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A study of commercial property lease incentives in Johannesburg

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ABSTRACT

This research is about lease incentives, concessions and inducements provided by landlords to tenants in the commercial property industry in Johannesburg, South Africa. Landlords must provide lease incentives to prospective tenants in order to remain competitive or they run the risk of losing these tenants to their competitors.

This research seeks to study the subject of lease incentives, and determine their effectiveness in securing tenants. In order to achieve this, the researcher investigates a number of factors:

- The drivers behind a tenant signing a lease on a vacant space
- The methods that landlords use to find tenants
- The different incentives in the market
- The methods of establishing the lease incentive values
- The factors that affect which incentives a landlord can offer
- The importance and effectiveness of providing lease incentives

A qualitative research approach is used and focuses on meaning, experience and understanding to analyse the data that has been acquired through the use of a survey questionnaire. The sample population in the survey is made up of property specialists that deal in the subject under study as part of their daily work responsibilities. The research is conducted in the city of Johannesburg.

The research concludes that the top two tenant drivers for office space are location and rental. Landlords need to effectively market their vacant space to attract tenants to their properties and the best method of doing this is through the use of vacancy schedules sent out to property brokerages and agencies. The top two lease incentives provided in the market are the rent-free period and the tenant installation allowance. These two incentives need to be provided by landlords to effectively compete with their competitors. The most important factors to consider in deciding which incentives to provide in the marketplace are the current economic conditions and the state of the space markets. Landlords understanding all these key variables will effectively reduce vacancies by securing more tenants and increase their overall competitiveness in the marketplace.