



February 2022 Non-Residential Building Statistics – Slowing plans passed, after some moderate post-lockdown recovery, points to a slowing in non-residential building activity approaching.

Non-residential building statistics release hints at slowing to come in building space completed later in 2022. The levels have never fully recovered to those of pre-2020 lockdown times.

The StatsSA February 2022 release of non-residential building plans data pointed to a mildly weakening picture for the Commercial Property Building Sector early in 2022.

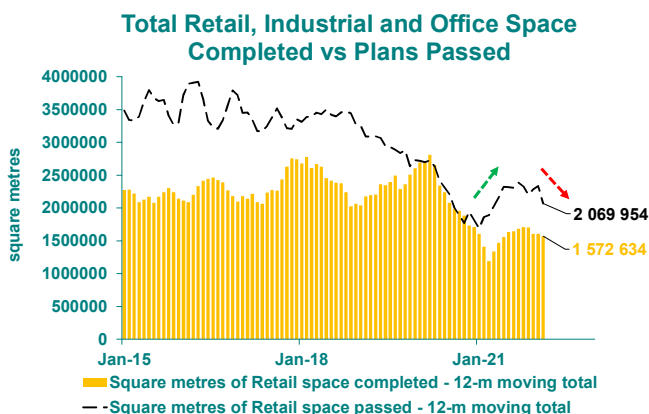
Building Plans Passed.

The square metreage of total industrial, retail and office space building plans passed declined by -66.25% year-on-year in February 2022, after a +103.85% growth spike in January .

The February 2022 level of plans passed was still -41.1% down on the February 2020 pre-lockdown level.

Non-residential building stats can be notoriously volatile from month to month though, so we also view the broader trend on a 12-month moving total basis.

Here, we have seen a +11.15% year-on-year increase in the 12-month moving total to February 2022.



However, this represents a slower year-on-year growth rate than the +38.14% for the 12 months to January 2022, while the total plans passed for the 12 months

to February is -11.4% down on the total plans passed for the 12 months to January.

Early signs are thus emerging of slowdown in non-residential building activity approaching.

Comparing with more “normal” pre-lockdown times, we see that non-residential building planning has never fully recovered since the 2020 lockdown disruptions.

The post-lockdown levels of plans passed have remained well-below pre-COVID-19 levels. For the 12 months to February 2022, square metres of plans passed were still -23.3% below the 12 months to February 2020 and -38.9% down on the total passed for the 12 months to February 2018.

Building Completions.

Building completions, typically tracking plans passed with a lag, also recorded year-on-year decline in February 2022 to the tune of -26.52%, after a slight +5.2% year-on-year increase in January.

On a smoothed 12 month moving total basis, square metres completed were up by +11.24% year-on-year for the 12 months to February 2022, compared with a slight +0.05% increase for the 12 months to January 2022.

However, square metres completed for the 12 months to February 2022 were still weak by pre-Covid-19 standards however, being -41.5% down on the 12 months to February 2020 and -43.4% down on the 12 months to February 2018 levels.

While total square metreage of commercial buildings completed for the 12 months to February 2022 saw accelerated growth, slowing growth in plans passed suggests that there may be some slowing in building activity and completions later in 2022.

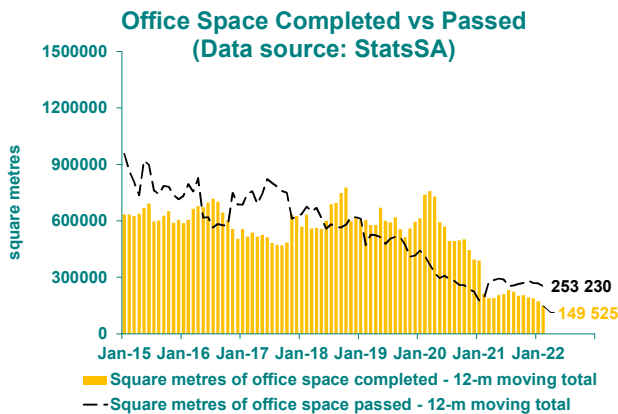
Building Trends by Major Property Class

- Office Space Planned

Office Space planning and completions remain the weakest area of overall non-residential building levels, remaining low compared to pre-lockdown levels.

