

# **The Changing Status of the Sandton Business District, 1969 - 2003**

Pauline N. Larsen

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Faculty of Humanities  
University of Pretoria, Pretoria  
Department of Geography, Geoinformatics, and Meteorology

Supervisor: Prof. K.S.O. Beavon

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## ABSTRACT

In popular belief urban decay in central Johannesburg drove business northwards into the suburbs and particularly into Sandton Business District, mainly during the late 1980s and 1990s. Evidence collected suggests that active decentralization began much earlier and for a host of reasons. In this respect, the emergence of Sandton Business District fits the pattern associated with poly-nucleate cities globally. Charles Colby's notion of centrifugal and centripetal forces has been found useful in explaining the changing status of Sandton Business District *vis-à-vis* downtown Johannesburg, despite the fact that suburbanization was hardly a feature of cities in Colby's time.

It has been found that the emergence of Sandton Business District is explicable in terms of existing academic thinking and literature. The main frameworks employed in the analysis include the shifting dynamics suggested by Colby's notional centrifugal and centripetal forces. The importance of an amenity locational orientation, especially with regard to higher-income and mobile communities like those in Sandton; and both the organic and more recently policy-driven push towards the recognition of agglomerative economies in the metropolitan economy, are stressed.

The Sandton Business District's competitive edge was established in the 1970s, with Sandton City providing a high-profile focal point along with then forward-thinking town planning. During the 1980s Sandton Business District emerged as the premier decentralized office address in Johannesburg. The so-called 'crime and grime' phenomenon in central Johannesburg only reared up during the 1990s, which is when the major exodus of business commenced and was accelerated by political changes, municipal capacity constraints, and a dearth of applied planning policy. The demand for space in Sandton Business District was exacerbated in the early 1990s when major corporates left the Johannesburg CBD and relocated to Sandton propelled by the escalating centrifugal forces. The reputation of Sandton Business District as the country's prime financial district was crowned with the relocation of the JSE Securities Exchange to Sandton in 2000. When institutional frameworks and the policy environment for the uni-city of Johannesburg were tightened up in the 2000s, the relationship between Sandton Business District and downtown Johannesburg became clearer. At the same time Sandton Business District was facing severe infrastructural capacity constraints coincidental with a recession in the commercial property market.

As the new century progressed, Sandton Business District started to take on the shape of an edge city, something that Garreau has described as a city on the periphery of an existing, established urban area. The possibility that Sandton Business District has the form of an edge city has also been explored.

## OPSOMMING

Daar word algemeen aanvaar dat stedelike verval in die middestad van Johannesburg die dryfkrag was agter die verskuiwing van kommersiële funksies na die noordelike voorstede en veral die Sandton Sakekern gedurende die laat tagtigs en negentigs. Daar is egter bewyse dat aktiewe desentralisasie baie vroeër reeds weens 'n verskeidenheid ander faktore ontstaan het. Hiervolgens stem die ontwikkeling van die Sandton Sakekern ooreen met die ontwikkelingspatrone van veelkernige stede wêreldwyd. Charles Colby se begrip van sentrifugale en sentripetale kragte dra by om die veranderende status van die Sandton Sakekern versus die Johannesburgse stadskern te verklaar, ten spyte van die feit dat sub-verstedeliking nie werklik in Colby se tyd voorgekom het nie.

Daar is gevind dat die ontwikkeling van die Sandton Sakekern verklaar kan word in terme van bestaande denkrigtings in die akademiese literatuur. Die veranderende dinamika wat verband hou met sentrifugale en sentripetale kragte is dus by hierdie analise ingesluit. Die belangrikheid van 'n gerieflike ligging, veral met inagneming van hoë-inkomste en mobiele gemeenskappe soos in Sandton, word beklemtoon. Algemene en meer onlangse beleidsgedrewe druk om die agglomeraat ekonomies binne die metropolitaanse ekonomie te erken, word ook ondersoek.

Die mededingende voorsprong van die Sandton Sakekern is reeds in die 1970's daargestel, met Sandton wat toe al die fokuspunt van toekomstgerigte stadsbeplanning was. Gedurende die tagtigerjare het die Sandton Sakekern na vore getree as die mees gedistingeerde kommersiële ligging in Johannesburg. Die veelbesproke verskynsel van misdaad en verval het eers gedurende die 1990's te voorskyn gekom. Dit het saamgeval met die eerste groot uittog van besighede wat versnel is deur politieke veranderinge, munisipale tekortkominge en 'n gebrek aan die toepassing van beplanningsbeleid. Die vraag na ruimte in die Sandton Sakekern het in die 1990's toegeneem toe groot korporasies, aangevuur deur verskerpte sentrifugale kragte, uit die Johannesburgse SSK na Sandton verskuif het. Die reputasie van die Sandton Sakekern as die land se vernaamste finansiële distrik is bevestig met die hervestiging van die JSE Sekuriteite Beurs in Sandton gedurende 2000. Die onderlinge verband tussen die Sandton Sakekern en die middestad het duideliker na vore getree met die verbetering van institusionele raamwerke en beleidsomgewings vir die eenheidstad van Johannesburg. Terselfdertyd het die Sandton Sakekern ernstige kapasiteitsbeperkings t.o.v. infrastruktuur, gepaardgaande met 'n insinking in die kommersiële eiendomsmark, begin ervaar.

Gedurende die nuwe eeu het die Sandton Sakekern begin om die vorm van 'n randstad ('edge city') aan te neem, 'n verskynsel wat deur Garreau beskryf is as 'n stad aan die periferie van 'n bestaande, gevestigde stedelike gebied. Die moontlikheid dat die Sandton Sakekern die vorm van so 'n randstad het, is ook ondersoek.

## PREFACE

It has been fascinating to me to witness Sandton Business District grow and expand, from little more than a single towering office block and part of a regional shopping centre on a dusty landscape, to a dense and tightly-packed financial services district. Indeed, it has always seemed to represent something of a uniquely South African anomaly. The node is at once both an exclusive and neo-apartheid urban area, while at the same time it also reflects the urban dynamics of many modern cities, especially in North America.

Sandton Business District was once termed an *umlungustan* but its development is in line with current international trends of modern urban forms. I really wanted to explore the development of the commercial district in Sandton, and examine how it and its environs grew from a so-called mink and manure residential area, to become the country's corporate and financial heartland in less than thirty years.

For me, the framework provided by Charles Colby in the 1930s, despite pre-dating much of the suburbanization that manifest in the latter half of the century, offered an intriguing context with which to understand the emergence and dazzling success of Sandton Business District in the 1980s and 1990s; but it also explained the negative factors that started to rear their heads during the early 2000s. The beginning of the end, for me, was that blazing headline – “Sandton up shit creek” – which postulated that the manhole covers would explode from the node's streets after breakfast during the World Summit in 2002. *Not* a strong selling point for the premier office location in southern Africa! Contemporary work done by the urbanist Garreau in 1991 on what he dubbed “edge-cities” likewise appeared to have resonance with the development of Sandton Business District.

Perhaps the critical point of departure for me is that whereas suburbanization in North American, European, and Australian cities reflected an expansion of the ‘old’ city, the development of Sandton represented something of a substitution of the city, a situation where downtown Johannesburg was replaced, and where income segregation would prevail as opposed to the former racial segregation.

As a practising property- and urban-economist, and long-time resident of Johannesburg, I have watched the growth of Sandton Business District, the decline of downtown Johannesburg,

the beginnings of negative locational factors in Sandton Business District, and a fresh, new perspective on revitalizing the city centre – all in little more than ten years. The year 2000 particularly stands out in my mind, with the relocation of the JSE Securities Exchange from Diagonal Street to Maud Street, somehow sounding the final death-knell for the old city centre.

Yet the 2000s, almost abruptly, ushered in another era, that of the chickens coming home to roost in Sandton Business District, so to speak. Unchecked development activity, scant planning, and little effective urban management began to show at a time when the node was highly vulnerable because of both a property recession in the suburbs and revitalization in the city centre. Net rentals in Sandton Business District not only remained static, but in some cases even declined. In a sense, the tables were turned very rapidly and, from certain perspectives, very unexpectedly.

With all the above factors and thoughts whirling around in my head, I settled on a topic for the dissertation that is simple and direct: *The changing status of Sandton Business District from 1969 to 2003*. The aim is to explain, within clear and consistent theoretical frameworks, the reasons underlying the rise (and fall?) of the node, while at the same time pointing out the uniquely South African anomalies that underpin the process. I owe a debt of gratitude to both Charles Colby and Joel Garreau for providing urban theory that was not only pragmatic but applicable to the case at hand.

My academic background in economics, with specializations in development economics and econometrics, brought me into the field of urban and real estate economics and this slowly evolved into a career, with forays into property journalism, property research and, eventually, my own urban and property economics and research consultancy. I eventually returned to journalism because I felt that I was better able to commentate on urban and property matters in that position. Understanding the Sandton Business District and its changing status as a commercial property node over the past few decades is something that I have wanted to achieve as my career has progressed.

Without the incredible support, patience and insight of my supervisor, Professor Keith Beavon, the dissertation in your hands would never have been written. Thank you, Keith, you're a fabulous supervisor and a human being that I respect deeply. A big thank-you also goes to former head of town planning in Sandton, Barry Bristow, who kindly gave of his time to discuss my

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**PAULINE LARSEN**

**OCTOBER 2004**

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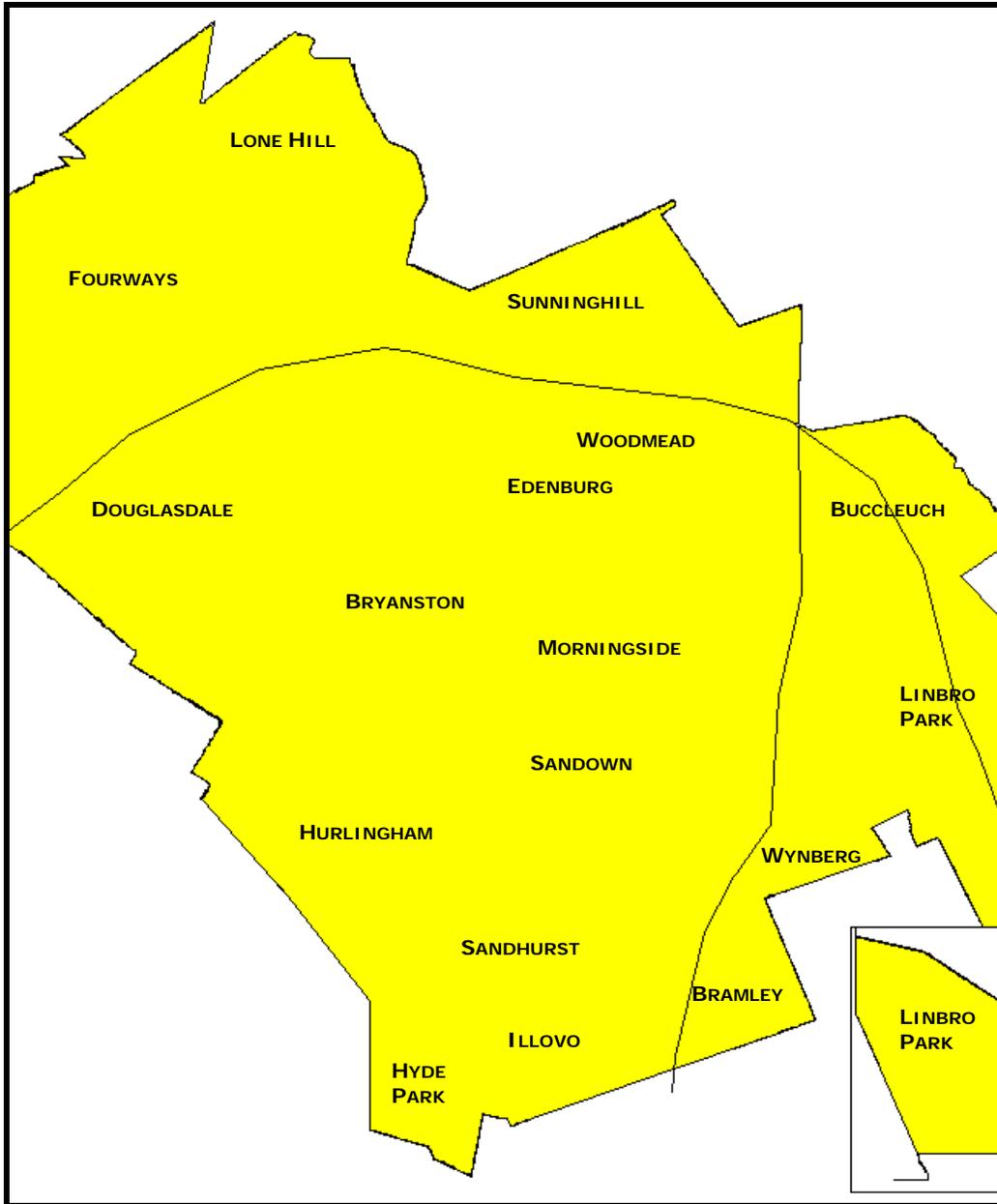
## CHAPTER 1

### Introduction

Urban analysts have long found African cities fascinating. The artificial spatial engineering of apartheid has particularly focused attention on South African cities, and perhaps most notably on the City of Johannesburg. It has, in fact, been postulated that the apartheid city experience served as a worst-case scenario of persistent social and economic inequality, perversely making South Africa one of the most interesting and illuminating places in which to be an urban scholar (Cohen, 1973; Beavon, 1980, 1997, 1998a, 1999, 2000, 2004; Smith, 1982; Brunn & Williams, 1983; O'Connor, 1983; Mandy, 1984; Drakakis-Smith, 1992; Grant & Flinn, 1992; Smith, 1992; Bristow, 1994; Mabin & Smit, 1997; Parnell, 1997; Badenhorst, 2002; CDE 2002).

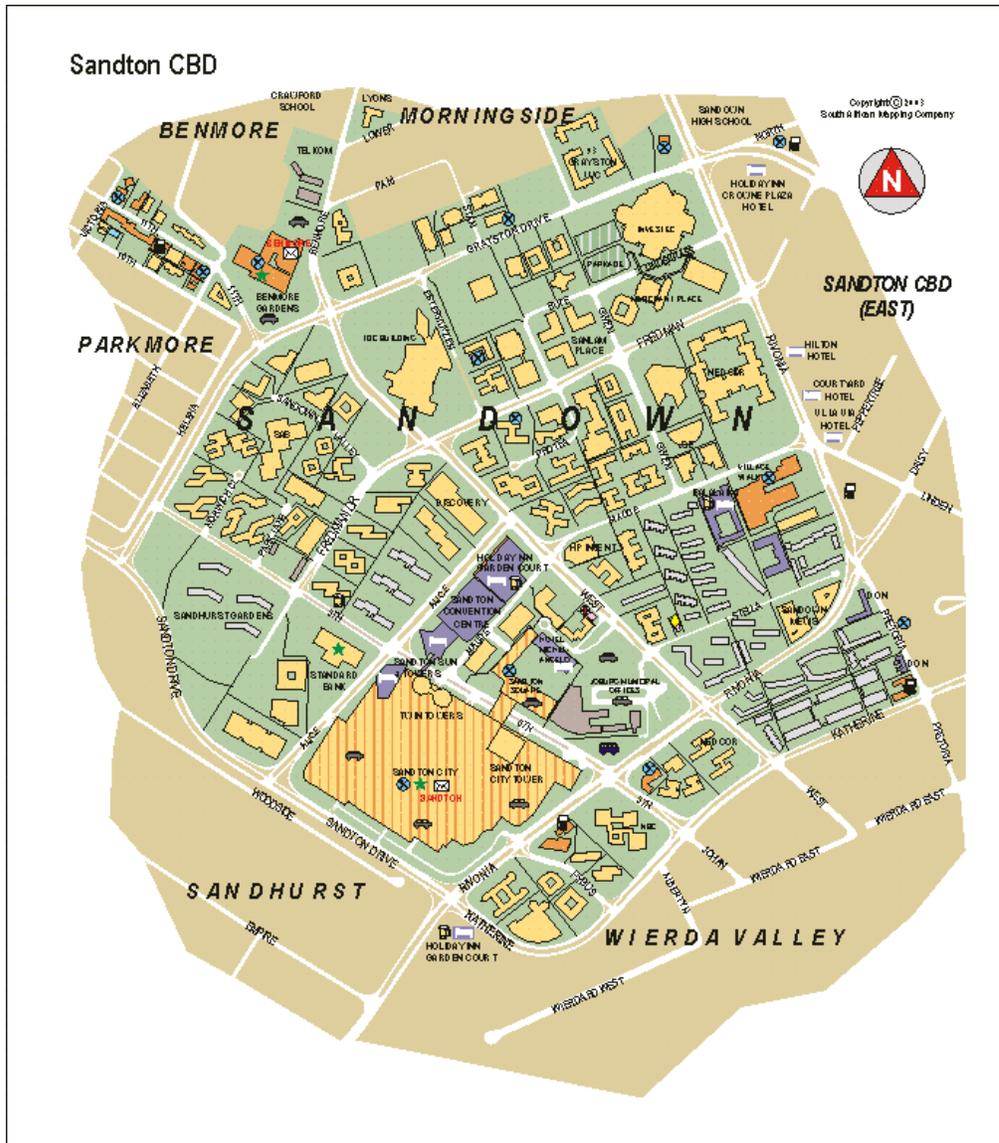
Socio-spatial segregation is of particular relevance in analysing a post-apartheid city such as Johannesburg. The need for further consideration of how to redress the past and create an acceptable post-apartheid city is one of the country's greatest challenges, one that is unlikely to be accomplished in the short-term. The City of Johannesburg has had to contend with a highly skewed spatial structure. Segregation, and thereafter apartheid-entrenched spatial division by race, ensured that low-income, black communities were located far from economic opportunities.

At the same time, there is a growing body of evidence that the post-apartheid city is, in fact, evolving into a neo-apartheid city, where spatial segregation is still marked, albeit along income and class lines, but that still reflect a *de facto* if not *de jure* racial division (Beavon, 1998a, 1999; Goga, 2003; Tomlinson & Larsen, 2003). Sandton Business District lies at the heart of the discussion in this dissertation, and presents a node that has undergone dramatic and rapid changes over the past three decades; changes that have resulted in its popular recognition as the new Central Business District (CBD) of Johannesburg. The main goal here is to track and explain the changing status of Sandton Business District, as an office and retail node, over the past thirty years or so. To accomplish that, the factors that contributed to the rise of Sandton Business District will be considered, as will the dynamics that have come to constrain Sandton Business District today. The definition of Sandton Business District is a fundamental starting-point, since, colloquially, the term *Sandton* can mean many different things. Before the democratic elections of 1994, Sandton was an independent municipality with its own local authority situated to the immediate north of the Johannesburg municipal area as shown in Figure 1.1.



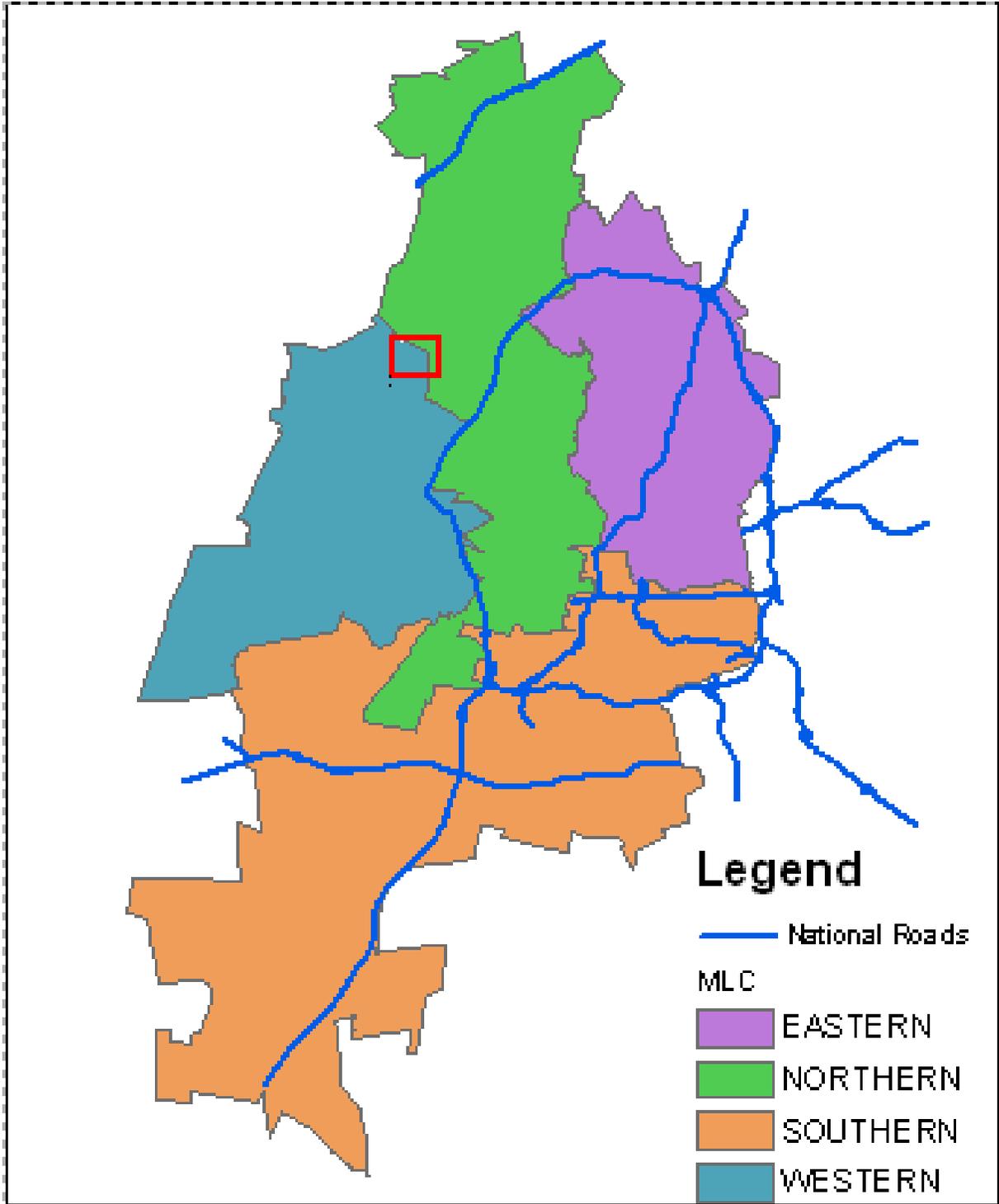
**FIGURE 1.1:** Map of the Sandton municipal area with different suburbs in the municipality. (Source: Viruly Consulting, 2004)

The Sandton Business District is officially demarcated by Rivonia Road to the south and east; Sandton Drive to the west; and Grayston Drive to the north (Fig. 1.2). In 1995, with the advent of a new metropolitan structure for Johannesburg, Sandton was reclassified as part of the so-called Eastern Metropolitan Sub-structure (Fig.1.3), a ‘municipality’ that stretched from Hillbrow in the south to the border of Midrand in the north. In 2000, when the uni-city of Johannesburg was created, Sandton became part of Administrative Region 3 (Fig.1.4).

