



South Africa Investment Review 2024/2025

Introduction

At the start of 2024, the commercial property market faced several challenges, such as continued loadshedding, political uncertainty, and sustained high interest rates. By the end of the year, loadshedding had all but disappeared, elections had been concluded successfully, and interest rates had started to decline. With these tailwinds, the market has started a slow but disjointed recovery, after what was by all accounts a very slow start to the year.

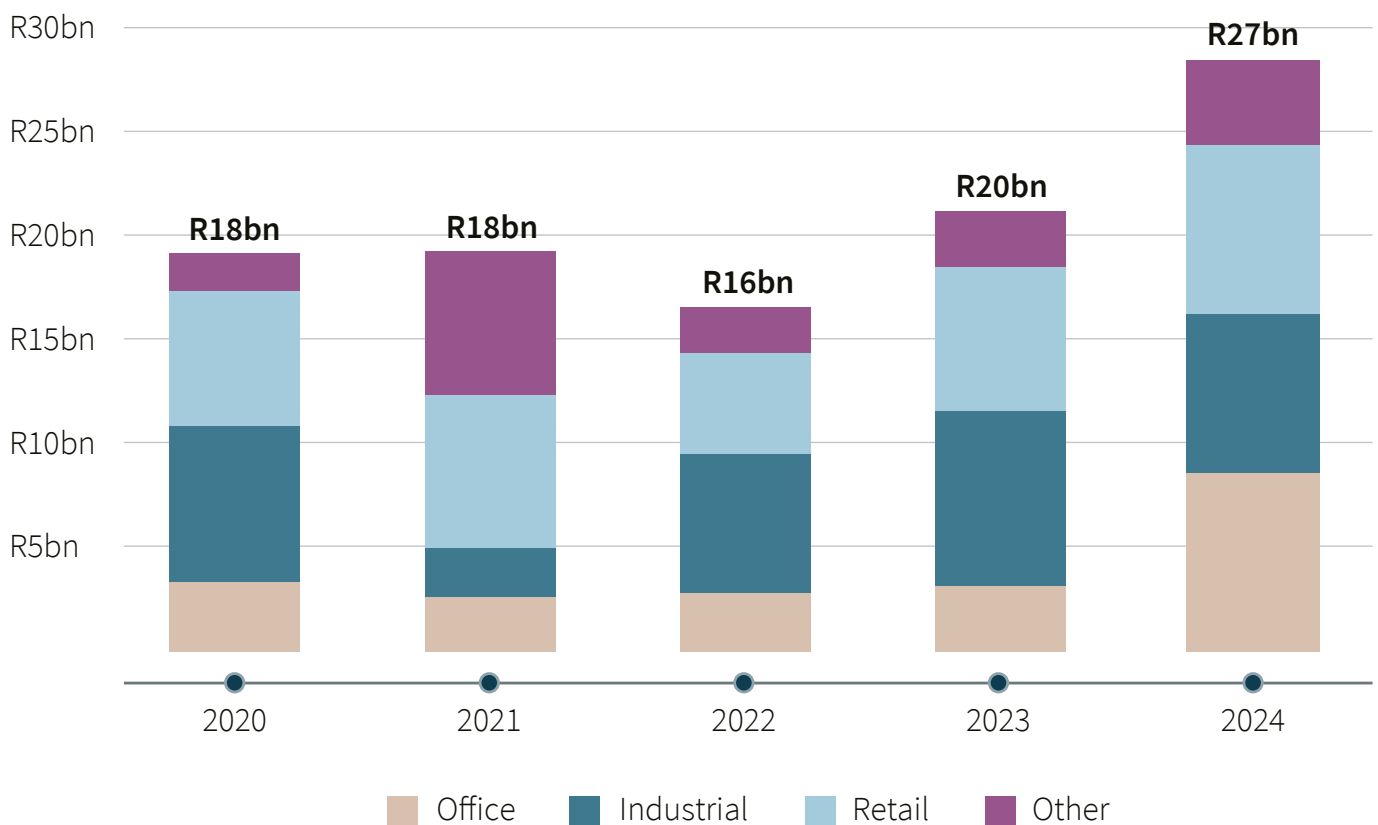
In 2025, the market (in general) should show stronger performance than it did in 2024. Certain segments are set to continue to outperform others. New, well located, industrial and logistics properties along with neighbourhood and convenience retail centres should continue to see capital appreciation. To a much more limited extent, new P-grade offices in strategic hubs are starting to recover. Pressure will remain on non-dominant regional shopping centres, older inefficient industrial buildings in unsafe secondary nodes as well as B-and-C-grade offices.

Overall Investment Trends

While the year got off to a slow start, 2024 saw record deal flow that exceeded R27 billion for the first time, up by 34% from 2023. Gauteng took up most of the volume (51%), while the Western Cape finished in second place at 31%.

The Western Cape has sustained its increased market share. The province has entrenched itself as a major hub for investment, having exceeded 30% of total deal volume for the last three years despite the markedly smaller inventory.

Annual Investment Volume



Source: JLL Research

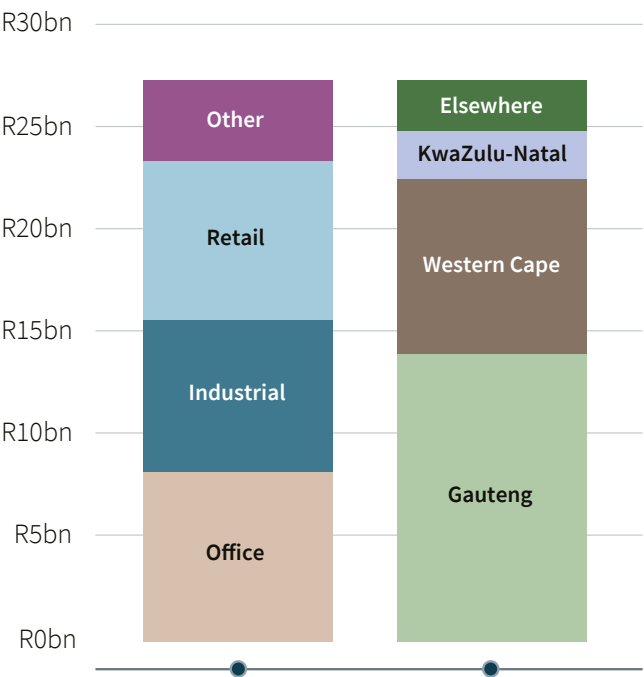
The office segment recorded the highest deal flow for the year (30%), made up mostly by business rescue disposals conducted on behalf of the insolvent Rebosis Property Fund (REIT).

The retail segment also experienced robust growth (18%) with fewer but larger deals closing in 2024. Again, driven in large part by several regional mall disposals from the distressed Rebosis stable.

Industrial total deal volume fell slightly in 2024. This was not due to poor investor sentiment or lack of momentum, but rather a lack of stock. Large, new, blue-chip tenanted logistics facilities were tightly held in 2024. Not a single large distribution centre exchanged hands. These types of assets are tightly held by institutional investors for their capital appreciation potential. Industrial count grew by 21% with 125 properties trading hands above the R20m mark, showing that there was a lot of liquidity available for smaller assets that did come to market. In total, 290 deals above R20m closed, up 34% year-on-year, totalling about 2.85 million square metres of gross lettable area.

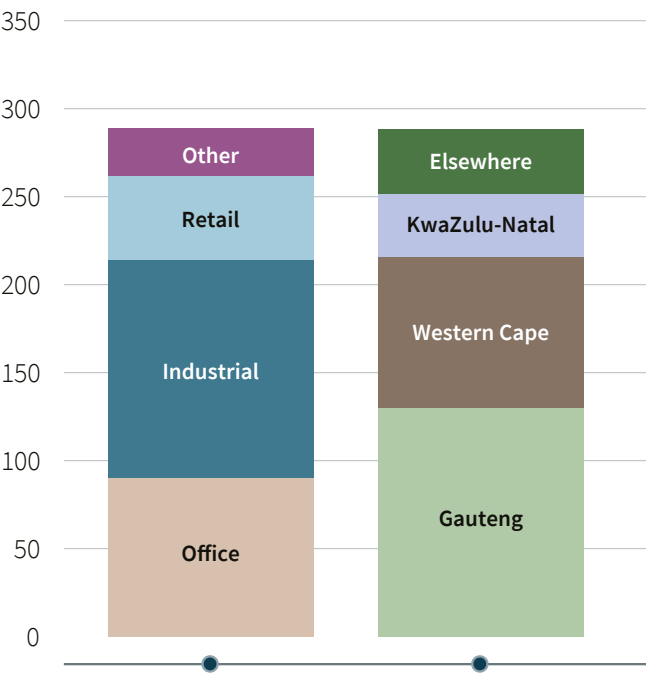


Aggregate Investment Volume, 2024



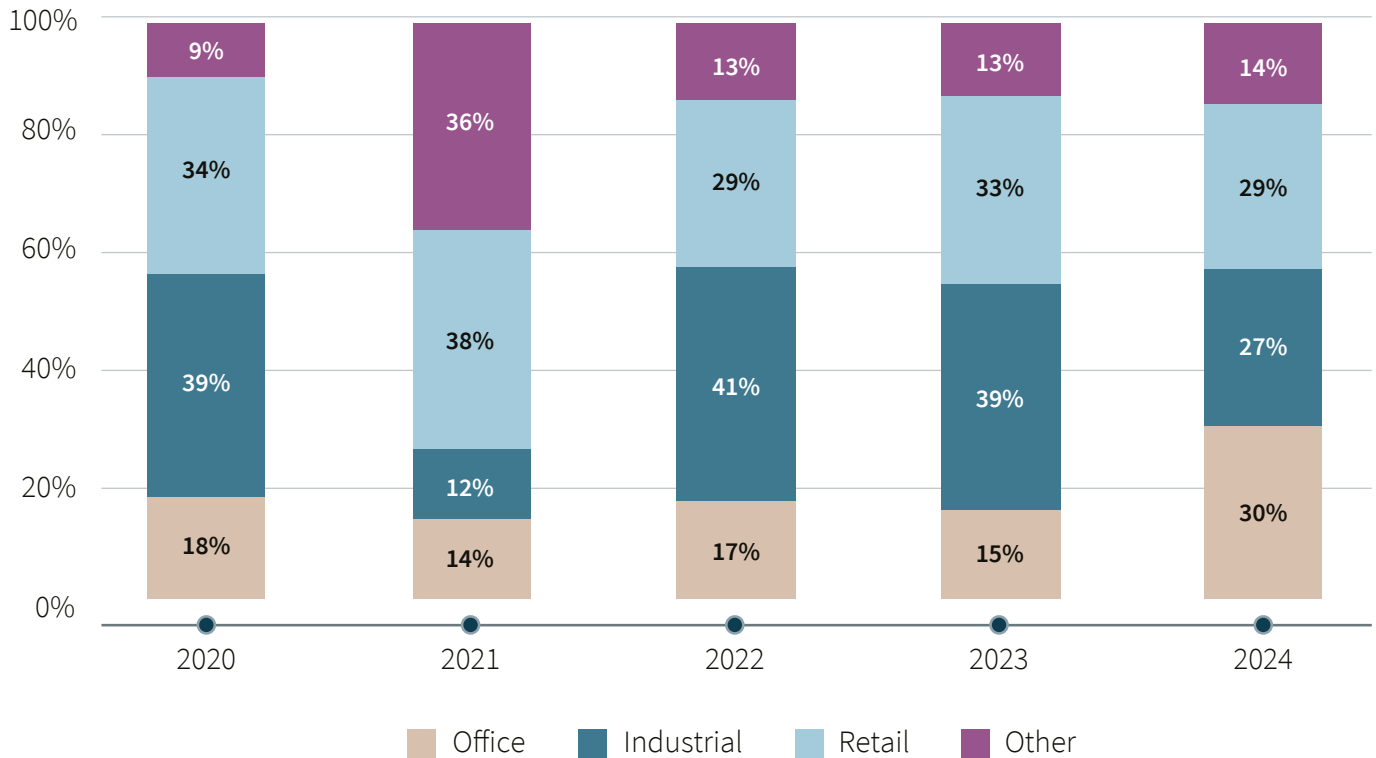
Source: JLL Research

Aggregate Market Activity, 2024



Investment into ‘alternative’ commercial property sectors such as hospitality, education, healthcare, and living has reversed the trajectory of the prior two years, growing by 50% in 2024.

