The inner city of Johannesburg is gaining popularity among property investors and tenants alike. TUHF has been financing property entrepreneurs in inner cities since 2003 playing an integral part in Johannesburg’s urban regeneration. TUHF’s Mortgage Manager, Rose Valloo shares some insights.

Give us an overview of the Johannesburg inner city property market?

Johannesburg’s inner city is home to over 92,000 households, of which almost 90% rent their accommodation, 6% are living in accommodation they own, and the balance of 4% dwell in hostels or informal circumstances.

The inner city is in the middle of a residential property growth phase fuelled by property investors both large and small refurbishing and converting existing buildings to decent and affordable accommodation. In addition, listed property funds and Real Estate Investment Trusts have also entered this market in recent times.

We have also seen the start of some significant Greenfields residential developments.

What Johannesburg inner city areas have the most potential for property investors & why?

Joburg’s inner city is large and very diverse offering opportunities for an equally diverse group of investors depending on their experience and appetite.

Emerging and small landlords may find refurbishment and redevelopment opportunities in semi-detached houses and small apartment
buildings in areas such as Rosettenville, Malvern and Bezuidenhout Valley.

For the larger, more established investor, there are medium and high-rise residential and commercial buildings in areas such as Hillbrow and Berea where City of Joburg encourages conversion into residential stock. As the market normalises, further opportunities exist for developers to construct Greenfields developments.

Lastly, for the risk-taker, there are significant opportunities in light industrial to residential conversion in the near-city areas such as Jeppestown and Doornfontein.

**What makes Johannesburg inner city a more attractive opportunity for property investors as opposed to other inner cities such as Cape Town and Durban?**

Johannesburg inner city is a hive of diverse economic activity, close to transport nodes, schools, places of work, entertainment and shopping.

It also boasts the biggest transport node in Africa, with trains, busses and up to 4 000 taxi’s bustling through the city on a daily basis culminating at centres such as Park Station and Ghandi Square.

According to TPN, the residential rental default rate is recorded at less than industry averages for areas such as Sandton.

**What are Johannesburg inner city property investors’ main challenges?**

Despite City of Joburg’s ambitious plans and precinct developments, the day to day management of the city such as consistent and accurate billing of utilities and a laxed approach to enforcement of bylaws cause the biggest challenges for property entrepreneurs.

Success in inner city residential rental requires a thorough understanding of the area of investment, a hands-on approach as well as knowledge of demographics, demand profiling and the property market. Without the above entrepreneurs may run into challenges.

**Who are the residential rental tenants of the Johannesburg inner city? How does it differ from one inner city area to the next?**

The inner cities tenant demographic is mostly young, formally employed couples or families, unskilled labourers, hawkers, seasonal workers and foreign national entrepreneurs.

Braamfontein offers a normalised residential market, with a high proportion of students. On the other hand, enclaves within the city such as Maboneng and parts of Braamfontein are attracting eclectic middle to upper-income tenants.

The traditional residential high rise areas of Berea and Hillbrow are increasingly reclaiming their former status as stable residential rental areas for middle income households.

Sadly, there are still a large number of impoverished people living in very dire conditions. Most of these people pay rent to illegal landlords, in some instances without basic living conditions such as running water or electricity. Examples of this can be found in the old warehousing areas of Jeppestown, Doornfontein and New Doornfontein.

**Developments & future focus**

**What significant developments have taken place in the Johannesburg inner city over the last few years?**

Significant investment both from the private and public sector has seen multiple people from all walks of life move back into the city. Catalysing public sector projects include Gautrain, the Rea Vaya bus system and the iconic Nelson Mandela Bridge. The private sector has contributed by investing in areas across the city creating affordable and decent living spaces attracting tenants and in turn stimulating local economic development.

**What are local government’s strategic plans for development? What is the timeline of this?**

COJ’s Corridors of Freedom project has successfully connected outside nodes to the inner city allowing for ease of access and opportunities for more people to earn, work and learn in the city. Areas that have benefited from this include Turffontein, Rosettenville, Bellevue and Yeoville. Further extensions are underway.

In addition a R400 million intermodal transport hub is under construction between Braamfontein and Newtown just east of the Queen Elizabeth Bridge, planned for completion in 2018.

Turffontein has been further earmarked by the JDA for the development of the Rotunda Park Precinct over the next four years. The Hillbrow Tower Precinct upgrade is also nearing completion.

These public sector infrastructure investments create opportunities for property entrepreneurs to capitalise on investment in the surrounding areas.

**Resources**

TUHF