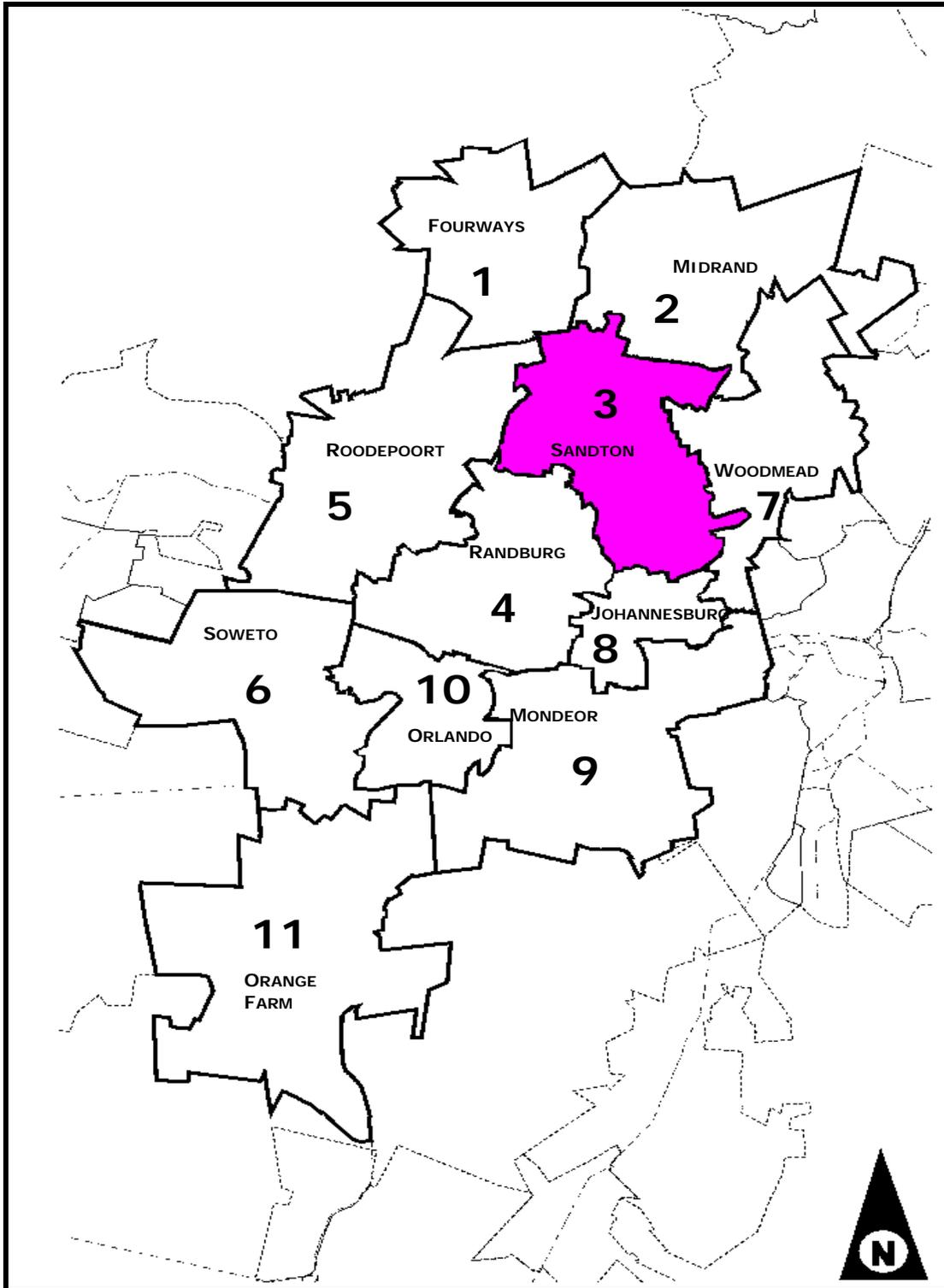


**FIGURE 1.2:** Map of the Sandton Business District and adjacent commercial areas of Wierda Valley, Benmore, Morningside and Sandhurst. (Source: Viruly Consulting, 2004)

For the purposes of this study the definition of the Sandton Business District given above will be employed. It is, however, acknowledged that there has been some spill-over of commercial activity into the adjacent suburbs of Chislehurst, Wierda Valley, and Morningside (Fig.1.2).



**FIGURE 1.3:** The Eastern Metropolitan Sub-structure within the Greater Johannesburg metropolitan area, 1995. (Source: Viruly Consulting, 2004)



**FIGURE 1.4:** Administrative Region 3 within the City of Johannesburg, 2000.  
(Source: Viruly Consulting, 2004)

### **The rising star of the Sandton Business District**

The cranes that once punctuated the City of Johannesburg's CBD skyline have been absent for more than a decade but they have been ubiquitous on the emerging profile of commercial property in the decentralized nodes of the city. Sandton has emerged as the city's new financial and high-order business district, with an office stock that reached the 1 million m<sup>2</sup> mark in 2001, from some 431 000 m<sup>2</sup> in early 1990 (Sapoa, 1990, 2001). Certainly, the status of Sandton Business District as the financial district of Johannesburg was sealed when the JSE Securities Exchange relocated there from downtown Johannesburg in late 2000.

For the last two decades, the flight of business from downtown Johannesburg has received widespread attention, in both the public media and from academic commentators. Attention has been focused mainly on the reasons for the flight, the fate of businesses and buildings that remain in the CBD, and the growing problem of general urban decay in what was formerly the major business district of the country (Segall, 1979; Prinsloo, 1994; Matsetela, 1996; Beavon, 1997, 2000; Beavon & Larsen, 1998; Tomlinson & Rogerson, 1999; City of Johannesburg, 2001a; Mail & Guardian, 2002; Goga, 2003).

In popular terms, downtown Johannesburg retains its position as the CBD in the metropolitan commercial hierarchy with respect to its massive amount of business properties and its still-impressive skyline. It is arguable, however, whether in the face of business decentralization, and the parallel decline in the city-centre environment, the so-called CBD of metropolitan Johannesburg can be regarded by its champions as the real or prime centre of business. Although the reasons for commercial decentralization have changed significantly during the past twenty years the city has been unable to redress the trend to a really significant extent.

Whereas office space in the Johannesburg CBD has consistently displayed a vacancy level of around 25 per cent in recent years, typical decentralized office nodes have shown vacancies closer to 10 per cent, at least during the 1990s. Sandton Business District in 2003 had a vacancy rate of around 15 per cent (Sapoa, 2003). The lack of success in sustaining a healthy and vibrant CBD of high-order businesses in Johannesburg is particularly disturbing since the first signs of commercial decentralization were evident as far back as 1959, when town planners were warned to take notice (Beavon, 1997).

As the exodus of businesses from the Johannesburg CBD became more marked, attention began to turn to where the bulk of the movement was headed, and the answer was northwards. The growth of northern Johannesburg, increasingly the dominant section of Johannesburg's morphology occurred during the 1950s and 1960s, when infrastructure provision and building activity accelerated significantly. Economic and political priorities saw the establishment of Randburg in 1959, followed a decade later by Sandton. By the 1970s a multiplicity of shopping nucleations was emerging in the northern areas of Johannesburg (Beavon, 1980, 2000; Carruthers, 1980).

A similar trend has been evident in the emerging pattern of the decentralized office market of Johannesburg. By September 1999 there was close to three times as much office space outside the boundary of the 'old' CBD of Johannesburg as there was within the downtown office node (Beavon, 1999). The reasons for businesses decentralizing from the CBD were being explored in some detail from as early as 1980 (Beavon, 1980; Carruthers, 1980). It will be argued here that Sandton Business District benefited from five separate phases of development and user interest, starting with the establishment of an affluent municipality in 1969, and culminating in the relocation of the stock exchange in 2000. The pattern of events that led to the emergence of Sandton Business District as the city's corporate and financial heartland is more closely tracked in Chapter 3.

Sandton Business District stands out as the shining star on the decentralized Johannesburg landscape. It has grown into an important and established commercial district in the space of less than thirty years and most particularly since 1990. Currently, it is the location of a majority of the local and international head offices in the metropolis, has a significant concentration of three-, four-, and five-star hotels, in addition to high-order retail facilities. Central Sandton has a total A- and B- grade<sup>1</sup> office stock that exceeded 1.1 million m<sup>2</sup> in March 2003, compared with the total A- and B-grade stock of 1.6 million m<sup>2</sup> in downtown Johannesburg (Sapoa, 2003). It will be argued, however, that the initial success of Sandton Business District was not based solely on the failure of, and commercial exodus from, downtown Johannesburg, but rather on the direct competitive advantages of decentralized locations offered by the northern suburbs.

Sandton has become, and still is, an important node within metropolitan Johannesburg. As the decline of the Johannesburg CBD became more pronounced, Sandton began to enjoy

significant growth in commercial activity. The emergence and growing importance of Sandton Business District has been not only rapid but quite spectacular. The catalyst for the node was the Sandton City retail and office complex, planned in the early 1970s and opened for trade in 1974. The Sandton Town Council planned for the node to have an eventual total office stock of 200 000m<sup>2</sup>, a benchmark that was clearly passed long ago (Bristow, 1994). To wit, by 1982 the Sandton business centre had approximately 75 000 m<sup>2</sup> of offices already built. By 1999 the office stock in central Sandton alone amounted to more than 800 000 m<sup>2</sup> representing a growth of 900 per cent over the 17-year period (Berkowitz, 1983).

The story does not end in 2000. The early years of the twenty-first century, as will be argued in Chapter 4, has seen Sandton Business District being hoist with its own petard. The dramatic development activity and demand push during the 1990s put a strain on infrastructure capacity in the node, while its success left it largely unnoticed by catalytic public sector initiatives. By 2003, Sandton Business District had also undergone several years of recession in the commercial property market, at a time when the downtown areas were starting to see the first glimmers of hesitant regeneration and re-investment.

#### **A simple explanation for the growth and relative decline of Sandton Business District**

One would think that Johannesburg's unique history of spatial engineering would make it difficult to identify either a theoretical context or precedent with which to analyse the urban form, certainly in terms of global urban literature. This may be even more the case in understanding the development, and metropolitan role, of Sandton Business District, which has to date received little academic attention. In many ways, however, the spatial evolution of Johannesburg mirrors that of cities elsewhere in the world, particularly in the United States. For this reason, an examination of the evolution of urban thought, particularly that pertaining to urban structure, is a useful starting point for examining the relationship between the Johannesburg CBD and Sandton.

In the consideration of Sandton's emergence as a commercial district and financial centre in metropolitan Johannesburg, particular attention will be given to the early-twentieth century ideas and theories of Charles Colby, who was the first social scientist to suggest that the shaping and making of cities were driven by forces of attraction and repulsion, and whose approach still seems relevant today in elucidating the dynamics that have affected Sandton Business District. The concept of amenity-oriented location decisions, which are based on the attraction of surrounding facilities and social infrastructure at a particular location, will also be employed,

especially given the affluent profile of Sandton residents. Finally, the urban economic concept of clustering, or economies of agglomeration will be examined (Colby, 1933; Porell, 1982; Krugman, 1991; O'Sullivan, 2000; City of Johannesburg, 2001b).

One further theoretical approach has informed the research. In the process of its growth, Sandton Business District has taken on a form that is not unfamiliar, at least not in the United States. Indeed, the node appears to have emerged as an *edge-city* (Garreau, 1991). The main purpose in this study is to track the evolution of Sandton as a commercial centre and not to simply test whether it meets the formal criteria for edge-city. Nevertheless the parallels between what has emerged in Sandton and what constitutes edge-city and the relevance to the case of Sandton Business District will be borne in mind and highlighted in Chapter 5.

Garreau (1991) argued that the suburbanization of residential land uses precedes the suburbanization of retailing, and that in turn preceded the decentralization of offices. The same notion has been expressed slightly differently, with the emphasis on those retailers who move closer to their suburban markets and exploit shopping externalities by clustering in malls (O'Sullivan, 2000). The trend has been noted in South African cities too. Some office firms can save on labour costs and exploit agglomeration economies in decentralized centres, and these are the ones that move from the city centre (Beavon, 1997, 1998a, 1999).

In addition to providing a new perspective, the edge-city concept has sparked widespread debate and examination of various cities worldwide (*inter alia* Nelson, 1993, for Portland Oregon; Henderson & Mitra, 1996, for several US cities; Freestone, 1997, for Sydney; McCarthy, 199

7, 1999, for Detroit and Chicago; Dick & Rimmer, 1998, for Jakarta; Badenhorst, 2002, for Pretoria). Many of the researchers have argued that edge-city is not purely a spatial concept. It has been described as a node existing at the intersection of: suburbanization, the decline of older and industrial cities, and property development booms. At the same time, edge-city is said to be found at the intersection of racial fears, the urban under-class, and fears of escalating urban violence. The tendency of certain groups to move outwards from, and to shun contact with, the traditional city centre is further evidence of social imperatives underlying the emergence of edge-cities. The issue of race and violent crime in creating divided cities has been explored in more detail by other researchers (*inter alia* Hall, 1988; Marcuse, 1989, 1993; Hamnett, 1994; Beauregard, 1995; Stern & Marsh, 1997; Dick & Rimmer, 1998, McCarthy, 1999).

\* \* \* \* \*

The over-arching purpose of the research reported here has been to track, analyse, and explain the changing status of Sandton Business District as a commercial property node between 1969 and 2003. In Chapter 2, the theoretical constructs mentioned earlier are presented and expanded upon, with a view to creating a useful and applicable framework for the research. Chapter 3 contains an assessment of the development of Sandton Business District through the 1970s, 1980s, and 1990s, highlighting the facilitating factors that attracted interest to the node, and the drivers that allowed for the rapid growth of the node. In Chapter 4, the node as it existed in the early 2000s is examined, and the contention is presented that the success of Sandton Business District had by then in fact become its own worst enemy, by allowing demand to outstrip supply of infrastructure, space, and services. Sandton Business District is placed within the newer and tighter policy framework developed in the late 1990s and early 2000s. A *prima facie* comparison of Sandton Business District with Garreau's definition of edge-city is made in Chapter 5, and the foundation for further work is laid, before final remarks, closing observations and further avenues for research are presented in Chapter 6.

## Endnote Chapter 1

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<sup>1</sup> The SA Property Owners Association (Sapoa, 2003) provides the following definitions of office space grades:

**Grade P:** Top quality, modern space which is generally a pace-setter in establishing rentals and which includes the latest or a recent generation of building services, ample parking, a prestige lobby finish and good views, or a good environment.

**Grade A:** Generally not older than fifteen years or which has had a major renovation; high quality modern finishes; air-conditioning; adequate on-site parking; market rental near the top of the range in the metropolitan area in which the building is located. (The following should also be taken into account in determining whether the building is A-grade or not: Consider whether the building has a good quality lobby finish, quality access to/from an attractive street environment and other similar factors, such as safety and security.)

**Grade B:** Generally older buildings, but accommodation and finishes close to modern standards as a result of refurbishments and renovation from time to time, air-conditioned; on-site parking, unless special circumstances pertain.

**Grade C:** Buildings with older style finishes, services and building systems. They may or may not be air-conditioned or have on-site parking.

## CHAPTER 2

### Framework for Analysis

Sandton Business District evolved rapidly once initial development activity in the form of the Sandton City complex was in place. Although it enjoyed early success as a premier retail and office destination, largely kick-started by the mall, its longer-term position within the metropolitan region was not without its failures. Over the period from 1969 to 2003 Sandton Business District in fact passed through many different phases, capitalized on and leveraged the forward planning of its officials, and exploited a desire for new types of office and shopping lifestyles.

The critical question is why Sandton, of all the potential commercial nodes in wider Johannesburg, emerged as such a successful retail and office node within a relatively short period of time. There are indeed a multiplicity of factors that contributed to Sandton's growth but a useful starting-point for analysis is the available theoretical frameworks of urban form, and how these help to explain the case of Sandton Business District. In this chapter just why Sandton Business District was poised for success as an office and retail node will be examined. A theoretical framework will be discussed to provide a platform for understanding the dynamics that led to the emergence and early success of the district.

As hinted at in Chapter 1, a significant trend in the cities of South Africa during recent years has been the continuous movement of businesses out of the central business districts, into suburbia, and on to the urban periphery. Not the least affected by decentralization is the Johannesburg CBD, the single largest commercial property node in South Africa. The city centre has retail space that even ten years ago was estimated at more than 1 million m<sup>2</sup> (Prinsloo, 1994). The findings of recent research concluded that there seems to be little chance of financial services companies migrating back towards the city centre, despite attempts at urban regeneration, mainly because of negative perceptions of the node combined with the preference of white-collar workers and senior management for living in the northern suburbs and being close to their place of work (Trail, 2003).

The trend of decentralization seen in Johannesburg, and notably to the north is by no means a unique phenomenon in the global context. The body of literature on the topic of cities and city structures has grown and expanded in recent decades as decentralization or

suburbanization patterns have accelerated, and the creation of polynucleate cities, as opposed to the original urban structures that were premised around a single, mixed-use nucleus, has become more evident (*inter alia* Harris & Ullman, 1945; Garreau, 1991; Harris, 1997; O’Sullivan, 2000).

What makes Johannesburg unique is the role that apartheid played in decentralization, and the emergence of what has been called a neo-apartheid city (Beavon, 2000; Goga, 2003). It is thus useful to recap some of the main turning points in urban thought over the past century. Such an overview provides a context for analysing the decentralization trend from Johannesburg CBD, and the emergence of Sandton Business District as a retail and office node. Academic thought likewise provides an insight into the reasons for the changing status of Sandton Business District. Until there is a clear picture of what has driven businesses from the city centre and into the northern suburbs, it is unlikely that an accurate assessment of the inter-relationship between the two nodes is possible.

#### **A resonant theoretical framework**

The focus in the dissertation is on several key areas of academic thought. The early models of urban form start to unpack the process of urbanization and to distinguish what factors drive the spatial pattern of cities. Different theorists adopt different approaches but emphasize the dynamic nature of city form and highlight the array of factors that impact on city form. As cities continue to grow, the reasons for the ongoing movement require attention, and the earlier theories of Charles Colby become increasingly useful. His notion of centrifugal and centripetal forces that work on cities, and indeed on the constituent parts of cities, provide a solid foundation for explaining the movement of retail and offices uses in Johannesburg – both out of the city centre and into the northern suburbs.

The thinking of both urban geographers and urban economists requires attention and since the models of urban form tend to lie mainly in the arena of urban geography, a particular consideration of urban and property economics is included in the chapter. Location theory and economies of agglomeration have implications for the emergence of Sandton Business District as a retail and office destination, as does the thinking around suburbanization and the regeneration cycle. Indeed, these tools – both spatial and economic – create a context for analysing the changing dynamics of Sandton Business District over time, and allow for its changing status to be examined as an ongoing cycle, rather than as separate phases of development.

### Thoughts on early models of urban form

Some of the first attempts to explain urban form sprang from the field of sociology in the first half of the twentieth century. Perhaps most famously, the Chicago school of urban sociologists, led by E.W. Burgess, actively studied social degeneration, disorganization and, eventually, regeneration with the spatial component being emphasized in the discussion of neighbourhoods and communities. Questions around the urban form, immigrants, urbanization, and racial or income conflict were dominant. The same issues are no less compelling and relevant, both globally, and in post-apartheid Johannesburg (see Borer *et al.*, 2000).

Burgess published his model of urban form in 1925. Known as the concentric zone model, it was in part inspired by the works of thinkers like Von Thünen and Ricardo. He postulated that the factors of urbanization vary radially from the centre, forming a series of concentric zones about the CBD: the zone in transition; the zone of independent working-class homes; the zone of better residences; and the zone of commuters. The zones reflected differences in communities, race, and income levels, with the zone of transition representing inner-city suburbs of deteriorating buildings, mainly populated by the urban under-class. Although simplistic, the model presented a concept that married urban geographic context with sociological patterns, factors that impact Sandton today, and continues to be used in contemporary urban studies (Hall, 1988; Schwirian *et al.*, 1990; Balakrishanan & Jarvis, 1991).

Property economist Homer Hoyt (1939) entered the debate around urban form from the perspective of property value, with a strong emphasis on access to the CBD and the spatial clustering of income groups. He felt that a sectoral approach to urban form was more appropriate for explaining the pattern of high-rent areas in cities. It was a rationale not dissimilar to that proposed by earlier researchers (Cooley, 1894 cited in Mayer & Kohn, 1959; Haig, 1926) namely that land uses tended to relate to communication axes, and thus direction is more important than mere distance in understanding the growth of a city. It was also clear that cities do not tend to expand symmetrically but variously in response to a series of stimuli. Hoyt paved the way for further work into the topic of bid-rents, and how land and property values impact the urban form.

In the case of Johannesburg, the construction of the freeway network – and notably the eastern section of the N1, the north-south M1 arterial and, more recently, the western by-pass of the N1 – played a role in pulling property development activity away from the traditional CBD and into the suburbs (as postulated in general by Hoyt, 1939; Ullman, 1941). These main highway

networks spanning the city are shown on a macro level in Figure 1.3. The trend was cemented as private vehicle ownership increased, and is likewise driving a growing need for private vehicle ownership, a trend that is still strengthening in South Africa today (O’Sullivan, 2000; National Department of Transport, 2003). One of the main indicators of Sandton achieving a superior status *vis-à-vis* the CBD as an office and retail node, is that the rentals in the node started to outstrip those in the CBD during the mid-1990s (Beavon, 2004).

During the 1940s, academic thought shifted towards more complex models of urban form as the need to acknowledge multiple city centres became more acute. In 1945 Harris and Ullman proposed their multiple nuclei model, a response to the reality of post-World War II cities. They argued that cities are not mono-nucleate but form through clustering around separate nuclei, which is actually an extension of Hoyt’s thinking. Within this model, the individual nuclei may retain their individual identities, especially where they are the location of specialized activities, and thus the idea of conflict and competition is introduced in the context of urban form. In Johannesburg, which was being driven by distinct spatial planning along racial lines during apartheid, it may be particularly true.

#### The puzzle of defining a CBD

The definition of a CBD is itself not always clear but it is acknowledged that in an academic study it is important to be precise about certain terms in the public domain. In the case of Johannesburg, the press tend to infer that the CBD is everything south of Sandton. In reality, the CBD should refer to a more exact definition of city blocks characterized by high-percentages and high-intensities of central businesses (*i.e.* business types that need to be in the centre of the city), relative to each other and usually located in tall buildings. Consequently, one would expect the CBD to be much smaller than the *central business area* of the city. Indeed it has been suggested that even within the CBD there is a *hard core* of particularly significant ‘central’ businesses (Davies, 1960).

In the 1950s, two geographers, Murphy and Vance (1954), developed a classification for delimiting CBDs in a way that would allow for meaningful comparison based on a common definition. The method was later employed in South Africa by researchers in Cape Town (Davies, 1959) and in Port Elizabeth (Beavon, 1970a). The technique, however, was never applied to the Johannesburg CBD, at least not empirically. Instead, the City Engineers’ Department produced maps of what they defined as the CBD in 1959 and 1965, respectively (see Marshall, 1959; City

Engineer, 1967). The latest definition of the Johannesburg CBD is indicated in the Integrated Development Plan for the City, and the Regional Spatial Development Framework for Administrative Region 8 of the metropolitan region (City of Johannesburg, 2003a, 2003b). Neither the Johannesburg CBD nor the Sandton Business District appear to have either been defined or analysed in terms of the Murphy and Vance criteria, nor according to any other academic definitions.

The thinking around CBD definitions did however add a critical component to the academic literature, and that was the question of city dynamics. Studies of cities tended to be focused on the function of the city but not on the way cities were changing (as was the case with the work of Burgess, 1925; Hoyt, 1939; Ullman, 1941). One of the key issues in researching CBDs is understanding their dynamic nature and understanding their changing boundaries (Davies, 1960 and 1965; Davies & Beavon, 1973). In the late 1940s, for example, Rannells (1949) suggested that CBDs are affected by a *three-way screening*: accessibility, availability of both space and location, and both business and private linkages. In other words, he proposed that the CBD is not merely an area to be defined but is a product of various forces that require understanding. One of the critical dynamics that has emerged in recent decades, notably in American cities, is decentralization, or suburbanization of both residential and commercial property markets. It has been noted elsewhere that suburbanization generally occurs on a highly selective basis, led by those who are able to re-locate, and leaving the city centre to those who are not able to move (Van Kempen, 1994; O'Sullivan, 2000).

In the case of Johannesburg, a view exists that the CBD has shifted altogether, from the traditional Johannesburg city centre, to the decentralized Sandton Business District. This is in line with some of the later work of Griffin and Preston (1966), who found that city centres are likely to move towards better-class residential suburbs, and away from industrial areas. Certainly, there is an initial similarity for the movement of affluent residents and corporate business to Sandton. It has been argued that cities die from the inside out and that they are saved the same way, a view that has particular relevance for greater Johannesburg.

Other theorists began to unpack the structure of the CBD itself. Horwood and Boyce (1959) for example looked at the *core* and the *frame* of the CBD separately. The *core* comprised the densest land uses, the intensive social and economic activities, daytime population concentration, the focus of public transport and the centre for specialized functions. The *frame*

was defined as having semi-intensive land uses, various sub-regions, and an extended horizontal scale. Although apartheid planning policies tended to create large, lower-income populations on the periphery of the city (in the so-called townships), the CBD remained a key transport and employment centre – at least until commercial suburbanization began to gather speed.