Concentration of Investment Flows



Source: JLL Research

Investment patterns in 2024, to some extent, reflected the political and economic factors that were present in the market. The apparent end of loadshedding in the second quarter of the year, the establishment of the Government of National Unity and the commencement of the interest rate cutting cycle in Q3, definitively had a positive impact on how capital behaved.

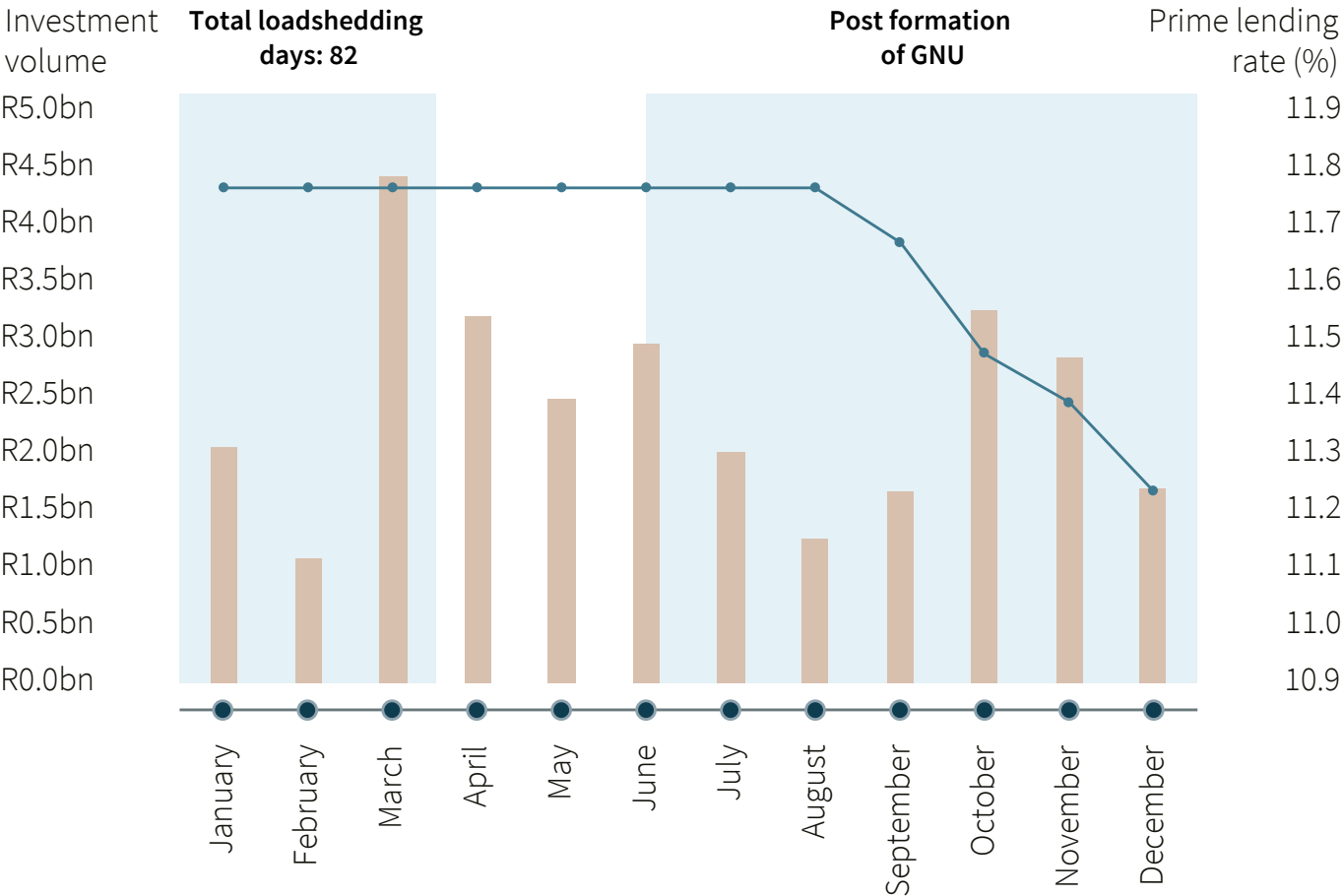
The following graph plots investment activity by month overlaid by the prime lending rate. One cannot see the immediate impact of falling interest rates and the successful formation of the GNU from this chart, as property transactions can

take up to six months (or longer) to go through the transfer process (especially deals over R100m that must go through a lengthy Competition Commission approval process).

The real impact of the tailwinds picked up at the end of 2024 will therefore start to play out in the first half of 2025.

Aside from the anomaly of March 2024 (when the R1.625bn Table Bay Mall transaction was finalised), a clear trend of suppressed and distressed investment activity was present for most of the first part of the year.

Temporal Analysis, 2024

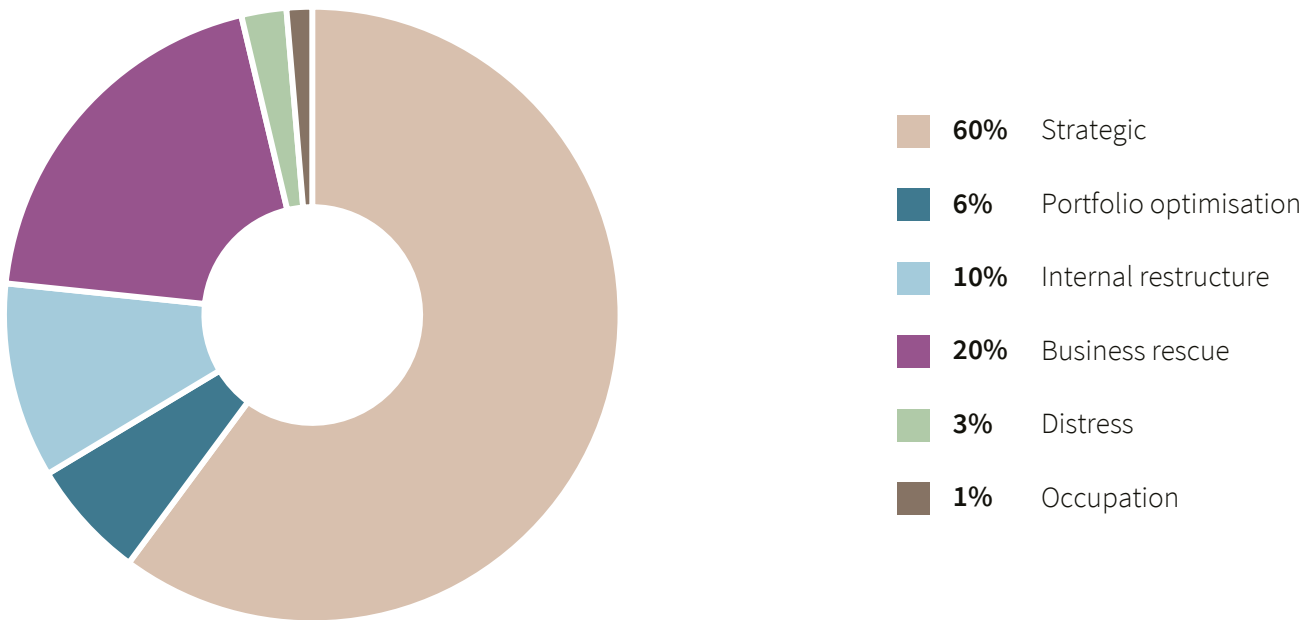


Source: SARB; JLL Research

A large part of the volume was made up from business rescue disposals, which accounted for 20% of total transaction value, and internal sales or related-party transactions contributed a further 10%. If these deals are removed from the annual aggregates, aggregate investment for the year would amount to R18.5bn – representing a 9% decline on the prior year.



Transaction Type



Source: JLL Research

Where transaction types have been labelled as strategic, it either relates to corporates dis-investing to focus on their core operations, or strategic acquisitions and disposals made according to ‘conventional’ investment criteria. The sample categorised as ‘portfolio optimisation’ primarily relates to REITs disposing of stock that is deemed secondary or ‘non-core’.



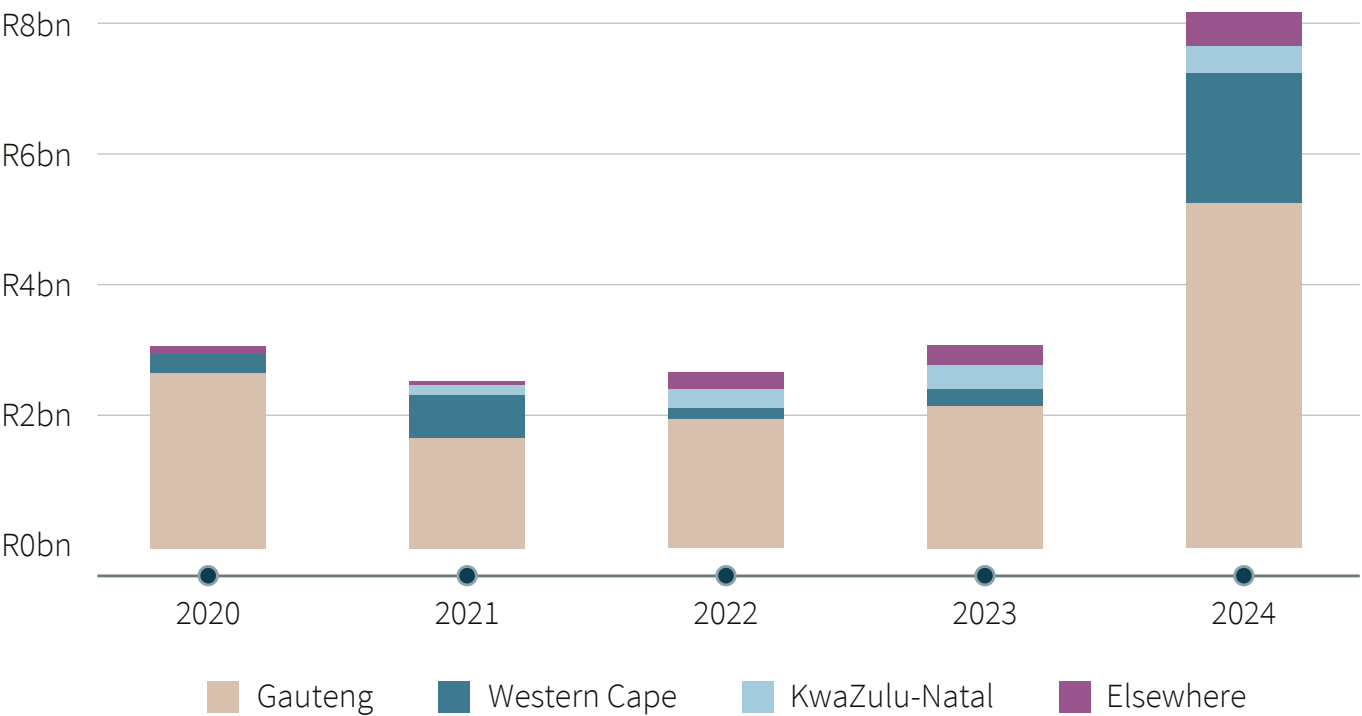
Sector-Specific Trends

Office



From 2020 to 2023 investment into the office sector remained suppressed but stable, hovering at or about R3bn per annum. The 2.6bn recorded in 2021 was a historic low. Deal volume exploded in 2024, more than doubling year-on-year to R7.75 bn. Deal count also increased significantly, with 80% more deals registered year-on-year.

