

STATE OF TRANSFORMATION OF THE PROPERTY SECTOR

11 MAY 2017

Are We There Yet?



HISTORY OF TRANSFORMATION

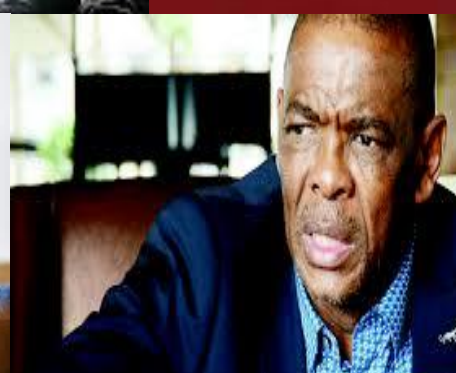
- 1994 - SA ushered in a new democracy, Transformation topped the government agenda.
- Emphasis BBBEE not only being critical to redress the economic balances but necessary pragmatic growth strategy to assist our country to release its full economic potential.
- By enabling the previously disadvantaged 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.



RADICAL ECONOMIC TRANSFORMATION



CLICK TO RSVP





**ECONOMIC
TRANSFORMATION
PROGRAMME**



**ECONOMIC
TRANSFORMATION
IS AN
IMPERATIVE!!**

ROLE OF ECONOMIC TRANSFORMATION



BEING GLOBALLY COMPETITIVE



Sustainable
Economic Development

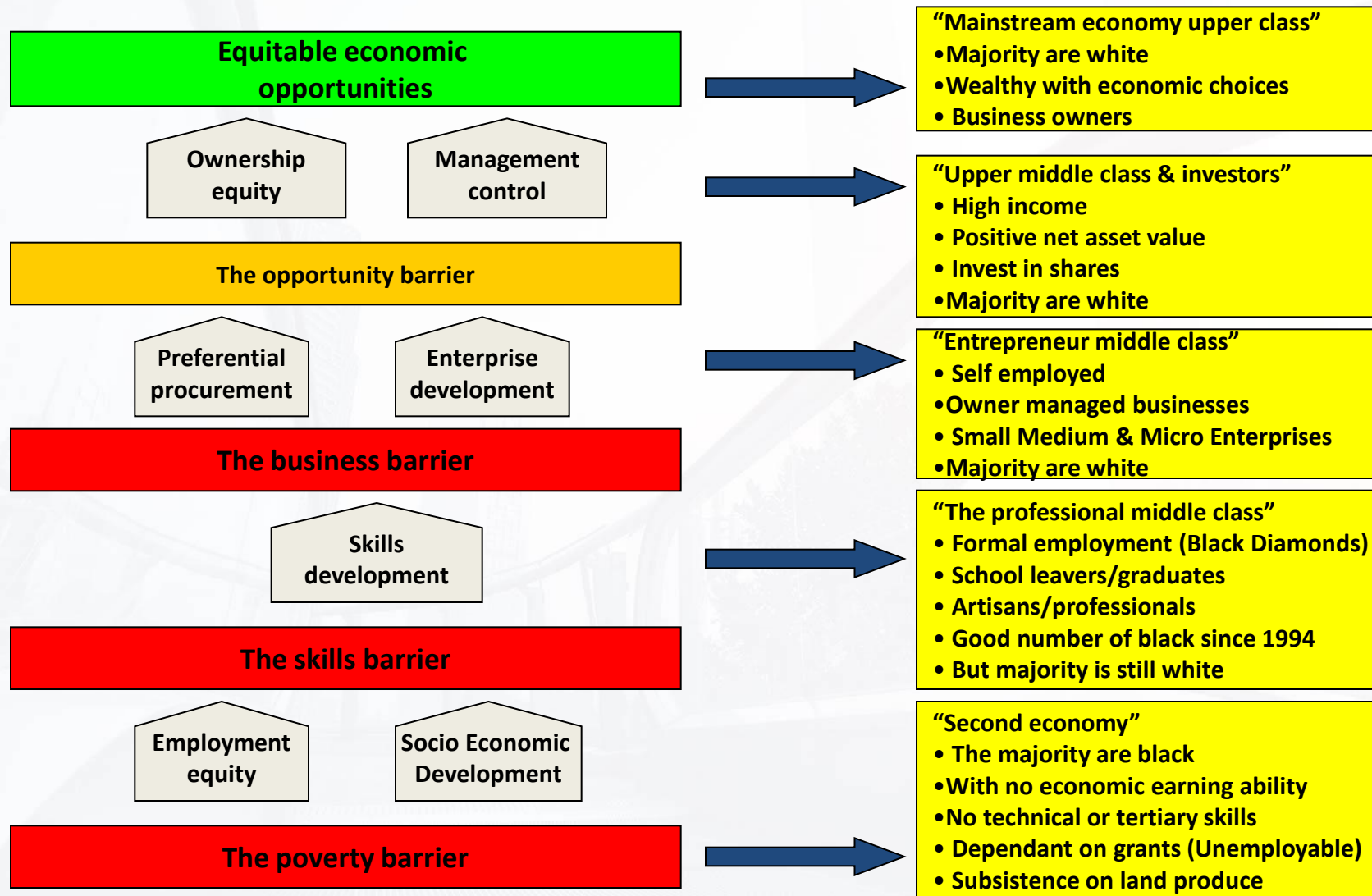


UN Conference on
Small Island Developing States

Division for Sustainable Development
UNDESA
2014



TRANSFORMATION THROUGH BBBEE ELEMENTS



PROPERTY SECTOR CODE

TRANSFORM THE
PROPERTY SECTOR



PROPERTY
— SECTOR —
CHARTER
COUNCIL



ROLE OF THE PSSC

- **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

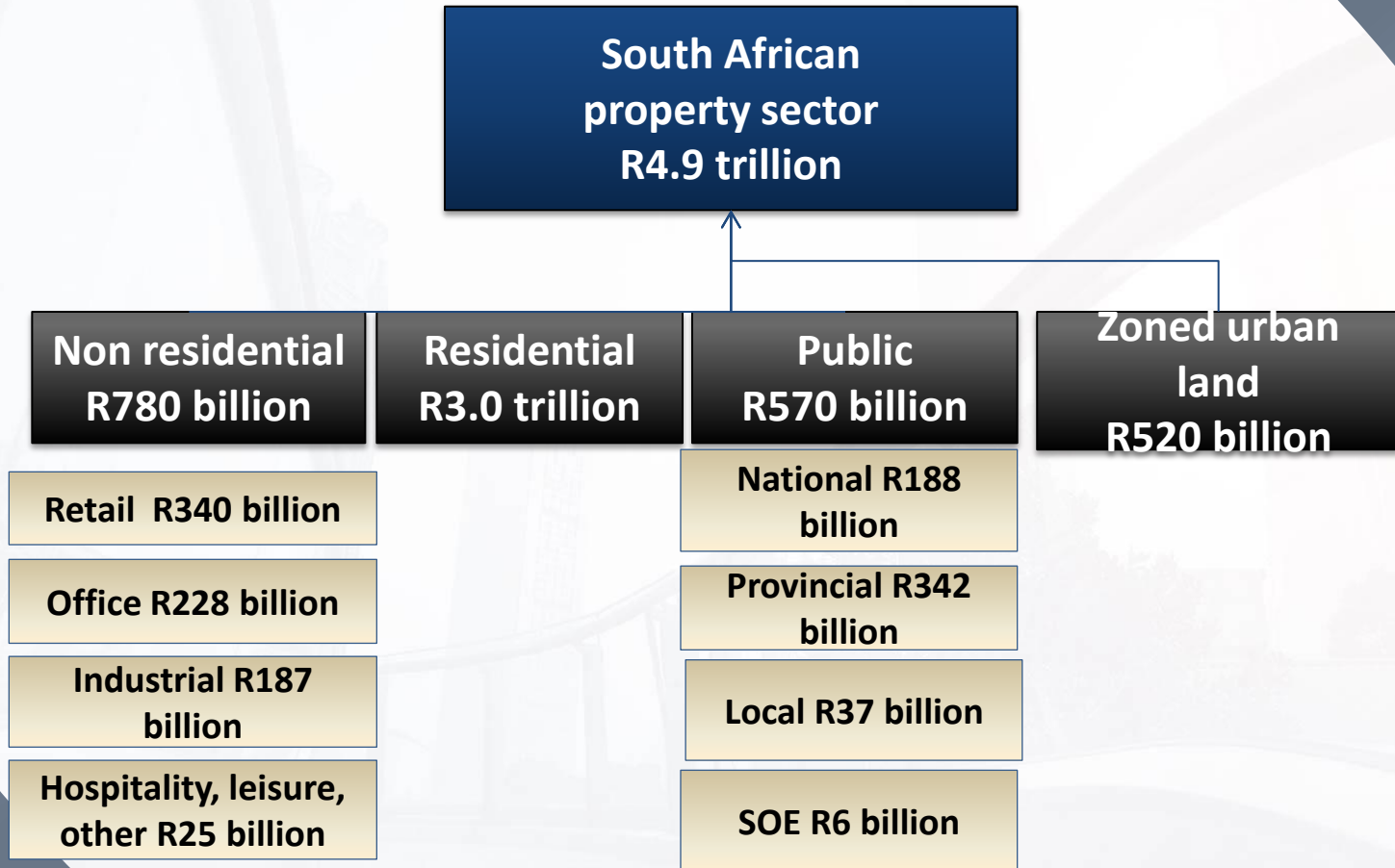
RESEARCH

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

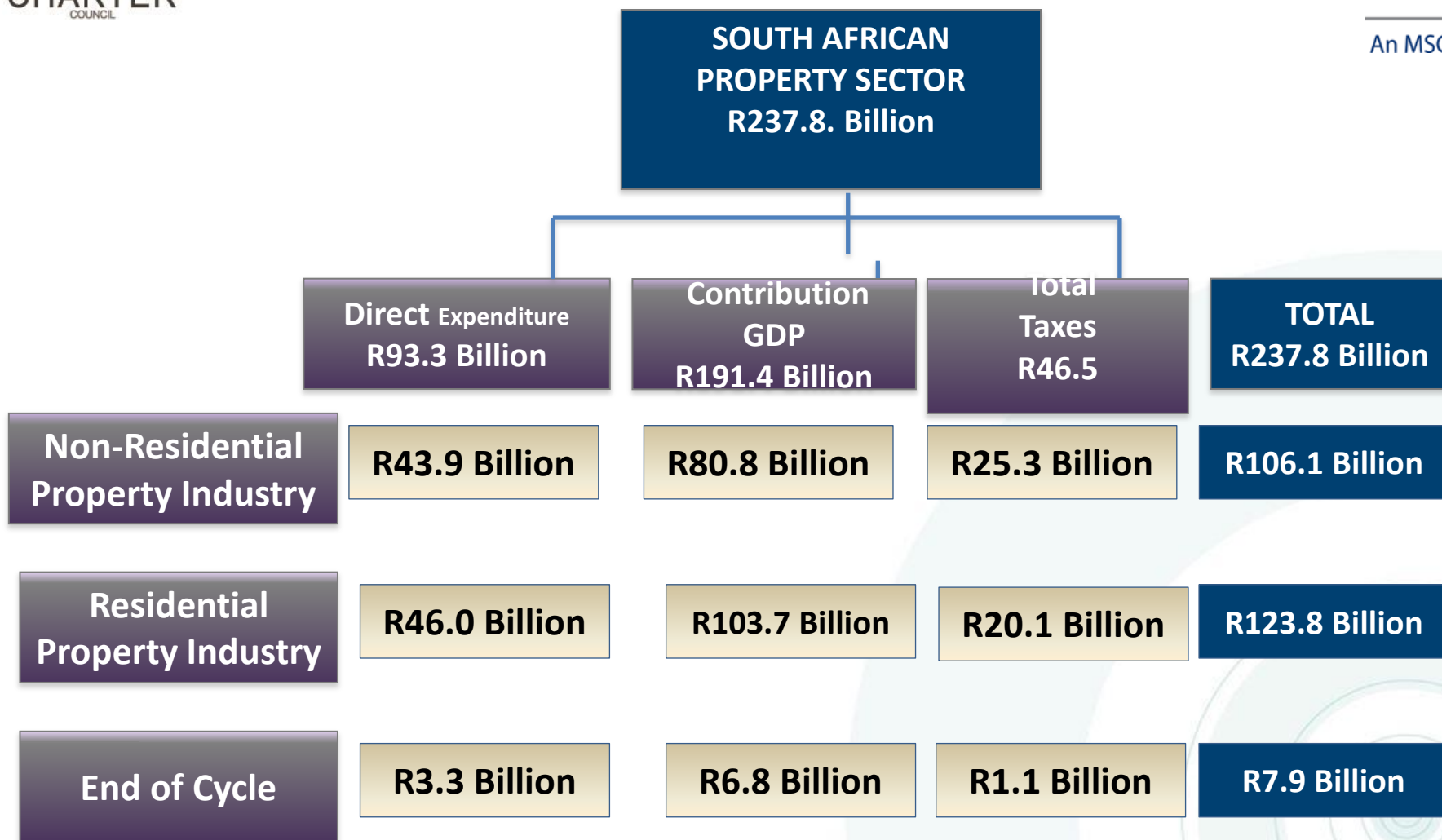
IN SCOPE: Research covers all other various sub-industries in the property sector.