Griffin and Preston (1966) offered a more detailed framework in acknowledging a mixture of commercial and non-commercial land uses at the point where the city was expanding or contracting. These uses tended either to be decaying, or being assimilated into the CBD. This ‘assimilating or decaying’ zone is much like Burgess’ zone of transition, characterized by uses such as rooming houses, wholesaling, transport termini, or off-road parking.

The thinking around urban form and changing cities during the twentieth century kept returning to the factors that affected the city form, how these factors impacted the core, and the frame of the CBD, and the zones or sectors that surrounded the CBD (Beavon, 1970b). Interestingly, a useful concept for understanding changing urban form was one developed long before decentralization became a marked trend in cities. In 1933 Charles Colby postulated that cities were created and changed by forces that both attracted and repelled certain uses, to and from a certain node.

A simple approach of opposing forces

Colby argued that there are two drivers in the changing landscape of a city, and that these drivers can be defined as centrifugal, or repellent; and centripetal, or attractive. Although his research focused on the relative pull of the city centre compared with the negative attributes of a downtown location, the approach deserves wider discussion and application. The concept of a centrifugal force is based on *uprooting impulses*, whereas centripetal forces make the city centre a *centre of gravity* for those activities with high centrality (*i.e.* accessibility) requirements.

The theory of centripetal and centrifugal forces rests on the premise that outward expansion is a sign of urban growth, and that “the periphery [of the city] seems to be constantly or at least aperiodically in retreat” (Colby, 1933, 3). Six centrifugal forces are seen to be critical. First, the trend of ever-rising land and property values which made the city centre, as a location, increasingly expensive. Second, the time and cost constraints caused by worsening traffic congestion, and the high cost of transport. Third, the limited supply of space available as a result of high demand is a factor, which is of course linked to the first point. Fourth, the desire of,

particularly, manufacturers to avoid *nuisance* complaints relating to environmental concerns. Fifth, the lack of supply mentioned above also pertains to an under-supply of specialized spaces, which limits the tenants that can feasibly enter an area. Finally, it was argued that high-demand, congested areas tended to have much stricter legal restrictions than in peripheral locations.

Research conducted in Johannesburg over the past two decades suggest that the following factors can be added to the above list of centrifugal forces for the city: perceptions of poor urban management, the lack of choice for users wishing to buy property, and the barriers to entry posed by high institutional property ownership in downtown Johannesburg. Later on, concerns around urban decay as well as crime and grime are added to the list of reasons for eschewing the CBD as a business location (Segall, 1979; Prinsloo, 1994; Matsetela, 1996; City of Johannesburg, 2003b). These factors are examined more fully in Chapter 3.

As in the case of the centrifugal forces, numerous attractive forces that stimulated interest in *peripheral locations* were identified. The first is the availability of large tracts of relatively low-cost land, drawing the attention of, for example, developers of land-intensive operations. The second, and one that is particularly relevant to Johannesburg, is the existence of transport services “suited to the migrating function” (Colby, 1933, 4). In other words, the accessibility or lack of it to the city centre from a peripheral area via road, rail, or private or public transport, can be a locational advantage for the periphery. The third centripetal factor is the heightened potential to find a peripheral site with water frontage, level land or good drainage. Indeed, perhaps the late twentieth-century concept of an amenity-driven locational orientation, and the desire for park-like office developments resonates with Colby’s earlier view (Porell, 1982; Garreau, 1991; O’Sullivan, 2000).

The fourth attractive force for the periphery is the ability to obtain relative control of a sizeable area of land, rendering the developments more independent and thus granting the developers a greater sense of freedom. Other centripetal forces in Johannesburg that deserve mention include the attraction of a ‘prime address’, such as the Sandton Business District, and that of functional magnetism, which paves the way for later academic research into the concept of agglomerative economies or clustering (Krugman, 1991; City of Johannesburg, 2001b; Mills, 2004).

The main observation that emerges is that the northern suburbs of Johannesburg could not have developed without the CBD. The movement to Sandton and other decentralized nodes was driven by *both* negative push forces out of the city centre, and by positive attractive forces into the suburbs that could not in themselves have created the present decentralized townscapes. Since the forces identified by Colby, by definition, work relative to each other, at least two potential locations are required in order for them to occur. The dynamic tension between Johannesburg CBD and Sandton Business District fulfills the criterion, and lays the foundation for understanding the changing status of Sandton – in part, as its relationship with downtown Johannesburg changes – over the last three decades.

Although there is academic research that suggests the decentralization of space in Johannesburg was evident as far back as the late fifties, the main exodus of business from the traditional city centre became more pronounced during the late 1980s and early 1990s, as evidenced in the data from the SA Property Owners' Association (Sapoa) between 1990 and the present. There are many reasons for what has happened and include *inter alia* cheaper land prices, a desire for business to build and be established in owner-occupied buildings, proximity to upmarket residential areas, proximity to increasingly decentralized shopping facilities, and dissatisfaction with traffic congestion in the downtown of Johannesburg. As business started to decentralize, and replacement tenants were hard to find as they too were being attracted to the new developments, property values in central Johannesburg came under pressure (Prinsloo, 1994; see also Investment Property Databank, 2003).

The wisdom of classical location theory

In the case of Johannesburg, current urban thought, especially as represented in the city's policy approach, is firmly focused on revisiting classical location theory, and focusing on economies of agglomeration, or clustering (City of Johannesburg, 2001b). It should be emphasized at this point that the demand for property within the urban economy, is a *derived* demand. In other words, the primary driver of the demand for space, and the demand for new development, is new economic growth. In Johannesburg, a disequilibrium has emerged because much of the new commercial space developed in the past decade has merely represented a shift of businesses, rather than being a response to the growth of new business activities. It is this 'cutting the same pie into smaller pieces' phenomenon that underpins the current market concerns regarding over-supply in both the retail and office sectors of the Johannesburg property market (Beavon, 2000; Viruly Consulting, 2002a; SCMB Securities, 2002).

Unlike transfer-oriented and local-input location orientations, which focus on the direct costs associated with a specific (and usually industrial) business location, a node such as Sandton Business District is affected by the more subtle amenity-oriented location orientation. The argument associated with that approach is that the availability of amenities and social infrastructure for employees is a critical factor in the location choice, especially where highly-skilled, white-collar workers are needed, and can include shopping, schools, medical care, and recreational facilities.

The third orientation has particular significance for the decentralized areas of Johannesburg, especially those areas, such as Sandton Business District, where economic activity is focused on the tertiary or quaternary sectors of the urban economy (see Garreau, 1991; O'Sullivan, 2000; City of Johannesburg, 2003c; Trail, 2003).

#### Economies of agglomeration

One of the key features that emerged in Sandton Business District is the strong clustering of financial services firms and allied businesses (Trail, 2003). The theory of economies of agglomeration, where scale economies manifest when companies cluster together and increase output with a resultant decrease in production costs, provides an explanation. There are two types of economies of agglomeration: urbanization economies and localization economies (O'Sullivan, 2000). It is suggested that Sandton Business District enjoys economies of localization, and has done since the mid to late 1990s, which is part of the node's ongoing attraction for financial services and related companies.

Urbanization economies occur when the production cost of an individual firm decreases as the total output of the urban area increases. Unlike localization economies, urbanization economies relate to the scale of the whole urban economy, not just the industry. Furthermore, urbanization economies generate benefits for firms throughout the urban area, not just one industry.

Localization economies occur when the production costs of firms in a particular industry decrease as industry output increases. In other words, positive externalities occur when firms in a particular industry cluster together. Without quantitative data, it is difficult to calculate localization economies. It is nevertheless possible to venture an educated guess that the profile of

Sandton Business District as a financial district is one local example of clustering, with the parallel opportunities to exploit economies of scale in knowledge, skills, and support services (O’Sullivan, 2000; Trail, 2003). In light of this, the significant attraction achieved by Sandton Business District, especially for the financial services sector, can be observed. If a large corporate company operates in the financial services sector, it almost has no choice but to locate in central Sandton.

Both localization and urbanization economies occur because firms share common input suppliers thus allowing for scale economies in business services and public services; city-wide labour market pooling is another benefit; the encouragement of innovation because of the diversity of the population; and inter- or intra-industry knowledge spill-overs.

In the preceding discussion the need to understand the dynamic nature of cities and urban form has been highlighted. Location theory and economies of agglomeration provide a bridge for crossing from the spatial realm into the economic. In many respects, the two are inter-changeable but an explicit understanding of the economic approach to urban and property questions is a useful instrument to add to the toolkit for analyzing the changing status of Sandton as a retail and office node over the past three decades.

Urban theory moves into the realm of economics

It may be true that property economics is a sub-field within urban economics but certainly both are concerned with the spatial dimension of economic activity. For the sake of completeness, the two approaches are defined below. The definition of real estate economics in particular is important for the material presented in Chapters 3 and 4 where the focus is on analysing property indicator trends and understanding the growth of Sandton as a retail and office node.

Whereas the analysis of urban form has tended to lie in the domain of urban geographers, by the second half of the century, theorists from other disciplines were beginning to turn their attention to CBDs and the spatial or urban economies within cities. Urban economists, in particular, started to focus on the issue of the spatial economy, represented by the stock of buildings, the level of development and investment, and the forces underpinning the location decision of both households and businesses (Sim, 1982; DiPasquale & Wheaton, 1996; O’Sullivan, 2000).

DiPasquale and Wheaton (1996) said that urban economics is the study of the location choices of firms and households. Other branches of economics tend to ignore the spatial aspects of decision-making, adopting the convenient but unrealistic assumption that all production and consumption takes place at a single point. In contrast, urban economics examines the *where* of economic activities. Urban economics explores the spatial aspects of urban problems and public policy. Urban problems such as poverty, segregation, urban decay, crime, congestion, and pollution are intertwined with the location decisions of households and firms. Location decisions can contribute to urban problems, and urban problems influence location decisions (DiPasquale & Wheaton, 1996). It should be noted that many of these urban problems manifest as centrifugal forces pushing commercial users out of certain nodes, as was the case with downtown Johannesburg, especially in the late 1990s.

The major contribution of urban economics has been that it breaks away from the traditional geographic approach and tries to synthesize the disciplines of town planning and urban geography, whilst adding an understanding of the financial and investment criteria that underlie location decisions. Against this backdrop, the idea of a property cycle becomes relevant, not least because urban economics tends to concentrate on profitability of land and sites, based on achievable, or market-related, land values and rentals within the context of the building life-cycle. These are measurable indicators that can be used to assess the property cycle in a node or sector.

The first, and classic, theories around the value of land came from Ricardo and Von Thünen, who argued that land rent was a function of land fertility. Alonso in 1964 was the first scholar to speak of rent gradients, with rents decreasing outwards from the city centre. These so-called bid-rents reflected distance, accessibility, and operating costs, factored into the price of land or property (as indicated earlier, Hoyt provided fresh impetus for much of the thinking around these ideas during the twentieth century). Since different land uses have different bid gradients, the use with the highest gradient prevails. Thus if retail space, with other complementary uses such as offices, achieves the highest rentals in the CBD, offices would be the prevailing use, with other uses fanning out from that point and at declining rentals (Ricardo, 1998; Alonso, 1964).

The limitation of Alonso's model is that it assumed a single urban nucleus and a perfect land market. In a sense, it was the urban economic interpretation of Burgess' empirically-based

concentric zone model or the Von Thünen agricultural model. In reality, the marketplace is skewed by issues such as leases and the different occupancy cycles that they create; the fact that different sectors have different spatial or property needs and thus different levels of bid-rents; and, the existence of town planning controls and development management, or the lack thereof. Nevertheless, Alonso's model throws the anomaly that is modern-day Sandton into sharp relief. Despite being located far from downtown Johannesburg, rentals in fact peak in central Sandton (Sapoa, 2003) and decline towards the city centre. This lends some weight to the belief that Sandton is the new metropolitan CBD.

Property economics takes analysis within urban economics into a specific sector: land and the built environment. Differently put, and in the words of DiPasquale and Wheaton (1996), real estate macro-economics abstracts from the spatial dimension and considers the overall market for housing, land or commercial space. The simplification that results from such aggregation can be justified on two grounds. First, as with any type of inquiry, insight is often achieved – perhaps at the expense of some realism – by abstracting or making simplifying assumptions. Without aggregating across locations and dealing with a market as a whole, models could not be developed. Second, many factors that affect real estate are largely independent of location – *e.g.* interest rates, economic growth, or public policy. These are forces that move over time and impact on real estate at all locations. In these cases, it makes sense to study a market as an aggregate entity (DiPasquale & Wheaton, 1996).

Real estate micro-economics borrows heavily from the traditional urban economics literature, treating the operation of land and property markets with the explicit recognition of space or location and posing a set of questions about a site's highest and best use or demand at a specific site, for example. Real estate micro-economics investigates such questions by studying the operation of urban land-markets and developing theories and explanations for the spatial structure of cities (Carn *et al.*, 1988; DiPasquale & Wheaton, 1996).

It has been pointed out that the bell that tolls for the downtown, tolls for the suburbs as well and, in most cases, the suburban economy performs better when the original city centre is healthy (Hudnut, 1998). In Sandton, perhaps the issues underlying the original CBD decentralization are being perpetuated: from traffic congestion, over-stretched infrastructural capacity, to excessive land prices and rentals (Hudnut, 1998; Mail & Guardian, 2002). It would

seem that from the cycle of a city, comes the cycle of a specific node or a specific sector of the land and property market.

Although a detailed discussion of the property cycle lies outside the essential scope of this dissertation, it should be mentioned as an area of study that warrants further attention – not least because although the idea of such a cycle has been widely explored elsewhere, particularly during the past decade (DiPasquale & Wheaton, 1996; Grissom & DeLisle, 1999; Mueller, 1999; Bjorkland & Soderberg, 1999), little work has been conducted in Johannesburg. There is, however, an initial exploration of the property cycle contained in the City's Integrated Development Plan 2003/04 (City of Johannesburg, 2003a).

A comment on office property economics

Literature on the topic of office property tends to be strongly focused on the investment appeal of the office sector, and thus on the way in which returns are impacted by various factors. A growing world-wide decentralization trend added impetus to the ongoing discussion and has emphasized the role of the location decision in making office investments attractive.

Much of the thinking employs the same key indicators: property-specific data such as rentals and vacancies (see Sivitanides, 1997; Gerbich, 1998; Kummerow, 1999; McGough & Tsolacos, 1999; Slade, 2000); and macro-economic factors such as office employment cycles, and inflation (see Bond & Seiler, 1998; Shilton, 1998). Other researchers have attempted to pinpoint the impact of other variables such as design quality, or proximity to premier locations, and user utility, as the critical determinants of rentals (Gat, 1998). In the chapters that follow, similar indicators, and notably vacancy rates, rental trends, and development patterns will be utilized to illustrate the changing relationship between Sandton Business District and downtown Johannesburg, particularly from the perspective of the office sector.

### **Suburbanization, degeneration, and revitalization**

The final area of academic thought to be included here, and which is believed to have relevance for the changing status of Sandton Business District within greater Johannesburg, is suburbanization, or the movement of people, businesses and retail uses out of the city centre and into the urban periphery. It has been noted elsewhere that suburbanization generally occurs on a highly selective basis, led by those who are about to re-locate, leaving the city centre to those

who are not able to move. The *prima facie* validity of this approach for the relationship between Sandton Business District and Johannesburg CBD seems clear.

Although the concept of suburbanization was touched on in early classical models, it was generally examined within the context of residential or industrial activity only. Retail and office functions were perceived to be almost exclusively located in the CBD, as indeed they were at that time (Burgess, 1925; Hoyt, 1939; Harris & Ullman, 1945). In 1997, Harris revisited the multiple nuclei model and added several observations. Of relevance here are the following. First, he claims that in recent decades, little attention has been paid to the development of cities along transport axes and, specifically in the late twentieth century, along highways. Consider how closely the developing northern wedge of Johannesburg follows the north-south M1 freeway which in a sense has become of sort of *main street* for the north (Beavon, 2004). Second, the importance of diversified urban economies has increased, as mining and manufacturing have declined, with the services sector becoming particularly critical. Third, the consideration of lifestyle factors, such as climate and amenities, and their role in the growth of cities, has increased (Harris, 1997; O’Sullivan, 2000).

The new observations culminate in what Harris (1997) calls the peripheral model of cities, one which describes phenomena not evident in suburban research in the 1950s. The primary difference between the earlier multiple-nuclei model and the new peripheral model is that the latter is not defined by distance from the city core but rather by the inter-relationships between different peripheral zones. Furthermore the periphery is linked by a ring-road, tracts of developable land, similar demographic groupings, and has fewer of the problems traditionally associated with a CBD of long standing.

Researchers tend to examine suburbanization in terms of the population, and focusing on the industrial sector, the residential sector, and the retail or office sectors. In the residential sector, communities move out to the urban periphery because *inter alia* higher incomes allow households to purchase larger properties on larger stands. They like the appeal of a quiet, country lifestyle and the relative ease of commuting because they can afford private transport. In addition, there is the desire to move away from central city problems such as crime, grime, or socio-economic differences. From what is implied in the preceding sentence, suburbanization of the population in the developed western style of cities requires a certain level of wealth and that serves to segregate groups of the urban population (O’Sullivan, 2000).

The suburbanization of office employment has been facilitated in recent years by improvements in communication technology. Faxes, tele-conferencing, and e-mail have all contributed to less location-bound work habits. Trends such as hot-desking and tele-commuting have arguably resulted in the line between work and home becoming less clear, and in allowing workers and indeed certain types of businesses to locate and operate very effectively outside traditional CBDs. Other contributing factors to office suburbanization include improved road infrastructure, the clustering of office uses, the desire of companies to build their own branded, low-bulk corporate head offices or flag-ship buildings; and – at least initially – a supply of cheaper and more plentiful land. In the case of retail suburbanization, the simple argument is that retailers follow their customers. Furthermore, as residential, office, and even clean-air manufacturing concerns decentralized, it became clear that retail development could be effectively mixed with all three land uses (Beavon, 1998a, 2000; JHI Real Estate, 1998/99; Turok, 2000).

It is important to realize, however, that a declining CBD is not an implicit feature of suburbanization, although the two may often go hand in hand. It has been documented that traditional city centres can remain successful, even where suburbanization is evident (Freestone, 1997; Garreau, 1991). In the case of Johannesburg, however, the deteriorating city centre is a feature of the metropolitan marketplace, and has been the subject of much debate over the past decade (*inter alia* Beavon & Larsen, 1998; Tomlinson & Rogerson, 1999; Beavon, 2000, 2004; CDE, 2002).

The work of Segall (1979) is particularly useful in understanding how relocation decisions were made during the 1970s. In line with the earlier findings of a *Financial Mail* survey, conducted in 1970, he found that the main reasons for relocation of businesses from downtown Johannesburg included congestion and parking problems (centrifugal forces), and improved working conditions (peripheral centripetal forces). The appeal of cheap land in the suburbs was also mentioned as a pull factor. A relatively high proportion of the sample Segall used was actively opposed to decentralizing. By 1994, however, research was starting to show that issues of violence, crime, and security were the highest-ranking concerns about the CBD, with other centrifugal factors such as unregulated informal trading and a loss of customers from the suburbs also emerging (Prinsloo, 1994; Matsetela, 1996).

In putting together the dynamic approach to understanding urban form, and the need to examine the economics of location decisions, the issue of urban decay and its manifestations needs to be considered. After all, healthy cities respond appropriately to shifting equilibria, with adaptability and flexibility. The business structure of a large metropolis is, in the words of Berry, “a thing of infinite variety” (Berry, 1963, 1). In other words, an understanding of urban form and structure acknowledges that a business node, for example, is neither homogeneous nor undifferentiated and can take any one of a number of forms.

The issue of urban decay and its manifestations is a key element in understanding urban form, and the case of Johannesburg is no exception. In assessing the presence of urban decay, there is a significant body of literature available. Competition for land, different types of obsolescence, crime and grime, and the spatial effect of social and racial issues have all been examined elsewhere (*inter alia* Berry, 1963; Sim, 1982; Hall, 1988; Harris, 1997; Parnell, 1997; Hudnut, 1998; O’Sullivan, 2000).

In Johannesburg, decentralized property development is seen to pose a clear and present danger to the CBD and in late 1998 the metropolitan government proposed limiting further commercial development activity in the suburbs (Business Day, 1998a, 1998b). Decentralized development may pose a threat not only to city centres but also to existing suburban nodes. This phenomenon has already been identified in the United States and the continuing movement from one decentralized node to another has also been commented upon in Johannesburg. It has also been argued that decentralization is a threat only where traditional CBDs are no longer competitive (Garreau, 1991; JHI Real Estate, 1998/9).

In assessing the presence of urban degeneration, or the need for urban revitalization, the need for a holistic approach is critical. As Joe Canizaro, civic leader in New Orleans, once told a group of real estate developers: “We can no longer measure the success of our cities by office occupancy rates. It will take leadership, vision, clearly articulated goals and strategies, and a determined commitment to make our cities work.” (cited in Hudnut, 1998, 4). In Canizaro’s case, the vision involved was the creation of a quality urban core, to both retain business and attract tourists. His view notwithstanding, the tracking of commercial vacancy rates does provide an indication of demand trends – although vacancies need to be considered within the context of new development patterns and rental growth within nodes.

In Johannesburg, however, decentralization seems often to be implied, rather than actively examined, and presented as almost secondary to the issue of urban decay in the Johannesburg CBD. Indeed, there has been a strong focus of attention on the Johannesburg CBD, with little parallel attention being paid to the decentralized nodes (*e.g.* Matsetela, 1996; Beavon, 1998a, 2000; Tomlinson & Rogerson, 1999). Perhaps it is a world-wide bias, since even in the case of generally successful urban renewal programmes, such as in the examination by Church (1998) of the London Docklands project, the emphasis appears to be on reversing the disadvantages of a renewal area. The need for, and effective implementation of, an active re-centralization approach to regenerate cities has been discussed elsewhere (as in Shore, 1995; Pfister, *et al.*, 2000).

The growth and reality of the decentralized office and retail sectors in South African cities would seem to imply that South Africa cities have developed multiple commercial nuclei. Nevertheless, the focus of both the media and academics tends to remain on the decline of South African city centres, rather than the attractiveness of the suburbs. Not least for this reason, the emphasis in the study will be on the attractive qualities of the decentralized zone, Sandton specifically, and how they capitalize on the repelling forces active in the Johannesburg CBD. The focus will thus be on the pull factors of decentralization, rather than the push factors of urban decay. It is not suggested here that urban decay is unimportant in the Johannesburg context but rather that it should be tackled in a more holistic context in which decentralization is examined from different angles. As such, it is not a significant feature of this study.

\* \* \* \* \*

The purpose of the research presented in this dissertation is to assess, examine, and explain the changing status of Sandton Business District as an office and retail node over the past three decades. To achieve this, a useful toolkit of theories and models is necessary to evaluate movement, change, and development. In distilling various urban geographic and urban economic thought, a number of key approaches seemed to resonate with the case of Sandton Business District, and will be used as the main theoretical constructs in analysing the historical and sectoral data in Chapters 3 and 4. Because of the focus on the changing nature of Sandton Business District, the theoretical context has to provide an understanding of both static urban forms and the dynamic forces that change them; a framework for clarifying different types of dynamic forces,

and the spatial implications thereof; and of the economic consequences that play a role in the location choice.