Total Investment

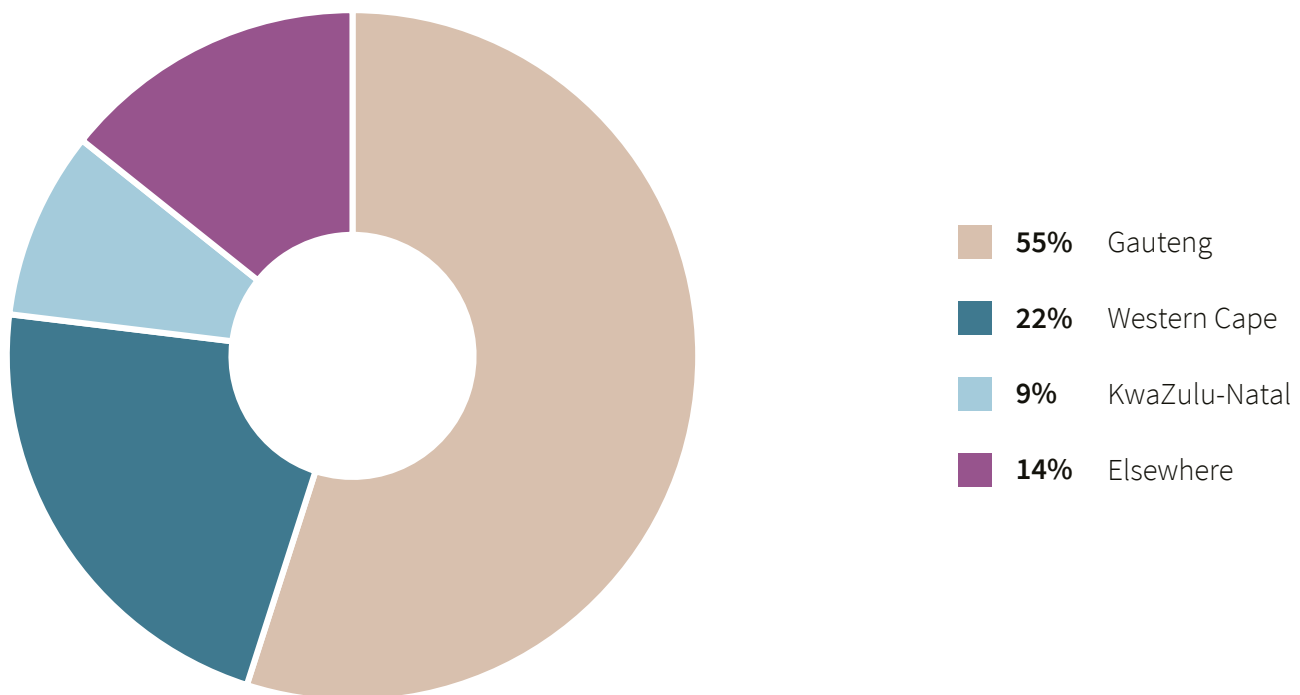


Source: JLL Research

Gauteng retained the largest market share for office transactions (59%). Most deals in Gauteng (by value) were made up of Rebosis assets (mostly measuring over 10,000 sqm) that were sold to opportunistic funds as part of their ongoing business rescue process. This somewhat reverses the trend of predominantly secondary stock being traded, often with residential conversion in mind. However, the increase in volume off the back of a prominent business rescue process does not signal a wholesale market recovery for B and C-Grade offices located in deteriorating CBDs in Gauteng.

On the other hand, Emira REIT's disposal of a portfolio of A and B-Grade offices located in Cape Town to Spear REIT does perhaps signal a reversal in sentiment towards investment grade offices in the Western Cape. The capital values per sqm recorded for these transactions serve as evidence that the A-grade office market in the Western Cape is in fact recovering.

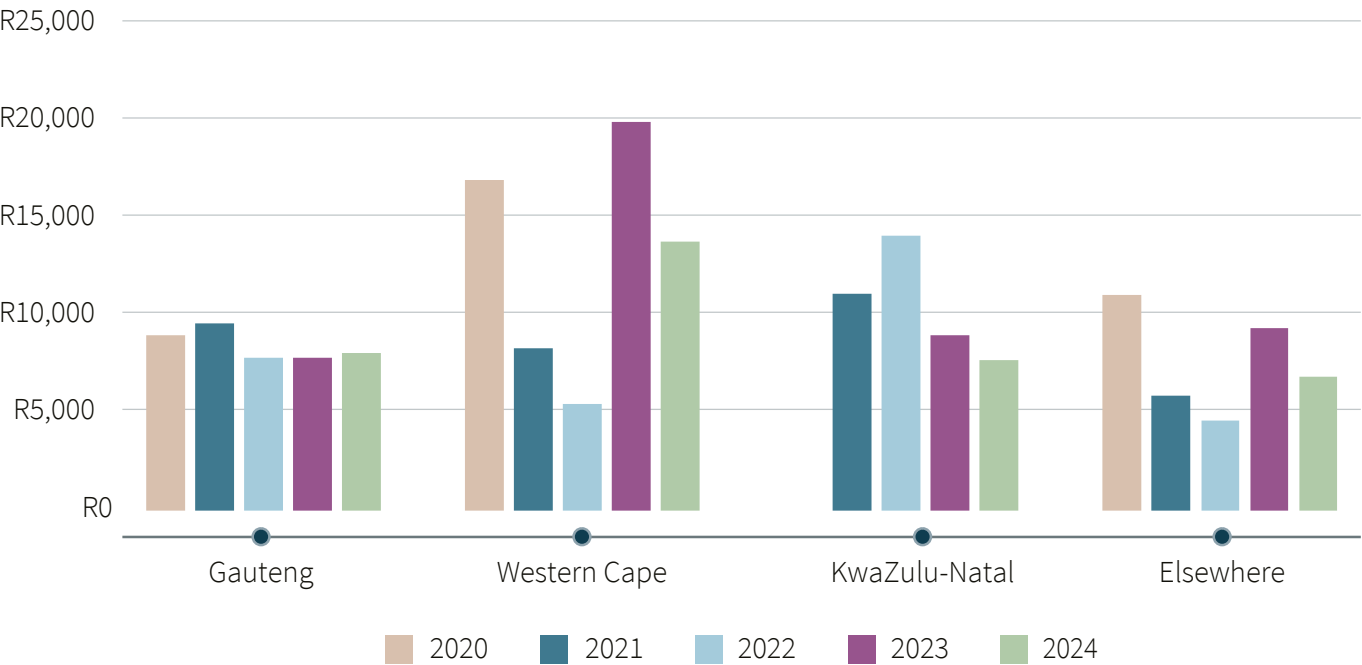
Market Activity



Source: JLL Research

Other than Spear REIT, REITs in general remained predominantly non-acquisitive within the office sector. There are some pockets of optimism emerging in Gauteng, with increased demand being recorded in nodes such as Waterfall City and Rosebank. However, investor activity remains subdued.

Average Sales Rates, R/sqm



Source: JLL Research

In aggregate, Cape Town’s performance was strong, recording an average capital value of R13,400/sqm, significantly higher than averages for Johannesburg, and Pretoria. KwaZulu-Natal registered the poorest performance in 2024, with the decline attributed to two large CBD sales that traded at below R3,500/sqm. From a nodal perspective, the highest sales rates, unsurprisingly, were found in and around Cape Town, in suburbs such as Newlands, Tyger Valley, and Century City. A final key trend that emerged in office deal flow in 2024 is the reduction in properties trading based on their redevelopment potential. Only four transactions were concluded for residential or other conversions.



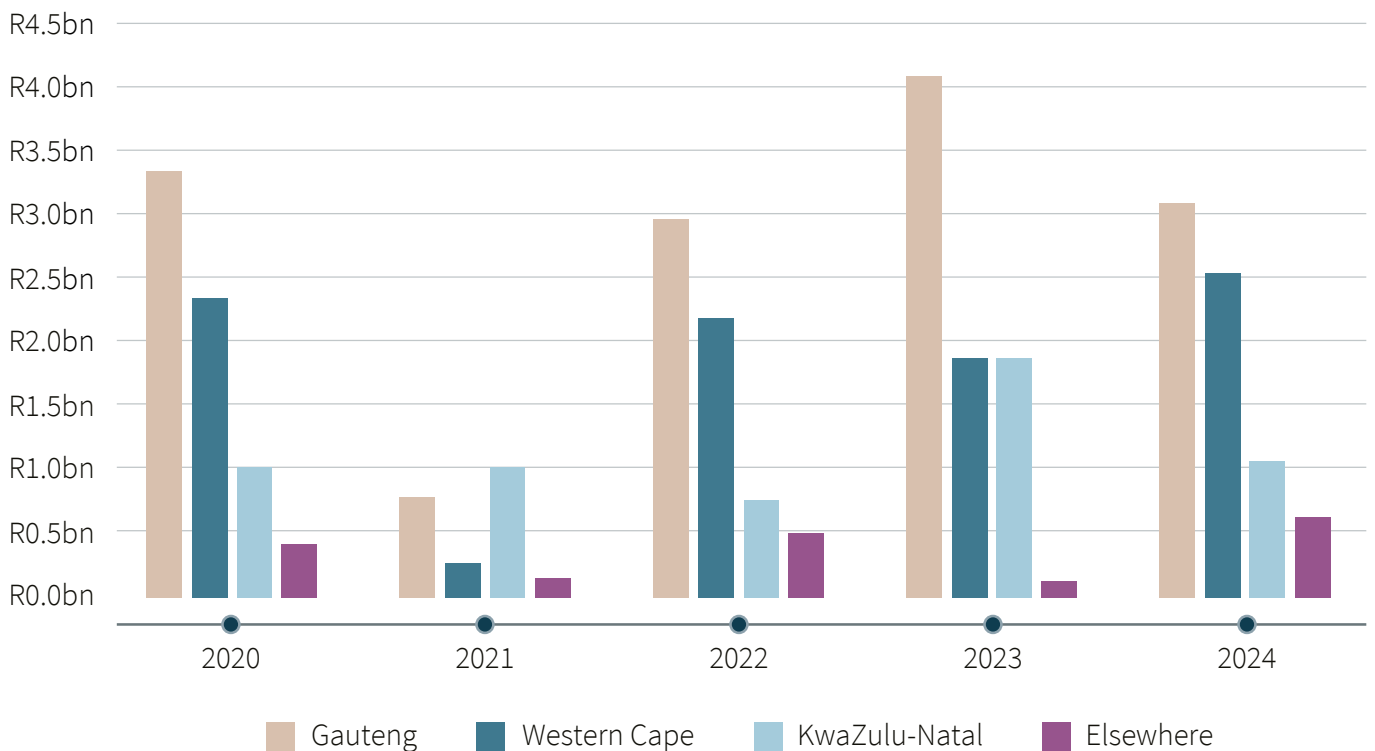
Industrial



Investment into the industrial property market declined for the second consecutive year. This is the first time since 2021 that the sector did not attract the highest aggregate investment among the core commercial sectors. However, it must be noted that only 1% of deal flow emanated from what could be considered a distressed source, unlike the office and retail segments which saw significant increases in distressed sales.

