

'Drop the spaza shop mentality'

Property practitioners' president says black business should break out to change the path of history

SIBONELO RADEBE

THERE exists an opportunity for the creation of a major black-controlled commercial property fund with an asset base of more than R20bn. If listed, such a fund would compete for the top three positions within the JSE property sector.

This is the view aired by Thomas Matlala, president of the South African Institute of Black Property Practitioners. "We can create a gigantic black player if we break out of the spaza shop mentality. We can change the course of history."

Matlala delves into the Afrikaner empowerment model to drive his point home. He says while the prevailing brand of BEE has had some successes it has proven to be largely diffused, leading to few success stories.

"While we should not take away credit from the BEE success stories, they do emphasise a too individualistic brand which breeds animosity from the man in the street. The path which led to the development of institutions like Sanlam and Absa was more collectivised, albeit within the confines of the Afrikaner community," Matlala said. "This collectivisation allowed for the emergence of strong institutions which continue to shape our economic landscape to this day."

Matlala's view should be viewed on the back of a rush by emerging black landlords to list on the JSE. The past two years have seen a number of black



BACK BLACK LANDLORDS: President of the South Africa Institute of Property Practitioners Thomas Matlala.

commercial property operators enter the JSE in different forms and shapes. While this is commendable, there is concern that this trend is not sustainable as being vulnerable to predators and subsuming partnerships.

As things stand, says Matlala, black property funds enter the JSE in a vul-

nerable state. "They are positioned as prey when we can build a property fund that can be positioned more like a predator, a trend setter.

"I should not be misinterpreted to be condemning the progress achieved so far through the listing of black controlled property funds," Matlala said.

"These have a role to play but I think in addition to current developments or even through their consolidation, we can establish a stronger BEE foundation within the commercial property sector. Such an establishment will have far reaching consequences for broader BEE," Matlala said.

"Firstly it would create a broader BEE movement which results from the consolidation of a number of black landlords to create a single big fund. Secondly, it will hive off many BEE opportunities downstream in the course of managing a bigger portfolio. If we have a gigantic property portfolio, we can call the shots in terms of who gets to maintain our properties."

In the past two years the JSE has seen the entry of six sizeable black-operated property funds. Sisa Ngebulana's Billion Group pioneered the path when it listed a portfolio of about R3bn in May 2011. It was followed by Dipula Income Fund, Vunani Property Fund and Delta Property Fund. While listing has necessarily led to dilution of black ownership, these funds retain significant black ownership and asset management.

More recently a new trend is emerging where black operators are injecting their portfolios into established listed entities. Examples include the move by Encha to inject a R1.4bn portfolio into Vukile Property Fund and in return earned 7% of Vukile units. Matlala was part of a move that injected a R178m property portfolio into JSE-listed

Arrowhead Properties. Matlala's portfolio, Indite Property Fund, is focused on government tenanted and, while injected into the bigger Arrowhead, will continue to be managed by Matlala's outfit. As part of the deal, Arrowhead has injected a portion of its properties - government-tenanted buildings - into Indite to create a sub portfolio of R390m. It is expected that a couple of other black-owned portfolios will follow this route.

While coming in different forms and shape, these initiatives have one thing in common. They have all benefited from the Department of Public Works' affirmative procurement policy. As an administrator of government fixed property, Public Works is positioned as the largest deal maker in the commercial property market and has committed to use its position to champion further transformation.

Matlala said the Public Works programme had achieved some results in transforming the industry but more could be done. Estimates have it that Public Works concludes lease deals of around R2bn a year. It is also estimated that only 5% of this flows to 100% black operators. Public Works has promised to increase its affirmative procurement, which means more deals could flow towards black operators going forward.

Using this trend as a guide, Matlala said there existed space for black operators to come together and create one big black-owned and operated fund.

sibonelo@thenewage.co.za