PHASE 1- RESEARCH (2012)

PROPERTY MARKET SIZE

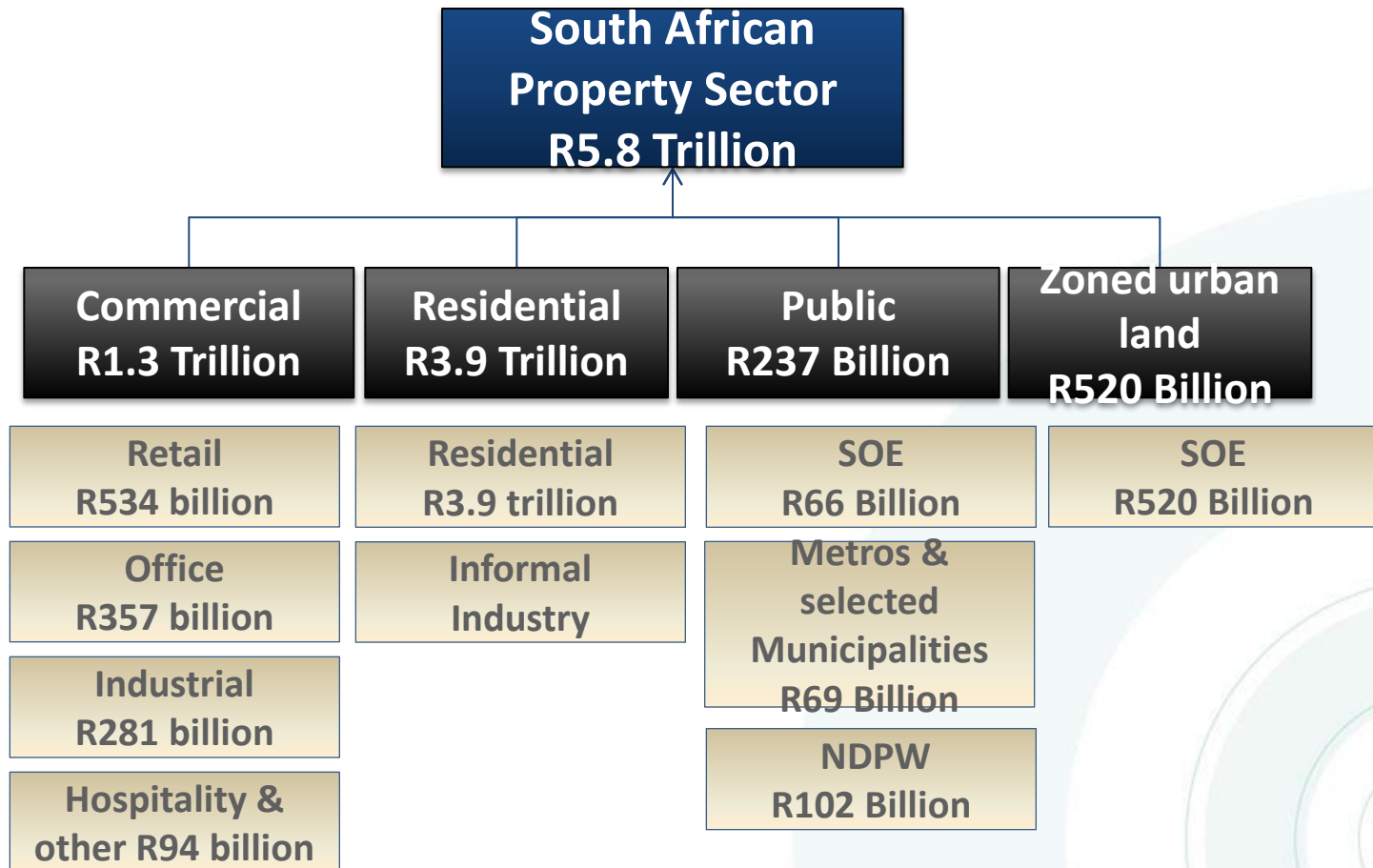


The Impact of the South African Property Sector on the National Economy



Note: All cost excluding VAT

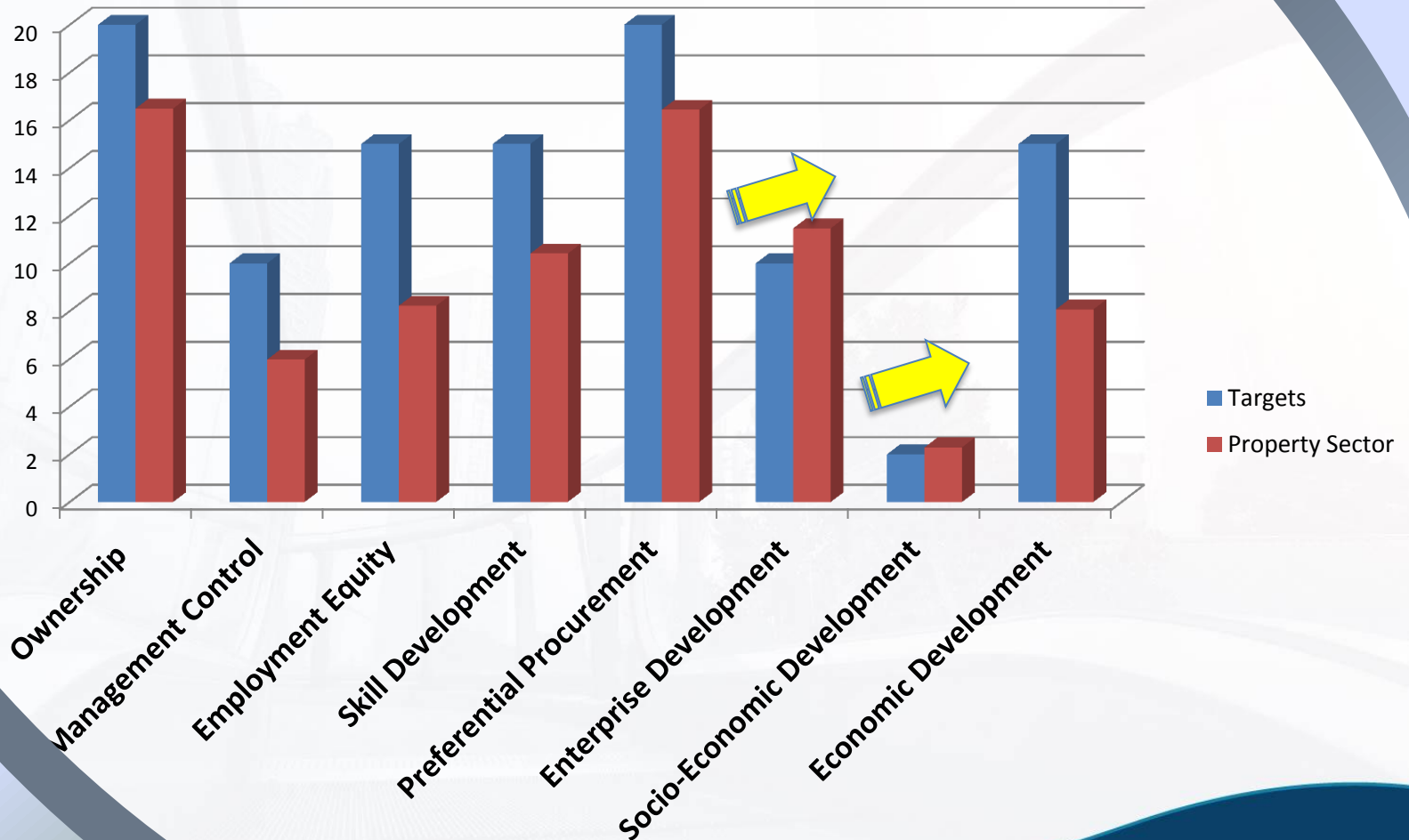
The Size of the South African Property Sector (2015)



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

Property Sector Charter Council

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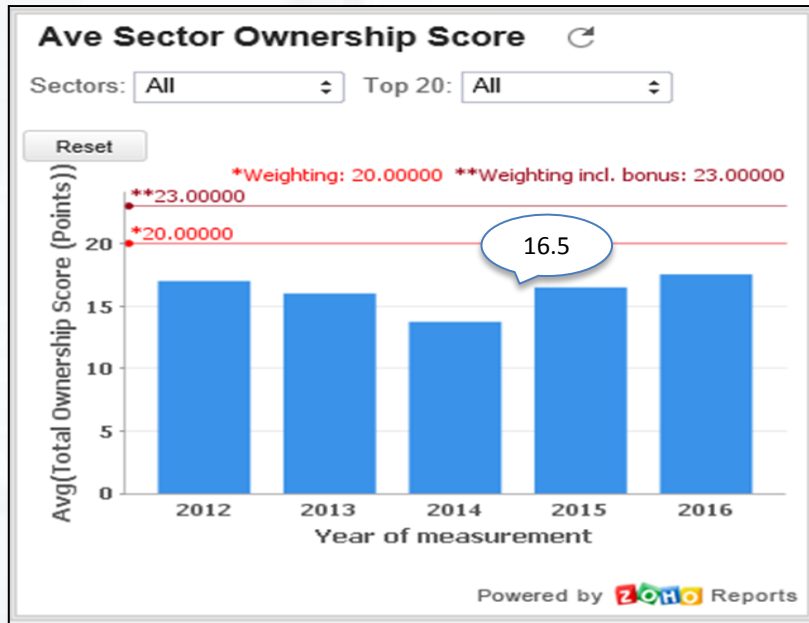
Direct email: portia@propertycharter.co.za

