

Inospace acquires Paarden Eiland landmark

Inospace, South Africa's owner and operator of serviced last-mile logistics parks, has acquired a landmark A-grade industrial facility in Paarden Eiland for R75m from the liquidators of Nautic Africa, a shipbuilder.



Source: Supplied.

The vacant property, purchased at a rate of R8,900/m², has a gross lettable area (GLA) of 8,400m² under a 22-metre-high roof that offered space for warehousing and manufacturing of ships.

Built in 2016 and located across the road from one of Inospace's properties, it is one of the tallest buildings in the industrial node with five storeys of office space. It will be repositioned and integrated into Inospace's growing network of properties.

"The acquisition is in line with Inospace's strategy to increase portfolio exposure to high-quality industrial real estate with a focus on last-mile logistics, urban logistics and warehousing within the Cape Town metropole," says chief executive officer Rael Levitt.

Levitt says there has been significant interest from other ship- and boat builders. However, Inospace's business model is to convert large industrial buildings into multi-let serviced logistics parks.

"We are looking at all options, such as adding another floor and introducing our range of products, like last-mile logistics spaces, workspaces, storage and a fulfilment warehouse."

Paarden Eiland, a prime industrial node situated along the N1 highway outside Cape Town's CBD, has experienced substantial growth in the last decade, mainly because it is the closest industrial area to the city.

This is a strategic nodal focus for Inospace, the largest owner of assets in the area. With the acquisition, Inospace will have five sites in the area, including Island Works, Island Workshops, Island Studios and Metalheads.

In November 2022, Inospace sold The Island Urban Logistics Park to JSE-listed Spear Reit for R185m – representing a price of over R10,000/m².

With no vacant industrial sites in most Cape Town areas and long waiting lists of tenants wanting to secure space in Paarden Eiland, market rents of about R90/m² are nearing R100/m² due to demand outstripping available supply.



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Maritime Place, a 334-unit apartment block, has been recently launched by Rawson developers on the corner of Amphin and Marine Drive. "Paarden Eiland has been earmarked for residential development and the scramble to rezone sites is putting demand pressure on tenants who need industrial facilities next to the Cape Town harbour," says Levitt.

Inospace acquired the neighbouring Island Works in 2018 from Ascension Properties, a subsidiary of Rebosis Property Fund. In 2019, a bank branch was acquired from FNB, which resulted in the property becoming the largest last-mile logistics park in Cape Town.

The property is home to businesses including Veldskoen Shoes, the Department of Sea Fisheries and Megaverse, which owns Africa's largest milling and 3-D printing machine.

Levitt says Inospace recently launched a fulfilment warehouse and third party logistics (3PL) facility at Island Works. "This has attracted significant demand from tenants who require outsourced warehousing and e-commerce solutions."

Growth

Inospace has continued to grow through acquisitions and value-adding services to cater to the needs of its tenants.

The company has grown from one asset valued at R30m in 2017 to more than R3bn worth of assets under ownership. Including the new acquisition, Inospace has 53 properties in Cape Town and Johannesburg.

Of these, 48 are last-mile logistics with the top five representing 38% of total portfolio value. The remaining four are single-tenanted traditional industrial properties, and these will be converted to multi-let parks as leases expire.

On average, its properties measure just over 9,600m². Tambo Exchange in Gauteng – measuring 25,416m² – is the largest property, followed by Island Works, which measures 24,675m².

The acquisition of the Nautic Africa property further bolsters Inospace's high-quality portfolio, and will contribute meaningfully to the ongoing sustainable and consistent cash flows generated across the balance of its Cape Town portfolio. Inospace's current portfolio occupancy sits at 98% across its half a million square metres.

Levitt says Inospace has found a niche in the logistics sector and, although conscious of rising inflation and interest rates, the company has a positive outlook.

“If we continue purchasing assets in prime locations, we will remain one of the few locally focused high-growth private property groups.”

Levitt says logistics real estate has been insulated from local and global economic shocks due to growing demand for high-quality warehouses and distribution centres.

The growth of e-commerce and, particularly, smaller and mid-sized businesses entering the sector drives demand, which results in the logistics sector outperforming other segments of the property market.

Inospace’s parks have not been negatively affected by the economic environment or recent load-shedding shocks. “Our model of creating flexible leases, value-added services and attractive last-mile delivery spaces has seen strong customer demand and growth in the last quarter,” adds Levitt.

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