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Gautrain stations signal higher property prices



An artist's impression of the Kgoro Central mixed-use development to be built above the Sandton Gautrain station will include offices, three hotels and up to 2 000 apartments
Image: Supplied

Nearly six years after the Gautrain began operating, new carriages to cater for increased volumes and new routes are being touted by the management company.

But it's not just passengers who will benefit.

Quantifying the effect of Gautrain stations on property valuations and rentals could prove difficult, since the initial route planning for the Gautrain service deliberately situated stations in the most active economic centres in the province.

However, according to the management company, property developers and property analytics experts, the rapid rail service has been a driver behind the changing skylines of nodes such as Sandton and Rosebank in Johannesburg.

Rode & Associates CEO Erwin Rode said the Sandton and Rosebank stations had been big successes and predicted that other stations would experience property densification.

“ Given Johannesburg's traffic situation it's a no-brainer properties near stations will benefit. Centurion needs residential densification close to the station

Rode said Hatfield in Pretoria, which had little room for redevelopment or fresh development, had struggled to maintain rental levels due to urban decay even while commercial rentals near the other stations charged a location premium.

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Paul Barrow, development and investment director at Barrow Properties, which developed Katherine & West opposite the Sandton Gautrain station, said the stations had boosted development impetus.

"Over a short period of time we have seen a lot happening in Sandton, a lot of big buildings going up ... Companies looking for new premises want to be near the Gautrain."

Gautrain stations on future routes would be a definite draw card for developers, Barrow said. "It's a good idea to densify around the stations. That's far better than urban sprawl.


"The Sandton roadworks, the bus rapid transit system - all that work has meant Sandton is suffering in the short term, but when the upgrades are complete Sandton will come back strongly."

William Dachs, chief operating officer of the Gautrain Management Agency, said he was not surprised by the property development around the stations, since concentrated footfall of passengers was attractive to businesses and the convenience was a bonus to commuters.

But after the obvious nodes have been connected, where to next?

"Where can we now stimulate economic activity rather than take advantage of what exists? That's what we're trying to figure out now. Across the province we've identified some 40 possible station locations and we're weighing up likely economic and socio-economic benefits like job creation in small businesses."



 Gautrain on the money track

Dachs said comparing the relative values of each location in a scientific way was difficult.

"If we go to an existing node in the west of Johannesburg, like Randburg, the impact might be similar to that in Sandton or Rosebank, with some big corporates relocating there.

"But we could take a different view and go out to Cosmo City, which is relatively small now but has potential for decades of growth. We have advisers doing feasibility studies. By the middle of this year we should have options for rapid rail stations - not necessarily run by Gautrain - that will have maximum economic impact."

Given that premium tenants will pay to be near Gautrain stations, surely the management agency would like to benefit from property development to offset costs of the network?

Dachs said local regulations did not allow the management company to buy and lease property.

"We are trying to create a model for public-private partnerships that will couple station development with the private sector, which can participate in the benefits of those properties but contribute to station costs. The regulatory environment means we have to be innovative," he said.

Dachs said Johannesburg and Tshwane had co-operated to align their development frameworks with rapid rail plans. It was, however, "early days" for the adaptation of zoning laws to accommodate the Gautrain company's needs at stations.

"We have had discussions with developers - a good example is Sandton station, where the city owns the property but got into a deal with Regiments Real Estate, a private development company that will invest in developing the top of the station."

BIG PLANS FOR SANDTON STATION

One development already on the cards for a Gautrain station is Kgoro Central.

Regiments has mixed-use development plans for the top of the Sandton station, which the management company agreed to leave flat for future construction.

Niven Pillay, Regiments executive director, said the "iconic" 4ha Kgoro Central site on which the Gautrain station and Sandton library stand, has mixed-use zoning for 200,000m² of built area, aiming at 2,000 apartments, three hotels and up to 100,000m² of offices.

"These will be scattered across a seven-storey podium building with five 25-storey towers . . . There will be a large square in the middle onto which an art museum - a joint venture with the Pompidou in Paris - will open, featuring experiential art," Pillay said.

The first phase for street-level retail is already trading, while the residential block launched in December has hit sales targets and will begin construction in the middle of the year .

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