In concluding the present chapter, it is contended that the emergence of Sandton as a retail and office node, and its changing status within the metropolitan region since 1969, can be explained through a combination of the following theoretical approaches:

- First, it is recognized that although models of urban form are crucial, it is their dynamic nature that must be assessed. The work of Colby (1933) is highly relevant in this regard, helping to explain both the early successes of Sandton Business District in attracting business and the later exodus from downtown Johannesburg, to the benefit to Sandton. These forces can be used to identify and disaggregate the changing dynamics that developed, moulded, shifted, and affected Sandton over the past three decades. More importantly, they are capable of explaining both positive and negative forces.
- Second, the recognition of Colby's forces in action is refined by the manifestation of certain economic attractions. The highly-skilled, white-collar workforce in Sandton was not only attracted, but sustained, by the continuous increase in upmarket shopping centres, expensive residential stock, and world-class educational and medical facilities. This is an example of an amenity location orientation, and plays a significant role in the retention of key business districts. Again, the changing status of Sandton Business District is closely-linked with the emergence of the white-collar financial services sector; the amenities in the node provide a crucial factor in Sandton's evolution as the city's financial services district – and in retaining that position.
- Third, as the clustering of financial services became more pronounced in Sandton Business District, it can be argued that economies of localization started to emerge. Bear in mind that this would reduce costs for financial services companies in the node: through a common skills pool, the fast transfer of knowledge and innovative ideas, shared support services, and specialist facilities (such as the JSE Securities Exchange, or financial information and media groups, *e.g.* Reuters). Yet although economies of localization serve as an attraction to the node, they may be insufficient to trade-off against emerging locational disadvantages such as traffic congestion.

- Fourth, continuing from the previous point, the initial signs of centrifugal forces taking shape in Sandton Business District may be evident. The fact that major financial organizations have recently chosen not to locate in, or in some cases relocate away from, Sandton Business District is telling. Such realities fly in the face of the location theory discussed here. The large international firm of auditors Ernst and Young, for example, located their national headquarters in Corlett Drive in 2001; the Bond Exchange of SA set up their head office at Melrose Arch in 2002; <sup>1</sup> Price Waterhouse Coopers moved to Sunninghill in the late 1990s from central Sandton; and Stanlib took up an entire building at Melrose Arch in 2003, after a merger between certain divisions of Standard Bank in Johannesburg CBD and Liberty Life in Braamfontein

From the theoretical foundations sketched in the chapter it is possible to start analysing the development of Sandton over the past three decades, and to assess the node's growth and changing status relative to downtown Johannesburg. The development of Sandton from a peri-urban *mink and manure* belt in 1969, to the headquarters of the JSE Securities Exchange in 2000, will now be considered in more detail.

#### **Endnote Chapter 2**

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<sup>1</sup> From an interview with BESA treasurer and secretary Graeme Brookes on 14 May 2003.

### CHAPTER 3

#### Country Bumpkin to Corporate Captain: 1969 - 2003

At the time of its establishment in 1969 as an independent municipal region, Sandton was little more than a semi-rural or peri-urban area, populated largely by distinctly affluent residents who desired something of a country lifestyle with good connections to the Johannesburg CBD. As the decade progressed into the 1970s the heady political events of South Africa continued to evolve without having much direct impact on the cloistered Sandton community. The construction of Sandton City, a large mall with an office tower, arguably had a greater impact on the affluent region than the Soweto riots of 1976. As the 1980s unfolded, the trickle of business into the suburbs became a stream as the attraction of decentralized areas grew and the residential expansion into the north continued. Sandton Business District was well-positioned to exploit this trend. By the early 1990s, with the release of Nelson Mandela and evidence of political progress towards democracy, there was an almost audible sigh of relief from the business community before tension mounted again in the run-up to the 1994 elections. During the 1990s, the departure of white, experienced management from metropolitan government left many cities, and Johannesburg notably, with little real capacity to perform the daunting business of urban management and strategy while the new guardians were settling in.

It is this period in Johannesburg's history that provides the backdrop for a discussion of Sandton Business District and its emergence over three decades. The growth of the node is not one of a simple linear progression but is driven by a plethora of motives and machinations. As the new century approached the first limitations of the node appeared and the first diseconomies began to manifest themselves.

Bearing in mind what was set out in the previous chapter, the five key phases, or milestones, that contributed to Sandton's emergence as a pivotal business district in metropolitan Johannesburg over the period from 1969 to 2000 can now be identified and explained. For the sake of clarity, and for ease of meaningfully following the discussion below, it must be remembered that Sandton Business District is the area bounded by Rivonia Road to the south and east; Sandton Drive to the west; and Grayston Drive to the north (Fig. 1.2).

### **The five phases that led to the emergence of Sandton Business District**

The first phase was the run-up to the official establishment, in 1969, of the Sandton municipality as a recognized and independent authority after years of political in-fighting. It was established on the recommendations of the Van der Spuy Commission of 1967 (Van der Spuy, 1967; Beavon, 2004). There are two main points that need to be emphasised. First, Sandtonians had to fight for their town's establishment and that serves to highlight the drive and passion of the (white) community. Second, the area from the beginning was a wealthy one and that was due to the fact that many persons with professional and corporate occupations had chosen to live in the semi-rural environment north of Johannesburg suburbia that at the time characterized the area.

The second phase, extending from around 1973 until 1982, saw businesses starting to eye decentralized locations as attractive sites. The phase was characterized by the centripetal forces of the periphery starting to pull commercial users into the suburbs, and the northern suburbs specifically. Sandton was simply another option among many, except for the foresight of its town planners, who paved the way for the node's increasing attractiveness for business. Specific accomplishments include the creation of the Sandton Town Centre plan, and the approval for the Sandton City retail and office development.<sup>1</sup>

The third phase from approximately 1984 until 1989 was characterized by Sandton becoming the premier decentralized office address in Johannesburg and outstripping the forecasts of demand made by the town council. By the late 1980s, the Sandton authorities were starting to suggest additional development nodes to the north, *e.g.* Woodmead, Sunninghill, and Midrand, to compensate for crowding in their central business district. At that stage, the Johannesburg city centre was still seen as the primary commercial district of the metropolis and few could have believed it would ever lose that status.

The fourth phase, starting in 1990, saw the growing perception of crime, grime, and poor urban management in the Johannesburg CBD putting pressure on the major corporates and banks to relocate into Sandton, on the back of escalating centrifugal forces. The 1990s were also characterized by volatile government performance and restructuring, initial urban revitalization initiatives in the city centre, and – in Sandton – the infamous rates boycott (JHI Property Services, 1997; City of Johannesburg, 2001a).<sup>2</sup>

The fifth phase would seem to have started with the relocation of the JSE Securities Exchange and the Johannesburg Bar to Sandton in 2000, thereby crowning its popular reputation as the primary commercial and financial district not only of Johannesburg but of the country, if not the continent.

In the following section the events of the five phases just mentioned will be described in more detail and their significance in driving the emergence of Sandton Business District over three decades will be explained. Each phase is characterized by specific variables that added to the rise of central Sandton but also contained the seeds of the node's future limitations.

The first phase: establishment of the Sandton municipality in 1969

During the 1920s and 1930s, settlements to the north of Johannesburg enjoyed affordable rates and taxes, a factor that encouraged residential development to locate there, in addition to the appeal of a rural lifestyle (Carruthers, 1980). With the growing influx of residents to the north, however, the infrastructure that existed was overloaded and resulted in poor sanitation on Johannesburg's urban-rural fringe. The central government at the time convened the Thornton Committee in 1938 to investigate irregular settlements in the north of Johannesburg and one of the outcomes of the enquiry was the establishment of the Peri-Urban Areas Health Board in 1943. Based in Pretoria, the Board was empowered to levy rates, provide bulk infrastructure and services, and prepare town-planning schemes. The Board, arguably, was also the focus of much political and community agitation that characterised local politics in the region for the next two decades (Carruthers, 1980, 1989; Bristow, 1994).

In 1946 the Board formed Local Area Committees (LACs), which were intended to aid in the resolution of the very health problems that prompted the Board's establishment. Three LACs that would operate in the vicinity of Johannesburg were formed: the North-Western LAC, which covered the area that eventually became Randburg; the Northern LAC, which included Bryanston, Sandown, Hurlingham, and Rivonia; and the North-Eastern LAC, which included Linbro Park, Wynberg Industrial Area, Kew, and Modderfontein. Even at this stage, the difference in the communities represented by the LACs was clear. The North-Western LAC was largely Afrikaans in character; the Northern LAC comprised and catered for a population that was mainly English-speaking and financially secure; while the North-Eastern LAC oversaw an area with a mixture of smallholdings, commercial uses, and residential areas.

Almost from the outset the LACs were accused by some residents of being prescriptive and undemocratic. The Board countered that its 'autocratic' structure made for efficient administration. The combination of community heterogeneity and perceived undemocratic structures exacerbated local political agitation for the next ten years until, in 1954, the Province decided that autonomy for all LACs should be a primary goal. The North-Western LAC reacted swiftly to this window of opportunity, and in 1959 Randburg was established as an autonomous municipality (Carruthers, 1980).

Bryanston was the next area to make a bid for autonomy and established its own LAC in 1961. In 1964 the Peri-Urban Areas Health Board – mindful of the Province's decision – suggested that the Northern LAC (or the Sandown LAC as it had been renamed after Bryanston set up its own LAC in 1961) and the Bryanston LAC should combine and form a single municipality. A renewed attempt to address the issue of autonomy by the Province led to Ordinance 15 of 1966, which required the Board to establish autonomous areas as rapidly as possible. The Ordinance further provided for the restructuring of the Board. It was given less power, and its name was changed to the Transvaal Board for the Development of Peri-Urban Areas (Carruthers, 1980).

In 1969, the Northern (Sandown) and Bryanston LACs amalgamated to form the new Sandton municipality, despite the misgivings of the Bryanston LAC who wanted to remain under the management of the Peri-Urban Areas Health Board but were afraid of being absorbed into the largely Afrikaans-speaking Randburg. Perhaps one of the greatest debates around the establishment of Sandton, however, was the choice of a name! Suggestions that included Sandown and Knoppeslaagte were rejected before a synthesis of Sandown and Bryanston was eventually agreed upon (Sandton Town Council, 1970; Carruthers, 1980; Bristow, 1994). The consistency of planning policy brought to Sandton from 1969 by its first town planning head, Barry Bristow, during the 1970s and 1980s would later emerge as the catalyst for giving the town a critical locational advantage. Although as Bristow himself argued during the 1990s the 'emergence' of Sandton, given its particular location to the northward-expanding metropolitan area, was "inevitable" (Bristow, 1994, 2).

From the outset Sandton was an area with an affluent and well-educated population. As many of its people were predisposed to follow corporate, professional, and managerial occupations, it follows that Sandtonians would be making commercial location decisions later in

the century. Choosing Sandton as a head-office location meant being closer to home, a rationale that emerged from research a decade later (Segall, 1979; Prinsloo, 1994) and dovetails with the amenity-driven location orientation discussed in the previous chapter.

The second phase: northwards ho!

The commercial property industry only began to monitor data on the suburban office market during the late 1980s when the strong institutional and corporate presence particularly in the north became increasingly pronounced. For this reason, information on the property market in the 1970s and early 1980s is relatively scarce and sparse by comparison. Nonetheless, research was conducted on the area, either for academic or business purposes by researchers including Segall (1979) who specifically examined the reasons for office decentralization during that decade. In the discussion below, the author has drawn liberally from Segall's work, but also considers the work of Beavon & Gurzynski (1971), Charl Viljoen & Associates (1973), and Beavon (1980) in addition to analyses published by *The Property Economist* during the early 1980s.

Decentralization from central Johannesburg started in the late 1950s, with the most prominent development being the move of the city council offices and most departments to the Metro Centre on Braamfontein hill. By the 1970s, decentralization of retailing and office-based businesses was evident in several suburbs and including neighbouring towns of Sandton, Randburg, and Bedfordview, a trend that was encouraged by those municipalities, which saw good potential to increase their rates bases (Beavon, 2004).

It has been argued that although the push factors had not yet become pronounced in downtown Johannesburg they were emerging in the 1970s. Traffic congestion and insufficient parking were specific factors. Furthermore, in 1972 some 358 firms in the Johannesburg CBD had expressed a wish to decentralize, mainly to Rosebank and Sandton. The majority of these companies were classified as administrative, business services, insurance, and professional practices (Cohen, 1973).

It was established by Cohen (1973) that several key factors attracted firms out of the Johannesburg CBD during the early 1970s and served as centripetal forces in the suburbs. These were:

- Competitive land prices in the decentralized nodes, especially for firms wanting to expand, or move into their own buildings for reasons of prestige; and
- The attractiveness of potentially lower rentals in decentralized nodes, especially for professional practices.

By the end of the decade, however, the key criteria determining whether or not a firm would move to the suburbs from the CBD had changed. For example, although suburban land remained cheaper than in the CBD, rentals in the decentralized nodes were up to 33 per cent higher than downtown. There was another attraction associated with decentralized buildings – lower rates and taxes. For example Segall (1979) compared two buildings in 1978, of the same size and quality, one of which was situated in the Johannesburg CBD, and the other in Milpark. The CBD building was paying R60 000 per annum in rates whereas the Milpark building was only being charged R6 000 per annum. A strong incentive indeed to move one's business lock, stock, and ledger to the suburbs! By 1979, decentralized office space represented some 10 per cent of the total stock of offices in Johannesburg (Segall, 1979).

Findings made by Segall (1979) on the major reasons for office-based businesses decentralizing from the Johannesburg CBD are summarized in Table 3.1 below.

As shown in Table 3.1, certain reasons for businesses to move out of the Johannesburg city centre stand out. Some 28 of the companies surveyed cited traffic congestion and parking difficulties, a factor that operated as a repellent force. More respondents identified positive forces pulling them into the suburbs than negative forces pushing them from the city centre. For example, 21 respondents believed that working conditions and the work environment would improve in the suburbs. Thirteen indicated that directors would be able to work from home if the business relocated to the suburbs.

TABLE 3.1: Reasons given by different types of offices for decentralizing from the CBD.  
(Source: Segall, 1979).

|                            | Expansion | Lease<br>expiring | Reduce<br>parking,<br>rent<br>costs | Integrate with<br>existing<br>office/factory | Congestion<br>and parking<br>difficulties | Improve<br>working<br>conditions | Difficult<br>to obtain<br>junior<br>staff | Customers<br>moving<br>away from<br>CBD | Directors<br>can work<br>near<br>home |
|----------------------------|-----------|-------------------|-------------------------------------|--|---|----------------------------------|---|---|---------------------------------------|
| Advertising                |           |                   |                                     |  |   |                                  |   |   |                                       |
| Advertising                |           |                   |                                     |  |   |                                  |   |   |                                       |
| Computers                  |           |                   |                                     |  |   |                                  |   |   |                                       |
| PR                         |           |                   |                                     |  |   |                                  |   |   |                                       |
| Architects                 |           |                   |                                     |  |   |                                  |   |   |                                       |
| HO: Printing               |           |                   |                                     |  |   |                                  |   |   |                                       |
| Paper packaging            |           |                   |                                     |  |   |                                  |   |   |                                       |
| HO: Recording              |           |                   |                                     |  |   |                                  |   |   |                                       |
| Town planners,<br>valuers  |           |                   |                                     |  |   |                                  |   |   |                                       |
| Property developers        |           |                   |                                     |  |   |                                  |   |   |                                       |
| HC: Light<br>engineering   |           |                   |                                     |  |   |                                  |   |   |                                       |
| Printing &<br>microfilming |           |                   |                                     |  |   |                                  |   |   |                                       |
| HO: Food processing        |           |                   |                                     |  |   |                                  |   |   |                                       |
| HO: Clothing chains        |           |                   |                                     |  |   |                                  |   |   |                                       |
| PR                         |           |                   |                                     |  |   |                                  |   |   |                                       |
| HO: Water treatment        |           |                   |                                     |  |   |                                  |   |   |                                       |
| HQ: Church<br>organization |           |                   |                                     |  |   |                                  |   |   |                                       |
| Project management         |           |                   |                                     |  |   |                                  |   |   |                                       |
| HO: Construction           |           |                   |                                     |  |   |                                  |   |   |                                       |
| Computers                  |           |                   |                                     |  |   |                                  |   |   |                                       |
| HO: Steel producers        |           |                   |                                     |  |   |                                  |   |   |                                       |
| HO: Consumer goods         |           |                   |                                     |  |   |                                  |   |   |                                       |
| HO: Consumer goods         |           |                   |                                     |  |   |                                  |   |   |                                       |
| HO: Utilities              |           |                   |                                     |  |   |                                  |   |   |                                       |
| HO: Engineering            |           |                   |                                     |  |   |                                  |   |   |                                       |
| HO: Construction           |           |                   |                                     |  |   |                                  |   |   |                                       |
| HO: Chemicals              |           |                   |                                     |  |   |                                  |   |   |                                       |
| HO: Consumer goods         |           |                   |                                     |  |   |                                  |   |   |                                       |
| Advertising                |           |                   |                                     |  |   |                                  |   |   |                                       |
| HO: Export<br>contractors  |           |                   |                                     |  |   |                                  |   |   |                                       |
| Land surveyors             |           |                   |                                     |  |   |                                  |   |   |                                       |
| HO: Timber treatment       |           |                   |                                     |  |   |                                  |   |   |                                       |
| Computers                  |           |                   |                                     |  |   |                                  |   |   |                                       |
| HO: Paper<br>manufacturers |           |                   |                                     |  |   |                                  |   |   |                                       |
| HO: Oil company            |           |                   |                                     |  |   |                                  |   |   |                                       |
| <b>TOTAL</b>               | <b>12</b> | <b>9</b>          | <b>7</b>                            | <b>5</b>                                     | <b>28</b>                                 | <b>21</b>                        | <b>2</b>                                  | <b>5</b>                                | <b>13</b>                             |

Key: HO = Head office HC = Holding company HQ = Headquarters

From an examination of the data in the above figure, it appears that the centripetal forces operating in the suburbs were more powerful factors in the location decision than centrifugal forces at work in the Johannesburg CBD. To test whether or not this is the case, the aforementioned reasons are divided into two groups: centripetal forces that attract businesses into the suburbs and centrifugal forces that push out of the Johannesburg CBD (Table 3.2). Note the reason given as “lease expiry”, which was cited by nine respondents in Table 3.1, is excluded in Table 3.2 since it does not necessarily imply either a centripetal or a centrifugal force at work.

TABLE 3.2: Attractive versus repellent forces in the relocation decision.

| <b>Centrifugal forces pushing users out of the CBD</b> |           |
|--|-----------|
| Congestion and parking difficulties                    | 28        |
| Difficult to obtain junior staff                       | 2         |
| Customers moving away                                  | 5         |
| <b>Total centrifugal</b>                               | <b>35</b> |
| <b>Centripetal forces pulling users in the suburbs</b> |           |
| Expansion (land available in the suburbs)              | 12        |
| Reduce costs (suburbs cheaper)                         | 7         |
| Integrate with existing office or factory              | 5         |
| Improve working conditions                             | 21        |
| Work close to home                                     | 13        |
| <b>Total centripetal</b>                               | <b>58</b> |

Businesses that moved out of the CBD mainly left for the attractiveness of the suburbs, not because of any decline in the city centre. Segall (1979) notes that merchant banks in the financial core, lawyers near the Supreme Court, and public relations consultants close to newspaper and printing houses, did not consider decentralizing at all. The conclusion must be that although centripetal forces were manifesting in Sandton during the 1970s, centrifugal forces in the CBD were only just starting to emerge in the form of traffic congestion. A strong belief in the premier position of the Johannesburg CBD was still being expressed as late as 1989 (see Mandy, 1989), especially with regard to these core sectors in the downtown.

### Creating the Sandton Town Centre

During the 1980s, Sandton was steadily developing a number of comparative locational advantages. Not least due to the consistent development and implementation of policy by the Sandton Town Council and Barry Bristow as highlighted earlier in the chapter. By 1969, about 40 per cent of Sandton's population lived in Bryanston, which had been proclaimed as a township in 1939. Ongoing residential growth had been spurred by, for example, the upgrading of the north-south Nicol highway and Bryanston Drive. At the same time, Hurlingham was an upmarket dormitory suburb; Morningside comprised agricultural holdings that were starting to be subdivided; and Wynberg was a new industrial area on the periphery of Alexandra. Most of these areas were growing because of residential suburbanization from Johannesburg, and residents in these suburbs tended to be white, middle-class, and financially secure. Most were in search of a semi-rural lifestyle and Sandton's location, with its good connections back to Johannesburg, had a distinct advantage in this regard.<sup>3</sup>

By 1969, Sandton residents had already lived through more than a decade of dissension over the issue of self-governance but conflict of another kind reared its head after autonomy was achieved. Simply put, the new topic of debate revolved around the future 'town plan' for Sandton. A number of factors contributed to the debate.

For a start, the Sandown LAC had purchased two tracts of land in 1956 for municipal purposes: the 11ha site where the Sandton Civic Centre now stands, and the land where George Lea Park in Parkmore is now located. These land purchases implied certain spatial development plans for the area's growth (Sandton Town Council, 1970).

The second factor that influenced the debate was that the members of the former Sandown LAC, on the one hand, tended to see Sandton remaining a dormitory town, with the development of retail and business uses only for the immediate community (Bristow, 1994). The investor-friendly new local authority, on the other hand, recognised the worldwide trend towards suburbanization of tertiary activities, and decided to actively open up Sandton to decentralised uses, not least through improving the road infrastructure.

Then, in 1968, four hectares with business rights were sold to property developers Rapp and Maister – now the site of Sandton City shopping centre and office tower (Financial Mail, 1973; Bristow, 1994). The conflict between those who felt Sandton should develop regional

commercial uses, and those who wanted it to remain peri-urban in nature, was significant. It was also the point at which in essence Sandton's future as the site for the city's premier business and financial district would be decided.

As Chief Town Planner at the time, Bristow published a report entitled the *Location of the Town Centre* (Bristow, 1994), in which he recommended the development of a dominant single centre in Sandton focused on the Civic Centre site and taking cognisance of the proposed Rapp and Maister project. In the meantime Michael Rapp agreed to put the project on hold until the 10<sup>th</sup> of January 1969, to await the approval of the report. The town centre proposal was finally approved on the 8<sup>th</sup> of January, 1969 – two days before Rapp's stated deadline.

Now that the town centre plan could go ahead, and the development of Sandton City seemed assured, the character of Sandton was in a sense sealed, notwithstanding the public and media objections with which the council had to contend for the next three years. The council even took the step of publishing a brochure entitled *Shaping Sandton* (Sandton Town Council, 1970) in which plans for the town centre were outlined in an attempt to placate residents' fears about uncontrolled – and especially commercial – development (an irony, when viewed with hindsight thirty years later). In 1972, after many Townships Board hearings – as Bristow<sup>4</sup> himself recalls (1994) – and a municipal government election where several councillors lost their seats because of their association with the planning proposals, both the Town Centre plan and the Major Roads plan were accepted.

Throughout the period 1969 to 1972, Bristow maintained that a strong, dominant town centre for Sandton was the preferred option and for a number of reasons: *viz.*, the potential for a sense of unity and place is stronger (just as Garreau would argue two decades later in 1991); the range and depth of goods and services is greater (as Beavon argued in 1971, in the feasibility study of Sandton City itself); the potential drawing power is stronger and more competitive; the opportunity for a feasible public transport system is greater; and the potential exists to exploit localization economies (O'Sullivan, 2000; City of Johannesburg, 2001b). In many ways, Bristow's vision of Sandton – thanks in no small part to his planning – is now manifest in what is today Sandton Business District.

Although there was more than one site available for the proposed Town Centre, the site now occupied by the Civic Centre was eventually selected above its competitors, not least

because of its accessibility, central location, and satisfactory topography. In fact, the site was described as ‘high’, with the result that all buildings would be widely visible and become landmarks. Furthermore, the site was close to civic and social infrastructure, sufficient land was available for anticipated developments nearby, and enough land was owned by a single owner, which enabled efficient development but avoided monopolistic behaviour. Perhaps most powerful of all, was the fact that intensive commercial development was already planned around the Civic Centre site (Peri-Urban Board, 1969; Bristow, 1994). It should be noted that at the time only 20 per cent of Sandton’s municipal land area was developed (Sandton Town Council, 1970).

As outlined above, the Council thus established a clearly-defined and intelligible precinct plan for the central Sandton area, creating the opportunity for development to cluster and acquire critical mass. It was a move that would propel Sandton into the 1990s as the premier office address in metropolitan Johannesburg as centrifugal forces in the ‘old’ Johannesburg CBD gathered momentum.

#### The development of Sandton City

Although town-planning structures for the municipal region were formally being put in place during the early 1970s, approval had already been granted for the township establishment in Sandown at what was to become the Sandton City site. Indeed, the following proclamation was published in the *Provincial Gazette* dated the 7<sup>th</sup> of August 1968:

“Whereas an application has been received for permission to establish the township of Sandhurst Extension 3 on Remainder of Portion 26 and Remainder of Portion 209 of the farm Zandfontein 42 IR, District of Johannesburg.

