

BULAWAYO PROPERTY MARKET

RENTAL ASSESSMENTS



When we moved into Bulawayo we noticed the concept of rate/m² achieved was not applied strictly and consistently

In some instances rent applied and agreed was a thumb suck.

The problem with lack of consistency is that you easily have two (2) similar shops in the same building being charged vastly different rentals.

When we started applying the above principle consistently the impact was immediate.

In many cases rent changed increased which made us a darling with majority clients.

It did put us in a pole position as property managers

The other first we did was to migrate slowly from gross leases to net leasing.

If we hadn't done that the increase in operating cost during hyperinflation would have made most clients bankrupt.

As most of you are aware over the same period that I am talking about there was also a general migration from 3 year rent reviews to one year.



**PROPERTY
INVESTMENTS/DEVELOPMENTS**

Again when we moved into Bulawayo we also noticed that there was very little development going on.

The poor returns or yields could have been a major contributory factor.

Also the main problem was that in previous developments leasing and letting agents (surveyors) like ourselves were not at the fore front of the development process. That was a big mistake.

Leasing and letting agents were only called at the end of the development to manage and lease the development. In majority of cases the architects were the main driving force and yet their understanding of the letting market was very little.

The results in certain instances were disastrous

When you actually come to think about it, the people better placed to write development / investment briefs for clients are us.

We understand the leasing market better and are better placed to advise as regards rentals and yields. We have since over the years taken a lead in majority developments / refurbishments in Bulawayo.



**RETAIL SHOPS AND SHOPPING
CENTRES**

The emphasis in terms of say shopping centres in any development brief must be,

- **The location must be good**
- **The target market in terms of demographics and income must be good.**
- **The draw cards in terms of anchor tenants must be in place.**
- **You also need a good tenant mix.**

What we discovered with the majority of existing suburban shopping centres was that they suffered from a number of problems.

- **With some of them the location was poor**
- **The majority had multiplicity of owners which made it difficult to co-ordinate design and uses. In some instances you ended up with a duplication of uses**

We also found out that Retail shops in Bulawayo were too big and underutilised.

That affects the overall rate per square metre achieved and therefore the returns.

Our emphasis has been to redesign and reduce shop sizes and in the process increase rate/m² achieved.

OFFICES

Bulawayo is not an administrative city.

The Head offices of most companies in the 3rd world countries are found in capital city.

So in majority of our projects the emphasis has always been to increase retail space and not so much office space.

As regards office refurbishments over the years the aim has been to introduce flexibility in letting.



In cases where the walls are load bearing we punched holes into the brick partitioning and thus created flexibility from a leasing point of view.

You could lease a minimum of two offices up to a whole floor.

Of course we took care not to introduce rats and mice situations.

In the case of framed buildings we went for open plan and demountable partition.

SERVICES AND OPERATING COSTS

As many of are aware, of late many tall buildings have suffered from broken down lifts.

The shortage of foreign currency has exacerbated the situation.

We could not get spare parts for existing lifts or buy new ones.

We even got to a situation where lift companies were cannibalising spare parts from old lifts.



The concept of central air-conditioning is slowly becoming a thing of the past in favour of split units.

Many broken down central air – conditioning units cannot be repaired or replaced.

Individual split units have become popular.

Bulk metering of electricity and water is slowly being abandoned in favour of pre-paid individual metering or check meters.



INDUSTRIAL DEVELOPMENTS

Bulawayo has been declared a special economic zone (hides and textiles)

Bulawayo was the Industrial hub of the country. It benefited from,

- **Location**
- **Location**
- **Location**

It has easy access to local raw materials agricultural and mining.

It has easy access to neighbouring markets.

It has easy to imported raw materials and easy to export finished products.

The trend now is to reduce the sizes of factories (create Industrial Parks) an install modern equipment.

Where we have created industrial Parks we were able to increase rate/m² from \$2 to \$4/m².

RESIDENTIAL DEVELOPMENTS



Residential Rent Act -It has made investment in the sector less attractive and some investors have dis-invested.

The act has since been modified under SI 32 of 2007.

Fair rent is now equated to Market rent.

The current trend is to service and sell serviced stands

The profit margins must be better than building actual housing units on the stands.

There has also been the concept of retirement homes,townhouses e.t.c.

With Qualisa the contractor and the purchaser entered into building contracts.

Price is based on Building costs plus 20% profit margin.

It works very well where the economy is very stable

**If there is instability e.g. hyperinflation such projects collapse
e.g. Phase 2 Qualisa.**

Townhouses are popular because they offer,

- ✓ Security (just lock up and go)**
- ✓ Convenience when family sizes are reduced**
- ✓ Easy to maintain.**

Our big gardens and swimming pools overtime become too expensive to maintain.

PROPERTY RETURNS

Finally let me summaries in terms of rentals and Yields

Units	Rentals	Yields
Shops	\$10-\$15/m ²	7-8 %
Offices	\$7-\$10/m ²	9-10%
Industrial	\$1-\$2/m ²	11- 15%
3 Bed Houses (Top)	\$600-700 pm	



The economic ills that be-devils the country affects the whole country.

Sales have collapsed because sellers are looking for hard cash (Greenbag)

Where RTGS are acceptable there is a premium (15 to 20%) on sale price.

In terms of letting we have,

✓ About 20 to 30% arrears

✓ 40% voids

Thank

you