General email: info@propertycharter.co.za

www.propertycharter.co.za

OWNERSHIP

Property Sector



Property Management



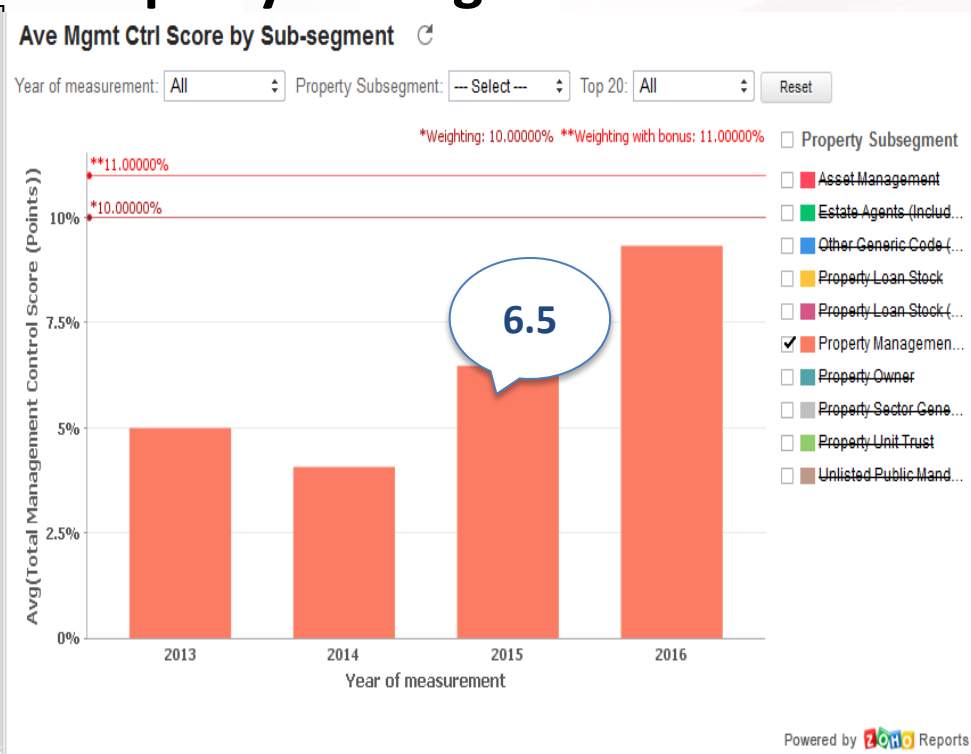
- Property Sector is slightly low on target at 16.5 points on ownership against the target of 20 points
- Property management achieved 18 points shy of 2 points away from ownership target of 20 points
 - Net Equity (7 points) – PM achieved 5.7% slightly lower than the net equity target
 - Black voting rights (25%)– PM achieved a whopping 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%