And whereas the provisions of the Townships and Town-planning Ordinance, 1931, relating to the establishment of townships, have been complied with; Now, therefore, under and by virtue of the powers vested in me, by subsection (4) of section 20 of the said Ordinance, I hereby declare that the said township shall be an approved township, subject to the conditions contained in the Schedule hereto.” Signed by D.S.v.d.M. Brink, Deputy Administrator of the Province of Transvaal.

After approval was granted in 1968, detailed research on the feasibility for the project – notably by Beavon and Gurzynski (1971) – was undertaken. In the original site analysis for Sandton City they pointed out that the location was both accessible and surrounded by affluent suburbs that were likely to remain affluent. The analysis went on to confirm that, at the time, Rosebank was the most important and highly-frequented shopping node in the northern suburbs, but that the planned Sandton City would easily match, if not dominate, the Rosebank retail

cluster. Mindful of the fact that Sandton City had already been delayed once by the Town Centre debate, the site analysis emphasised the critical role of timing in getting the project started (Beavon, 1970c; Beavon & Gurzynski, 1971; Bristow, 1994).

It is interesting to note that in the feasibility study it was concluded that retail space of approximately 150 000m<sup>2</sup> would not be justifiable by 1985, and probably only by 2000. As indicated in Chapter 4, Sandton Business District had about 158 000m<sup>2</sup> of formal mall space (*i.e.* Sandton City, Sandton Square, and the Village Walk) by 2000.

In late 1973, the *Financial Mail* carried an article announcing the R20 million (in 1973 rands) Sandton City project, which would include two trading levels in the mall, two cinemas, five parking levels, and 20 floors of offices. It was stated that the Province had agreed to allow Sandton City some 90 000m<sup>2</sup> of shopping space, 60 000m<sup>2</sup> of office space, and 20 000m<sup>2</sup> for various other uses. Against all expectations, Sandton City's office tower was almost fully let the day it opened, with the Lindsay Smithers advertising agency the major tenant.

Sandton City represented the anchor development that provided Sandton with what might be termed its initial critical mass and cemented by the improvement in the road infrastructure of northern Johannesburg. Much later, it was fingered as the “development that marked the beginning of the end for the [Johannesburg] CBD” (Mail & Guardian, 2000a). Nevertheless, the significant increase in commercial space really began from the early 1980s, notwithstanding that a measure of activity was evident prior to that, as shown in the following examples:

- For the residential sector the Sandton Development Plan (Bristow, 1994) made provision to retain the low densities that already characterized the southern established suburbs such as Bryanston. It was seen as a way of maintaining the area's “Arcadian image” (Bristow, 1994, 20). Higher densities were allowed in some of the newer areas with stands of between 1 000m<sup>2</sup> and 1 500m<sup>2</sup>, and group housing located around neighbourhood-level business centres. It is interesting to note that the original “Sandown-Strathavon Townhouse Area” proposal extended the area earmarked for townhouses to 150ha in total – and was slated at the time as an unnecessary over-provision. In reality, the area was fully developed within two decades (Bristow, 1994).

- In the office sector, original proposals had been that 300 000m<sup>2</sup> of office space be allowed in Sandton. The figure was seen as too high and objections to it included the counter-claim that office development in Sandton would never be viable; that stringent parking provisions were too onerous; and that businesses would be unable to attract workers to the ‘ill-located’ node (Bristow, 1994). Detractors were soon proven wrong. In addition to the Sandton City office tower, the large cement company Anglo Alpha built their head office in Sandown and the Industrial Development Corporation built their new headquarters on the corner of West and Maud Streets, on land sold to them by the Council. Indeed, the initial long-term projection of 300 000m<sup>2</sup> of offices in the central Sandton area was met as early as 1985 (Bristow, 1994).
- In the retail sector, forecasts indicated that 230 000m<sup>2</sup> of retail space would be viable in Sandton over the next decade, *i.e.* up to the early 1980s. By the mid-1970s, there were already six lower-order retail centres in Sandton suburbs, namely in Sandown, Benmore Gardens, Bryanston, Wierda Valley, Rivonia, and Hyde Park (SA Council of Shopping Centres, 2004/5).

The third phase: Sandton emerges as the rising star on the decentralized landscape

By the early 1980s building activity in the Sandton municipal area had accelerated considerably, not least because of the draw of suburban locations in general, and, as already discussed, Sandton specifically. In 1970, the value of buildings commenced in Sandton stood at R13 million and that figure jumped to R100 million in 1980. In 1981 the figure more than doubled to R220 million (Bristow, 1994). It was by then that emerging differences between the Johannesburg CBD and decentralized commercial property markets started to become distinctly noticeable. It appeared that the critical mass being established in Sandton was beginning to attract the increasing attention of users and investors alike, in a more than proportional way, to the detriment of the Johannesburg CBD.

During the early part of the 1980s analysts were predicting a possible over-supply of office space in the Johannesburg CBD market – a scenario that could not have come at a worse time (The Property Economist, 1984). Although office development activity was taking place in the CBD of Johannesburg at the same time, nodes were already being identified that could expect high demand growth in 1982 and 1983, *viz.*, Sandton, Parktown, Bedfordview, Ormonde, Rosebank, and Braamfontein (The Property Economist, 1984).

The growing threat of market over-supply in downtown Johannesburg, at a time when demand for suburban locations was accelerating, is set out in Table 3.3. It is noted that the vacancy levels in both the city centre and the suburbs suddenly began to deteriorate from 1981 and 1982, to 1983. Property economist Neville Berkowitz, writing in the *Property Economist* (1984), pointed out that over-building was becoming a feature of the Johannesburg office sector in the early 1980s, a feature not dissimilar to the over-building that would take place in the city's office market in the late 1990s.

TABLE 3.3: Total, pre-let and vacant stock.

(Source: The Property Economist, 1982)

|  | Total stock in<br>m <sup>2</sup> | Estimated<br>pre-let | As % | Estimated<br>vacant | As % |
|--|----------------------------------|----------------------|------|---------------------|------|
| Johannesburg CBD, Braamfontein and suburbs |                                  |                      |      |                     |      |
| 1981                                       | 198 600                          | 142 200              | 71.6 | 56 400              | 28.4 |
| 1982                                       | 231 300                          | 181 085              | 78.3 | 50 214              | 21.7 |
| 1983                                       | 210 580                          | 59 600               | 28.3 | 150 980             | 71.7 |
| Change:                                    | 243 280                          | 98 485               |      | 144 795             |      |
| Johannesburg suburbs only                  |                                  |                      |      |                     |      |
| 1981                                       | 91 600                           | 58 200               | 63.5 | 33 400              | 36.5 |
| 1982                                       | 128 100                          | 89 235               | 69.7 | 38 865              | 30.3 |
| 1983                                       | 151 580                          | 50 600               | 33.4 | 100 980             | 66.6 |
| Change:                                    | 188 080                          | 81 635               |      | 106 445             |      |

Although commentators at the time were relatively confident that the additional development scheduled in 1982 would be taken up without “any undue problems” (The Property Economist, 1984, 120), concerns were raised about the volume of excess space during 1983. Thus by the early 1980s the competition between the Johannesburg CBD and the suburban nodes was starting to sharpen. Various forces of attraction were already recognized drivers of suburban development, and when the market started to face the threat of over-supply, the appeal of different nodes became clearer. It should be noted, however, that there was at the same time no sign of any substantial centrifugal forces pushing users out of the CBD, with the exception of the traffic and parking factor mentioned earlier. Certainly, there were no fears that any of the

established banking, financial services, or major corporate players were planning to vacate the city centre.

#### Office demand chooses Sandton: 1984 to 1989

As indicated earlier, Sandton was a favoured node for commercial property developers during the 1970s and into the 1980s, and by the mid-1980s formal research was being conducted on the node. This was different from previous research in that it considered Sandton as a node alone, without analysing it in the context of the wider suburban property marketplace. Some of the key attractions of Sandton specifically identified by *The Property Economist* (1984), are listed below.

- Sandton was fast developing and creating critical mass. In 1983/4, it was reported that 21 per cent of all new office space coming on-stream in the city was located in Sandton which was fast catching up to the Johannesburg CBD, where a further 26 per cent of new office development was located.
- Referring again to centripetal forces operating in the suburbs, it was noted at the time that parking bay rentals in Sandton, at around R50/m<sup>2</sup> to R60/m<sup>2</sup> per month, were considerably cheaper than CBD parking rentals, which were closer to R100/m<sup>2</sup> to R120/m<sup>2</sup> a month.
- Office land in Sandton could be bought for approximately R350/m<sup>2</sup> compared to between R900/m<sup>2</sup> and R1 000/m<sup>2</sup> in the city centre.

For the above reasons, and notwithstanding the fact that Sandton did have some disadvantages as an office location (see *The Property Economist*, 1984/5), a strong movement of tenants continued to locate in the Sandton Business District. In 1984, research conducted by Neville Berkowitz & Associates presented a slate of the activities visible in the node. A summary is set out in Table 3.4.

TABLE 3.4: New development in Sandton in 1984.

(Source: Neville Berkowitz & Associates, 1984)

|  |
|--|
| Allied Park, the Allied Building Society's head office, was opened in July 1984  |
| Construction on the new municipal building got underway in 1984, with a GLA of 560m <sup>2</sup>                                     |
| Rapp and Maister started a new office development in Alice Lane with 14 500m <sup>2</sup> of new space due to come on-stream in 1986 |
| Grey Phillips' new 10 000m <sup>2</sup> was scheduled for completion in 1985   |
| Tiber Bonvec's new offices in North Road, Sandown  |

Interestingly, the 1980s – and particularly the mid-1980s – saw the Sandton Town Council being hoist with its own petard. Having consciously set out to attract decentralized commercial development in the early 1970s, the momentum of market demand by 1985 was starting to outstrip the town's development plan. A report presented to the Sandton Management Committee in 1987 highlighted the fact that considerable pressure was being placed on the Council by developers who wanted to extend the boundaries of Sandton Business District and cautioned that the local authority was concerned about over-development (Sandton Town Council, 1987).

Between 1980 and 1985, approximately 60 per cent of office rights approved in the Central Witwatersrand region during that period (excluding the Johannesburg CBD) were in Sandton (Sandton Town Council, 1987). The result was that as traffic congestion increased on main arterial roads, it worsened along the alternative routes that went through residential suburbs such as Atholl and Sandhurst; and development pressure for space along major arterials like Katherine Street and Grayston Drive increased significantly. By the mid 1980s, estimates put the office stock in Sandton at approximately 300 000m<sup>2</sup>, matching the original projection made in the early 1970s! Furthermore, Sandton was now considered a prestigious office address, especially for corporate head offices, and perceived to be offering well-planned, state-of-the-art office accommodation. Part of the appeal of developing in Sandton was no doubt the fact that rezoning residential land to office uses, thanks to low land prices and high demand for built space, could increase a developer's profit by between 300 per cent and 1 000 per cent (Sandton Town Council, 1987).

By 1987, the town planning authorities in Sandton were arguing that office development in the suburbs north of Sandton Business District was desirable, that considerable rights had been

granted in both Sunninghill and Woodmead, and that Midrand had potential for office development that was ‘almost untapped’ (Sandton Town Council, 1987). The private investment market seemed intent on developing on the periphery of Sandton Business District, despite resistance from the Council that felt traffic congestion was becoming a major disadvantage for the node. In fact, the trend towards development sowed the seeds for later diseconomies, mainly in terms of infrastructure, that would begin to plague Sandton Business District in the 1990s and continue into the new century. In 1987, forecasts made by the Sandton Town Council of retail, office, and residential growth in the Sandton Business District were released (Table 3.5). Little did the local authority realize that these projections would be far exceeded by 2000.

TABLE 3.5: Predicted floor areas by the year 2000.

(Source: Sandton Town Council, 1987)

|                |                       |
|----------------|-----------------------|
| Retail         | 160 000m <sup>2</sup> |
| Office         | 650 000m <sup>2</sup> |
| Dwelling units | 1 000 units           |

The debate between developers and local authority planners was formally addressed two years later in the Sandton Structure Plan (Sandton Town Council, 1989), which aimed to set the parameters for commercial growth in the town into the next decade. Suffice it to say here that the plan focused strongly on the threat of uncontrolled office development in and around central Sandton and formally proposed an office policy that favoured developing other nodes (including Fourways, Sunninghill, and Rivonia) while preventing further growth on the periphery of the Sandton Business District. The policy did lead to office growth in the outlying nodes but ultimately did not prevent additional peripheral development around Sandton Business District.

It is necessary to emphasize that during the period of high activity in Sandton in the 1980s commentators did not denounce the CBD. In fact most continued to see it as the primary commercial district in the metropolis. It may be true that it is only with hindsight that the rapid slide into city-centre decline is seen to have begun during this period. In 1989, for example, urban affairs consultant Nigel Mandy was requested by the Urban Foundation to comment on trends in the wider Johannesburg office market<sup>5</sup>. He indicated at that time that while 225 000m<sup>2</sup> was under construction in Johannesburg CBD, Sandton was seeing some 77 000m<sup>2</sup> being brought on-stream concurrently. Office space was being widely developed across several suburban nodes, as summarized in Table 3.6.

TABLE 3.6: Completed office space at January 1989.

(Source: Mandy, 1989)

|                  |                         |
|------------------|-------------------------|
| Johannesburg CBD | 3 268 000m <sup>2</sup> |
| Braamfontein     | 719 000m <sup>2</sup>   |
| Parktown         | 182 000m <sup>2</sup>   |
| Rosebank         | 171 000m <sup>2</sup>   |
| Greater Sandton  | 454 000m <sup>2</sup>   |
| Randburg CBD     | 252 000m <sup>2</sup>   |
| Bedfordview      | 96 000m <sup>2</sup>    |
| Total suburban   | 1 874 000m <sup>2</sup> |

Sandton was thus already the largest decentralized office area outside of the Johannesburg CBD and Braamfontein by the late 1980s. Although Mandy acknowledged this fact, he took a relatively positive view on downtown Johannesburg and at the same time highlighted the five key trends. Mandy (1989) felt there was:

- Strong office development in the north-western sector of the city centre (including Bank City and Old Mutual), in the mining sector (by Anglo American), and in Newtown. These projects, he argued, confirmed the position of the Johannesburg CBD as the financial heart of South Africa;
- Strong retail activity around the Eloff Street and Carlton Centre precincts, with a growing black consumer base. Mandy pointed out that little new retail development was taking place;
- Strong demand for residential space in the inner city from black tenants, with a further prediction that the Joubert Park, Hillbrow, and Berea areas could expect to see urban decay. He furthermore predicted that commercial buildings might increasingly be converted into residential properties;
- Strong pressure from the private sector on the city authorities to manage the complex urban environment in the city centre more effectively; and
- Strong growth in the minibus-taxi sector, prompting calls for better accommodation and management of that form of public transport.

So, by the end of the 1980s Sandton had indeed developed as one of the major decentralized nodes in metropolitan Johannesburg. There is, however, scant evidence that the downtown was beginning to decay, and although certain urban problems had been identified, few commentators claimed that the city centre as a whole was on a downward slide. The strongest manifestation of centrifugal forces pushing users out of the Johannesburg CBD was yet to come, and it started in the 1990s, at the same time that Sandton’s status as a predominantly financial services district became more apparent.

Fourth milestone: Urban decay starts to push tenants away from the Johannesburg CBD: 1990 to 1999

By the early 1990s, the spectre of crime and grime had emerged in downtown Johannesburg and the noticeable exodus of businesses from the city centre had begun. Unlike the research conducted by Segall in the late 1970s, locational research done in the 1990s pinpointed the first signs of concern about security issues and crime, unmanaged informal trading, litter, and lack of cleanliness, and the fact that white customers and clients in particular no longer wished to travel into the CBD. In fact, these issues became the most important criticisms of the node (see Table 3.7 below).

TABLE 3.7: Top ten negative aspects associated with the CBD.

(Source: Prinsloo, 1994)

|                                    | % of total respondents | Centrifugal force, pushing users out of the Johannesburg CBD? |
|------------------------------------|------------------------|---|
| Violence/security/crime            | 35.3                   | Yes   |
| Parking                            | 12.5                   | Yes   |
| Losing customers/people don't come | 6.8                    | Yes   |
| Hawkers                            | 5.6                    | Yes   |
| Filthy/dirty                       | 4.8                    | Yes   |
| Traffic                            | 4.2                    | Yes   |
| Poor area                          | 4.0                    | Yes   |
| Taxis – threatening                | 3.1                    | Yes   |
| Transport problems                 | 2.7                    | Yes   |
| Noisy                              | 2.3                    | Yes   |

Despite the negative locational factors the point was still being made that the stock-market and the law courts were vital anchors and still in the city centre. It was believed that they would inhibit financial services companies and legal firms from leaving downtown Johannesburg. Furthermore, the centrality of the CBD, in the sense of accessibility, remained a strong advantage.

By 1996, the effect of centrifugal forces driving tenants from the city centre had become grimmer. As Matsetela found in 1996, the three most prominent reasons for companies deciding to leave the Johannesburg CBD were: the increase in crime in the city centre (particularly muggings and hijackings), lack of parking (presumably made worse by security fears of both clients and employees), and traffic congestion. The latter two points are also directly related to the growth of the taxi industry.

In the consideration of urban growth, there are inevitably a vast array of factors that go beyond the immediate focus of a specific research topic. Thus there are of course numerous other critical forces that contributed to the ongoing demand for space in the suburbs, notably Sandton, and the ongoing decline in demand for downtown space, but in detail they fall outside the scope of this dissertation. Yet for the sake of completeness, some of the pivotal points are:

- The political environment, and its impact on the property market, changed dramatically during the 1990s. The successful 1994 democratic elections heralded a new era in the country's economy. The new dispensation, however, brought with it a significant amount of restructuring, which had an impact on the property markets. In 1995, the Greater Johannesburg Transitional Metropolitan Council (GJTMC) was created by merging *inter alia* the six town councils of greater Johannesburg (*i.e.* Ennerdale, Sandton, Soweto, Randburg, Roodepoort, and Johannesburg). This resulted in a lack of capacity, fragmented information, and in certain cases, a lack of clear policy direction, and is discussed in detail elsewhere (City of Johannesburg, 2001a). It is important to indicate here that the breakdown of city government impacted Sandton Business District as much as it did the Johannesburg CBD.
- Also as a result of the new dispensation, the institutional property investors that had dominated the marketplace up until the early 1990s, started to invest elsewhere (and notably off-shore) and thus decreased their exposure to property over a period of years. Although this opened up opportunities for smaller private investors to enter the property

market, it also meant that many city-centre buildings became available for sale, worsening the decline of the CBD market (see City of Johannesburg, 2003a). Industry investment data (Investment Property Databank, 2003) for the period in fact illustrate the drop in property values in Gauteng CBDs. The differential between the city centre and suburban office properties grew during the mid- to late-1990s.

- The first urban revitalization initiatives came into being during the mid-1990s, as both city officials and remaining downtown businesses started to feel the effects of urban decline. Urban renewal organizations were formed, most notably the Central Johannesburg Partnership in 1993 which embarked on a strategy to establish City Improvement Districts (CID) around the CBD. Based on a US model, a CID aims to address urban decay by providing additional cleaning, security and other ‘housekeeping’ services in a degraded area.<sup>6</sup> Private property owners in the designated CID area pay for the extra services.
- The provincial government also took a principled view on the question of urban revitalization, and relocated all Gauteng government departments from Pretoria CBD to Johannesburg CBD in 1995. The move immediately reduced the CBD vacancy rate by about 15 per cent but thereafter the steady rise in vacancies re-commenced within the year (Sapoa, 1995; City of Johannesburg, 2001a).
- The Sandton rates debate and boycott commenced in 1996, when the GJTMC took a decision to standardize rates and taxes throughout the new and extended metropolitan region. Until then, different municipalities had charged different rates. Sandton had in fact cut municipal spending to charge low rates, and had few public spaces and no streetlights in certain suburbs.<sup>7</sup> In effect, the standardization saw Sandton ratepayers paying by between 120 per cent and 250 per cent more in rates, and sparked a rates boycott on the part of both residential and corporate users, which lasted for some 18 months (City of Johannesburg, 2001a). In addition to contributing to the city’s financial difficulties (some R220 million was owed to the council by 1998), the rates debacle highlighted how the low municipal rates had been utilized in Sandton to attract businesses into the area, as pointed out by Segall (1979).

Finally, it was during the 1990s that the major corporate and financial businesses started to move to Sandton. Then, in 1997, Anglo-American property division chief, and former champion of the CBD, Gerald Leissner admitted that “Sandton *is* the commercial heart of the city” (Mail & Guardian, 1997).

### Tracking the rise of Sandton and the demise of the Johannesburg CBD

Four key property-related indicators will now be presented in order to depict the correlation in activity between the two nodes while Sandton grew and the Johannesburg CBD declined. Indeed a case can be made that Sandton Business District’s growth path, and the node’s growing reputation as the city’s main financial and corporate centre, is inversely related to the status of the declining Johannesburg CBD at any point in the period under consideration.

#### Office rental data

Office rental data is a good indicator of where supply and demand intersect in a particular node. Thus, increases in rentals suggest an increase in the demand for space, and generally indicates a seller’s or landlord’s market. The movement in prime office rentals between 1990 and the present are shown graphically in Figure 3.1. The relative decline in the city centre office market is shown to have commenced in about 1996 after which the differential between the two nodes increased. At its widest point, the difference between Johannesburg CBD prime office rentals and Sandton Business District prime office rentals has been as much as R40/m<sup>2</sup>.

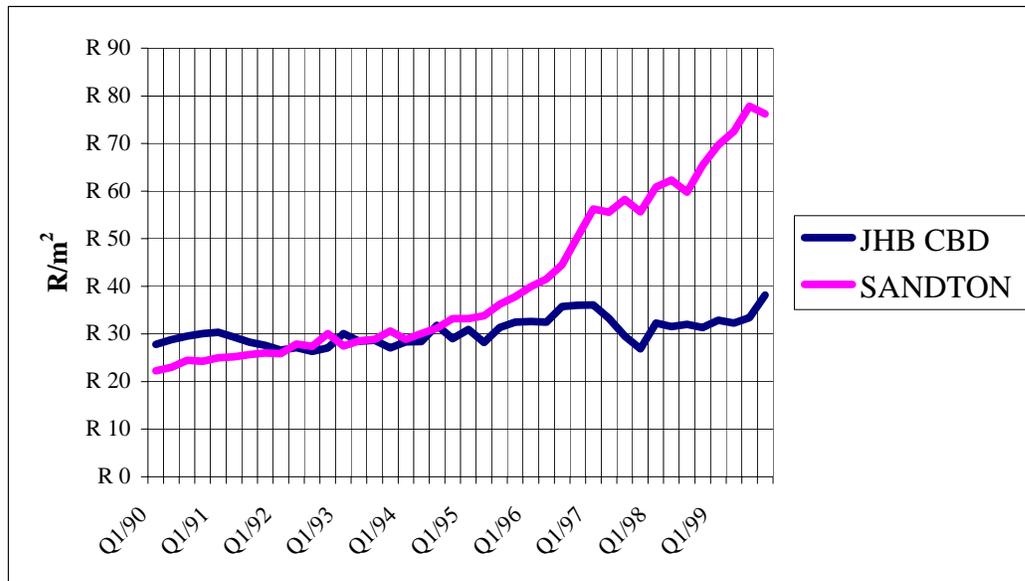


FIGURE 3.1: Prime office rentals in Johannesburg CBD and Sandton business district.

(Source: Rode & Associates, 2000)

## Office vacancy levels

Likewise, vacancy levels are a useful indicator of the intersection between supply and demand for office space. A low vacancy rate indicates that the market has effectively filled available space in a certain office node and by implication, at a rental acceptable to both landlords and tenants. As vacancy rates grow, the implication is that either rentals are too high for the perceived prestige of the node, or other factors are contributing to a lack of demand in the node. The clear distinction between decreasing vacancies in Sandton, compared with increasing vacancies in the CBD, is highlighted in Figure 3.2. The decrease in downtown vacancies in 1995 when the provincial government moved to the Johannesburg CBD is shown but it should be noted that it was not a sustained improvement.