Gauteng, despite being the primary recipient of investment deal flow, saw the largest decline in volume. Investment volumes improved in the Western Cape, Eastern Cape, and Limpopo. Total investment for the sector fell by 1% year-on-year, dragged by 43% and 26% declines in KwaZulu-Natal and Gauteng respectively, resulting in overall investment of almost R7.2 billion for the year.

Total Investment



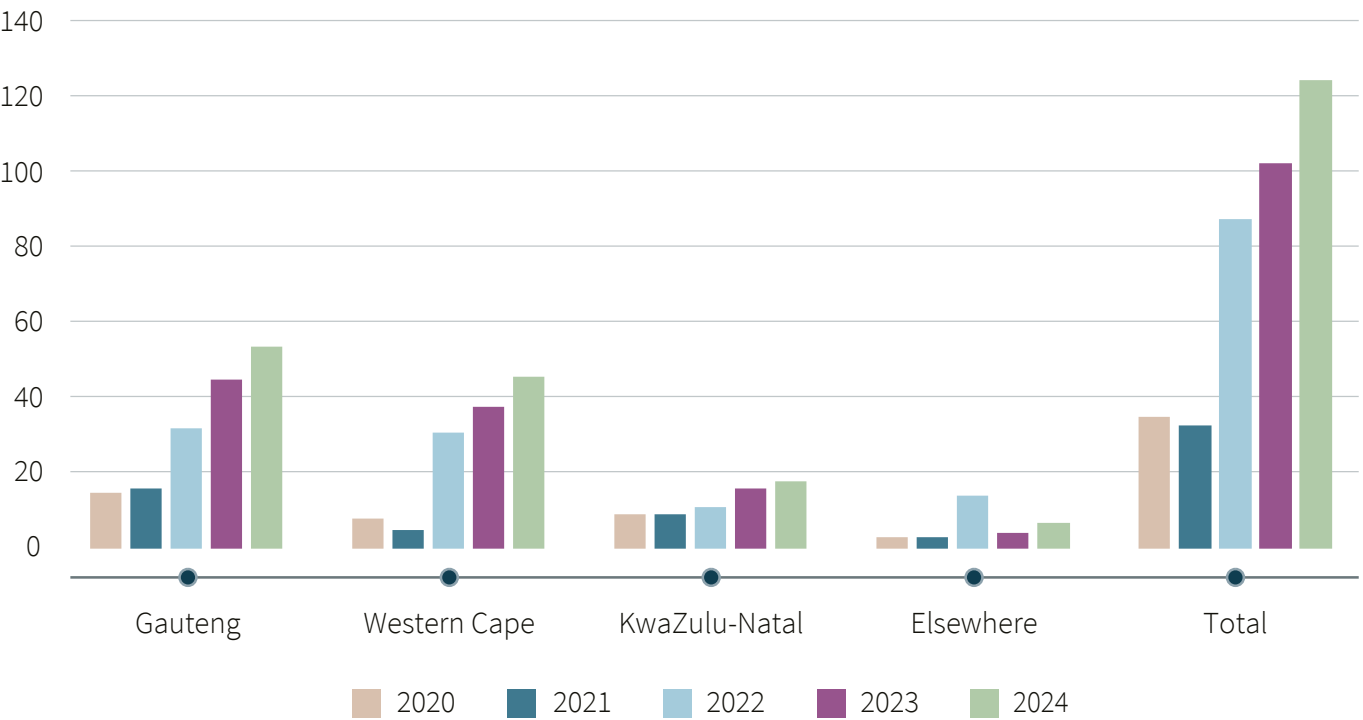
Source: JLL Research

Despite the slightly lower investment volume, the number of transactions within this sector grew year-on-year, which is a continuation of the trend of more, smaller deals taking place - seen over the past five years. Despite the downward trajectory, aggregate investment remains well above the historic levels recorded before investment volume started to pick up in 2022. Private funds and owner-occupiers made up the largest part of the buyer pool.

Transaction count increased cross all three major provinces and is led by the Western Cape. Most transactions registered in 2024 were recorded in Gauteng, notwithstanding.



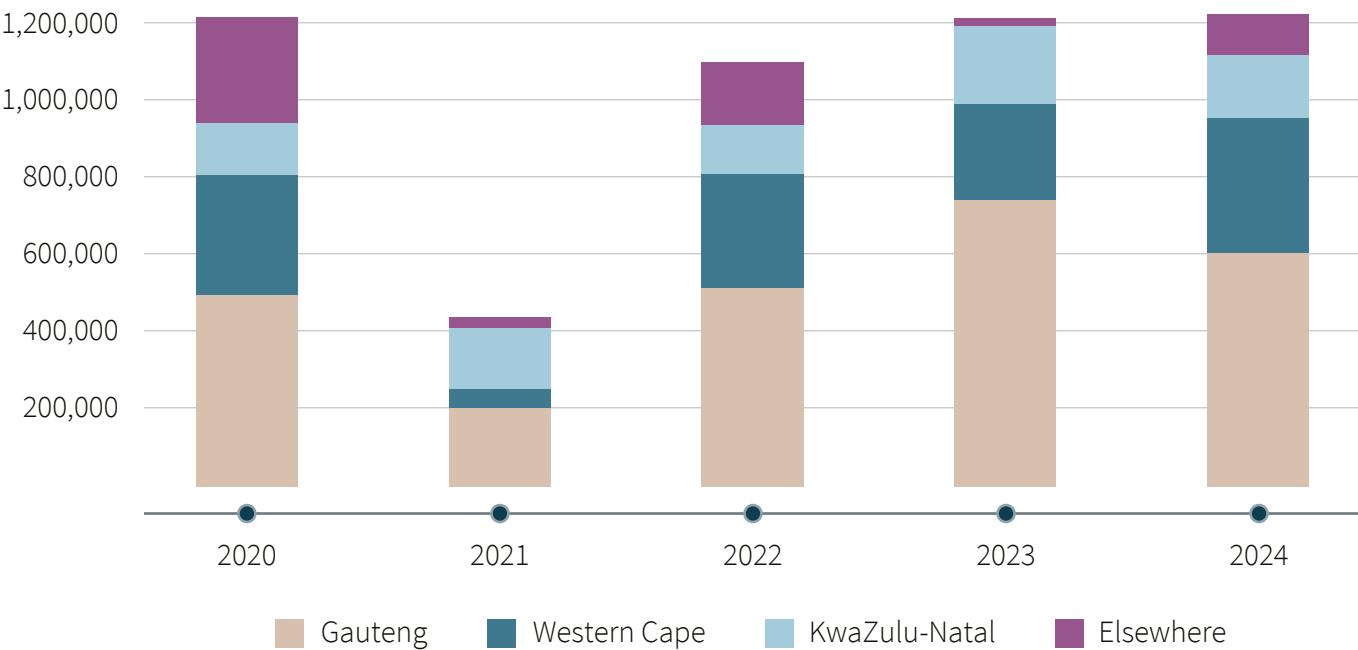
Market Activity, Number of Transactions



Source: JLL Research

Over 1,200,000sqm industrial lettable area was traded in 2024, which is roughly the same as in 2023. The footprint of industrial sales outside the three core provinces increased by a marked 410%. Altogether these regions still only account for 9% of the total GLA traded, and the growth does come off a very low base.

Investment Footprint, sqm

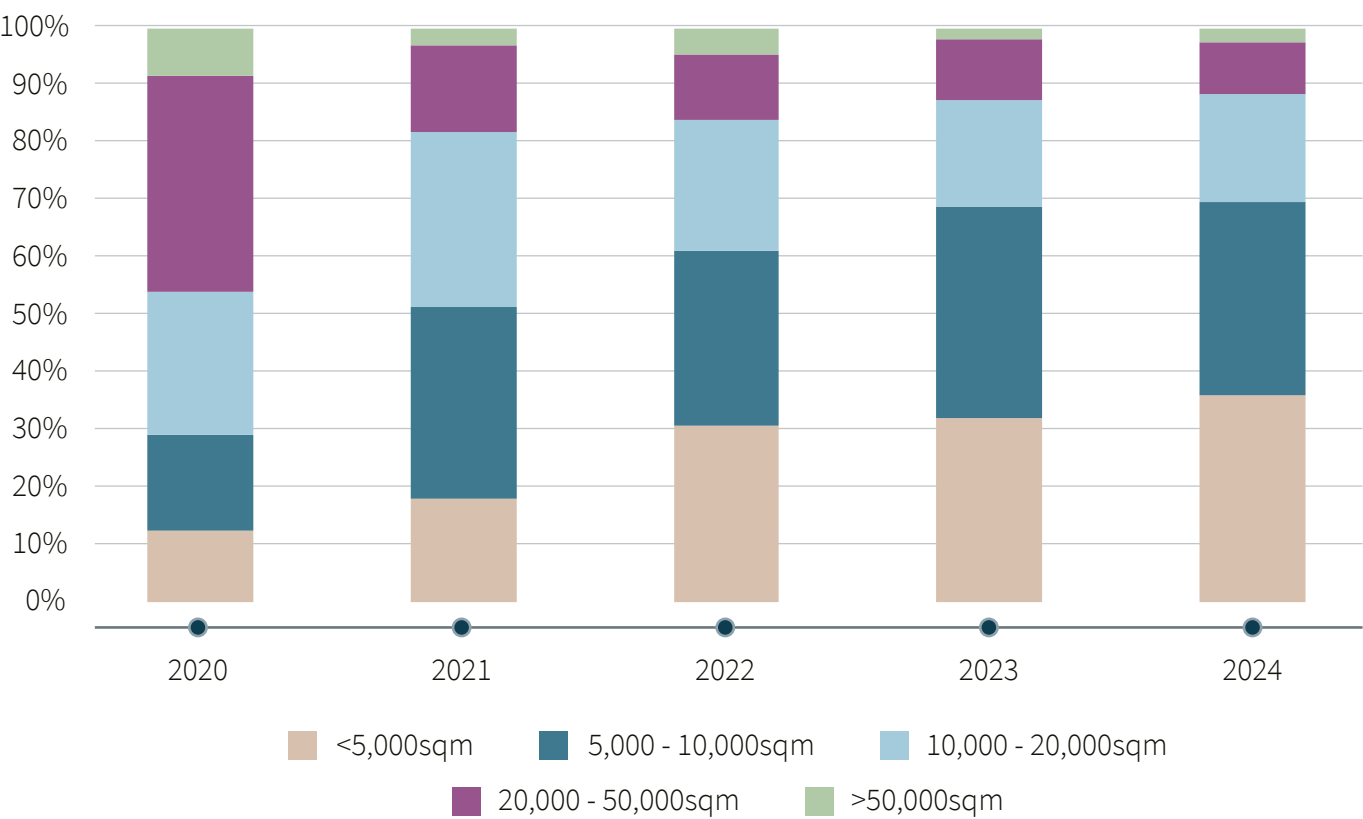


Source: JLL Research

As opposed to previous years, no large or flagship distribution centres traded hands in 2024's. Only three transactions exceeded a lettable area of greater than 50,000sq.m, all of which comprised multi-let parks or premises where the lettable area is spread across several structures. Most of the deal flow related to properties measuring less than 10,000sqm. This is particularly noticeable in the Western Cape, where virtually all (88%) of the deal flow fell within this bracket.



