Are We There Yet?

Empowerment
1994 - SA ushered in a new democracy, Transformation topped the government agenda.

Emphasis BBBEE not only being critical to redress the economic balances but necessary pragmatic growth strategy to assist our country to release its full economic potential.

By enabling the previously disadvantaged to participate meaningfully in the mainstream of our economy.

And over the years this journey evolved and continue to evolve, with mixed results, humps and bumps and lots of lessons learned along the way.
ECONOMIC TRANSFORMATION IS AN IMPERATIVE!!
ROLE OF ECONOMIC TRANSFORMATION
BBBEE TOOL DRIVE INCLUSIVE PARTICIPATION

2. CREATE AN INCLUSIVE ENVIRONMENT FOR PARTICIPATION

MAJORITY

MAINSTREAM ECONOMY
**Equitable economic opportunities**
- Ownership equity
- Management control

**The opportunity barrier**
- Preferential procurement
- Enterprise development

**The business barrier**
- Skills development

**The skills barrier**
- Employment equity
- Socio Economic Development

**The poverty barrier**

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**“Mainstream economy upper class”**
- Majority are white
- Wealthy with economic choices
- Business owners

**“Upper middle class & investors”**
- High income
- Positive net asset value
- Invest in shares
- Majority are white

**“Entrepreneur middle class”**
- Self employed
- Owner managed businesses
- Small Medium & Micro Enterprises
- Majority are white

**“The professional middle class”**
- Formal employment (Black Diamonds)
- School leavers/graduates
- Artisans/professionals
- Good number of black since 1994
- But majority is still white

**“Second economy”**
- The majority are black
- With no economic earning ability
- No technical or tertiary skills
- Dependant on grants (Unemployable)
- Subsistence on land produce
ROLE OF THE PSCC

– ENHANCE TRANSFORMATION using UNIQUE KNOWLEDGE AND CHARACTERISTICS of the Sector to DEEPEN MEANINGFUL PARTICIPATION in the main stream of the SA Economy;

– To actively promote TRANSFORMED, VIBRANT AND GLOBALLY COMPETITIVE SECTORS that reflects the demographics of SA & contributes to the establishment of an EQUITABLE SOCIETY:

   To ADD VALUE to the sector by providing the much needed GUIDANCE towards transformation
   To ASSIST THE STAKEHOLDERS of the sector on their TRANSFORMATION JOURNEY as outlined in the sector Codes
   To BREATH LIFE into the Sector Charter process
   Develop SECTOR SPECIFIC INTERVENTIONS

• Empowered to act with executive AUTHORITY in providing necessary GUIDANCE on sector specific matters affecting B-BBEE to entities within sector

• EVALUATE AND MONITOR transformation progress in line with the gazetted Sector Code
SCOPE OF THE PROPERTY SECTOR

– Commercial Property Industry
  • Office Property Industry
  • Industrial Property industry
  • Retail Property Industry
  • Leisure Property Industry

– Residential Property Industry
  • Houses
    – Freehold
    – Lease
  • Community schemes
    – Flats, Clusters, Town Houses etc

– Zoned land
UNDERSTANDING PROPERTY SECTOR

Research by
MONITORING AND REPORTING
RESEARCH

AIM: is to create a consolidated body of knowledge which fosters consistent understanding of the Property sector.

IN SCOPE: Research covers all other various sub-industries in the property sector.
PHASE 1- RESEARCH (2012)

PROPERTY MARKET SIZE

South African property sector
R4.9 trillion

Non residential
R780 billion
- Retail  R340 billion
- Office R228 billion
- Industrial R187 billion
- Hospitality, leisure, other R25 billion

Residential
R3.0 trillion
- National R188 billion
- Provincial R342 billion
- Local R37 billion
- SOE R6 billion

Public
R570 billion
- National R188 billion

Zoned urban land
R520 billion

The Impact of the South African Property Sector on the National Economy

SOUTH AFRICAN PROPERTY SECTOR
R237.8 Billion

Direct Expenditure
R93.3 Billion

Contribution GDP
R191.4 Billion

Total Taxes
R46.5

Non-Residential Property Industry
R43.9 Billion

Residential Property Industry
R46.0 Billion

End of Cycle
R3.3 Billion

R106.1 Billion

TOTAL
R237.8 Billion

R80.8 Billion

R103.7 Billion

R1.1 Billion

R25.3 Billion

R20.1 Billion

R7.9 Billion

Note: All cost excluding VAT
The Size of the South African Property Sector (2015)

South African Property Sector
R5.8 Trillion

- Commercial
  R1.3 Trillion
  - Retail
    R534 billion
  - Office
    R357 billion
  - Industrial
    R281 billion
  - Hospitality & other
    R94 billion

- Residential
  R3.9 Trillion
  - Residential
    R3.9 trillion
  - Informal Industry

- Public
  R237 Billion
  - SOE
    R66 Billion
  - Metros & selected Municipalities
    R69 Billion
  - NDPW
    R102 Billion

- Zoned urban land
  R520 Billion
  - SOE
    R520 Billion
STATE OF TRANSFORMATION
SUMMARY