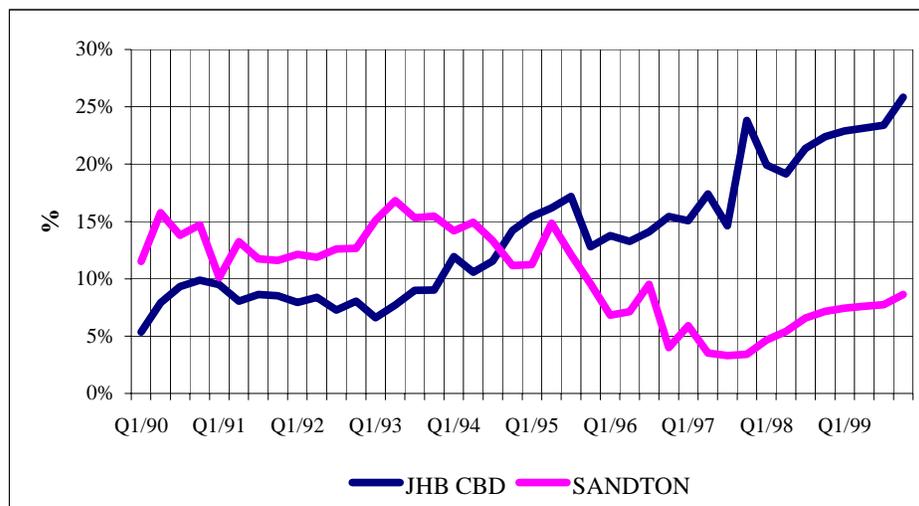


FIGURE 3.2: Office vacancies in Johannesburg CBD and Sandton business district.

(Source: Sapoa, 2003)

## Speculative office development activity

Speculative development activity is primarily a proxy for confidence in a specific node and indicates the willingness of investors and developers to undertake projects, secure in the knowledge that they will be able to let them on completion. Little speculative office development has taken place in the CBD in the past decade, as shown in Figure 3.3, whereas Sandton has seen high, albeit sporadic, levels of speculative activity since 1990. By the mid-1990s, however, new developments in Sandton were largely demand-driven. A detailed study of speculative office activity (African Life Properties, 2000) in fact found that although such office development in northern Johannesburg was excessive at that time, the new developments in Sandton Business

District were almost exclusively demand-driven, suggesting that the node was already an established, and expensive, corporate node.

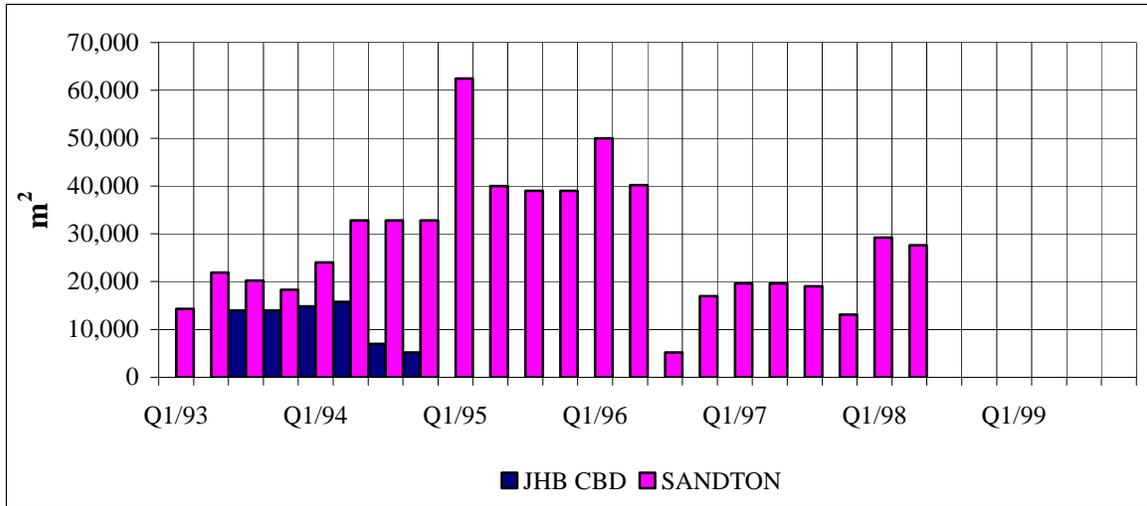


FIGURE 3.3: Speculative office developments in Johannesburg CBD and Sandton Business District  
(Source: Sapoa, 2000)

#### Office yields as a proxy of risk

Yields provide a useful indicator of the perceived risk of a particular office building and highlight the amount of risk that an investor is willing to accept for a property in a particular area. For example, an office building in downtown Johannesburg may generate a net operating income (or net rental income) of R100 000 annually. However, because of decline in the city centre, the building may only be valued at R500 000. This represents a yield of 20% (dividing the net rental income by the property value).

An office building in Sandton however may generate R1 million in rental income each year, but be valued at R10 million, representing a yield of 10% which is typical of a low-risk building in a good area. The higher the yield the investor is prepared to accept, the higher the potential area risk. Although rental income can be consistent in a high-risk area, generally the property values are low. The trend in yields during the 1990s in downtown Johannesburg and central Sandton show how perceptions of risk have risen in the city centre while Sandton Business District has remained relatively stable.

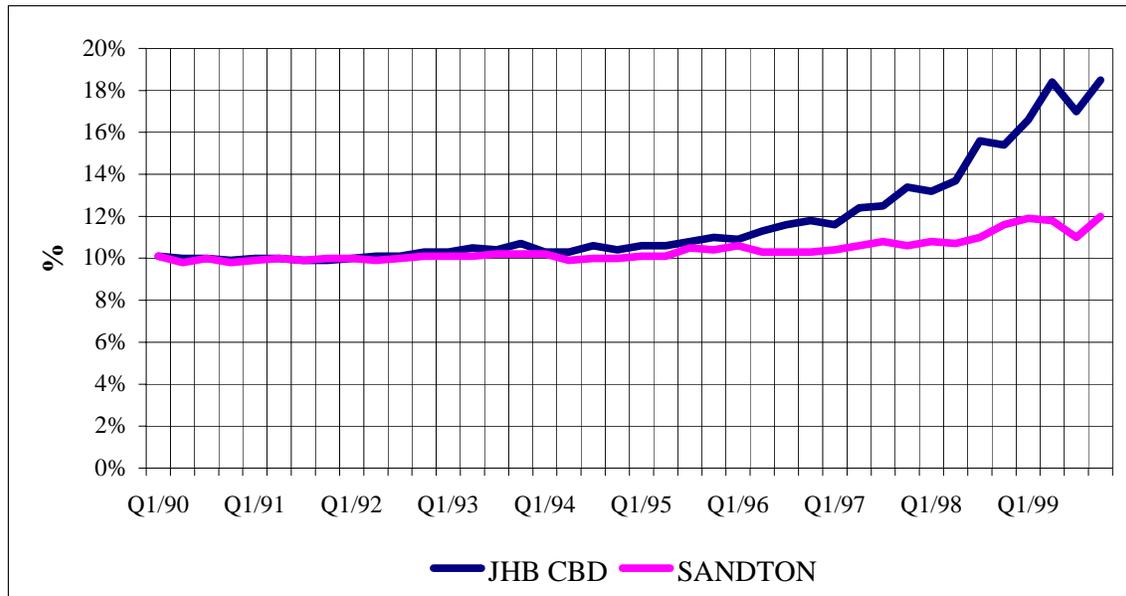


FIGURE 3.4 Office yields in Johannesburg CBD and Sandton Business District.

(Source: Rode & Associates, 2000)

The data supports the contention if not the fact that, by the late 1990s, Sandton was the primary financial and corporate node in the metropolitan area, while the Johannesburg CBD faced a bleak future of urban decline, higher risk, higher vacancies and little rental growth.<sup>8</sup>

Fifth phase, or the point of no return? The relocation of the JSE Securities Exchange to Sandton Business District

The final blow to the status of the Johannesburg CBD *vis-à-vis* Sandton Business District, and the official recognition of its status as the city’s financial heartland, came with the relocation of the JSE Securities Exchange from Diagonal Street in the downtown, to Maud Street in Sandton Business District. Furthermore, the Johannesburg Bar steadily relocated to premises in Sandton between 1998 and 2002. The move was prompted by uncontrolled noise and grime caused by informal traders outside the Bar’s downtown premises (Mail & Guardian, 2000a). The country’s second national convention centre was built in Sandton Business District in 2000.

In addition, by 2000, Sandton Business District’s new corporate and financial head offices were providing premises for more than just small companies and professional practices. By then, the node was home to *inter alia* Rand Merchant Bank, Investec, Deutsche Morgan

Grenfell, Merrill Lynch, and the Mercantile Bank of Lisbon. A study undertaken by Nedcor in 2000 listed the major office projects in central Sandton (Table 3.8).

TABLE 3.8: Major office projects underway in central Sandton in 2000.

(Source: Nedcor, 2000)

| Project                      | Estimated GLA         |
|------------------------------|-----------------------|
| ABN Amro head-office         | 7 000m <sup>2</sup>   |
| Compaq head-office           | 7 000m <sup>2</sup>   |
| Discovery Health head-office | 29 000m <sup>2</sup>  |
| Citibank                     | 14 000m <sup>2</sup>  |
| Denys Reitz                  | 8 000m <sup>2</sup>   |
| Nedcor head-office           | 60 000 m <sup>2</sup> |
| Sandton Convention Centre    | 2 500 m <sup>2</sup>  |
| NBC Bank head-office         | 12 000m <sup>2</sup>  |

\* \* \* \* \*

In concluding Chapter 3, it seems appropriate to present a summary table of the five phases that led to Sandton Business District’s establishment as a commercial and financial district between 1969 and 2000, with the key features of each phase set out in Table 3.9.

TABLE 3.9: The five phases and milestones that led to the establishment of the Sandton Business District.

|   |   |
|---|---|
| Phase 1: 1969<br>Establishment of the Sandton municipality.             | <ul style="list-style-type: none"> <li>▪ The creation of a wealthy, independent community of decision-makers and professional/corporate occupations, well-used to fighting for their independence.</li> </ul>   |
| Phase 2: 1969 to 1983<br>The attraction of suburban business locations. | <ul style="list-style-type: none"> <li>▪ Businesses start to see the appeal of suburban nodes, thanks to the manifestation of centripetal forces.</li> <li>▪ Sandton gears itself up for future growth by establishing solid town planning and development policies.</li> <li>▪ Sandton City and the Town Centre provide a focal point for the node.</li> </ul>   |
| Phase 3: 1984 to 1989<br>Sandton becomes the node of choice.            | <ul style="list-style-type: none"> <li>▪ Sandton’s business district (the town centre identified by Bristow) outstrips all forecasts for commercial development.</li> <li>▪ Centripetal forces strongest in Sandton, but the Johannesburg CBD remains healthy and the focus of banking, financial and legal sectors.</li> </ul>   |
| Phase 4: 1990 to 1999<br>Exodus from the city centre.                   | <ul style="list-style-type: none"> <li>▪ As crime and grime became an issue, Sandton is well-placed to provide an alternative to the city centre.</li> <li>▪ Political restructuring created constraints around capacity, skills and policy.</li> <li>▪ Research and data both suggest that the major exodus became evident in the mid-1990s.</li> <li>▪ Relocation from the Johannesburg CBD, on the back of centrifugal forces, accelerated.</li> <li>▪ The first urban revitalization initiatives were launch in the city centre.</li> </ul> |
| Phase 5: 2000<br>The relocation of the JSE and the Johannesburg Bar.    | <ul style="list-style-type: none"> <li>▪ Although in many ways symbolic, the relocation of the stock exchange and the Johannesburg Bar were literally the final blow for the city centre, whereas Sandton was now the acknowledged financial and commercial heartland of the city.</li> </ul>   |

### Endnotes Chapter 3

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<sup>1</sup> The view of Barry Bristow, retired chief town planner of Sandton, during face-to-face discussions held in July 1999.

<sup>2</sup> In an attempt to universalize the rates base in the wider (and newly-redefined) metropolitan area, the City escalated Sandton's traditionally low rates from 2,5c per Rand of land value, to the universal 6,45c per Rand of land value. Limited research was done into the debacle but useful references include JHI, 1997 and the City of Johannesburg, 2001a.

<sup>3</sup> This is the perspective of Bristow in 1999.

<sup>4</sup> Interviews were held with Barry Bristow, the retired chief town planner of Sandton, at his home in Johannesburg on the 6<sup>th</sup> and 12<sup>th</sup> of July 1999.

<sup>5</sup> A copy of the letter was shown to me by Barry Bristow during one of our interviews.

<sup>6</sup> Information on South African CIDs was accessed from the website of the Central Johannesburg Partnership at [www.cjp.co.za](http://www.cjp.co.za)

<sup>7</sup> Discussions with valuers suggest that Sandton and Johannesburg were also valued differently in case of expropriation.

<sup>8</sup> Traffic data would be a useful indicator of Sandton's growth over the 1980s and 1990s. Several discussions with the Johannesburg Roads Agency, and City traffic engineer Hannes van der Merwe proved fruitless, as did requests to the City Records Department. It remains unclear whether the information does not exist.

## CHAPTER 4

### **The Chickens Come Home to Roost in Sandton Business District, 2000 - 2003**

The year 2000 represented something of a watershed for Sandton Business District, but with hindsight it also marked a turning-point for a node that had become increasingly over-developed and self-important with little consideration for its role within the wider metropolitan area. In 2004, a detailed survey found that shoppers and office workers alike found Sandton Business District to be both ‘arrogant and complacent’ and ‘designed more for cars than for people.’<sup>1</sup> There were however other dynamics emerging that demanded increasing attention and would come to offer competition to the status of the node. These included a more self-aware and focused approach on the part of a metropolitan government that had been largely ineffectual for the preceding five years, combined with a renewed sense of excitement and interest in developing degenerated areas within the inner city of Johannesburg.

In 2000, Sandton Business District was characterized by high development levels and a strong financial and corporate cluster. The first seeds of imbalance were evident however, as commercial property development activity started to strangle the area. Concerns regarding infrastructure strain, excessive traffic congestion, and an over-supply of particularly office space began to be voiced. The first private developer to raise concerns about the saturated office market was African Life Properties. They commissioned a study into the quantity of speculative space being built in the city’s northern suburbs (African Life Properties, 2000).<sup>2</sup> At the same time, the media started to ask whether or not Sandton was in trouble, in response to worries about bulk sewerage infrastructure during the World Summit on Sustainable Development in 2002 (Mail & Guardian, 2002; Godwin, 2004).

As commercial building in activity Sandton Business District started to outstrip demand during the early 2000s, the metropolitan government was starting to get its act together. In 2001, it released *Johannesburg: an African City in Change* in which the constraints faced by the city were explored, and proposed to remedy them with *Igoli 2002*, a structural transformation plan. Although not without flaws, the authors did examine the circumstances that led Johannesburg into financial crisis and perhaps paved the way for a more focused and pro-active approach to city planning than had been seen in previous years. Indeed, city planning became a more and more controversial topic during the early 2000s with a new wave of research looking into the management and mismanagement of Johannesburg during the nineties (including *inter alia*

Tomlinson & Rogerson, 1999; CDE, 2002). The debate was heated but nonetheless healthy, and was no doubt partially responsible for the new bouquet of economic and town planning policies released in 2002 and 2003, which went some way to providing a more holistic vision for the wider Johannesburg – a vision within which Sandton Business District was just one element (City of Johannesburg, 2001b). The policies promoted the idea of localization economies, as discussed in Chapter 2, which allowed for different nodes within the city to start manifesting specific profiles. Sandton Business District, not unexpectedly, was earmarked as the city's financial services heartland (City of Johannesburg, 2001b; Trail, 2003).

Another spin-off of the clearer policy focus in the city were the regeneration initiatives sparked by the decline seen in the CBD during the nineties. The city's economic strategy document entitled *Joburg 2030* laid the foundation for inner-city revitalization, as did the establishment of the Johannesburg Development Agency (JDA) and the provincially-driven Blue IQ economic development office, both in 2001. Although inner-city regeneration was met with a fair level of scepticism initially, these initiatives did draw attention to beleaguered downtown areas and eventually private-sector investors started to show some interest. Developer Pat Flanagan, who funded the re-development of the so-called Mills Precinct in western Newtown said later that he would never have considered investing in the node without the massive infrastructure investment that had been put in place by the city and the province.<sup>3</sup>

Whereas some commentators believed that Sandton was fast evolving into the city's golden goose (Sunday Times, 2000) others believed that Johannesburg's northern suburbs office marketplace was becoming increasingly over-supplied. The theme of an over-supplied suburban office market soon started to attract a great deal of attention (*e.g.* African Life Properties, 2000; Reilly & Richards, 2003; Goga, 2003). Early estimates put the amount of speculative office space in 2000 at 181 815m<sup>2</sup> compared with an annual 98 841m<sup>2</sup> of take-up in Sandton as a whole (African Life Properties, 2000). Research conducted by Nedcor (2000) in the same year found that there was 80 000m<sup>2</sup> of offices standing vacant in Sandton Business District at the time. Although demand for offices was reported by brokers to be strong the authors of the Nedcor report point out that:

It should be noted that there are examples of corporate office tenants that have taken a decision not to locate to Sandton CBD because of traffic congestion and other infrastructural constraints. Considering that there are already concerns about crime and grime in Sandton CBD, it should be emphasized that the node is not immune to the threat of decentralization especially in the face of growing competition from other northern nodes (Nedcor, 2000, 20).

New development activity in Sandton Business District did start to decrease during the early 2000s, no doubt as a result of the concerns about over-supply and inadequate services. New projects tended to be refurbishments, or demand-driven developments with a secure tenant in place. Examples include the planned 35 000m<sup>2</sup> Gwen Lane Towers, the new Cell C head office at 150 Rivonia Road, and the new regional headquarters for Old Mutual in Gauteng (although the latter two are strictly-speaking just outside the defined Sandton Business District). Industry data indicated that there was a negligible 1 220m<sup>2</sup> of speculative development in central Sandton by mid-2003 (Sapoa, 2003). Overall, in northern Johannesburg's office market, the over-supply reached close to two and a half years' worth by the first quarter of 2002. The take-up of offices space in major decentralized nodes over the period from March 2001 to March 2002 is illustrated in Table 4.1, along with the available space, including both vacant space and speculative space coming onto the market.

TABLE 4.1: Take-up rates and available office space: March 2002 and March 2001.

(Source: Viruly Consulting, 2002a)

|                       | <b>Take-up<br/>in m<sup>2</sup></b> | <b>Available space<br/>in m<sup>2</sup></b> |
|-----------------------|-------------------------------------|---|
| Bryanston/Epsom Downs | 53 482                              | 16 486                                      |
| Houghton/Killarney    | -1 756                              | 8 445                                       |
| Hyde Park/Dunkeld     | 5 669                               | 35 219                                      |
| Illovo                | 22 891                              | 21 565                                      |
| Melrose/Waverley      | 44 311                              | 25 540                                      |
| Rivonia               | 1 096                               | 54 457                                      |
| Rosebank              | 10 215                              | 39 713                                      |
| Sandton               | 38 512                              | 193 475                                     |
| Sunninghill           | 1 893                               | 31 887                                      |
| Woodmead              | 13 568                              | 39 721                                      |
| <b>Total</b>          | <b>189 881</b>                      | <b>466 508</b>                              |

Even urban scholars were commenting on the potential risk of centrifugal forces manifesting in Sandton Business District. Tomlinson and Rogerson (1999) wrote of perceived urban decay in Sandton, citing traffic congestion and infrastructure constraints as major concerns. The researchers went on to warn against Sandton being allowed to follow in the same cycle of decline as the Johannesburg CBD, a warning that in 1999 was apparently not taken very seriously.

Perhaps the most concrete evidence of centrifugal forces manifesting in Sandton Business District was in the setting up of the node's first improvement district in 2000. Called the Sandton City Management District (SCMD), it included the Sandton City and then Sandton Square retail developments, the Sandton Convention Centre plus certain adjoining properties. Driven by Liberty Life Properties, which owned R3.4 billion of property in the SCMD, it cost the consortium of property owners close to an extra R2 million a year for additional cleaning, security, and marketing services, over and above their rates and taxes. In 2002, the remainder of Sandton Business District formed another improvement district, the Sandton Business Improvement District (SBID) with similar goals. Although both management districts continue to exist today, a consolidated initiative known as the Sandton Central area was launched in 2004, to consolidate efforts across the node.<sup>4</sup> The significant investment of property owners was lauded, although sceptics pointed out that the additional expenses were 'chickenfeed' compared to the property values being protected by these initiatives (Larsen, 2004a).

The early 2000s thus brought mixed fortunes to Sandton Business District, with office over-supply and infrastructure constraints emerging as centrifugal forces that could put the node at risk of losing tenants. Perhaps most telling is the comparison of key property indicators, to be discussed in the following section, which illustrates how the active Sandton commercial property market ebbed from 2000 to 2003.

### **Comparative demand and supply analysis**

In the previous chapter historical data illustrating the forces that shaped Sandton as a commercial district *vis-à-vis* the Johannesburg CBD during the 1990s and up until 2000 were presented. In the following section the relationship between the two nodes, as 'told' by the same office property indicators, between the period 2000 and 2003 is described. The over-arching purpose in the section is to highlight the weakening of office property indicators in Sandton Business District compared with the strengthening, albeit still weaker, indicators in the

Johannesburg CBD during the early 2000s. The data underline the fact that Sandton Business District was less dominant over the city centre than it had been during the 1990s, just three years previously.

Office rental patterns in downtown Johannesburg and Sandton Business District

The data in Chapter 3 showed a strong increase in rentals for Sandton Business District during the late 1990s while Johannesburg CBD rentals ebbed. By 2002, rentals in Sandton Business District and downtown Johannesburg were both declining, although Sandton rentals were coming off a far higher base.

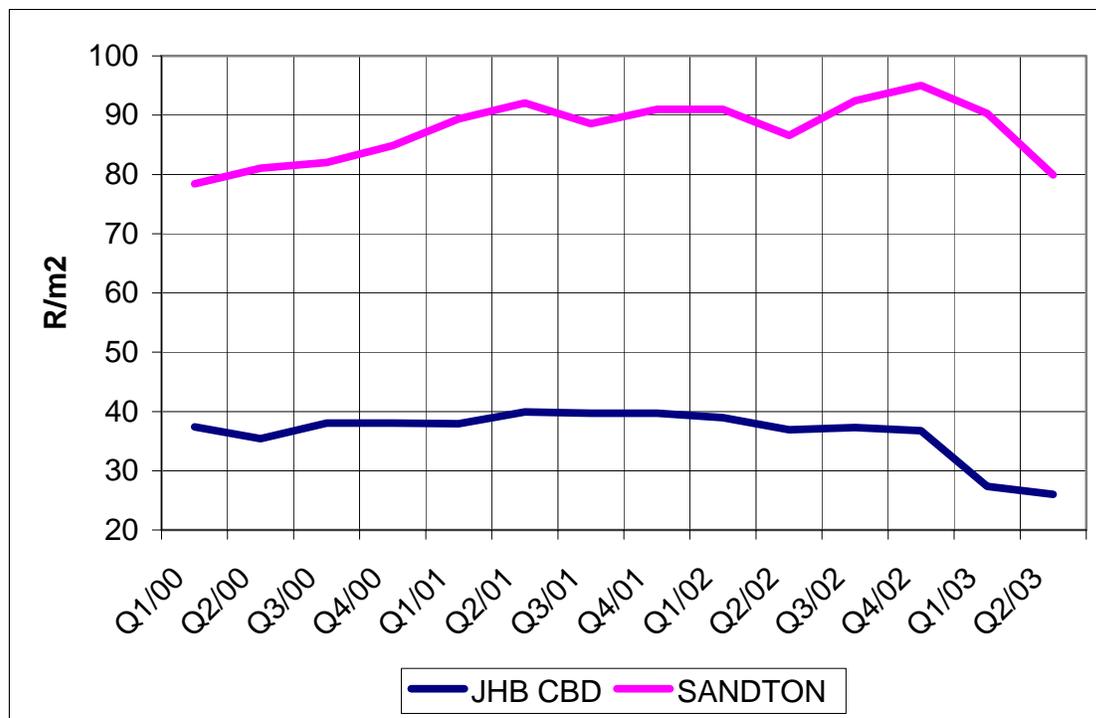


FIGURE 4.1: Prime office rentals.