Market Preference, Sizes of Properties Transacted



Source: JLL Research

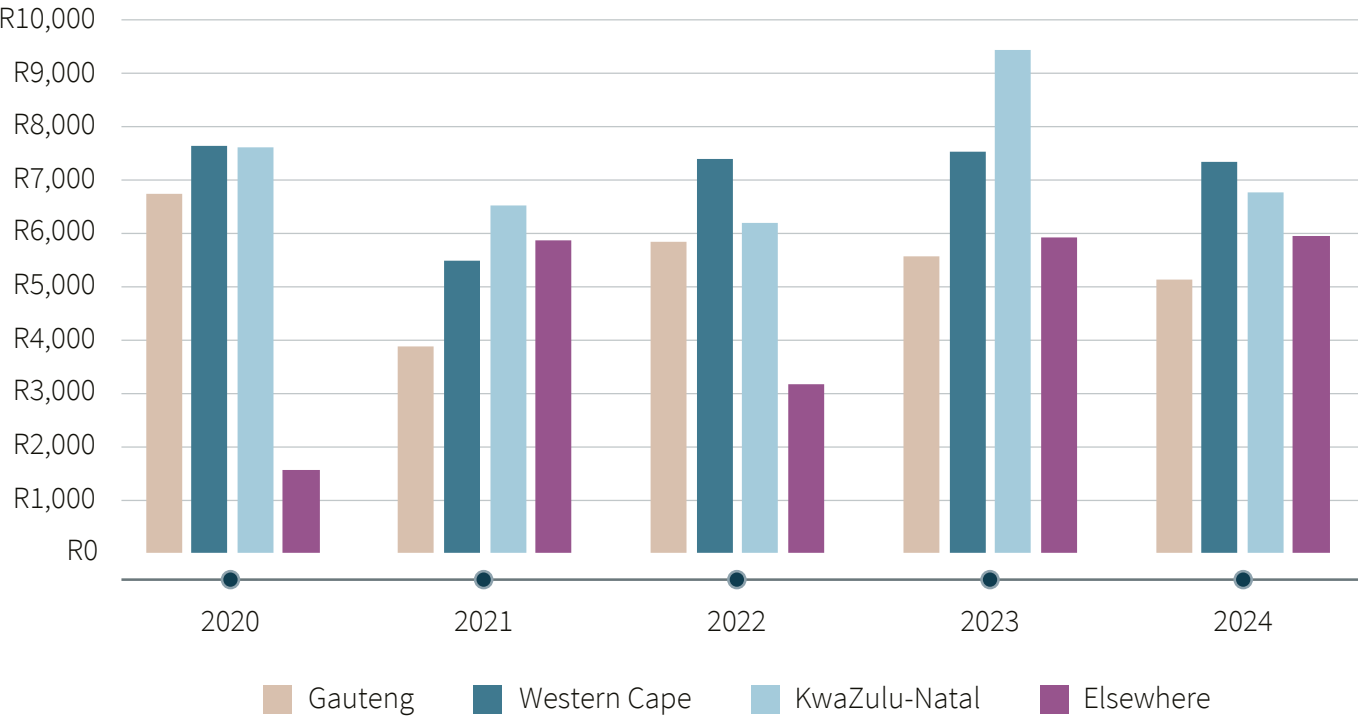
Average transaction values also saw a marked (25%) decline year-on-year, a continuation of the prior year's trend (-17%). The decrease is most noticeable in KwaZulu-Natal, where values essentially halved, although the rate for the previous year is skewed by the large Shoprite Canelands deal that had a sales price of over R700 million as well as the fact that properties with large yard space transacted at a premium due to backlogs at the Port of Durban.

Despite the significant drop, KZN had the highest average sales price of the three core economic hubs. It is noteworthy that the average ticket price in Limpopo and the Eastern Cape was higher than that achieved in KZN, however these are skewed

by the low number of qualifying transactions in each of those regions.

Despite the seemingly growing appetite for industrial investment in the Western Cape, sales rates have remained relatively unchanged over the past three years. When the outlier of KZN in 2023 is removed the Western Cape has achieved the highest average sales rate nationally for the past three years. KZN was the best performer per this metric in 2021 and typically generates the second highest-value deals. KZN is the only province to have consistently exceeded a R6,000/sqm average sales rate over the period under consideration.

Average Sales Rates, R/sqm



Source: JLL Research

Sentiment toward the industrial sector remains favourable, with almost one third of all capital flows in 2024. The slight decline in volume seen in 2024 is not because it is losing favour among investors, but rather due to a fundamental lack of stock of large logistics facilities coming to market. Fundamentals within this sector remain strong from a capital preservation perspective.



Retail

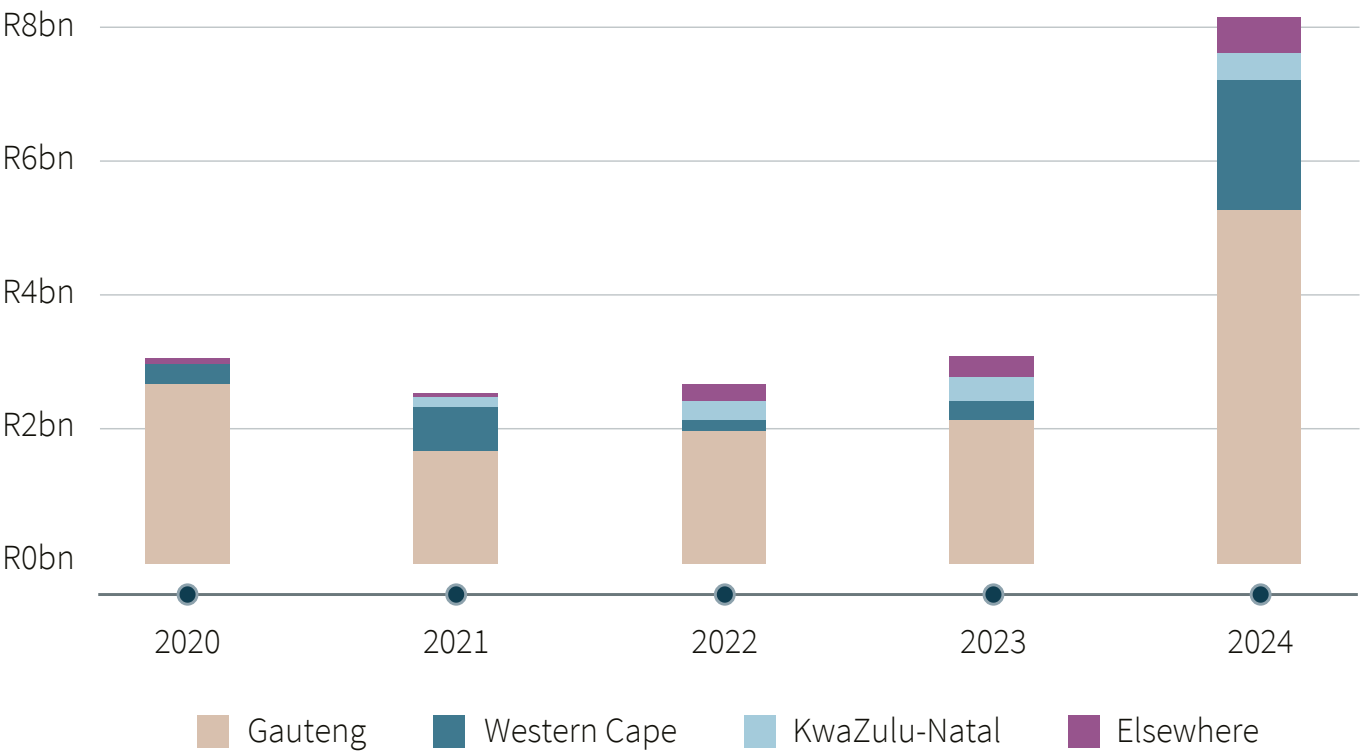


For the first time since 2021 the retail sector overtook the industrial sector, making up 30% of total volume. It rose by 13% year-on-year to R7.5 billion. Transaction activity for the year included several landmark deals. Almost half of all investment into the sector took place in the Western Cape, with sentiments bolstered

by the ongoing “semigration” of formally employed families.

It must be noted that two regional shopping centres in Gauteng traded hands via share sales and as a result could not be included in this analysis, which only covers direct transfers of title.

Total Investment



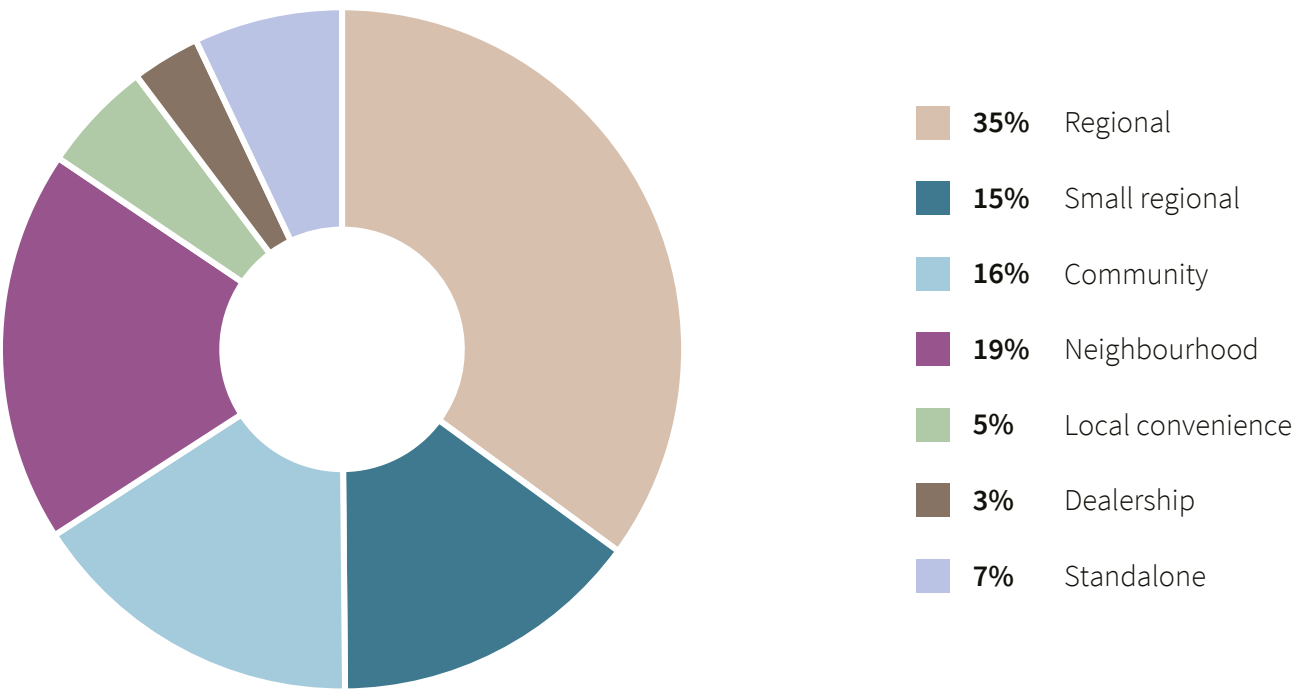
Source: JLL Research

The Western Cape took market share from both Gauteng and elsewhere in SA in 2024, growing by over 270% year-on-year. Proportionate investment into KZN’s retail sector also almost doubled in 2024, however this region’s aggregate investment pales in comparison to the Western Cape and Gauteng.

Most of the major deals concluded in 2024 relate to large, urban shopping centres, while the development market is more active within the rural and township retail segments. The recovery from weak consumer and tenant demand fundamentals that was sustained through 2020 and 2021 is clearly ongoing.

