

PRESS RELEASE

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PROPERTY FORUM CALLS ON PROVINCIAL AND LOCAL GOVERNMENTS TO HELP DEVELOPMENT AND CONSTRUCTION INDUSTRIES

With the construction industry haemorrhaging, an increasing slowdown in approval processes by local and provincial governments is costing the Western Cape thousands of jobs and will lead to the loss of scarce skills.

According to the Western Cape Property Development Forum (WCPDF), numerous concerns have been raised by property developers and other industry professionals about the slow turnarounds in government procurement of professional and construction services on the one hand, and decision making on development rights on the other, with the two together severely impacting investment in the Western Cape.

According to WCPDF Chairperson, Deon van Zyl: “The result of slow and cumbersome procurement processes is that local professional built and construction expertise stands to be lost due to people, through necessity, leaving their industries to seek employment in other regions, countries or even in other sectors. These people represent critical skills that have taken decades to hone and stand to be lost across all sectors of the construction and property development industries.

“At the same time, property investors who wish to invest into Cape Town and the greater Western Cape Province are being hamstrung by cumbersome legislation, policies and over-conservative bureaucratic interpretations of these policies to the point where investment looks for other destinations that signal they are open for business,” says van Zyl.

The process of government decision making on development rights, as well as the overall impact that procurement processes are having on the economy, are deemed to be so critical that the WCPDF is in talks with the provincial economic development agency Wesgro to facilitate a process between its members and government. The Forum is also making these challenges which the industry faces the key theme in its upcoming annual conference, to be held in May, under the title “The Perfect Storm: Investment and jobs or bureaucracy and stagnation”.

“This is not a finger-pointing exercise. It is our very serious attempt to highlight the impact that government processes have on the economy. We wish to bring the public and private sector together to discuss the state of not only the property and construction industries in the Western Cape and the challenges they face, but the significant role they have and will hopefully continue to play in the

economic development of this province and indeed the country, and we're very grateful to Wesgro for recognising how important these industries are to the economy."

This comes at a time when there are critical social priorities which also need the development industry's attention. Recent objections lodged by activist organisation Ndifuna Ukwazi have highlighted the plight for affordable accommodation. Yet its selected form of engagement, by means of objections and appeals, are delaying and even halting a substantial number of targeted development projects.

Says Van Zyl: "We, as the industry, are literally caught in the cross hairs as social housing activists battle this out with City and Province. While the Forum fully recognises the right to lodge objections and appeals in terms of legislation, the real crux of the matter now lies in how long it is taking local government to assess and deal with these objections and appeals.

"The result of this is that the property development and construction industries are being penalised and treated as collateral damage while other battles play out."

Van Zyl further notes that upcoming micro developers in townships could outperform government in future on housing delivery: "Again, very little is being done to facilitate this new sector which also faces the same plethora of legislation and conservative policies that formal industry faces."

Social housing also registers on the Forum's agenda: "In acknowledging that the private sector must play a role in facilitating this, the WCPDF has been engaging with affordable housing for well over a year. We were encouraged when the City initiated the all-important policy document around inclusionary housing and facilitated formal engagement with industry. Yet the policy development process now appears to have stalled."

Having eagerly participating in the Foreshore and Salt River/Woodstock tenders which included social housing requirements, the development industry has been looking forward to new investment and construction opportunities. The Foreshore Freeway Precinct project, however, has been cancelled and industry still awaits the opening of the Salt River/Woodstock tenders that closed a year ago. This, too, van Zyl argues, illustrates the lack of understanding by authorities for the development industry which has invested enormous time, effort and costs to prepare viable development options for the City.

"We keep on hearing how government should not incur frivolous and wasteful expenditure. But what about government processes causing the private sector to incur wasteful expenditure?" asks van Zyl.

Part of the Forum's objectives is also to dispel some of the "myths of property development" adds Van Zyl: "For example, although building activity in the CBD and Atlantic Seaboard areas of Cape Town creates the illusion that the development sector is booming, property price corrections of up to 20% are a clear indication that the sector will slow down considerably in the next year, leading to further job losses in construction. This is not withstanding the ongoing escalation in land prices, partly caused by the inflationary effect of slow and cumbersome statutory processes which the property sector needs to endure before investment can take place in the form of bricks and mortar. This does not stop

with property prices. The average resident will pay more in rates and taxes because there is not enough new development to cover the increase in costs of municipal salaries, services and utility costs.

“We are also very concerned that ongoing rerating of municipal valuation rolls do not reflect current market price corrections. Municipal valuation rolls create the illusion that there is enough money available to cover the ever-growing cost of local government. The fact that property is worth more does not mean that residents have the money in their pockets to pay the higher property rates and utility costs. We need to spread the cost load. We need more property stock to pay its own way and carry its share of government overheads.”

Another myth is that the public transport and bulk infrastructure capacity crisis can magically resolve and generate construction jobs over night. Forward planning is critical and, even then, these large-scale government projects, which tend to sustain the construction sector, also fall foul of the same bureaucratic decision-making delays that private development suffers under. Government projects also need to join the queue for professional expertise and development rights approvals and then often take years to pass through the government procurement pipeline.

The crux of the matter, the Forum believes, is that while government struggles on the one hand with the implementation of development, the private sector on the other hand is seen as the enemy.

“All of this speaks to an increasing culture of distrust on both sides and the resultant over-regulation of our industry,” says Van Zyl.

“We are not blind to the context within which we are voicing our frustrations; a context of vast corruption and mismanagement which covers media front pages. Put all of this, the state of the economy, state capture and related procurement irregularities, the failure of oversight professions and a litigious society into one pot and there is a natural tendency to overreact with distrust and over-regulation. Yet, over-regulation will not solve the problems. Now is precisely the time when investment should be encouraged through proactive decision making and the removal of legislative and bureaucratic stumbling blocks. Now is the time when true visionary leadership equates to economic survival.

“In other words, the status of the economy, exposure of corruption and the mismanagement and impact of bureaucratic processes have created the perfect storm – one that can either be treated as the opportunity to correct structural problems or, in future, will be referenced to as the point in time when the government system finally failed.”

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For more information (including information on the 2019 conference) please visit: www.wcpdf.co.za

For media enquiries, please contact Carola Koblitz on 082 568 1621 or email media@wcpdf.co.za

For direct access to Deon van Zyl, WCPDF Chair, please contact Kim Kilpatrick on +27 21 979 4984 or email admin@wcpdf.co.za