(Source: Rode & Associates, 2003)

Office vacancy patterns in downtown Johannesburg and Sandton

Vacancy data start to show a more compelling relationship between Sandton Business District and the Johannesburg CBD. As the Sandton Business District saw a slow worsening of prime office vacancy levels from 11 per cent in 2000 to 14 per cent in 2003, the Johannesburg CBD enjoyed a strengthening of vacancy levels from 23 per cent to 14 per cent over the same period. By the second quarter of 2003, the Johannesburg CBD and Sandton Business District

were displaying the same vacancy rate for A- and B-grade office space (Fig.4.2). The last time the two nodes showed the same vacancy rate was in mid-1994.

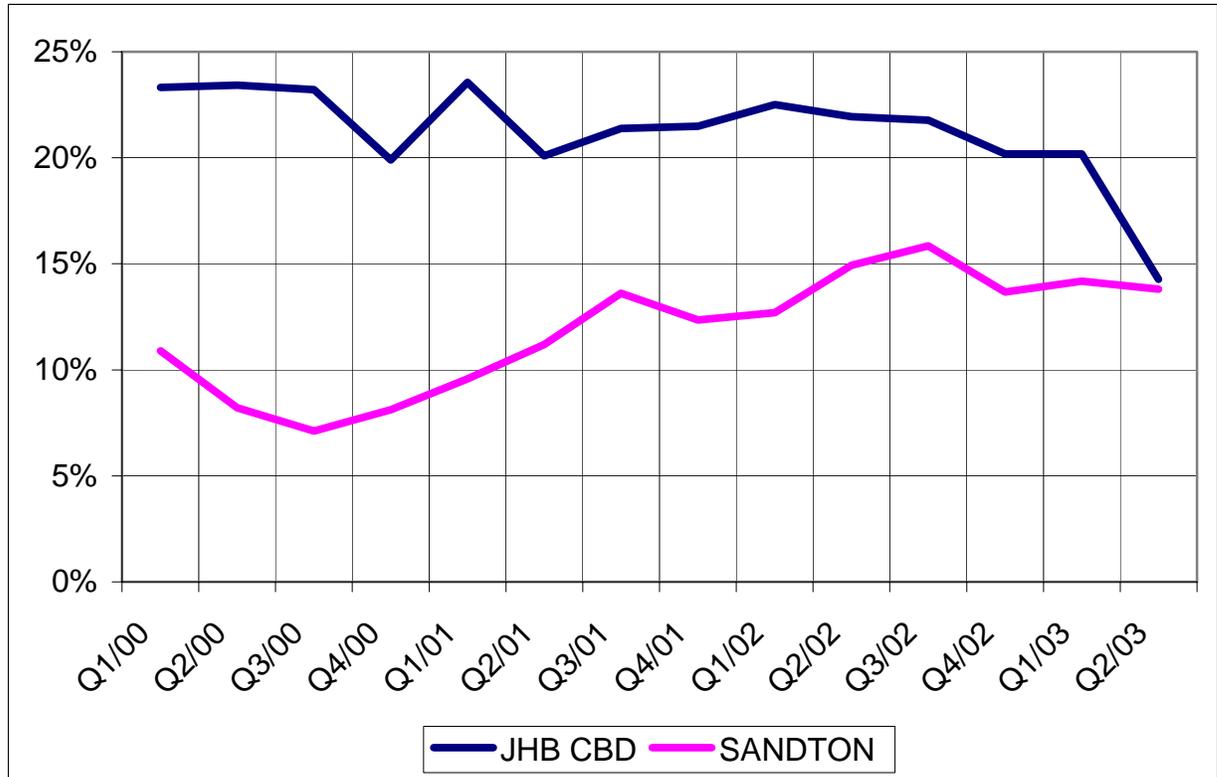


FIGURE 4.2: Office vacancy trends.  
(Source: Sapoa, 2003)

#### Office yields in Johannesburg CBD and Sandton Business District

Yields, as indicated earlier, represent the return desired by a buyer in purchasing a building; it is likewise an indicator of the perceived risk of a node or building. Although both Johannesburg CBD and Sandton Business District have seen relatively little change in yields over the past three years, the Sandton Business District has in fact seen more of a weakening in this indicator than downtown Johannesburg (Fig 4.3). Whereas Johannesburg CBD saw yields shift from 17 per cent to 18 per cent over the period, a weakening of one per cent, Sandton Business District saw yields shift from 12 per cent to 13.2 per cent, a weakening of 1.2 per cent. The difference may not seem significant but compared with perceptions of risk during the 1990s, the weakening of yields in Sandton Business District during the early 2000s is significant, and even dramatic.

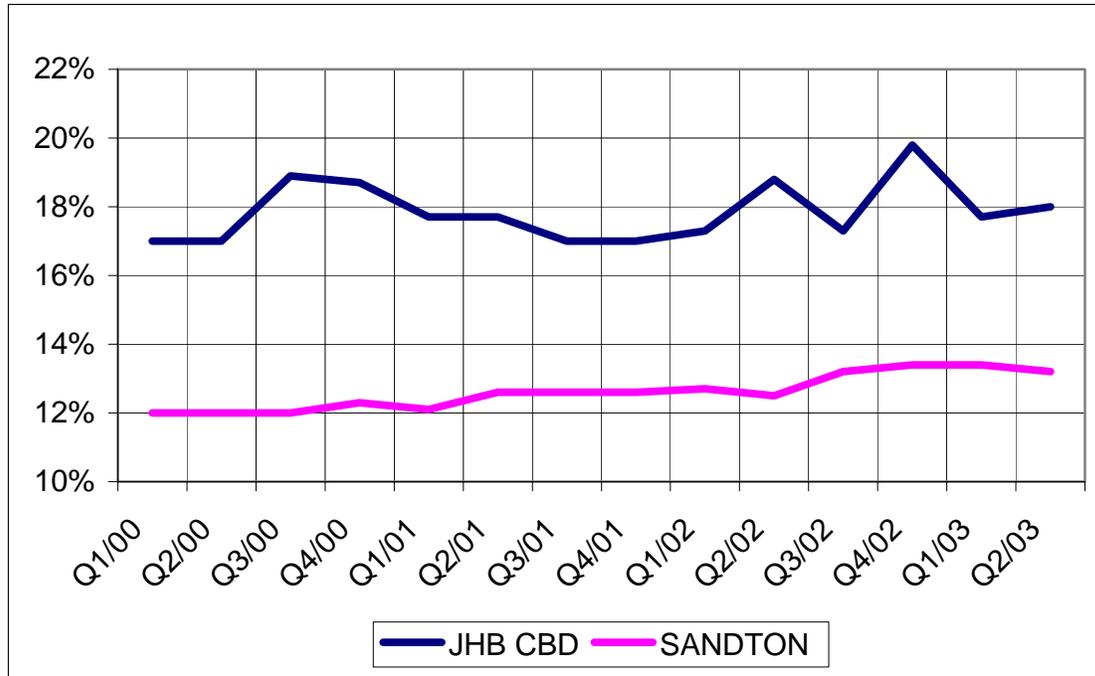


FIGURE 4.3: Office yields.

(Source: Rode & Associates, 2003)

#### Office development patterns – total stock and speculative development

The total stock of office space in the two nodes provides one further insight into the relationship between the areas. The Sandton Business District has continued to see ongoing office development during the past three years. At the same time, the Johannesburg CBD has seen a decline in prime office space, in the sense that buildings are increasingly being downgraded as they age and are not refurbished by their owners (Fig. 4.4). It must be strongly emphasized that although Sandton Business District saw continued development activity during the 2000s, the projects were largely demand driven and there has been no speculative development whatsoever. This suggests both that the node is now perceived by the market to be mature and is therefore relatively costly. It also suggests that certain developers have less confidence in the attraction of the node (admittedly within the wider market context of over-supply) and no longer wish to take the risk of speculative development.

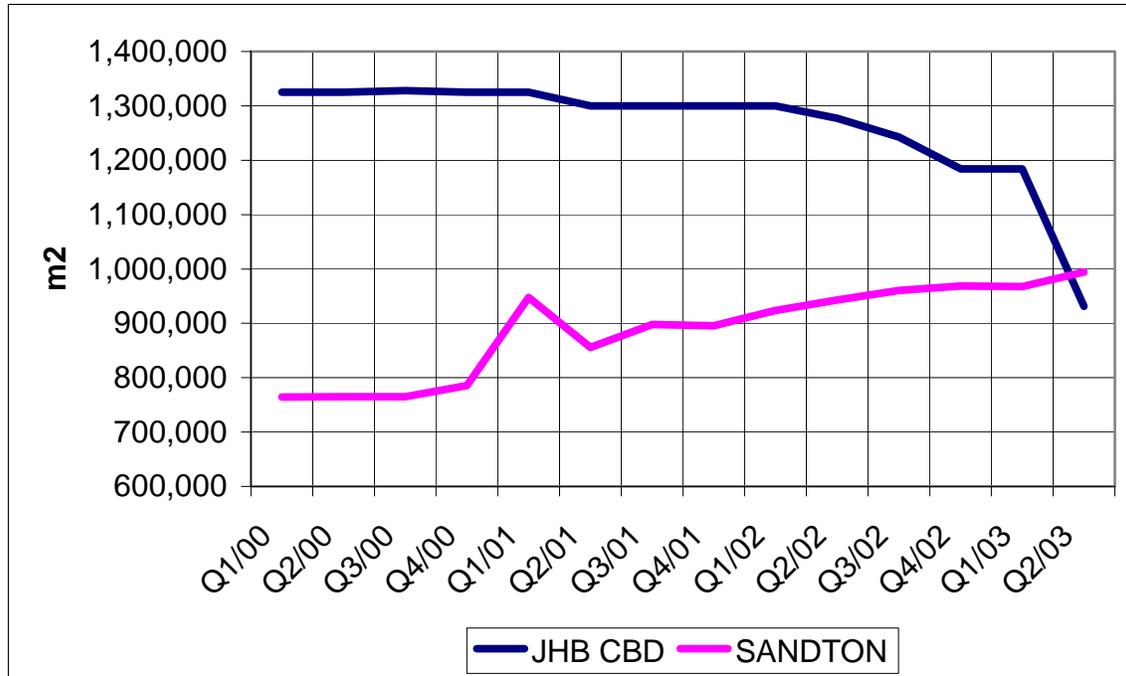


FIGURE 4.4: Total office stock.

(Source: Sapoa, 2003)

The demand and supply analysis primarily shows a convergence of the office property indicators for the two nodes: Sandton Business District has in general displayed a worsening of these data while the Johannesburg city centre started to show some measure of improvement.

All in all, the early 2000s was a time of mixed success for Sandton Business District. Over-supply was raised as a concern and eventually quantified, with the result that development activity slowed. The result of a saturated commercial property market has been higher vacancies, little or no speculative development, tougher rental negotiations, and keener perceptions of risk. Furthermore, infrastructural constraints combined with negative media reporting have acted as centrifugal forces with some evidence of large corporate tenants choosing not to locate in what should have been the only and obvious corporate office choice open to them.

### The City of Johannesburg refocuses

As Sandton Business District grappled with the changing dynamics confronting it, the metropolitan government started to get its act together. After conceding that Johannesburg had reached a full-blown financial crisis by the late 1990s (City of Johannesburg, 2001a) there was a concerted effort on the part of the public sector to start rectifying past mistakes. Predictably, the

City of Johannesburg was not without its critics and detractors but by the early 2000s there was a sense that the debate about city management, planning, and governance had been reopened. After all, the last significant policy document that has been put in place for Sandton Business District was the Sandton Structure Plan of 1989.

Planning mistakes in Johannesburg during the 1990s were manifold and centred around the issue of inadequate urban management, incompetent financial management and decision-making, a lack of policy and even less implementation thereof, and poor prioritisation of critical targets. Several voices emerged as key critics of the city, including those of Tomlinson and Rogerson (1999). In their *Economic Development Strategy for the Johannesburg Inner City* they attempted to unpack the successes and failures of metropolitan government during the nineties (see also CDE, 2002; Harrison & Oranje, 2002). This was the period when the city was divided into four metropolitan local councils (MLCs), as described in Chapter 1, under the supervision of the Greater Johannesburg Metropolitan Council (GJMC). The authors underlined the financial disarray in which Johannesburg found itself in 1997, a situation that required intervention by the provincial government. It was the result of a combination of forces and factors including the Sandton rates boycott mentioned in Chapter 3; inadequate billing and credit control; and the use of capital expenditure from operating income (Tomlinson & Rogerson, 1999). In short, the city was in a mess and Sandton was not unaffected. The conclusion reached by the authors of the strategy document is that provincial government intervention was required to determine planning policy, and prevent competition between the different local authorities.

In early 2002, Johannesburg released its first attempt at a long-term economic strategy for the urban economy. Entitled *Joburg 2030*, and written by Sandy Lowitt who later joined Blue IQ as their strategic officer, it is an analysis of the various sectors and components of the Johannesburg economy. The researcher put forward a strong argument that clustering (economies of agglomeration as discussed in Chapter 2) would be effective in both Johannesburg CBD and Sandton Business District. In the case of the CBD, Lowitt felt that the core of the CBD should be shrunk to capture the cluster of prime offices in the city centre and that this core office node should be actively linked with Sandton in a “direct and effective manner” (City of Johannesburg, 2001b, 44). The recommendation points to a more holistic view of Johannesburg than had been taken in previous years and tacitly acknowledged that seemingly disparate (even competing) parts of the city should work in a complementary way. Sandton is explicitly positioned as the corporate

financial services hub of the city although the author of *Joburg 2030* raises concerns about office over-supply and traffic congestion.

Another assessment of the City of Johannesburg and its successes or failures was conducted by the Centre for Development and Enterprise (CDE) and published in late 2002. The authors felt that city government had for too many years focused on the wrong issues, namely:

- A lack of success in integrating the disparate components of the post-apartheid city;
- A failure to understand and accommodate the changing nature of the urban economy;
- A misconception that the city was in fact wealthy;
- A predilection for centralized government structures, which were largely unsuccessful as already discussed; and
- A failure to assess what needed to be done to make Johannesburg both competitive globally, and more attractive locally to its residents.

Although critical of local government, the CDE report reaches conclusions that are not dissimilar to those set out in *Joburg 2030*. Both reports recommend interventions that tackle crime, deal with urban poverty and the need for skills in the city, and provide strong spatial development directives – either in the form of an urban boundary, as suggested in *Joburg 2030*, or heightened transport and telecommunications infrastructure as outlined in the CDE publication. In fact, the CDE recognizes the concept of economies of agglomeration argued in the city's economic strategy, and concludes its chapter on constraints in the urban economy as follows:

Within the South African metropolitan system, the importance of Johannesburg should not be underestimated. The accumulated economies of agglomeration in South Africa's only world city cannot be easily replaced elsewhere, except perhaps over a period of almost a century, and for reasons that could only amount to small thinking and neglect on the part of local and national leadership (CDE, 2002, 111).

By 2003, a healthy acknowledgement of the city's significant crises and constraints had been launched and Johannesburg's city government started to slowly respond to the debate with a new more targeted policy. Later policy released by the city in 2003 included the Joburg Integrated Development Plan (IDP) and detailed Regional Spatial Development Frameworks (RSDFs) for each of the eleven administrative regions in the city. A detailed discussion of town planning policy lies outside the scope of this study but it should be noted the developers started to feel that

there was more control being implemented in the city's land management and development planning departments.<sup>5</sup>

#### **A comment on urban revitalization initiatives**

A second spin-off of refocusing government thought has been the establishment of urban revitalization initiatives. The first step was the creation of public sector agencies aimed at providing catalytic, infrastructure-driven investment in areas needing a kick-start. The Johannesburg Development Agency and the provincial economic project office, Blue IQ, were both set up in 2001 with these goals in mind. The two agencies pinpointed a number of high-profile projects to start off with: Blue IQ with inner-city regeneration developments such as the Newtown cultural precinct and Constitution Hill in Braamfontein; and the JDA with the re-development of Park Central taxi rank, are two examples.

For Sandton Business District, inner-city revitalization did not seem to pose a direct threat, although the significant growth of decentralized office nodes had partly driven the establishment of the JDA (City of Johannesburg, 2001a). It was even pointed out that major corporate tenants in the financial sector were unlikely to return to downtown Johannesburg in the foreseeable future (Trail, 2003). Nevertheless, as seen in the demand and supply analysis discussed earlier in this chapter, there was evidence in the early 2000s that the Johannesburg CBD was starting to see the initial signs of an up-tick in investor and developer interest. Discussion with property analysts suggest that private development interest (if not activity) activity was slowly starting to accelerate in 2002 and 2003<sup>6</sup>, although it remained scattered and relatively limited. Supply patterns were primarily driven by the public sector. It was true, however, that these initiatives were drawing attention to the inner city again, and more commentary and coverage of the inner city was starting to be evident, especially in the residential property sector: Chan (2000) wrote of Johannesburg as *one of the great cities*, while the property services company, Trafalgar, launched an annual inner-city residential property report in 2001 and published a sequel in 2003.

During the space of a couple of years, visible catalytic projects including the Nelson Mandela Bridge, new on and off-ramps to the M1 freeway into Newtown, the new constitutional court building, and various improvement districts created a new interest in downtown Johannesburg. Whether the attention was too little too soon will only be known in the future.

In contrast, property development activity in Sandton Business District has become more restrained, with developers taking a cautious view of new projects. Private sector development slowed, both in the form of speculative building and public sector interest in the node. Thus, Sandton Business District has retained its position as the corporate and financial services heartland into the 2000s but has perhaps it lost something of its momentum and its glitz.

\* \* \* \* \*

Sandton Business District entered the twenty-first century on a high note as the premier financial and corporate district in Johannesburg. Three years later, the node retained this position but had seen little additional excitement or growth – in fact, over-supply and inadequate infrastructure, combined with increasingly negative perceptions about centrifugal forces at play in the area, had taken their toll. The more open debate about city planning and the future positioning of Johannesburg as a metropolitan region had also provided a clearer context, where Sandton was not the only node to receive attention. There was a move towards starting to make the disparate areas within the city work together in a holistic and globally competitive way. The inner city has been one of the main benefactors of this new approach and although city policy was hotly debated within the urban community, at least policies were being put in place. More importantly, perhaps, that debate was becoming more open and more active. In this vein, there is now one final area of thought that deserves exploration in this discussion and that is Garreau's idea of an edge-city, already introduced and referred to in Chapters 1 and 2. Although not a primary focus of the research, it does warrant further discussion and that will be undertaken in the next chapter.

#### **Endnotes Chapter 4**

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- <sup>1</sup> Brand manager Cara Reilly speaking at the launch of the Sandton Central brand on 24 June 2004.
- <sup>2</sup> The researcher, Francois Viruly, recalls that the report found evidence of over-supply in the office sector. He added that although many commercial property practitioners dismissed the findings as pessimistic at time time, the market did tighten up considerably during the next 12 months.
- <sup>3</sup> In an interview during July 2004, he specifically mentioned the Nelson Mandela Bridge and the Carr Street off-ramps as catalysts for opening up Newtown to new private sector investment and development.
- <sup>4</sup> Facts presented at the launch of Sandton Central in May 2004.
- <sup>5</sup> Discussions with property economist Francois Viruly during 2003 and 2004.
- <sup>6</sup> Notably with Francois Viruly, who made available a copy of a Sandton Nodal Profile for mid-2002.

## CHAPTER 5

### Sandton Business District as Edge-city

The changing status of Sandton Business District as a commercial property node within metropolitan Johannesburg has been described and accounted for in the previous four chapters, and in terms of three distinct frameworks: economies of agglomeration, which emerged in the financial services sector in Sandton Business District; amenity orientation, which again drew a particular white-collar, corporate, and affluent market into the node; and, primarily, centrifugal and centripetal forces, which waxed and waned as the Johannesburg CBD and Sandton Business District interacted. There is, however, one further concept that may have resonance for the emergence of Sandton as a major commercial district within metropolitan Johannesburg, and this is the urban form known as edge-city (Garreau, 1991).

Although not intended to be a major focus of the dissertation, the notion of edge-cities is explored here as there appears to be a *prima facie* case for viewing Sandton Business District and its immediate environs as an edge-city. The discussion is introductory and exploratory at best but should lay the foundation for further research into Sandton Business District and its status as an edge-city. Seen within the context of the foregoing chapters, the understanding of the rise – and fall (?) – of Sandton Business District may be enriched by drawing attention to an apparent parallel with Garreau's approach. It has already been used to assess the growth of key commercial nodes in other South African cities, notably Pretoria, but admittedly only on a limited scale (Badenhorst, 2002). In contrast, it is noted that extensive work on edge-cities throughout the world has already been stimulated by Garreau's work (*inter alia* Nelson, 1993; Beauregard, 1995; Henderson & Mitra, 1996; Freestone, 1997; Harris, 1997; Henderson, 1997; Stern & Marsh, 1997; Freestone & Murphy, 1998; Carter *et al.*, 2002).

Edge-cities, Garreau contends, are urban areas on the periphery of traditional, established cities. They develop for a multitude of reasons but are characterized by low-bulk, landscaped office campuses, complete with jogging or cycling tracks, and with shopping malls acting as the traditional village centers. They represent the 'third wave' of urban living over the past century: first we suburbanized our homes, then we moved our shopping centres to the suburbs, and finally we moved our places of work to these fast-growing mixed-use nodes of edge-city. In many respects the edge-city form is a natural extension of the suburbanization trend as examined in Chapter 2.

The parallel between edge-cities and the emergence of Sandton is suggested with Garreau's statement that it's all *ad hoc*; we're making this up as we go along." (Garreau, 1991, xx). As was argued in Chapter 3, much of the decentralization trend in greater Johannesburg over the past few decades has taken place organically and, despite a few clear spatial decisions (*e.g.* the Town Centre Plan, and Sandton City itself), Sandton Business District evolved with little in the way of detailed land-use planning. Garreau claims that edge-city is a concept that flies in the face of the conventional understanding of cities:

It was a challenge to everything I had been taught: that what this world needed was More Planning; that cars were inherently Evil and our attachment to them Inexplicable; that suburbia was morally wrong – primarily a product of White Flight; and that if Americans perversely continued to live the way they have for generation after generation, it couldn't be because they liked it; it must be because They Had No Choice (Garreau, 1991, xxi).

In reading Garreau's description of edge-city, a striking observation is how much like latter-day Sandton it sounds. Garreau speaks of landscaped, low-bulk corporate campuses, and the potential success of cities with multiple urban cores. He explains the decentralization trend outwards as being catalysed by residential demand moving to the urban periphery, followed by malls moving out to the urban periphery, and finally the movement of businesses out to the urban periphery. The sequence reflects the emergence and growth of Sandton, from its peri-urban character in the late sixties, to the development of Sandton City, to its current position as Johannesburg's premier financial services district.

Furthermore, Garreau argues that edge-cities are difficult to define, generally do not have a mayor or a city council, and seldom match spatial boundaries. Indeed, despite Sandton's original municipal status, today it lies within Administrative Region 3 of the City of Johannesburg. In fact, there is no place known as *Sandton*, speaking from a town planning point of view, unless it refers to the old municipal boundary (as defined in Chapter 1). Typically, edge-cities have little in the way of civic or public institutions, and commerce tends to be more important than governance. The history of Sandton Business District, as explained in Chapter 3 and 4, suggests that this is indeed the case. Garreau argues that edge-cities hinge on a number of crucial factors. These are presented here with an examination of the broad relevance for Sandton Business District.

The question of safety is a critical one and of particular importance in Johannesburg. Hence, edge-cities are characterized by enclosed shopping malls (*e.g.* Sandton City); privately-managed spaces (*e.g.* Nelson Mandela Square) and the closest thing to a public space is ‘a parking lot’. During the launch of Sandton Central,<sup>1</sup> the observation was made that working in Sandton Business District was not unlike working in a mine: you enter your subterranean parking lot, spend the day in a hermetically-sealed office building, then possibly have dinner and take in a show, before emerging in your car to return home and sleep.