STATE OF TRANSFORMATION IN THE PROPERTY SECTOR
SUMMARY

STATE OF TRANSFORMATION IN THE PROPERTY

• Overall Excellent performance above target
  • Enterprise Development – 115%
  • Socio-Economic Development – 115%

• Still below target but good performance
  • Ownership – 82%
  • Preferential Procurement – 82%

• More focus required
  • Skill Development – 69%
  • Management Control – 60%
  • Employment Equity – 55%
  • Economic Development – 54%
Summary
State of Transformation in the Property Sector

• **Overall Recommendation**
  – Sector work together to making implementation of transformation easier for all entities esp for elements such as
    • Socio-Economic Development
    • Skill Development
    • Enterprise Development

• **Recommendation for Listed Property - Critical Area to work together**
  – Skill Development
    • There are pockets of excellence in the sector
      – Mainly driven by Property Management Companies
      – Other property owners not necessarily listed
    • It’s a priority element – may have negative impact on entities overall recognition level – downgraded 1 level down
    • Has impacts in other elements: Employment Equity & Management Control
    • Recruitment of employees incl senior –
      – Recruitment process sometime takes long
      – Property Sector is recruiting outside sector (mainly from Financial Sector) – at a premium
      – Property Sector has not groomed their own – only 3 SA university have dedicated property & construction faculty
    • There has been a good start – with Sapoa Bursary Fund
    • For sustainable impact – need to also consider all parts of the value chain
      – Promotion Property as career of option at school level
      – Providing opportunities for candidacy professional in BE/ Vocational work/learnership programme/

• **Recommendation for Listed Property – areas that make it easy to achieve points**
  – Socio-Economic Development and Enterprise Development
    • Impact of working together would be far richer than each entities working on their own programme
    • Enterprise Development has become a component of ESD – which is a priority element – failure to achieve 40% threshold – there is a downgrade on the recognition level
    • Focus of programme that - positively adds back value into the growth of Property Sector
QUESTIONS??
THANK-YOU
QUESTIONS??
Thank you

Property Sector Charter Council

Contact person: Portia Tau-Sekati

Tel: 011 880 9918
Cell: 082 619 2507

Direct email: portia@propertycharter.co.za
General email: info@propertycharter.co.za

www.propertycharter.co.za
• Property Sector is slightly low on target at 16.5 points on ownership against the target of 20 points
• Property management achieved 18 points shy of 2 points away from ownership target of 20 points
  • Net Equity (7 points) – PM achieved 5.7% slightly lower than the net equity target
  • Black voting rights (25%) – PM achieved a whooping 38% against target of 25%
  • Black women voting rights (10%) – PM exceeded target and achieved 13%
  • Black Economic Interest (25%) – PM again exceeded target and achieved 34%
  • Black Women Economic Interest (10%) – PM exceeded target and achieved 12%
  • New Black Entrants (10%) – PM achieved a low score of 5% half the targeted score
  • Black Scheme (10%) – PM is 1% below target at 9%
• Property Sector is tracking below target at 5.9 vs 10-point target
• Management control (10) - PM has missed the target by 3.5 point achieving 6.5
  • Black Voting Right (50%) – PM missed the target achieving 36%
  • Black Exec Directors (50%) – PM missed target achieving 28%
  • Black Senior Top managers (40%) – PM missed the target achieving 25%
  • Black Senior other Top Managers (40%) – PM is struggling in this areas and have achieved only 14%
  • Black Independent Non-Executive Board of Director (40%) – PM exceeded target and achieved 43%
- **Property Sector is tracking below target at 8.2 vs 15point target**
  
- **Employment Equity (15) - PM has missed the target achieving 6.3**
  
  - Senior Management (60%) – PM missed the target drastically achieving 21.5%
  - Middle Management (75%) – PM achieved half of the set target at 35%
  - Junior management (80%) – PM also only achieved half the target at 38.9%
  - Black disabled (3%) – PM exceeded the target by almost 7% to 9.6%
  - Black Independent Non-Executive Board of Director (40%) – PM exceeded target and achieved 43%
Property Sector is tracking below target at 16.5 against the target of 20 points.

PM is also tracking slightly below target but with good confidence to achieve target at 17 points.

- BEE Spend (70%) - PM has exceeded the target achieving 72%
- QSE & EME Spend (15%) – PM achieved target at 16%
- Black Owned supplier Spend (12%) – missed target and achieved 5.2%
- Black Women Owned Suppliers (8%) – exceeded target and achieved 8%
• Property Sector has exceed target of 10 points and achieved good record of 11.1 points
• PM also exceeded set target of 10 points and achieved good record of 11.5 points
  • NPAT spend of 3% - PM spent a whooping 8% NPAT
The sector is tracking below target at 10.4 out of 15 points.
PM has a better track record with a score of 12.2 out of 15 points.
- Spend of Black Development (3%) - PM spent 10% of payroll on black development.
- Black Disabled Development (0.3%) – PM achieved an incredible 14.3% development for people with disability.
- Black learnership (5%) - PM achieved 4 times the target set at 21.1%.
Property Sector has exceeded the target of 2 points achieving 2.3 point
PM exceeded target by achieving 2.9 points out of 2 point
- NPAT of 1% - PM spent 15.8% NPAT