itself on the ability to tailor dynamic deals to tenants' individual needs, over the last few years the company's focus has been on developing Built to Rent residential estates. "We are always striving for our tenants' utmost happiness," outlines the industry leader in the middle-income residential rental class, where it has one of the largest portfolios in South Africa.

The Africrest story began 17 years ago, as a notably entrepreneurial property company with a particular focus on the Johannesburg CBD and Braamfontein. "At the time, this was something of a high-risk area for investments," says Director Grant Friedman. "The objective from the beginning was to buy, dilapidated, C-grade buildings for next to nothing, refurbish them and put in tenants who wanted to be in the city.

"We found that vacant buildings are always hard to dispose of; however once there is a long-term tenant in situ, the value of the building explodes. These

transactions were made in return for exceptional value, because no-one else wanted to take on the risk associated with them," he explains. "These buildings were being sold for good profit, and this helped us build a very strong capital base."

RESIDENTIAL SPECIALIST

As these funds were kept in the business, further expansion opened up for Africrest. "Using the power of leverage, and the proceeds from selling buildings, our portfolio kept growing. Africrest then moved into the northern suburbs of Johannesburg and began buying offices in Morningside and Rosebank. Our buildings had always been very well occupied, and generated good rental income, because we are open-minded and always willing to work with a tenant to come to a deal that suits both parties.

"We are well-known in the industry for being good operators that always delivers.

"But while our portfolio was still growing, the office market in Johannesburg had slowed massively and we were struggling to push the business forward.

"A turning point for the business

// OUR TENANTS ARE EVERYTHING AND WE FOCUS ALL OF OUR DEVELOPMENTS ON WHAT THEY WANT //

came when one of our tenants outgrew a small building of ours in Randburg, which we converted into 36 apartments for rental. In one week we had 60 enquiries. Amid what was a sea of negative news in the property industry, this building had filled up almost overnight and started generating solid rental. It was at that moment that we knew where the demand lay, and decided to aggressively follow it."

Thus began the real acceleration of the Africrest brand, into an innovative leader in converting office buildings into landmark, world class, beautiful apartments as well as developing green-field communities. "We converted the former-Old Mutual building next door to our first conversion, into 162

apartments, which again filled up within a few months. We then began to develop management systems for our residential portfolio which in turn gave us a huge amount of data and insight, this allowed us to identify excellent opportunities within the portfolio and for future growth. Three years in and our residential business was dwarfing what we were doing within the office space, which had been our specialism for over a decade."

After 2018 there was something of an emigration of similar outfits overseas, Friedman explains, leaving Africrest with relatively little by way of true competitors. "We went on a bit of a buying and building spree," he says, as a result, "purchasing over 100,000 m2 of offices over 10 properties, and converted this into

nearly 2,600 apartments. We realised that our tenants are everything and tried to focus all of our developments on what they want, rather than what we want; this is such an important distinction to how we started out, and it helped us to build a better product, ultimately."

Taking feedback directly from tenants allowed Africrest to ensure that it was continually designing, building, leasing and managing its estates directly and fully for the renters. These answer the lifestyle needs of the modern South African by focusing on the five fundamentals of security, value for money, service, facilities and location. "As we do not sell our apartments, we only build using the best quality materials and finishes, knowing we are responsible for maintaining them for the long

term. This ensures that our residents get the greatest quality that money can buy," Friedman assesses.

"As Built to Rent is a relatively new asset class in South Africa, it has been very rewarding educating our residents about the benefits of having a single landlord who owns and manages the entire property thereby always being able to ensure that the residents can live in a peaceful, well maintained environment," he adds.

SUNNINGHILL LIFT-OFF

During Africrest's buying spree, Friedman reveals, one area in particular caught the company's entrepreneurial eye. "Sunninghill is a fairly new office node - only around 25 years old and exceptionally well-located in Johannesburg," he details. "Until very



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recently around 40% of it was tenanted by Eskom, who rented eight or nine buildings in the area, neighbouring a number of its associate companies. Over time, peaking around eight years ago, the traffic and road infrastructure became impossible, so terrible in fact that tenants began leaving the area.

"While the City of Johannesburg was midway through completing an incredibly extensive upgrade on the traffic and off-ramp system, all of a sudden Eskom itself upped and moved back into its main campus. The tenants who had left because of the traffic had still not been replaced, and now this mass exodus emptied Sunninghill further. It was a perfect storm for this district and its beautiful buildings, and we earmarked Sunninghill as the next area that we would convert and bring back to popularity."

Holding its nerve as the pandemic took hold, when nobody could predict the financial stress it would wreak or the impact it would have on deal-flow and tenant demand, led Africrest to arguably its current showstopper in the heart of

// WE ONLY BUILD OUR APARTMENTS USING THE BEST QUALITY MATERIALS AND FINISHES //

one of Johannesburg's most central areas.

"Due to the pandemic, we had not yet finished the building we were converting across the road, our first in Sunninghill called The Alpha, when we landed another - the ex-PwC building came up for sale," Friedman relates. "We now had this 28,000 m2 office building, set to become 680 apartments, and we hadn't even proven the concept as The Alpha wasn't finished. We were all too aware that if The Alpha didn't let well, we would then be stuck with a real issue.

"We thoroughly stress-tested the numbers and took the plunge. Then, the minute that lockdown started easing and things began to open up again the leasing at The Alpha flew at upwards of 45 per month, so we knew we had done the right thing." Named by its tenants, and converted by The Alpha's construction team, The Apollo is Africrest's newest flagship development that raises the bar even for this South

African property monolith. Africrest believe that this is the largest office to residential conversion in South Africa.

Apartments built to enhance comfort pair with designs that maximise space and function, and are supplemented by state-of-the-art facilities (including a 25 metre swimming pool, private zoom pods, a sports theatre, venues to host celebrations and a state of the art gym to name a few). Only minutes from major hotspots including Sandton, Waterfall, Midrand and Bryanston, the relatively new area of Sunninghill boasts exceptional accessibility, security and beautiful surroundings, a prime location with a vibrant community pulsing with energy.

"We started construction on The Apollo in October 2020, and the first units were let in May 2021, in a phased approach," Friedman details. "With the development on the brink of completion, we have let upwards of 250 of the

apartments. It has been such a success because we are offering incredible value for money," Friedman finishes, confident that this is nowhere near the last that we will hear of Africrest's stunning developments, with more to come yet in Sunninghill and other areas.

"We have just bought another 12,000 m2 office park to convert to apartments down the road in Sunninghill and are looking at another development in Randburg, we will own just over 3,000 apartments in total by the end of the year," Friedman wraps up. "It is very exciting, because the residential business only began in earnest five years ago. We have all been waiting, for years, for the environment to be right for growth, and were extremely lucky to discover the oasis of this residential section of the market. Now we are determined to take it as far as it can go." **E!**

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