

# Black KZN property dealers 'losing out'

*Government has plans to redistribute office space rental after observing skewed numbers*

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THE KwaZulu-Natal government spends more than half a billion rand each year renting mainly office space, but less than a 10th of this money reaches black property dealers because of skewed commercial ownership patterns in the province.

This was the frank admission by Public Works MEC Jomo Sibiya following the tabling of his budget last week.

"It is important to note that as part of the provision of office accommodation for all government departments, the department currently has 178 leases. Unfortunately, the ownership of such properties is not reflective of the demographics of this country," Sibiya said.

According to figures released by Sibiya, broken down in terms of demographics:

- ◆ Indians have 79 leases, which is 44%, with a total lease portfolio of R344 million.
- ◆ Whites have 37 leases, which is 20%, with a total lease portfolio of R113m.
- ◆ Black Africans have 15 leases, which is 9%, with a total lease portfolio of R55m.
- ◆ Partnerships (white, Indian and black) – have 16 leases, which is 9%, with a total lease portfolio of R197.

The latest figures indicate that the provincial government spends about R33m each month on rentals, with Education (R8m), Health (R7m) and Economic Development (R5m) being the three main tenants that spend the most on rent each month.

Sibiya said that while the government wanted to avoid being a tenant, "hiring of office accommodation cannot be avoided under the current circumstances". He said it was therefore critical for the government to create opportunities for all in the hiring of office accommodation. Sibiya added that plans for the proposed provincial precinct were moving ahead, and this would address some of the accommodation needs.

"The department is focusing its resources on refining the master plan to accommodate the approximately 5 000 officials. As part of a sustainable solution the department is working to ensure that the precinct does not constrain the infrastructure or contribute to the congestion already being experienced, and to ensure that it facilitates solutions to improve the challenges in the area," the MEC said.

A private-public partnership (PPP) funding model to raise funds for the construction of the government precinct was one of the areas being explored by the department.

He added that the master plan for the proposed provincial precinct had been well received, and the provincial

treasury was developing a sustainable financial model.

"We anticipate engaging the market in a methodical and phased manner during the course of this financial year," the MEC said.

KwaZulu-Natal Growth Coalition co-chairperson Moses Tembe called on the government to implement broad-based black economic empowerment (BBBEE), saying this would help drive the transformation of the sector.

"If the government follows BBBEE to the letter, next time we could be talking about something in the future. If that is not done, though, as has been the case in the past, we will have the same problem," said Tembe.

The KZN Growth Coalition was set up in 2000 to strengthen relations and greater co-operation between the government and business.

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**PUBLIC WORKS MEC JOMO SIBIYA**

Andile Mnguni, the treasurer of the South African Institute of Black Property Practitioners, said the property market was tough and hostile to new entrants, but conceded that black entrepreneurs had shot themselves in the foot by being selfish. He welcomed the commitment displayed by the MEC in advocating the transformation of the sector.

"It is a fact that there has been, and continues to be, a reluctance by black people to work with each other. People prefer to work in silos, and that approach seldom yields results," said Mnguni.

Reacting to the MEC's commitment, economist Bonke Dumisa said that while it was true that the property sector was not reflective of the country's demographics, black people needed to reflect deeply on the matter.

He also warned against a direct intervention by the government in a bid to drive transformation in the private sector, saying this could lead to fronting.

He stressed that black entrepreneurs had themselves to blame.

"Years ago when opportunities opened up, many ambitious owners in the Indian community opted to form consortiums and partnerships that gave them better buying power when purchasing properties, and today they are major players in the sector," said Dumisa.