MANAGEMENT CONTROL

Property Sector



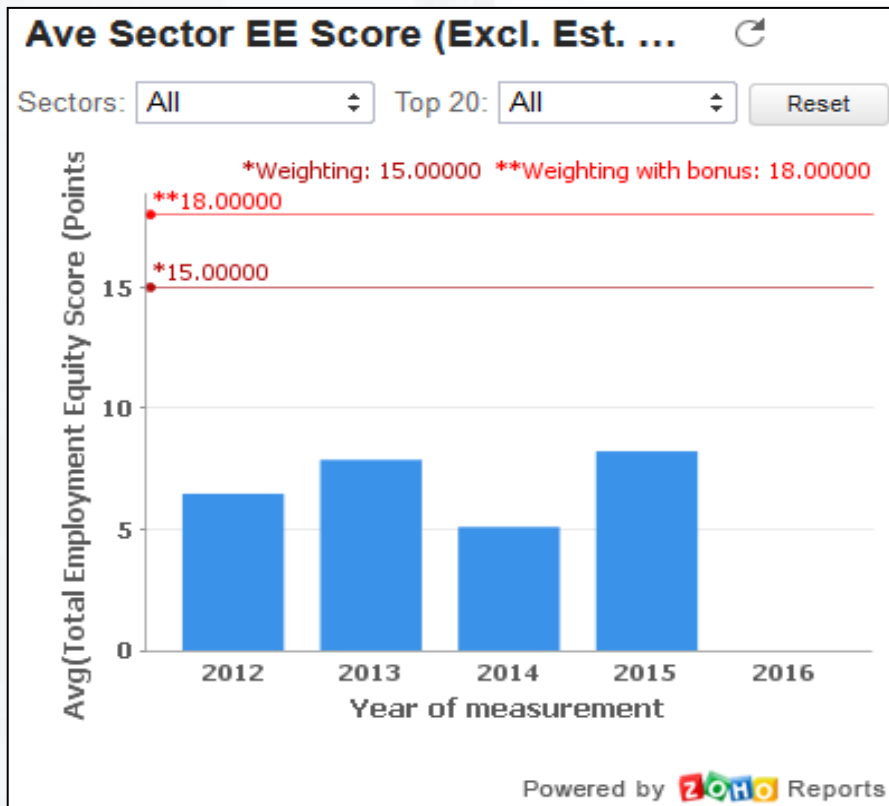
Property Management



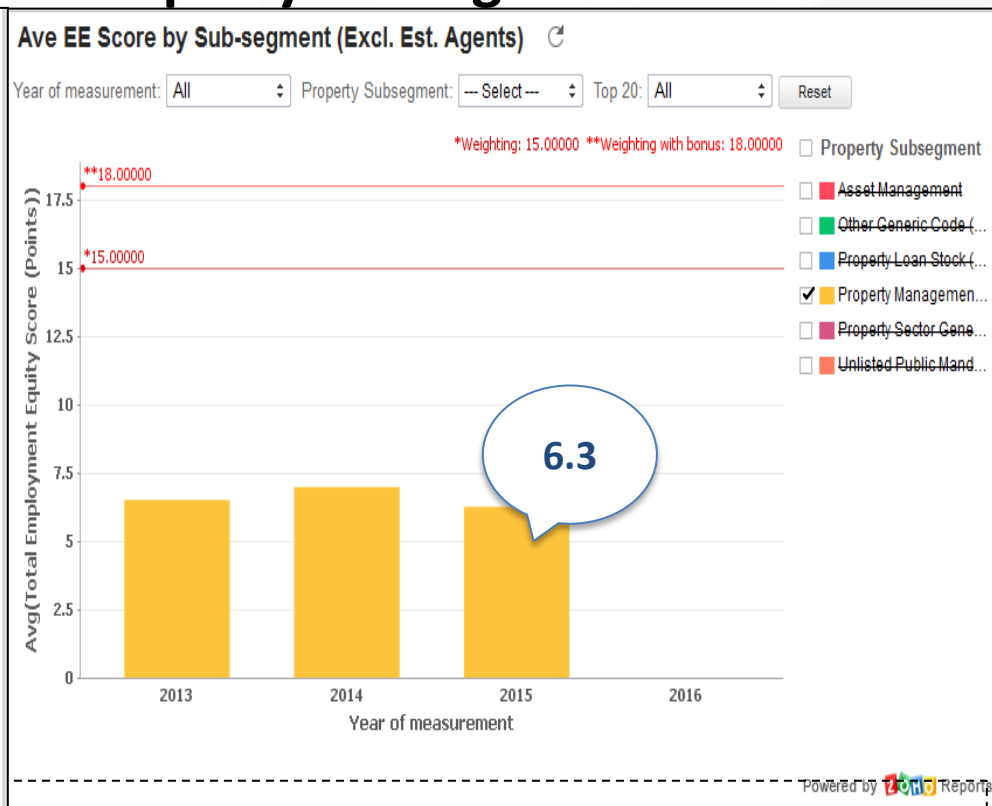
- Property Sector is tracking below target at 5.9 vs 10point target
- Management control (10) - PM has missed the target by 3.5 point achieving 6.5
 - Black Voting Right (50%) – PM missed the target achieving 36%
 - Black Exec Directors (50%) – PM missed target achieving 28%
 - Black Senior Top managers (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%

