

The Property Sector Charter Council lays the foundation for transformation

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President Cyril Ramaphosa's late night announcement on 31 July on the decision to amend Section 25 of the South African Constitution to clearly articulate land without compensation has driven the debate on land ownership into top gear. A report recently released by the Bureau for Food and Agricultural Policy (BFAP) calls for an urgent land audit to underpin future land reform decisions. This would be a sound basis from which to start in order to understand what the current state is of both developed and undeveloped land.

From a property perspective, the Property Sector Charter Council – which consists of more than 21 bodies representing South Africa's property sector – has already been involved in collating and developing research reports for a number of years in order to create a consistent understanding about the property sector. This is according to **the Council's Chief Executive Officer, Portia Tau-Sekati**, who presented a detailed scope of the distribution of property in South Africa as a masterclass at the Alumni Association of Unisa's Graduate School of Business Leadership (SBL) annual alumni gathering. Tau-Sekati explains that the main purpose of the Property Sector Charter Council office is to enhance transformation by bringing together unique knowledge and characteristics of the sector in order to deepen meaningful participation of property participants in South Africa's mainstream economy.

Given that South Africa's property sector holds assets worth R5.8TN and contributes significantly to the country's gross domestic product (GDP), Tau-Sekati believes that there is a great deal of statistics and facts from the sector, which could inform the process of land transformation. "The aim of the council's research is to consolidate all available information and develop a hub of knowledge with common understanding of the sector for all participants. Certainly for transformation purposes and when applying a percentage to black ownership, it is critical to understand what the universe or total is. Ultimately, a thorough understanding of the sector will inform the development of sound legislation."

The property sector consists of commercial and residential property as well as public and zoned urban lands. The biggest is South African residential industry at R3.9Trillion made up of 6.1 million of properties and an approximate 543,000 household in informal settlements. Tau-Sekati adds that currently the majority of township houses are still not registered at the Deeds Office. With such a low proportion of the population having the benefit of formal property ownership, it is

arguably a matter of time before the debate of expropriation may extend to urban property. Tau-Sekati says, “The expropriation debate was never only about farm land. While not as large as agricultural holdings, there is a reasonable portion of urban land that could be drawn into the debate, and after all people are drawn into urban zoned land for mainly economic and social reasons .”

Commercial property in South Africa is worth a staggering R1.3TN with retail accounting for R534bn, R357bn of office space, R281bn for industrial property and R94bn for hospitality and leisure. In the listed property sector there is an estimated 10% to 15% of black ownership with a reasonable amount of that portion owned by the likes of PIC.

In terms of the public sector, property currently held by 19 state-owned enterprises (SoE) is worth R65.9bn. The top 5 SoEs in terms of value account for 89% of property holdings (R59bn) with Transnet, Eskom, ACSA and PRASA as the largest contributors. A total of 75% of the SoE sector’s property holdings are owner-occupied with the balance held as investment properties.

Of 9 metropolitan and 10 local municipalities, property is held to the value of R69bn. The Department of Public Works holds R102bn worth of property. Tau-Sekati underscores that research has been undertaken to ascertain the market size of properties and not their effective use, which means that it is not clear the number of properties that might be unused or standing vacant.

The Council’s research into zoned urban land includes land to the total value of R520bn. The total space occupied by buildings has been estimated at around 1 billion m², a land cost ratio of 15% with an applied rate per square metre of R3,500.

Tau-Sekati says that while the Council’s purpose in compiling the statistics of South Africa’s property was not undertaken for the purposes of the expropriation debate, some of the knowledge gleaned could certainly start guiding a discussion in this area. “Putting factual statistics on the table assists in providing a balance to the emotional views that understandably are a key factor in discussions around land, property and ownership. However, legislative decisions that will have a long-term impact on our economy, can benefit from a process that begins with a thorough understanding of the landscape.”

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