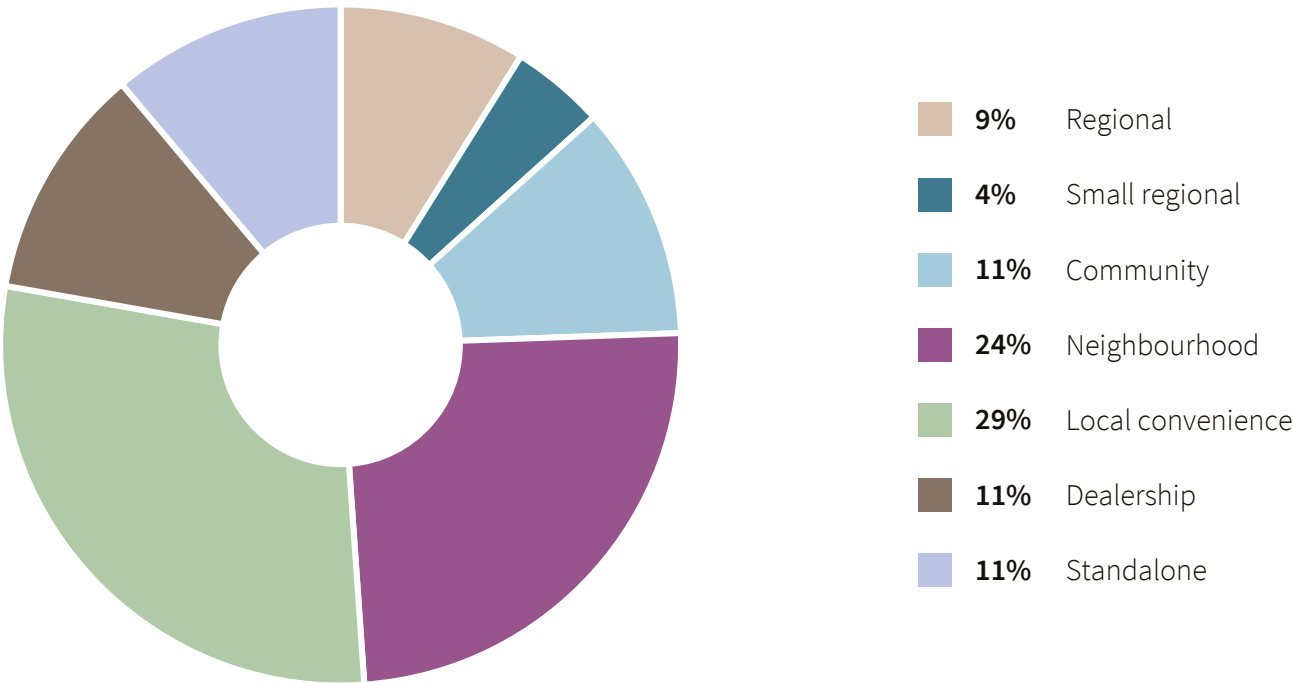


Market Activity – Value



Source: JLL Research

Market Activity – Count



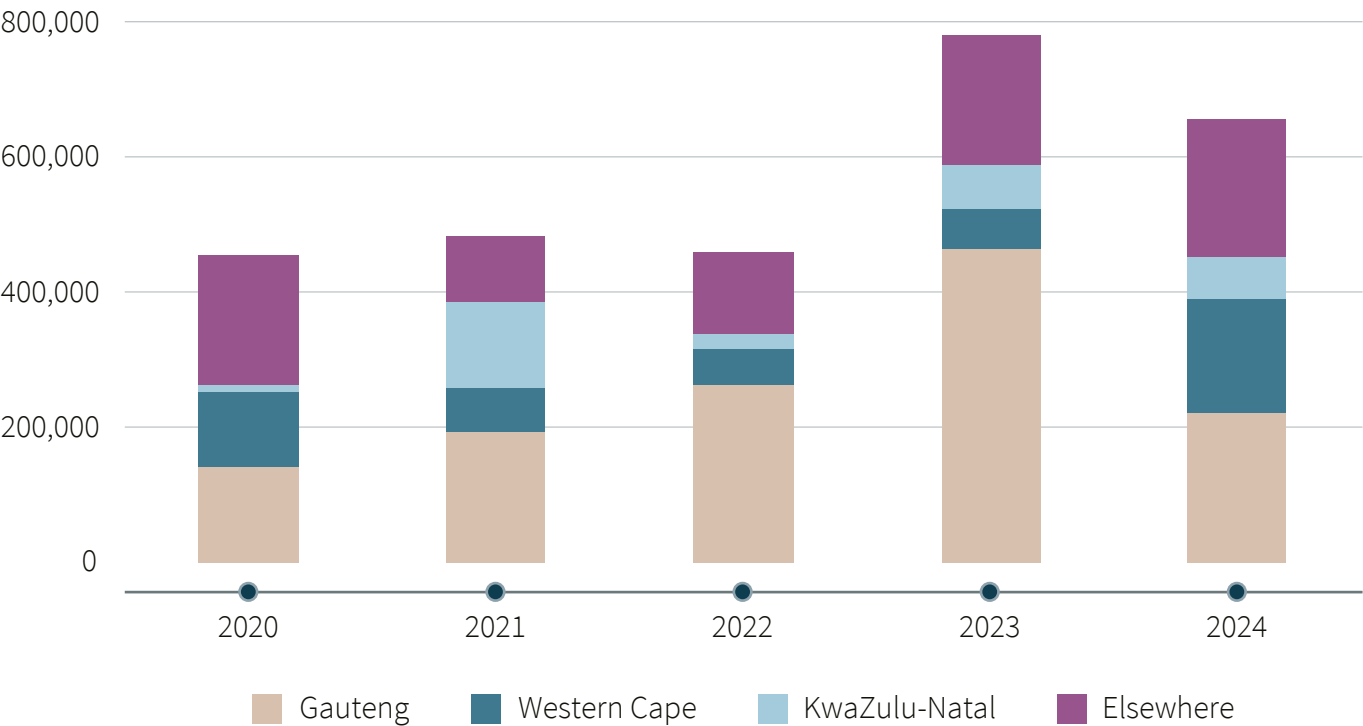
Source: JLL Research

Local convenience centres were the most actively traded shopping centre format in 2024, albeit at the lowest average ticket price, contributing only 5% to the sector’s investment deal flow. In contrast, the four direct transfers categorised as regional centres contributed more than a third of the sector’s annual deal flow.

The Western Cape recorded the greatest number of transactions as well as investment value. A marked decline in the number of transactions was noted in Gauteng, falling from 22 in 2023 to 15 in 2024. As was the case in 2023, the calibre of retail centres being bought and sold trended upward, as evidenced through the growth investment value, amid a decline in the aggregate number of transactions. The trend is even more pronounced in 2024, as the sector’s investment footprint declined by 18% from last year’s total.



Investment Footprint, sqm



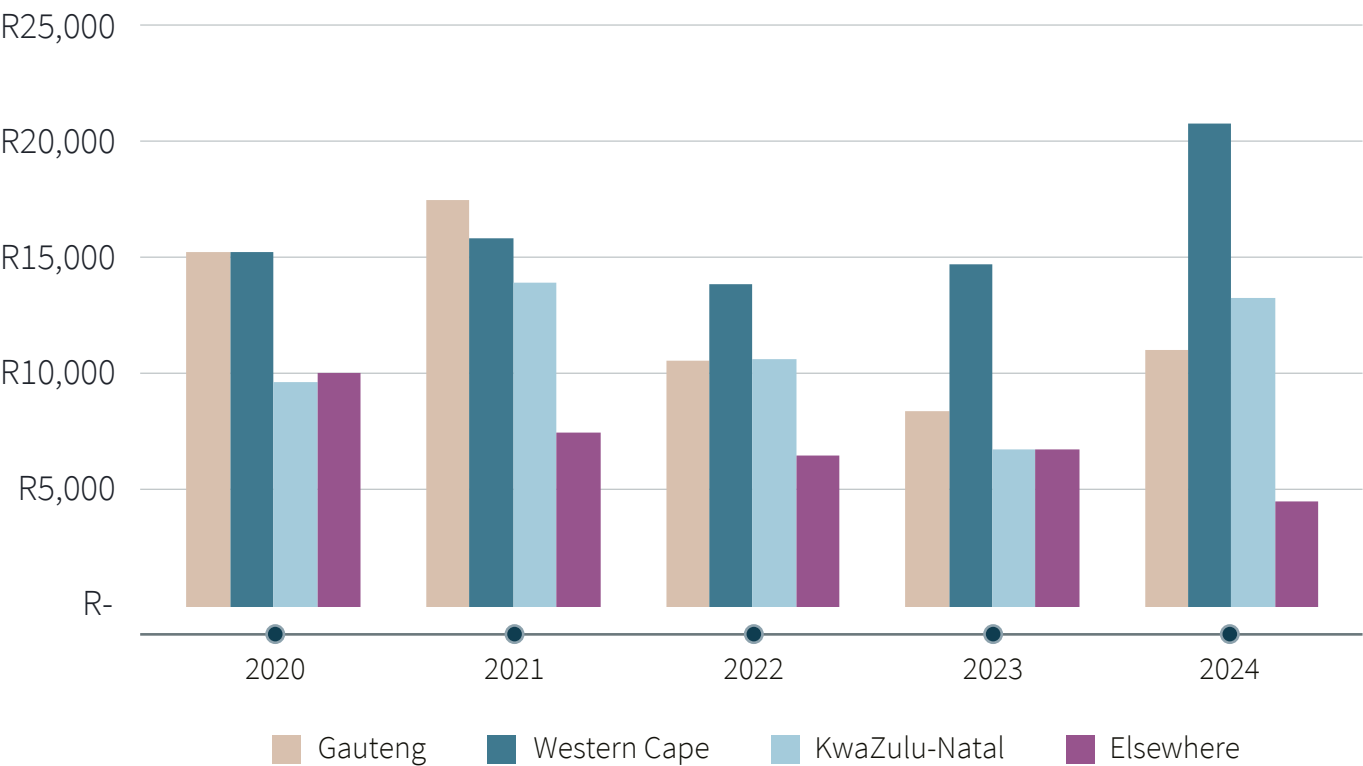
Source: JLL Research



The national average sales rate for the retail sector increased by 38% in 2024 to R11,700/sqm. Rates were higher year-on-year in all three core provinces, with KwaZulu-Natal leading the annual growth. Sales rates are significantly higher in the

Western Cape (R20,900/sqm in 2024) compared to the rest of the country – a trend that has been evident since 2022. Sales rates outside of these core regions declined by roughly a third in 2024, with an annual average of less than R5,000/sqm.

Average Sales Rate, R/sqm



Source: JLL Research

Investment trends in the retail sector reflects improved investor sentiment toward the sector, particularly for neighbourhood and convenience centres nationwide as well as dominant regional malls in the Western Cape. Metrics such as footfall and trading densities improved, on balance, as the year progressed, as did gross rental growth

and vacancy levels. The low base set by the pandemic remains pertinent, with the metrics that have not yet exceeded pre-pandemic levels now finally being within touching distance. Non-dominant regional shopping centres remain the least desirable type of asset within this segment of the market.