EMPLOYMENT EQUITY

Property Sector



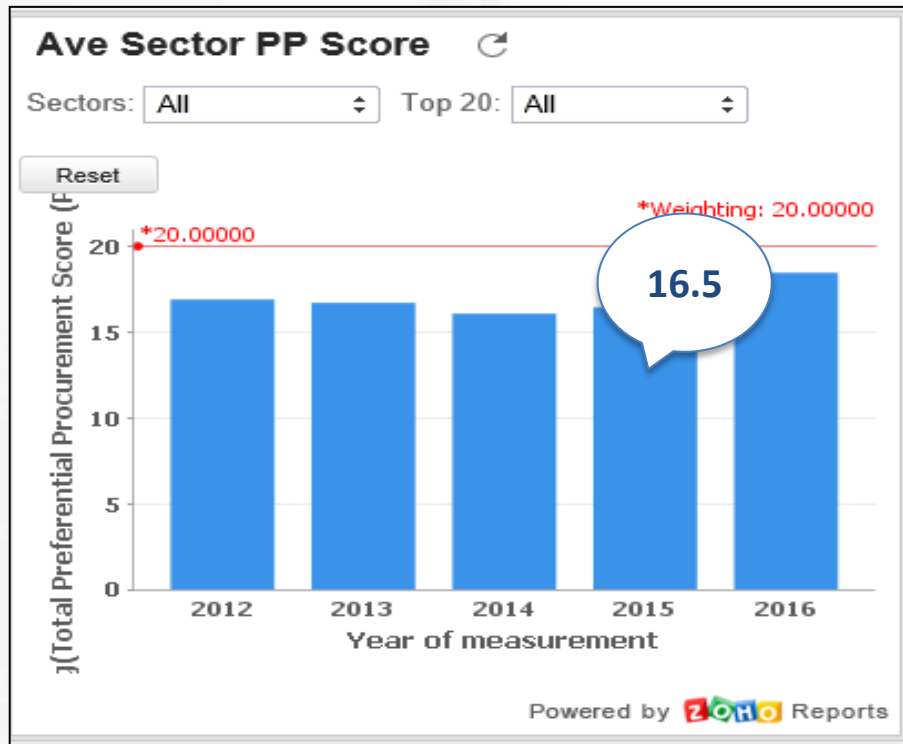
Property Management



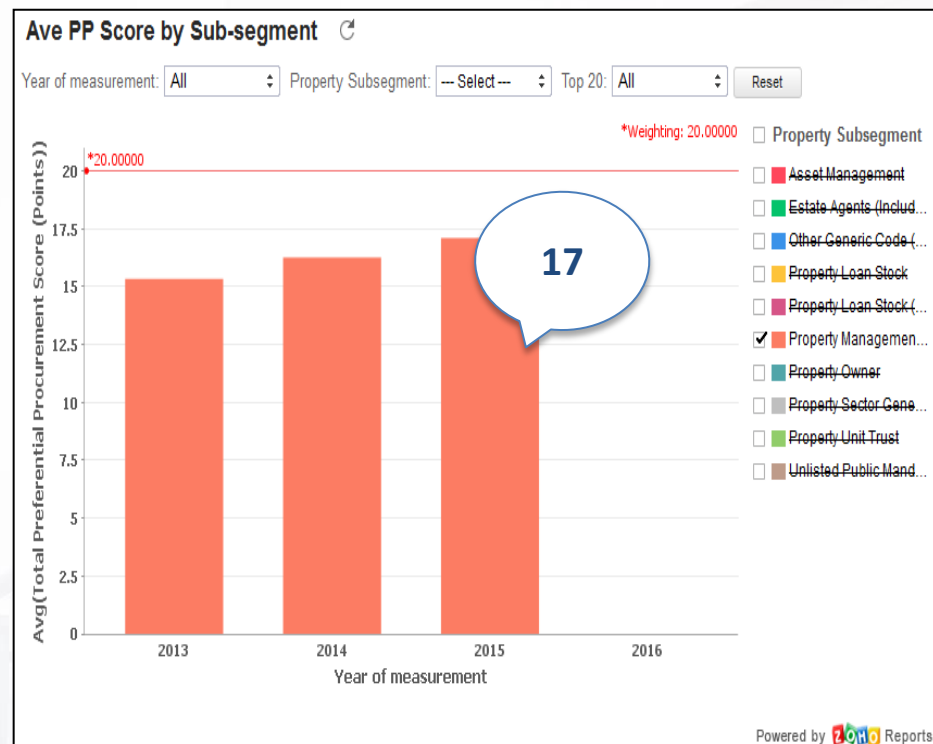
- Property Sector is tracking below target at 8.2 vs 15point target
- Employment Equity (15) - PM has missed the target achieving 6.3
 - Senior Management (60%) – PM missed the target drastically achieving 21.5%
 - Middle Management (75%) – PM achieved half of the set target at 35%
 - Junior management (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%

