



## **PRESS RELEASE**

**Thursday 16 May 2019**

### **WCPDF CONFERENCE UNVEILS PROPERTY DEVELOPMENT PROCESS MODEL**

According to the experiences of professionals involved in property development and construction, it currently takes an average of between four and eight years to complete a development in Cape Town – double the time when compared to a few years ago.

This expanded timeframe, largely due to a long, complex and uncertain regulatory approval process, is now severely curtailing the development of much-needed private and public infrastructure, and has come to undermine the construction industry significantly.

In response to this, academics from the University of Cape Town's (UCT's) Nedbank Urban Real Estate Research Unit (URERU) and industry members representing the Western Cape Property Development Forum (WCPDF) have joined forces to produce a Property Development Process Model in a major effort to determine why the development process now takes so long, the objective of which is to identify the blockages and find solutions to shorten the unwieldy timeframe.

The model was revealed to the public at the annual conference of the WCPDF, held at the Century City Conference Centre on Thursday 16 May, by Rob McGaffin – a senior lecturer with UCT's Department of Construction Economics and Management which also hosts the URERU.

The process model was originally conceptualised in 2014 by project management firms, MDA and its consultants Jedd Grimbeek and Johan Slabber, and Alwyn Laubscher & Associates' current CEO, Deon van Zyl, to graphically identify their own firms' experience of the protracted development initiative timeframes. Grimbeek and Van Zyl are both members of the WCPDF Management Committee, with Van Zyl being the organisation's chairperson.

In 2017, noting the impact that the long development process was having on housing affordability, Rob McGaffin from URERU agreed to further develop the model with the assistance of (then) recently graduated student Lewin Rolls and, later, Mida Kirova, a town planner with Nigel Burls & Associates. Chris Steffen, a quantity surveyor with Talani, later incorporated costings into it to highlight the time-related financial implications. Further valuable input was also received from various professionals in the industry along the way.

Explaining the need for the model at this point in time and the drive to complete it in time for the conference, Van Zyl notes: "The crisis in the development and construction industry is really only now hitting the media

headlines, because companies as large as Group Five are closing their doors. But members within our industries have been warning of this crisis for years, and it is one driven largely by politics and bureaucratic red tape.

“This crisis is also the reason that we have themed this year’s conference ‘The Perfect Storm: Investment and jobs or bureaucracy and stagnation,’ and our model underlines the severity of the situation. But its primary aim is to provide both the private and public sectors with something of substance to discuss and debate so that we can get one of the largest contributing sectors to the economy rolling again.”

The model displays an indicative graphic timeline of the property development process in Cape Town, and illustrates the complexities of the process from start to finish, from the initial three-year project initiation phase to obtaining land rights, and then through procurement, construction and ultimately project handover. It also enables users of the model to access regulatory, up-to-date documentation and information on legislation governing the industry.

“But what this model is, in particular,” adds McGaffin, “is a tool to facilitate engagement with the relevant roleplayers in order to unblock the blockages.”

“The model gives a detailed breakdown of why developments are now taking between four and eight years to complete. How long a process should take and the reality of how long it actually takes, are worlds apart. This model substantiates what many developers have been saying for some time – that there is a crisis that is leading to the current destruction of the development and construction industries.”

The irony, notes van Zyl is that this is not only a private sector problem: “If I was a civil servant responsible for the delivery of housing projects, schools and clinics, I would be saying exactly what the private sector is saying. The development of public infrastructure accounts for 80% of the output of our industries. Every government project that needs to be delivered goes through exactly the same quagmire as the private sector.”

Another concern to the WCPDF is that the City underspent on its own capital budget by 27% in its previous financial year and looks again to underspending 24% in the current financial period.

“If you do the calculations,’ says Van Zyl, “the City of Cape Town will have underspent by R2.8 billion by the end of its current financial year. That equates to R788 million in labour wages that has not been spent in the metro. Why has no red light yet gone on? Construction companies don’t fall off a cliff because they didn’t get a job yesterday. They fall off a cliff when they haven’t been getting work for three to five years.

“Plus, if the City’s budget cycle is three years long, how can it honestly budget for infrastructure projects not knowing when these are themselves going to get through the City’s own statutory processes that can delay a project for years before it breaks ground?”

Noting the City's tender process as one of the areas failing the industry, Van Zyl refers to the City of Cape Town's claims that it takes 24 weeks to award a tender: "However, companies on the ground will tell you that it actually takes anything from 54 to 90 weeks."

Adding to this, Grimbeek stresses: "The reality on the ground is that the construction sector has failed. We have one company after another folding and we have hit the wall.

"As the WCPDF, we are hearing from all the representative organisations that make up our membership base how the regulatory complexity and the lags in approval are killing the industry. Hundreds of thousands of construction jobs have already been lost, not to mention the investment that has gone elsewhere when willing investors do not get their projects even past first base."

In the past, notes Grimbeek, the highest risk was always cost, but what has now replaced this is the time it takes to obtain land rights and planning approval: "This model enables us to see what the timelines should be, and measure what they have now become."

But perhaps the most problematic result of this stagnation, apart from the loss of important construction job and investments, notes Grimbeek, is that: "The current regulatory environment is promoting gentrification. The delays being experienced and the costs associated with it reduces the viability of more affordable projects, which means developers are forced to produce exclusive products that will sell at higher prices. Who can afford these products? Only the wealthy. We are now increasingly unable to service the most important markets where the real residential demand lies, and the result is an ever-overheating bubble at the top end."

In conclusion, Van Zyl notes: "A takeaway from the national and provincial elections is that the electorate is no longer tolerating excuses for lack of delivery. The model developed by the URERU and WCPDF is a tool that can help government to unblock its own delivery pipeline and help private sector investors to objectively understand the property development process."

**THIS RELEASE IS ISSUED BY THE WESTERN CAPE PROPERTY DEVELOPMENT FORUM**

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