Edge-cities are founded on the premise of high-technology, good telecommunications infrastructure and private-vehicle orientation. There is also a strong belief in the role of class in driving edge-cities, a point that echoes Bristow’s remark about Sandton as the ‘mink and manure belt’ (Bristow, 1994). The neo-apartheid nature of northern Johannesburg, with Sandton Business District at its heart, is a reflection of the importance of income or class in modern Johannesburg (Beavon, 1999). Indeed, Garreau baldly points out that that edge-cities are the “creation of people with money” (Garreau, 1991, 63), a contention that applies to Sandton Business District, too.

Furthermore it appears that edge-cities prefer a “shadow” authority to real, elected government. Garreau cites examples of private organizations that have the power to tax, legislate, and use police power. The establishment of *improvement districts* in Sandton in 2001 and 2002 provide evidence of private property owners that wish to ensure safety and cleanliness in areas where they feel that both central and metropolitan government are not delivering adequate service provision.<sup>2</sup> Another resonance with the emergence of Sandton Business District is Garreau’s observation of what he calls the most important law of edge-cities – that when a company moves its headquarters, the commute of the CEO always gets shorter. This dovetails with the research findings in Chapter 2 and 3 that suggest Sandton Business District was already home to many of the professional and corporate decision-makers that relocated businesses into the node during the 1980s and 1990s.

In touching on the parallels between edge-city and Sandton, there does seem to be a *prima facie* convergence of ideas and drivers. Yet what has been presented does not formally test Sandton Business District against the explicit criteria laid down by Garreau for identifying edge-cities. This will now be attempted.

### **Sandton Business District as edge-city**

Garreau believed that there are five critical criteria that provide the functional definition of an edge-city. Many of the points made relate back to the discussion of the growth of Sandton Business District, its emergence and its current position within the city economy.

Criterion 1 states that an edge-city has at least 500 000m<sup>2</sup> of office space; and is the workplace of the Information Age. According to industry data, Sandton Business District currently has 1 067 420m<sup>2</sup> of A- and B-grade office space, which is just less than the Johannesburg CBD at 1 723 806m<sup>2</sup> (Sapoa, 2003). This suggests that it currently has a stock of office space that is more than double the minimum amount identified by Garreau as a critical mass for an edge-city. Furthermore, historical data show that Sandton Business District reached an office stock of 500 000m<sup>2</sup> during the first quarter of 1992, more than a decade ago and only a few years after centrifugal forces in downtown Johannesburg started to drive businesses into the city's northern suburbs (Sapoa, 1992; 1993). In terms of the requirement that an edge-city represent the workplace of the Information Age, the tenant profile in Sandton Business District points to the high-technology nature of its activities, many of which are in the financial services sector and include the JSE Securities Exchange and its digital links to the world. Sandton Business District does seem to fulfil the first criterion for qualification as an edge-city.

There are two notable comments. The first is the irony, reported by office brokers operating in the Sandton Business District,<sup>3</sup> that foreign tenants often express surprise at the lack of skyscrapers in Sandton. It indicates that they believe a financial district should be characterized by such high-storey buildings. The second is that there are exceptions to the financial clustering seen in Sandton Business District. An interview with the MD of the Bond Exchange of SA (BESA), the only registered bond exchange in the world, found that BESA preferred to locate in the Melrose Arch node, a secure precinct located in the suburbs to the north-east of central Johannesburg, halfway between Sandton Business District and the Johannesburg CBD. It seems that BESA found traffic congestion in Sandton excessive but telecommunications infrastructure inadequate in the city centre, prompting its choice of Melrose Arch.<sup>4</sup>

Criterion 2 states that an edge-city has at least 60 000m<sup>2</sup> of retail space. The dramatic growth of such space in the northern suburbs of Johannesburg has been extensively commented on and mapped (Beavon, 1980, 1997, 1998a, 1998b, 1999, 2004; Clarke, 1993; Tomlinson & Larsen, 2003). As examined in Chapter 3, the Sandton City development played a crucial role in

positioning Sandton Business District for success when the decentralization trend began; but it is certainly not the only retail destination in the node. Excluding retail-strip shopping, the main shopping centres in the core Sandton Business District are tabulated in Table 5.1. The total stock of retail space in Sandton is close to three times Garreau’s retail critical mass criterion.

TABLE 5.1: Shopping centres in the Sandton Business District 2002.  
(Source: SA Council of Shopping Centres, 2004/5)

|                |                |                       |
|----------------|----------------|-----------------------|
| Sandton City   | Super-regional | 128 000m <sup>2</sup> |
| Sandton Square | Specialty      | 16 000m <sup>2</sup>  |
| Village Walk   | Convenience    | 15 161m <sup>2</sup>  |
| Total          |                | 159 161m <sup>2</sup> |

As Sandton Business District currently offers more than double the retail space required by Garreau in his definition, the node qualifies in terms of the second criterion.

Criterion 3 states that an edge-city has more jobs than bedrooms. This criterion may be one of the most difficult to test, since secondary data does not exist to measure either the number of residential bedrooms in the node, nor the number office workers employed in the node. Consequently the following proxy is utilized instead. Demographic information indicates that the total number of residents in the township of Sandown (the closest enumerator area to the Sandton Business District) is 10 730, or some 3 283 households.<sup>5</sup> The number of office workers in Sandton Business District can be approximated by assuming, as Garreau did, that each office worker uses about 15m<sup>2</sup> of space. Since the total office stock in Sandton Business District amounts to 1 067 420m<sup>2</sup> (Sapoa, 2003) then the number of office workers in Sandton Business District should be close to 71 161 in total. Thus as the number of people working in Sandton outnumbers those sleeping there every night by a factor of seven, Sandton Business District fulfils the third criterion of Garreau for qualification as an edge-city.

Criterion 4 states that an edge-city is perceived to be a single place in the minds of people. Garreau contends that edge-cities are a “regional end destination for mixed use – not a starting point – that “has it all, from jobs, to shopping, to entertainment” (Garreau, 1991,7). A number of the points raised in preceding chapters suggest that Sandton Business District is a regional destination in the wider metropolitan area.

City policy identifies Administrative Region 3 as the area where Johannesburg's knowledge-based industry is mostly located. This coupled with the fact that this region is the financial centre of Johannesburg, "makes Region 3 a very . . . influential area that can continue to attract additional development and so increase the rates base and income for the City" (City of Johannesburg, 2003c, 68). More specifically, the policy states that the main goal for the Sandton Business District is to "retain and enhance this sub-area as an important financial and commercial node in the City of Johannesburg" (City of Johannesburg, 2003c, 80).

The location of both a national financial services cluster and a super-regional retail cluster in Sandton suggests the node's dominant position in both sectors. The Sandton City/Nelson Mandela Square retail and entertainment cluster attracts shoppers from as far afield as Soweto and has been commented upon elsewhere (Tomlinson & Larsen, 2003). City policy likewise identifies Sandton as one of two main retail areas in Johannesburg (City of Johannesburg, 2003b, 45). In addition, by 2002 Sandton Business District was seen to be the city's primary banking and financial services head office node. The JSE Securities Exchange relocated to the node in 2000. In 2002, it was reported that, "33 per cent of the registered banks operating in South Africa are based in Sandton; while only 6 per cent are based in the Johannesburg CBD" (CDE, 2002, 38; confirmed in Trail, 2003).

Other examples of developments and activities that position Sandton Business District as a regional destination include:

- The Sandton Convention Centre which is the venue of global gatherings such as the World Summit on Sustainable Development in 2002;
- The location of the city's only cluster of premier hotels. Within the core Sandton Business District, premier five- and four-star hotels include The Michaelangelo, the Balalaika, and the Sandton Sun and Towers. On the immediate periphery, lies the city's only Hilton hotel, and the Holiday Inn Crowne Plaza; and
- Finally, the re-branding and launching of Sandton Business District as Sandton Central in 2004 gives an identifiable 'name' to the Sandton Business District.

Sandton Business District thus fulfils the fourth criterion for qualification as an edge-city.

Criterion 5 states that an edge-city was nothing like a city thirty years ago. The Sandton Municipality was established in 1969, some 34 years ago. Before that, the Sandton region was managed by the Peri-Urban Board, highlighting its semi-rural character. Perhaps the best evidence of the area being “nothing like a city” at that time, is the following excerpt from a speech delivered in 1994 by erstwhile Sandton town planning chief Barry Bristow, who said:

At that time (in 1969), there were about 30 000 whites in the town, and 15 000 horses. Since then the human population has more than trebled, but sadly the horse has become an endangered species. Outsiders perceived Sandtonians as being old-money, or new-money, or would-be money. Somebody called it the mink and manure town, and the nickname stuck. Maybe that image has faded a little, but a Sandton address still carries a premium, as any estate agent will tell you (Bristow, 1994, 1).

Therefore, it seems that, in terms of Garreau’s criteria, Sandton Business District does qualify as an edge-city.

#### **Implications for Sandton Business District and its future**

There may be a strange sense of comfort in the acknowledgement of Sandton Business District as an edge-city. For all the anomalies and spatial segregation created by apartheid, it seems that Sandton is developing much in line with other edge-cities world-wide (CDE, 2002). And, as indicated earlier, Sandton may not be the only edge-city in South Africa (Badenhorst, 2002). In fact, the conclusions in this chapter may be similar to the conclusions reached by Badenhorst in his examination of Eastern Pretoria as an edge-city – that is, that there is indeed a “city” developing. He terms it the post-metropolitan phase of urban development and calls for acknowledgement of this new urban form (Badenhorst, 2002, 67).

Although not an exhaustive assessment, there is sufficient evidence to warrant more research into the role of Sandton Business District as edge-city and the implications that has for both the *status quo* and the future of the node. Given the initial comparison of Sandton Business District against Garreau’s criteria it may also provide a deeper insight into Sandton’s growth and development as a business district within the metropolitan context.

\* \* \* \* \*

For the purposes of the dissertation, it is suggested here that although the changing status of Sandton Business District has been explained through the use of *inter alia* Colby's forces, the parallel with Garreau's edge-city idea adds a richness to the story of Sandton Business District. Garreau's approach reinforces the importance of amenities in edge-city (such as the significant retail space offered by Sandton City); and the importance of critical mass, and economies of urbanization, which has been noted in the financial services sector in Sandton Business District. Finally, an edge-city is a fast-growth destination in the minds of its users, not unlike the Sandton Business District that was driven by Colby's centripetal forces, and by the centrifugal forces pushing users out of a degenerating city centre.

### Endnotes Chapter 5

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<sup>1</sup> Sandton Central is the amalgamation of two earlier improvement districts, a joint effort on the part of business to consolidate their initiatives. The launch was held on 24 June 2004.

<sup>2</sup> This point was emphasized by Harvey Stott of Liberty Properties during an interview on 6 July 2004.

<sup>3</sup> Emerged during a discussion about the node with office broker Debbie Echstein of JHI Real Estate during 2000.

<sup>4</sup> Explained by Graeme Brookes, treasurer and secretary to BESA, during an interview on 14 May 2003.

<sup>5</sup> The demographic data was kindly supplied by Cobus Jordaan of the Demographic Information Bureau in Pretoria.

## CHAPTER 6

### Summary and Conclusions

Arguably, the inter-relationship between Sandton Business District and Johannesburg represents a microcosm of South African cities that continues to express and spatialize the economic duality of the macro-economy. There has thus been a wider need to understand how and why Sandton Business District emerged, the factors that led to – and drove – its growth, and underpinned its evolution into Johannesburg's main financial services district.

When the research presented here was initiated in 2000, the primary aim was to examine the emergence of Sandton Business District as a commercial node, its changing status within the metropolitan region, and the validity of its popular reputation as the new, central, commercial and financial district of Johannesburg, by analysing the growth in commercial property activity since 1969. The nature of urban economics, as discussed in Chapter 2, required that the assessment of Sandton Business District take place within a wider urban landscape. In unpacking the research objectives, it became clear that no consideration of Sandton Business District would be complete without some parallel assessment of the Johannesburg CBD and its own shifting position within the metropolitan milieu.

In the past three years, however, there have been some fundamental shifts in the metropolitan economy, and the role of Sandton within it. Whereas the node remains a critical financial and corporate district, a clearer understanding of Sandton Business District as part of the whole city has become more widely discussed, these new dynamics have been included as part of the research.

#### Structure of the dissertation

As outlined in Chapter 1, the dissertation has been structured as follows. The research question, and the broad context within which Sandton Business District emerged, has been discussed in Chapter 1. The *prima facie* theoretical frameworks that may shed light on the node's development have been reflected upon, as has the node's changing relationship with downtown Johannesburg – which declined, troughed, and even started to recover during Sandton's rise as a commercial district. In Chapter 2, the theoretical frameworks are assessed in a more detailed way and the thinking that applies in the case of Sandton Business District is honed. The history of Sandton Business District between 1969 and 2000 is examined in Chapter 3 and some proposals

are made as to how the various theoretical elements came to bear on the node. A detailed timeline is included to illustrate Sandton's development over the three decades, against both the theoretical backdrop and the declining city centre of Johannesburg. The contemporary status of Sandton Business District makes up the focus of Chapter 4 before the possibility that Sandton Business District may be a South African manifestation (perhaps the first) of an edge city is explored in Chapter 5.

### **Highlights of the main findings**

Popular belief has it that urban decay, manifesting as Colby's centrifugal forces, drove business northwards into the suburbs and Sandton, mainly during the 1980s and 1990s. In fact, the evidence suggests that active decentralization began much earlier, thanks to the appeal, or centripetal forces, of the suburbs for a host of reasons – a trend that has been witnessed all over the world. In this respect, the emergence of Sandton Business District is not dissimilar to what occurs in poly-nucleate cities globally. What is of interest is the discovery that Colby's model of centrifugal and centripetal forces can be adapted and used to explain the changing status of Sandton Business District *vis-à-vis* downtown Johannesburg, despite the fact that suburbanization was hardly a feature of cities in Colby's time.

Notwithstanding that Johannesburg was fundamentally affected by the spatial segregation of apartheid, it appears that the emergence of Sandton Business District is explicable in terms of existing academic thinking and literature. The main frameworks employed in the dissertation include: the shifting dynamics of Colby's centrifugal and centripetal forces, which had a significant role in the creation of Sandton Business District, and which explain both the pull of the suburbs and, later, the push from downtown Johannesburg; the importance of an amenity locational orientation, especially with regard to higher-income and mobile communities like those in the area known as Sandton; and both the organic and (more recently) policy-driven push towards the recognition of agglomerative economies in the metropolitan economy.

It has been found that so-called 'crime and grime' only reared its head during the 1990s, which is when the major exodus started, no doubt accelerated by political changes, municipal capacity constraints, and a dearth of applied planning policy. When the institutional and policy environment began to tighten up in the 2000s the relationship between Sandton Business District and downtown Johannesburg started to become clearer. At the same time, Sandton Business District was facing severe infrastructural capacity constraints, and there was a recession in the

commercial property market, making the District both vulnerable and open to fickle demand patterns.

Thus, Sandton Business District did not emerge simply as a direct result of crime and grime in the Johannesburg CBD. The node's competitive edge was in fact established in the 1970s – with Sandton City providing a high-profile focal point, and forward-thinking town planning at the time providing a clear path for the emergence of a central business node for the young municipality. As indicated in Chapter 3, the process of decentralization occurred over several phases: firstly, a foray into the northern suburbs during the 1970s; secondly, a focus on Sandton as a prime commercial destination in the 1980s; and thirdly, an escape from the Johannesburg CBD in the 1990s. Thus, decentralization to Sandton started two decades before there were any concerns about urban degeneration in the city centre.

### **The theoretical framework**

Clearly, there are a number of different approaches to urban form that provide an insight into the reasons for Sandton's growth, and the dramatic exodus from the Johannesburg CBD during the 1990s. While a general understanding of theories of urban form are a necessary starting-point, the layers of understanding added by an appreciation of the forces expressed in the Colby model, plus the role of amenities in location decisions, and agglomerative economies are perhaps the most compelling theoretical aspects for unpacking the decentralization trend in greater Johannesburg.

The concept of a centrifugal force is based on *uprooting impulses*, whereas centripetal forces make the city centre a *centre of gravity*. It is interesting to note that Colby himself points to his use of a zonal model of urban structure as the key to his identification of these forces. This echo of Burgess' work a decade earlier starts to highlight how urban thought began to layer and add value as the century progressed.<sup>1</sup> This framework furthermore paved the way for an assessment of secondary decentralization, which links in with the timeline presented in Chapter 3.

The main observation that has emerged from Colby's model is that the northern suburbs of Johannesburg could not have developed without the CBD. Movement to Sandton and to other decentralized nodes was driven by both positive attractive forces into the suburbs; and, later, negative push forces out of the city centre. It is the interpretation here that Colby's forces by definition are relative and require at least two potential locations in order to manifest. The

dynamic tension between the Johannesburg CBD and Sandton Business District thus forms a focal point for analysis.

Whereas locational orientation theories tend to focus firmly on costs associated with location, a more complex approach to location theory is found in the idea of agglomerative economies, or what has popularly become known as *clustering* within the urban economy. Agglomerative economies show themselves when companies cluster together and increase output with a resultant decrease in production costs. There are two types of agglomerative economies: urbanization economies and localization economies. Sandton Business District is notably a manifestation of the latter, which sees costs decrease as output increases in a particular sector – in this case, the financial services sector.

One of the critical trends that emerged in recent decades, notably in American cities, is the suburbanization of both residential and commercial property markets. Indeed it was this trend that Colby explained presciently with his model. It has been noted elsewhere that suburbanization generally occurs on a highly selective basis, led by those who are able to re-locate, leaving the city centre to those who are not able to move. The *prima facie* validity of this approach for the relationship between Sandton and the Johannesburg CBD seems clear. Arguably, the decentralization that has taken place in the case of Johannesburg has created, or is creating, a neo-apartheid city structure – rather than a utopian post-apartheid city – by simply moving the city's key economic opportunities of the affluent to new locations, central to where that group of the population reside (Van Kempen, 1994; Beavon, 1998a, 1999).

It is important to realize, however, that a declining CBD is not an implicit feature of suburbanization, although the two may often go hand in hand. The continued success of traditional city centres, even where suburbanization is evident, has been discussed by several researchers (*inter alia* Garreau, 1991; Freestone, 1997). In the case of Johannesburg, however, the deteriorating city centre is a feature of the metropolitan marketplace, and has been the focus of much debate over the past decade (*inter alia* Segall, 1979; Prinsloo, 1994; Tomlinson and Rogerson, 1999; Beavon 2004)

### **A summary of the emergence of Sandton Business District**

In the opinion of the author, there appear to have been perhaps five major phases over the past three decades that allowed, or provided the opportunity for, Sandton to emerge as the important commercial district that it is today. These are presented again as follows.

The first phase was Sandton's official establishment in 1969 as a recognized and independent municipality, after years of political infighting. The critical point here is two-fold: Sandtonians had to fight for their town's establishment; and the area was, from the beginning, a wealthy one that presumably spawned residents with professional and corporate occupations. This was followed by a period when businesses started to eye decentralized locations as attractive. The phase was characterized by centripetal forces starting to pull commercial users into the suburbs, and the northern suburbs specifically. Sandton was simply another option among many, except for the foresight of its town planners at the time, who paved the way for the node's attractiveness for business by creating landmark spaces: for example the Sandton Town Centre plan, and the approval for the Sandton City retail and office development.

During the 1980s Sandton Business District became the premier decentralized office address and outstripped demand forecasts made by the town council. At this stage, the old Johannesburg city centre was still seen as the primary commercial district in the metropolis, and few believed it would lose this status. From the early 1990s however there was a growing perception of crime, grime, and poor urban management in the Johannesburg CBD driving the major corporates and banks to relocate into Sandton. The 1990s were also characterized by volatile government performance and restructuring, as well as initial urban revitalization initiatives in the city centre, and – in Sandton – the infamous rates debate. The final blow to the Johannesburg CBD, but boon for Sandton Business District, was the relocation of the JSE Securities Exchange to central Sandton in 2000.

### **Sandton in the early 2000s**

Whereas many commentators believed that Sandton was fast evolving into the city's golden goose (Sunday Times, 2000), others believed that Johannesburg's northern suburbs office marketplace was becoming increasingly over-supplied. Early indications were picked up in the industry in 2000 (African Life Properties, 2000; Nedcor, 2000), although the assertion was much debated at the time. The theme of an over-supplied suburban office market soon started to attract a great deal of attention (*inter alia* Viruly Consulting, 2002a; Goga, 2003). At the same time, the

first signs of downtown Johannesburg's property market indicators starting to trough were being seen, and a distinct trendiness was being attached to the seedy inner city areas, which certain commentators believed were ripe for regeneration (Chan, 2000); others maintained that the inner city was past the point of no return (Beavon, 2000, writing in the *Sunday Times*).

By the early 2000s, however, two fundamental shifts had occurred in the property marketplace. First, the policy environment started to tighten and greater consideration was given to the notion of clustering. This provided a greater sense of clarity and purpose for dealing with the CBD and its urban decay issues, and it was complemented by the establishment of focused economic development agencies such as Blue IQ and the JDA. Second, the decentralized commercial property boom had generated a severe over-supply of office (and retail) space in northern Johannesburg with the result that development levels fell and investors adopted a more cautionary stance towards suburban development.

Perhaps as a natural consequence to over-supply of commercial space, concerns started to emerge about Sandton Business District and its infrastructural capacity. The capacity of the sewerage system and highly congested transport infrastructure were prominent debates. In other words, centrifugal forces started to emerge for the first time, pushing certain users out of central Sandton and creating the first negative perceptions of the node. At the same time, the early signs of attractive forces in downtown Johannesburg were seen for the first time in more than a decade. Cheap property prices, low rentals and a renewed development focus (albeit largely public-sector driven) in the Johannesburg CBD began to attract interest, mainly from high-risk investors.

A reversal of fortunes indeed, and not yet a clear-cut one, since Sandton remains the City's premier financial district and the Johannesburg CBD is an investment node that is not for the faint-hearted. The sharper policy focus on clustering and agglomerative economies has prompted a differentiation of nodes within the City, and a recognition that different nodes have different purposes within the broader urban economy. In the final analysis, it may be true that Sandton Business District and the Johannesburg CBD display counter-cyclical property activity but that each has an increasingly clear place in a functioning poly-nucleate city.

### **Edging towards edge city – or perhaps already there?**

Edge cities, Garreau contends, are urban areas on the periphery of traditional, established Central Business Districts. They develop for a multitude of reasons, but are characterized by low-

bulk, landscaped office campuses, complete with jogging or cycling tracks, with shopping malls acting as the traditional village centres. They represent the third wave of urban living over the past century: first we, meaning the privileged and comfortable classes, suburbanized our homes, then we moved our shopping centres to the suburbs, and finally we moved our places of work to these fast-growing mixed-use nodes: edge city. In many respects, the edge city form is a natural extension of the suburbanization trend examined in Chapter 2. Apart from the more esoteric resonances discussed, the *prima facie* evidence does indicate that Sandton Business District qualifies as an edge city.

Finally, in 2004 – and although outside the stated timeframe of the dissertation – recent events in the Sandton Business District deserve a passing comment. In the second half of 2004 the property market in central Sandton has shifted firmly into the residential sector and current reports put the quantity of new upmarket apartment units in the area at between 1 300 and 2 000 (Larsen, 2004). These have come on-stream in the past year or are currently under construction, suggesting that the market has indeed turned quickly towards high-density residential projects. The greater density of development in the residential sector could threaten infrastructural capacity in the node. Indeed the threat of over-supply in the residential sector is an echo of the office over-supply witnessed in Sandton Business District just three or four years ago. A further point is that the swift growth of apartment living in Sandton Business District could to some extent scupper inner city revitalization plans that hinged on attracting affluent buyers back into city lofts and apartments in refurbished ‘grand’ buildings of yesteryear.

#### Endnote Chapter 6

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<sup>1</sup> In a recent obituary for Chauncy Harris, Berry (2004) observes that Colby was a great influence on young geographers in the 1940s and names Harold Mayer and Edward Ullman as examples. Harris himself says that Colby aroused their curiosity, shaped their interests and improved their writing. A memorial written by Harris for Colby and published in the *Annals of the Association of American Geographers* (1966) underscored Colby’s contribution to twentieth-century urban geography.

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