PREFERENTIAL PROCUREMENT

Property Sector

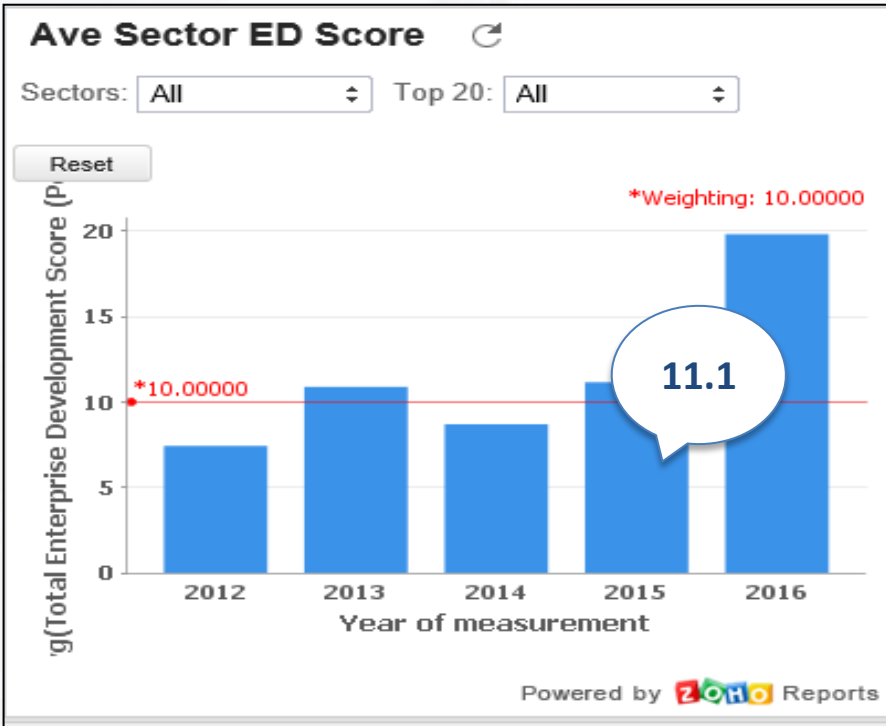


Property Management

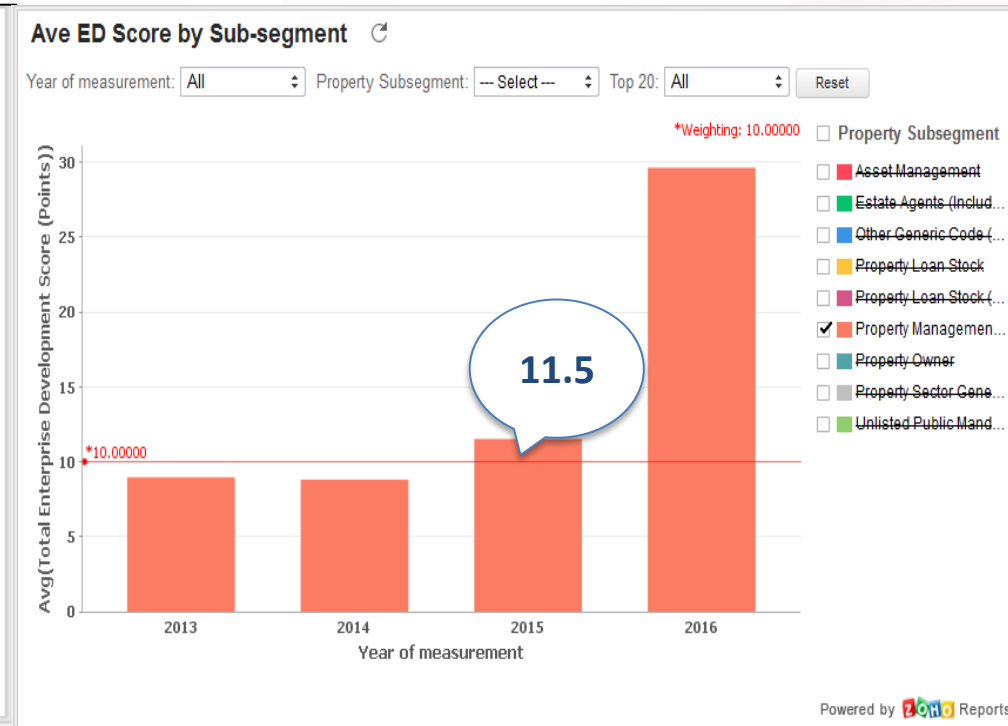


- Property Sector is tracking below target at 16.5 against the target of 20 points
- PM is also are tracking slightly below target but with good confidence to achieve target at 17 points
 - BEE Spend (70%) - PM has exceeded the target achieving 72%
 - QSE & EME Spend (15%) – PM achieved target at 16%
 - Black Owned supplier Spend (12%) – missed target and achieved 5.2%
 - Black Women Owned Suppliers (8%) – exceeded target and achieved 8%