Office plans passed declined by -58.96% year-on-year in February 2022 off a very low base a year prior. But we don't place much emphasis on this, because this small sector's monthly moves are highly volatile. More insightful is that for the 12 months to February 2022, square metreage of office space plans passed grew positively year-on-year by +35.85% off the low base of the 2020 lockdown year.

But while seemingly impressive, this positive growth does not nearly compensate for the earlier weakening during the lockdown period, remaining -39.0% down on the 12 months to February 2020, just prior to lockdowns, and -62.5% down on the 12 months to February 2018.



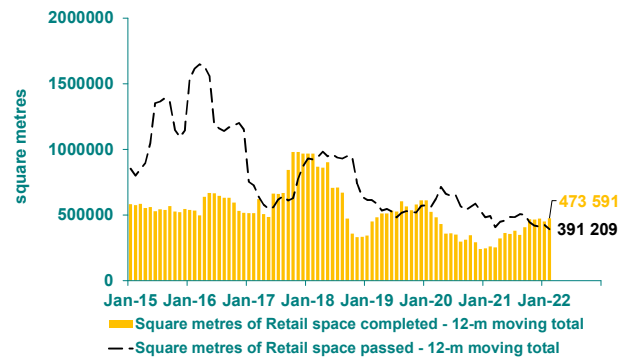
The low level of planned new office space development, despite some recent growth, is not surprising, with the national office vacancy rate at a high 18.2% in 2021 according to MSCI, although the FNB Property Broker Survey recently did hint at the start of some decline in vacancy rates. Employment numbers in the office bound economic sectors declined during lockdowns in 2020, and have not recovered significantly, greater levels of remote work compared to pre-lockdown days are a reality, and more efficient use of office space through the "hoteling" of desk space is a key factor too.

- Retail Space Planned

For the 12 months to February 2022, square metreage of retail space plans passed were -20.4% year-on-year down.

While this is a very weak growth outcome for the 12-month period, significantly weaker than the office space growth outcome, retail had less of a decline in 2020 than office space planning, and is thus a slightly lesser -30.4% down on the 12 months to February 2020 than is office space.

Retail Space Completed vs Passed



It is also a slightly lesser -57.7% down on the 12 months to February 2018 than the decline on those years in the Office Sector.

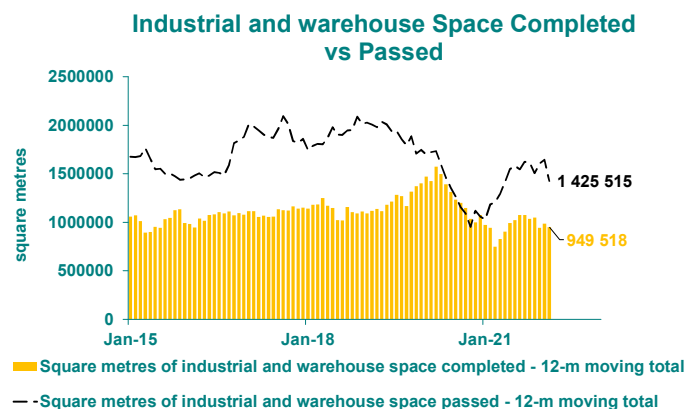
But while not quite as weak as office space planning, retail building is still very weak, and does have significant challenges. Besides a constrained consumer and still-weak consumer confidence, due to a severe 2020 recession, increased levels of online retail also challenge the Retail Sector.

The 1st quarter 2021 FNB-BER Consumer Confidence Index came in at a still very weak -13 reading, reflective of the pressures and concerns that consumers face, and that isn't strongly supportive of retailers and retail property.

Our FNB Property Broker Survey as well as MSCI, both point to the start of a decline in retail vacancy rates of late, but the mediocre consumer situation would suggest that this is insufficient to drive a meaningful improvement in retail building activity just yet.

- Industrial Space Planned

Industrial building activity remains the "least weak" of the 3 segments. Besides being the most affordable property class of the 3 majors, it receives something of a boost from greater online retail levels requiring an increased focus on logistics and warehousing. But its macro fundamentals remain weak, manufacturing production remaining mediocre and economy-wide inventory levels still low due to years of economic stagnation.



For the 12 months to February 2022, square metreage of industrial space plans passed were +20.35% up year-on-year. While this growth rate is slower than the Office Sector growth over the same period, it does come off a higher base than Office and Retail due to a less severe lockdown dip.