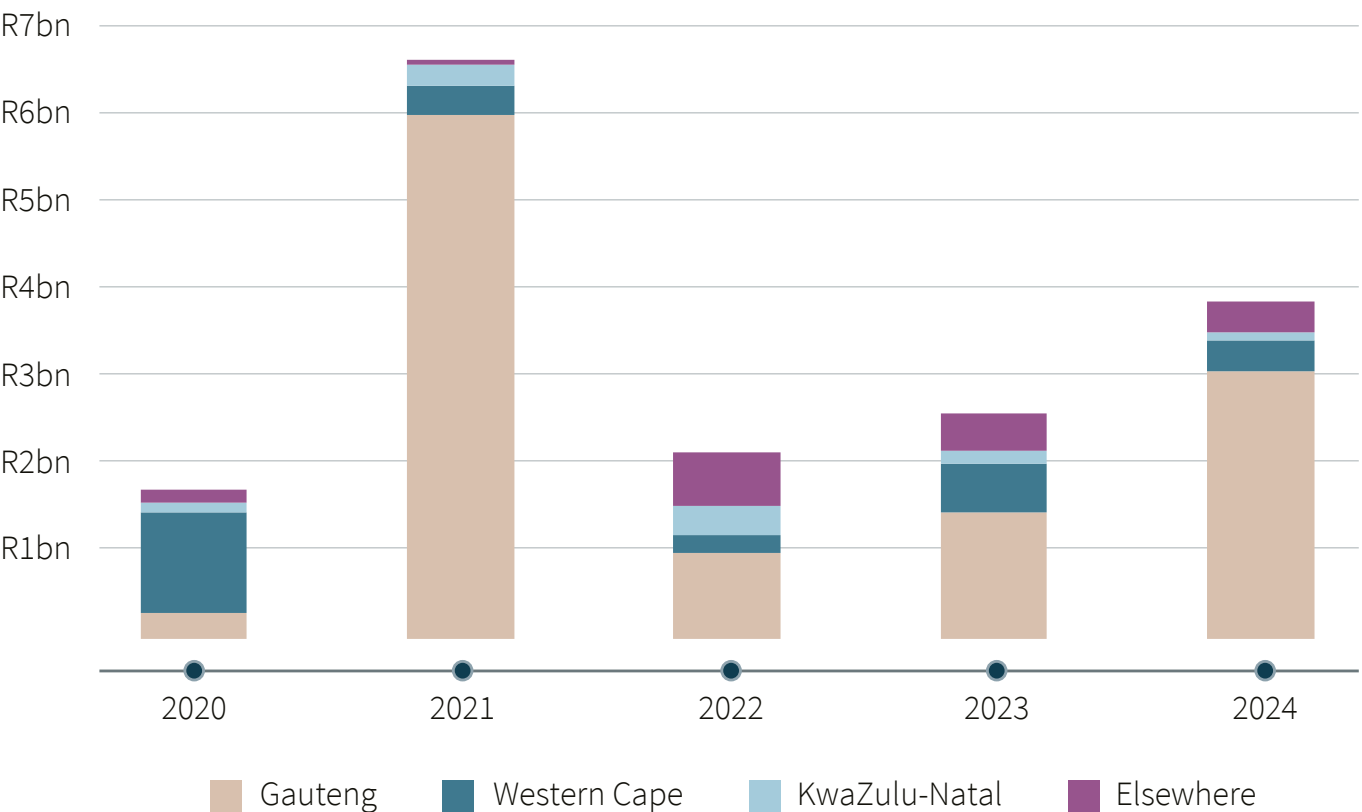
Alternative, Living, and Hotels



2024 saw the second consecutive year of growth in this segment, increasing by 13% to reach nearly R3 billion. Two large 'living' (multi-family housing) topped the charts in terms of deal size. Aggregate investment into filling stations grew by over 500%

in 2024, and unlike in 2023, a renewed interest in education-related properties emerged. Investor interest in alternative property assets is ostensibly growing once more.

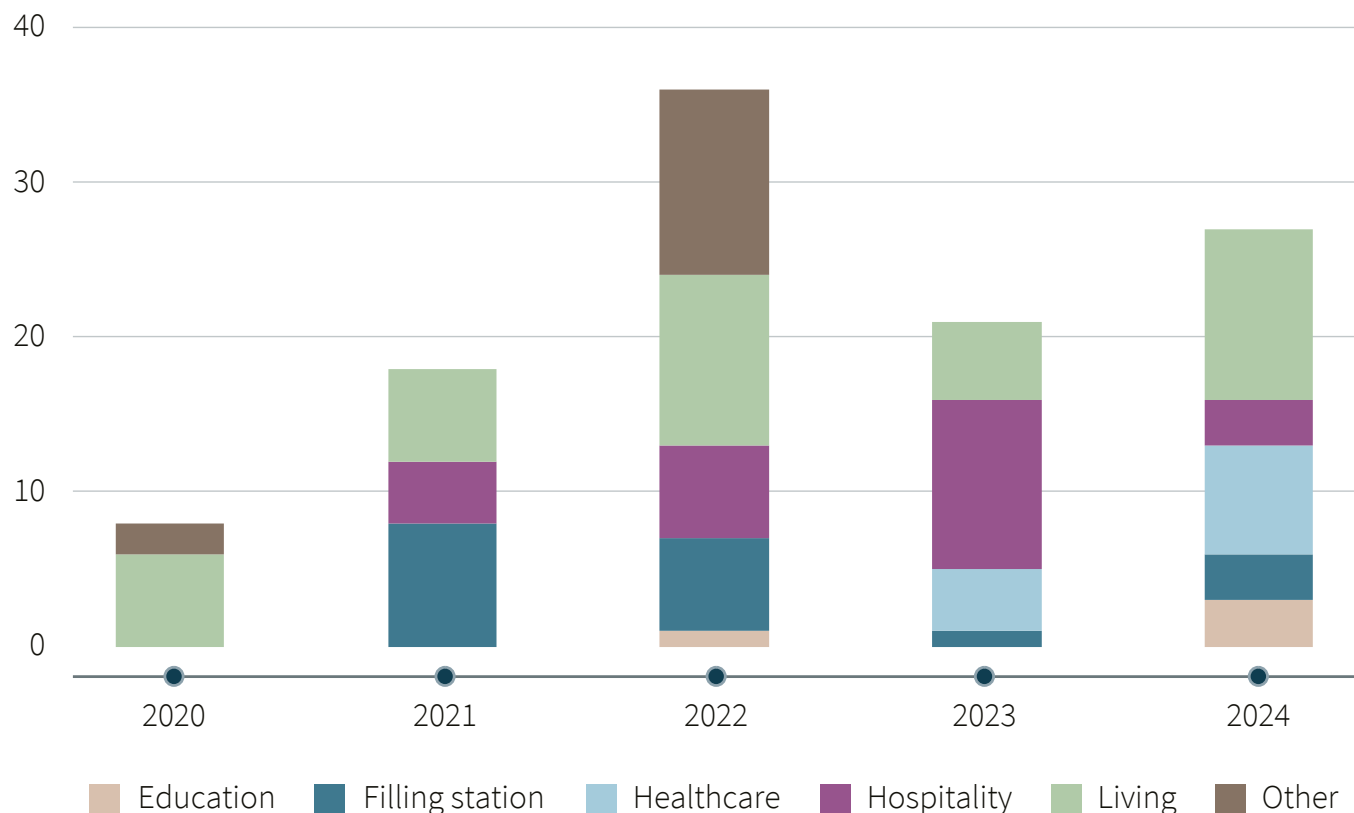
Total Investment



Source: JLL Research

As has historically been the case, most investment into these 'alternate' asset classes is concentrated in Gauteng (73%). Investment in this region rose by 48% to more than double 2022's total. Despite the uptick in investment value, the number or count of alternative properties transacting continued its downward trajectory, with 19% fewer deals registered in 2024.

Market Activity, Number of Transactions



Source: JLL Research

An interesting trend that has emerged is that more and more investment is flowing into more “exotic” alternative property assets. In 2022 several transactions were categorised as ‘other’ which included telecommunications, data centres, and specialised recreational facilities. These transactions, together with filling stations comprised the bulk of market activity that was not related to the hospitality sector. In 2023 the dynamic shifted once more, and the healthcare sector emerged as an

attractive investment opportunity. Although the hospitality sector contributed the greatest number of deals registered in 2023, many of these related to transactions concluded long before 2024 but closed in the year under review. In 2024 there were significantly fewer hospitality-related transactions, but momentum within the healthcare sector continued. Renewed interest was also evident in the student accommodation and education sectors.

Investment Review – CRE priced R1 Million to R20 Million



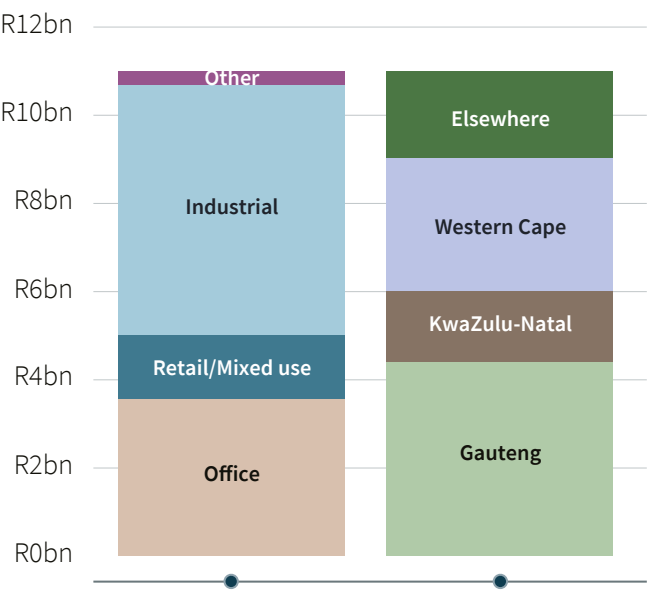
Over the past 9 years, the annual JLL Review Report focused on an analysis of deals of over R20m (i.e. roughly over \$1m). For this iteration of the report, we thought it would be interesting to touch on investment volumes in commercial real estate priced below R20 million.

In 2024, such deals accounted for around 25% of the same annual dealflow as the upper end of the market. For 2024 commercial properties priced between R1 million and R20 million located in the same nodes as those represented by the balance of this report accounted for around R7.4 billion total investment.

If this is grossed up to cover outlying areas not otherwise, our conservative estimate amounts to R11 billion aggregate investment for the year. Naturally the number of qualifying transactions is strikingly higher, with an a relatively low average transaction value of approximately R7.4 million.

Several of the investment trends revealed within the ‘higher’ end of the market (i.e. the balance of this report) are echoed within this segment of the market. Over 40% of dealflow is attributed to Gauteng, and a further 28% to the Western Cape. KwaZulu-Natal also contributed a meaningful 15% to the annual investment aggregate.

Total Investment, 2024



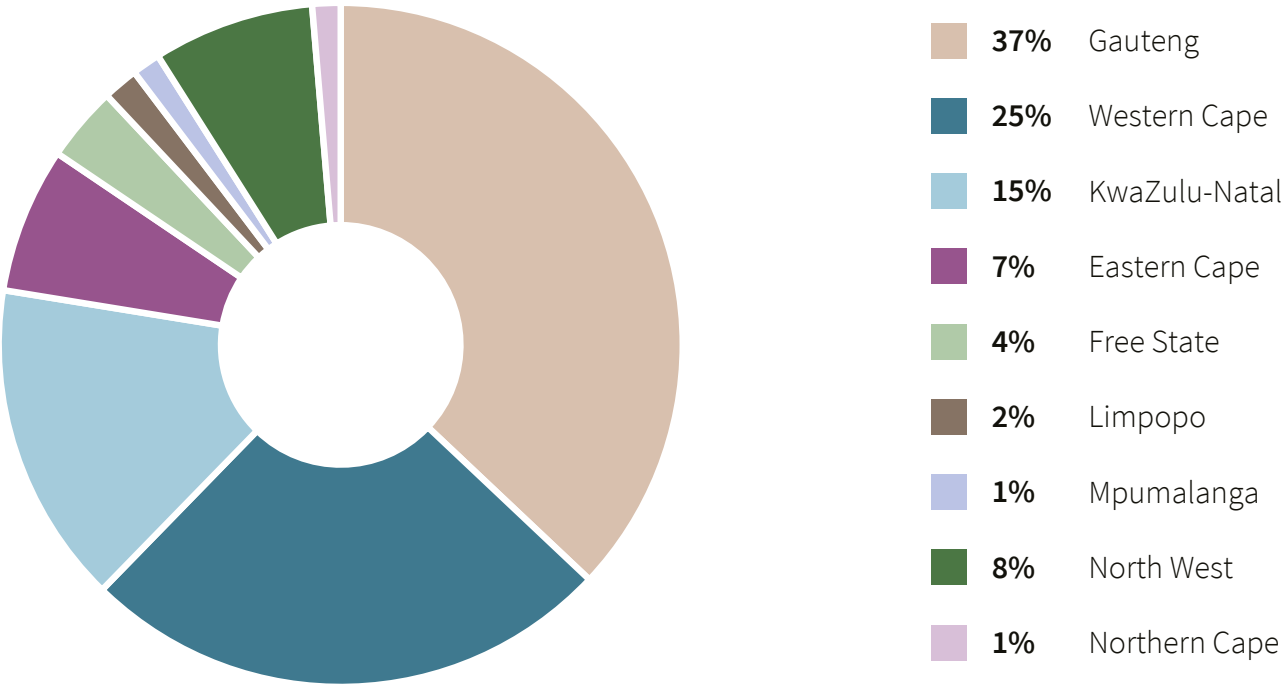
Source: JLL Research

Qualifying transactions have been broadly classified into property types, and are mostly self-explanatory, apart from the ‘mixed-use’ classification which essentially spans commercial properties where the predominant use (income generator) is undetermined. These properties are typically situated along the high street or within multi-use commercial zones, such as older CBD precincts and may feature retail accommodation on the ground level and offices or apartments above, for example.