Property Sector



Property Management



- 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

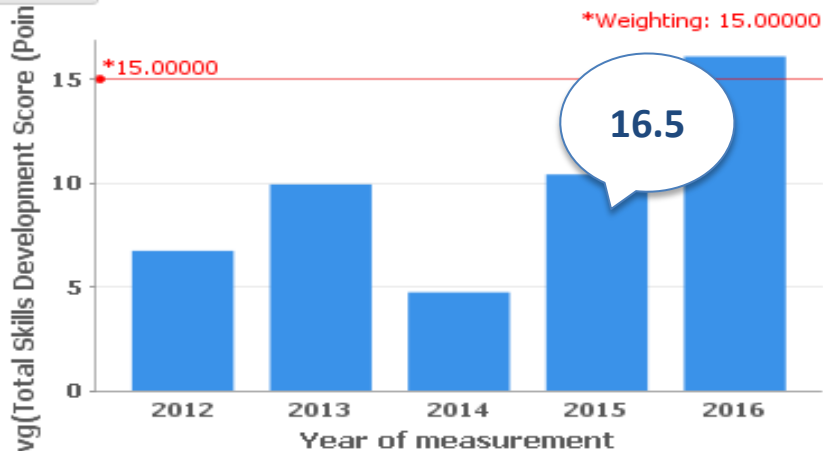
Property Sector

Property Management

Ave Sector SD Score

Sectors: **All** Top 20: **All**

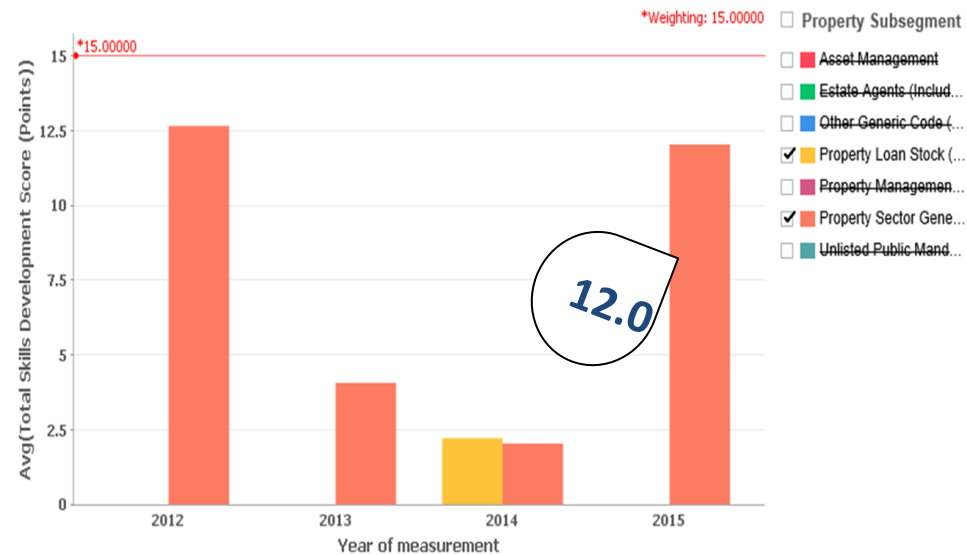
Reset



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Ave SD Score by Sub-segment

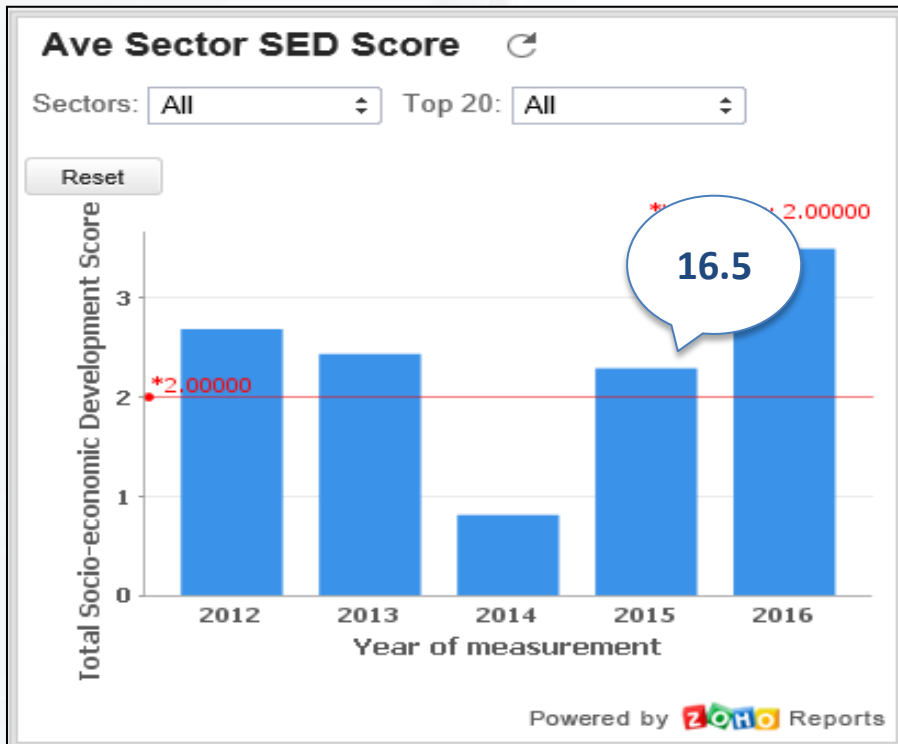
Year of measurement: **All** Property Subsegment: **--- Select ---** Top 20: **All** Reset



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- 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



Property Management



- 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