Therefore, the Industrial Sector's new space planning for the 12 months to February 2022 was only -17.2% down on the 12 months to February 2020 and -20.3% down on the 12 months to February 2018, significantly less than the Office and Retail Sectors.

Conclusion

In short, the signs are that non-residential building activity is set for a renewed slowdown in the near term.

Smoothed 12-month average year-on-year growth for total square metreage of non-residential building plans passed, in the major 3 commercial property sectors, slowed from 38.14% for the 12 months to January to 11.15% for the 12 months to February.

Month-on-month, the total for 12 months to February was -11.4% down on the total for the 12 months to January.

Planning has remained at weak levels compared to pre-lockdown days, having not fully recovered following the 2020 hard lockdowns.

All Property Vacancy Rates are still significant, according to MSCI data, especially in the area of office space. And interest rate increases since late 2021 may have some dampening effect.

Despite its positive growth in plans passed over the 12 months to February 2022, the Office segment is the major longer run drag on overall building activity, being the sector still the most significantly down on 2018/2019 levels, challenged by a very high vacancy rate on a national average basis.

Given the key structural changes in office work, including a shift to greater remote work and the hoteling of office space, the Office Segment is likely to be an area of long-term building activity underperformance, with its share of total building activity likely to decline further in the longer term.

The retail space planning picture is not significantly stronger than that of office space planning either.

Industrial space building activity is at the strongest end of the spectrum, although not up at pre-lockdown levels either. Industrial property has important structural changes in its favour, with greater levels of online retail requiring it to gear up in the area of warehousing and logistics. However, the Manufacturing Sector remains mediocre, and economy-wide inventory levels are low due to a longer-term economic growth stagnation, so while Industrial building activity has been better than Retail and Office in recent years, it isn't overly strong.

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Building Plans Passed

	2019	2020	2021	Q2-2021	Q3-2021	Q4-2021	Dec-21	Jan-22	Feb-22
Non-Residential Buildings									
Office space (m ²)	415 839	224 177	269 298	44 831	39 778	38 828	7 289	6 479	10 199
Y/Y % change	-32.9	-46.1	20.1	37.3	-38.0	14.7	-66.0	-17.9	-59.0
Office space (R 000)	3824 190	1818 306	2498 126	388 652	359 414	388 358	66 235	37 330	78 583
Y/Y % change	-35.0	-52.5	37.4	48.1	-33.6	45.0	-61.1	-39.4	-67.4
Shopping space (m ²)	569 280	533 742	411 068	214 071	63 323	48 309	9 799	22 335	37 011
Y/Y % change	-11.0	-6.2	-23.0	57.4	30.7	-64.9	-43.1	141.6	-47.1
Shopping space (R 000)	4516 237	4379 164	3148 697	1564 344	579 420	338 741	77 759	209 021	230 841
Y/Y % change	-15.4	-3.0	-28.1	29.7	61.5	-69.8	-47.6	231.1	-58.9
Industrial and warehouse space (m ²)	1745 758	1058 835	1604 872	410 196	281 247	409 195	186 777	70 594	88 236
Y/Y % change	-13.4	-39.3	51.6	494.8	35.8	-4.2	113.9	123.2	-71.2
Industrial and warehouse space (R 000)	11083 202	6937 570	10130 341	2629 366	1805 106	2596 854	1163 281	471 026	564 060
Y/Y % change	-9.3	-37.4	46.0	420.3	24.4	-5.2	99.6	125.8	-69.2
Other non-residential space (m ²)	588 190	348 710	298 189	89 794	63 094	61 977	10 630	11 735	76 518
Y/Y % change	5.6	-40.7	-14.5	-1.1	-14.4	-33.3	29.0	-0.3	321.5
Other Non-Residential Space (R 000)	4218 744	2700 776	2115 461	618 719	468 890	483 852	73 382	83 592	589 136
Y/Y % change	8.4	-36.0	-21.7	-15.3	-10.5	-38.1	52.2	4.3	380.4
Total Non-Residential Buildings (R 000)	23642 373	15835 816	17892 625	5201 081	3212 830	3807 805	1380 657	800 969	1462 620
Y/Y % change	-13.5	-33.0	13.0	92.3	11.8	-22.5	45.4	93.7	-47.0
Additions and Alterations									
Other Buildings (m ²)	824 243	612 364	745 130	158 658	185 026	239 617	40 944	37 525	44 939
Y/Y % change	-9.3	-25.7	21.7	344.5	-7.2	40.9	-37.6	19.3	-1.3
Other Buildings (R'000)	8987 879	6252 159	7299 972	1626 611	1818 773	2333 366	476 998	387 455	525 195
Y/Y % change	3.1	-30.4	16.8	186.6	4.8	24.8	-33.7	32.8	7.8
All Construction Types (R'000)	30240 276	20832 853	29821 908	7167 321	7680 367	8259 950	2093 828	1800 263	2519 138
Y/Y % change	2.1	-31.1	43.1	313.9	37.1	21.1	5.8	18.2	-4.5
Total Building Plans Passed									
All construction types (R 000)	109327 384	76380 371	107897 249	28004 748	26475 555	27655 501	8163 009	8326 904	8520 456
Y/Y % change	-7.9	-30.1	41.3	257.6	36.9	8.4	22.2	49.4	-19.5