Where the greater trend does vary from the ‘upper’ end of the market is the North West’s contribution to annual volume. Among higher priced properties the Eastern Cape ranked fourth in 2024, contributing 5%. Their proportionate share is the same within the lower end of the market, however they’re outranked by the North West who contributed 6% in 2024. Mpumalanga contributed a limited 2% to total volume but had the highest average transaction value (R8.4 million). Gauteng and the Western Cape followed closely behind at R8.2 million and R7.9 million respectively.

These were the only regions to outscore the national average. The average ticket price was highest among the Living sector, with most transactions relating to small blocks of flats. The greatest number of transactions similarly took place within Gauteng. Proportionately, fewer, higher value properties changed hands in this region, with a similar trend evident in the Western Cape. The inverse is apparent in most other regions. Together Gauteng, the Western Cape, and KwaZulu-Natal accounted for more than 80% of total investment.

Market Activity, 2024 (Number of transactions)



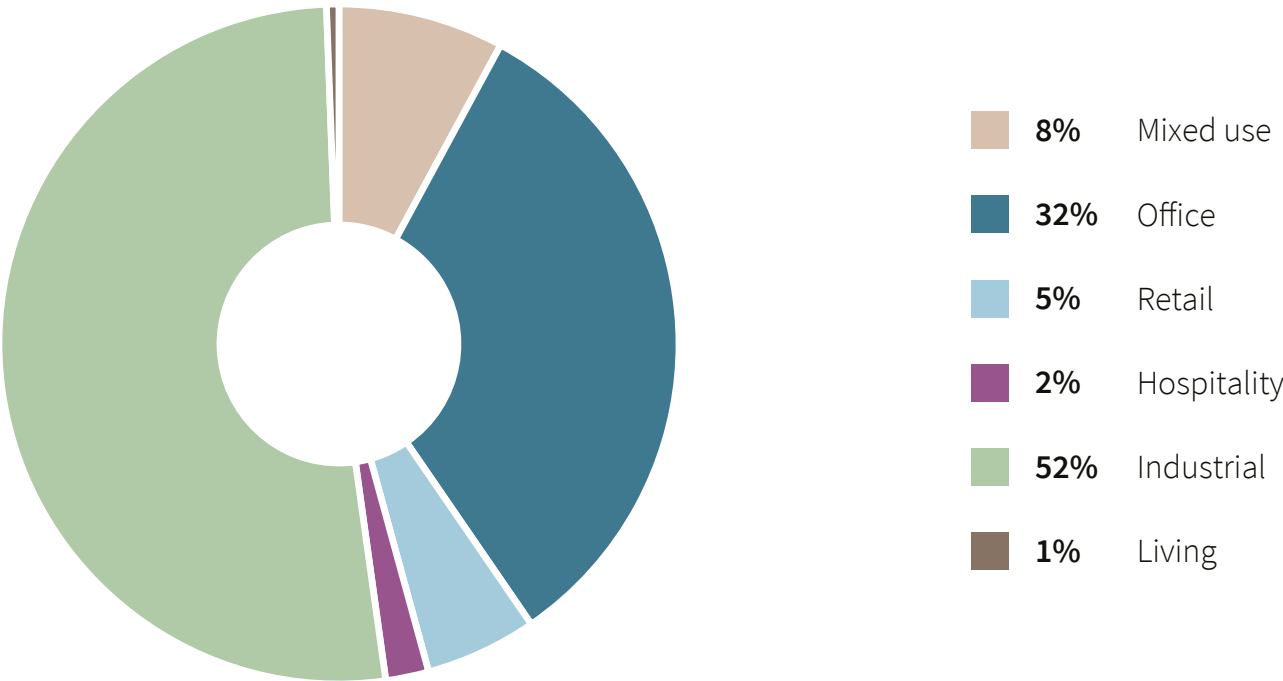
Source: JLL Research

When considering the same metric among the primary property types surveyed, the proportionate value of industrial transaction values was higher in 2024 and lower for all remaining property types. It therefore follows the industrial sector is the most actively traded in the sub-R20m market. Interestingly, in Gauteng the dealflow is almost evenly split between the industrial and other commercial property types. Half of the transactions in this region are office, retail, or mixed-use properties, and the remainder are industrial. In value terms the split is more skewed toward the industrial sector, but not heavily.

A similar trend is evident in the Western Cape since half of all transactions registered related to industrial properties. A core difference is that there were more ‘other’ deals, making up approximately 8% of deal volumes. There were virtually no ‘other’ transactions in Gauteng.



Market Activity, 2024 (Number of transactions)

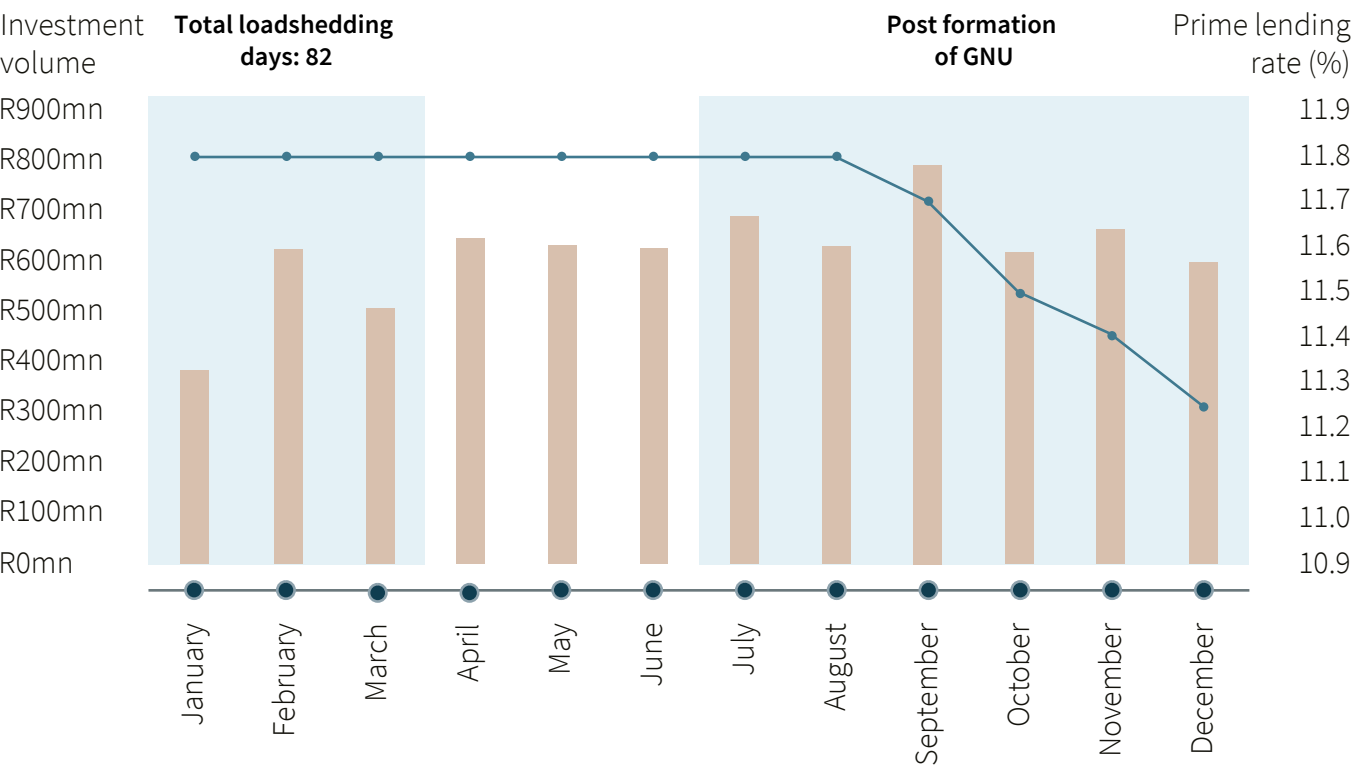


Source: JLL Research

The median transfer period (nationally) for this market segment amounted to 126 days in 2024, meaning properties officially change hands roughly four months after the sale is concluded. As in the rest of the market, activity cleared picked up as lending rates improved and there was a transition in governance. Case in point being September’s total investment volume of nearly R800 million – most of these sales agreements would have been signed around May and June

– corresponding with the period immediately following the national elections whose outcome was positively perceived by investors nationally and abroad. The dip in December is not considered reflective of weakened conditions nor sentiment, rather it is borne from the logistical nature of the Deed’s Registry closing over the festive period, resulting in a shorter timeframe for registrations.

Temporal Analysis, 2024



Source: SARB; JLL Research

While several of the transactions comprising the sample above relate to REIT and other institutional or corporate disposals, most are not what is traditionally considered ‘investment grade’ assets. It is therefore interesting to note that risk factors and activity trends are similar among the two buyer pools.

Concluding Remarks



The South African commercial property market demonstrated resilience and growth in 2024, overcoming early challenges and a glut of distressed sales to achieve record deal flow exceeding R27 billion. This performance reflects a complex interplay of factors, with the first being elements of an economic recovery. The easing of loadshedding, declining interest rates, and improved political stability created a more favourable investment climate, particularly in the latter half of the year.

Sector dynamics were another important factor. Offices saw a significant uptick, largely due to distressed sales from troubled REITs. Retail rebounded strongly, particularly in the Western Cape, driven in large part by semigration trends. The industrial sector, while slightly declining, remained robust with high demand for quality assets. Regional shifts further came into play, as the Western Cape continued to solidify its position as a major investment hub, consistently capturing over 30% of total deal volume in recent years, despite its smaller CRE inventory. Investor preferences within alternative asset classes similarly shifted in 2024, as investment into living, healthcare, and education-linked properties gained momentum to show a diversification in investor interests.

Finally, with regard to market segments, the end of the market priced below R20 million was tracked for the first time, and showed similar trends to the upper end. When this market segment is included, South Africa's annual CRE investment increases by a conservative multiple of 1.4.

Looking ahead to 2025, the market is poised for continued growth, building on the positive momentum established in late 2024. Key factors include the impact of further interest rate cuts on liquidity, continued evolution of office demand in prime locations, potential for increased foreign investment as political stability improves, and ongoing demand for quality industrial, logistics, and retail assets.

While challenges remain, particularly for non-dominant or older and less efficient properties across asset types, the overall outlook for the South African commercial real estate market is optimistic. Investors should remain attuned to evolving market dynamics and emerging opportunities across sectors and regions as supply shortages will worsen for in-demand assets across property types, and the early-mover advantage may peak as the cycle matures. Therefore, in conclusion, all else held constant, 2025 should be another bumper year from an investment volume perspective.

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