

Latest JLL report examines key investment trends following Covid-19

JLL's recently released *2019-2020 South Africa Investment* report provides insights on key investment trends observed following the impact of Covid-19. According to the report, the economic impact of Covid-19 is expected to place downward pressure on rental levels and capital values across all market segments, and the trend is expected to persist over the short to medium term, as markets remain in a downturn phase.



Image source: www.pexels.com

Despite this, the demand for warehouse and distribution space has remained resilient, boosted by retail driven e-commerce and supply chain diversification. Defensive sectors, such as healthcare and logistics assets, continue to garner interest, with active investors considering income stability, operation criticality and occupational density to be critical factors in mitigating asset-level risk.

More people pursuing online shopping

“Movement restrictions and new social distancing norms implemented in response to the Covid-19 pandemic, in addition to consumer preference and behaviour change, have seen more people pursuing online shopping alternatives, which has further strengthened e-commerce. While the value of transactions in 2020 slowed considerably when compared to the equivalent 2019 January-to-April period, investment sentiment in the industrial space has shown the most resilience. We anticipate retail-driven warehousing and distribution space demand to expand over the short-to-medium term,” commented Michael Scott, research analyst, JLL SSA.

Retail most adversely impacted

The report highlights that retail has been one of the most adversely impacted sectors in the wake of the Covid-19 pandemic. Trade restrictions compromising business operations has seen landlords collect as little as 40% to 50% of their rentals due for the months of April and May. This trend is expected to continue until markets normalise. In addition, business shutdowns have caused net operating income (NOI) instability, compromising investment sentiment. Nation-wide retail investment transactions for 2019 amounted to R5.3bn, a 20.5% decrease from 2018's R6.7bn spend. According to JLL, this negative slide continued into 2020, with only R557.9m spent by the end of April.

Decline in office investment value, volumes

Office transaction activity in 2019 experienced a notable decline in total office investment value and volumes, with year-on-year contractions of 23% and 12.3%, respectively. Total value in office transactions was recorded at R7.6bn for 2019, with 50 deals having taken place, nine fewer than 2018. This is in part due to multiple new developments coming to market simultaneously, placing pressure on an already over supplied office market. While Gauteng continued to dominate the office sector from a value and volumes perspective, the Western Cape led the charts in terms of average capital value per sqm.

Download the full report [here](#).

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