Buildings Completed

	2019	2020	2021	Q2-2021	Q3-2021	Q4-2021	Dec-21	Jan-22	Feb-22
Non-Residential Buildings									
Office space (m ²)	595 377	394 953	188 909	24 681	76 650	35 040	9 122	6 393	4 608
Y/Y % change	-3.4	-33.7	-52.2	1741.9	-9.8	-28.6	-29.2	-71.5	-83.5
Office space (R 000)	6003 374	3693 314	1690 588	207 427	632 517	394 380	78 603	49 607	40 320
Y/Y % change	4.2	-38.5	-54.2	1789.0	-19.5	-2.6	-13.6	-76.8	-82.4
Shopping space (m ²)	610 642	240 025	471 465	135 215	113 700	137 504	11 446	4 743	68 274
Y/Y % change	82.6	-60.7	96.4	333.1	81.4	88.5	118.6	-82.4	55.6
Shopping space (R 000)	5619 600	2057 763	3894 940	1034 661	843 316	1260 461	90 741	34 736	631 361
Y/Y % change	106.0	-63.4	89.3	313.9	84.4	82.8	155.2	-86.9	69.8
Industrial and warehouse space (m ²)	1402 640	1076 668	944 959	295 867	260 861	273 510	103 148	48 786	25 974
Y/Y % change	26.2	-23.2	-12.2	449.8	47.1	-32.3	-49.8	546.9	-58.5
Industrial and warehouse space (R 000)	8705 902	6713 324	6047 233	1842 822	1752 989	1725 854	613 802	319 597	161 959
Y/Y % change	32.4	-22.9	-9.9	491.5	54.8	-30.2	-49.4	614.5	-59.3
Other non-residential space (m ²)	401 533	136 958	173 560	28 577	45 753	48 144	12 284	7 397	55 392
Y/Y % change	82.6	-65.9	26.7	81.3	89.2	13.5	24.7	-26.7	83.8
Other Non-Residential Space (R 000)	2884 372	998 522	1347 856	187 840	382 524	360 068	98 508	54 767	434 783
Y/Y % change	83.9	-65.4	35.0	89.8	120.0	10.6	50.7	-19.6	55.3
Total Non-Residential Buildings (R 000)	23213 248	13462 923	12980 617	3272 750	3611 346	3740 763	881 654	458 707	1268 423
Y/Y % change	39.6	-42.0	-3.6	387.4	41.7	-3.9	-37.3	-22.6	-0.8
Additions and Alterations									
Other Buildings (m ²)	542 859	455 993	550 049	112 301	232 538	124 418	28 553	29 370	44 121
Y/Y % change	19.5	-16.0	20.6	206.0	77.5	-21.9	-39.8	196.5	103.6
Other Buildings (R'000)	5421 007	4783 318	5695 267	1340 524	2072 871	1257 034	301 186	247 839	404 554
Y/Y % change	25.4	-11.8	19.1	349.8	39.4	-18.9	-31.7	68.4	9.3
All Construction Types (R'000)	13268 178	10068 163	13481 552	2850 524	4690 911	3285 480	769 854	765 284	1156 697
Y/Y % change	7.7	-24.1	33.9	454.6	59.7	3.6	-11.3	37.3	33.2
Total Buildings Completed									
All construction types (R 000)	88970 375	49102 726	59321 070	13676 962	16337 375	17206 139	4945 958	3140 579	4909 408
Y/Y % change	21.2	-44.8	20.8	458.2	26.6	2.6	-10.6	16.1	10.6