

PROPERTY BAROMETER –PROPERTY WEEKLY

New secure developments are often launched with much fanfare and excitement. But one of the best indicators of the success of economic policy in South Africa would be a decline in demand for such “enclaves”.

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There is a multitude of indicators which one can use to measure the success of a country’s economic policies or its performance. Arguably the most popular measure is Gross Domestic Product (GDP), and growth therein, which is a measure of the country’s total economic output. Total output is a key driver of employment and income, and is thus important.

But historic GDP lacks as an indicator of “sustainability”, because on its own it says nothing about important factors such as the distribution of that income that it generates, and thus the level of inequality. If the GDP is produced by disproportionately few participants, extreme inequality can ultimately lead to a boiling over in social tensions which can become extremely disruptive and ultimately wreak havoc with national production, income and financial well-being.

As a result, economists often argue for emphasis on other indicators such as those relating to education levels, income inequality or poverty levels, or even health.

One great indicator of the success of economic policy is the level of dependency on state welfare grants. The higher the level of such dependency on grants, the less successful economic policy can probably be said to have been in developing a society that can stand “on its own feet” economically.

To the Property Sector of the economy now. The property market’s performance and design not only reflects economic policy and performance, but can also influence it. The way we live and work, and therefore the way that property is designed, can also be very useful in measuring economic policy success.

One very useful such indicator of success of economic policy (and a partial predictor of future economic performance) would be a reduction in the level of demand for what I call “secure enclaves”. A simple definition of the word “enclave” is “a place or group that is different in character from those surrounding it”. South Africa, to me” has always been a place

heavily focused on creating “enclaves” aimed at providing a “secure” environment for small groups within such enclaves, but which intentionally or unintentionally often exclude other groups.

Back in the Apartheid Era, such inclusion-exclusion along geographical lines was race based, enforced by policy. The design of our cities with such policies in mind is still there for all to see, with the so-called “Former Township” regions often geographically isolated from those parts of the cities where the bulk of economic activity, and thus employment, takes place.

It has long been believed that this layout of the property market in our cities has been a key contributor to income and wealth inequality. For one, this is due to the huge transport costs that the Apartheid city imposes on many low income people as they commute long distances to the places where the economic opportunity is, from their largely “dormitory towns”.

The race laws restricting property ownership are long gone, however, and over time most areas of our cities are de-racialising, as people of so-called “previously-disadvantaged population groups” move into those former “enclaves” known years ago as White Suburbs.

But this does not mean that South Africa has become a country with less demand for “enclaves”. Rather, the nature of, and reason for, the demand has changed. Nowadays, it is more about “crime and grime”, “grime” being a result of insufficient level of local government cleaning and maintenance services relative to demand, as well as relatively low investment in public infrastructure.

And so, the natural, and arguably acceptable, response of both corporate and individual society, those with the financial resources at least, is to create new “enclaves” in various forms, “enclaves” where the inhabitants have more control over, probably most importantly, their own security in a high crime country, but also over their own level of infrastructure and service delivery within the area. They are entitled to

take steps to obtain the level of service and infrastructure that they desire.

Many of these developments, when they are launched, are done so with much fanfare, and often seen in a very positive light. I guess in the current environment, with all its challenges, they are a positive development for those who can live or work in them, and a partial solution to such challenges.

But, sadly, the need for such developments says a lot about where we are as a country.

The so-called “Gated Residential Communities”, and “Boomed off Public Residential Areas” have long been “mushrooming” in South Africa, and in some circles they have been controversial.

The 3rd Quarter FNB Estate Agent Survey tells us that about 12% of total home sellers are selling in order to re-locate for safety and security reasons. It’s entirely understandable, but over time, that becomes a very significant number of people.

However, it started perhaps long before this, with events such as the steady exodus of many corporates from central business districts (CBD’s), most notably, but not only, Johannesburg. Crime was possibly key to this, but congestion and “grime” was probably right up there too.

The more pristine Sandton was a key de-centralised destination for many, and the result for the Joburg CBD was devastating. Noticeable in modern day Sandton is the relative cleanliness of the area and the generally good condition of infrastructure. Also noticeable, however, is a lack of street front commercial and retail property.

In a city such as London, many of us temporary South African “working visitors” have experienced working for significant companies that often didn’t even have that customary internal canteen and that has become an integral part of corporate head offices in the likes of Joburg CBD and the city’s major de-centralised nodes.

It really wasn’t necessary. One could just “pop out” to the myriad of sandwich shops, take-aways, restaurants, pubs or coffee shops that litter the streets of London. A wide array of small business owners benefited, from those food and beverage businesses to newspaper stand vendors and many others.

That corporate culture of regularly getting “out on the CBD’s streets” appears to have largely disappeared in Joburg. Or at least that has been my experience of CBD and even de-centralised head office “living”. The office complex has everything that

“opens and shuts” within its walls, a canteen, often even a restaurant or coffee shop, ATMs, and even gyms. After driving into the secure underground parking in the morning, there is usually little reason to ever go out onto the streets outside, and indeed my experience is that relatively few employees ever venture out in the Joburg CBD, apart from perhaps onto the sidewalk within that corporate’s small and defined precinct, which is usually well managed and teaming with security personnel.

It’s the way many modern city corporate employees want it, under the circumstances at least, a natural response to the existing environment.

Early last decade, there were reported moves afoot by local government to secure the commitment of major corporates in the Joburg CBD to remaining in the CBD. This was well-intended and crucial to the turnaround plans for the CBD, but was only a 1st part of the solution. The 2nd part of the challenge is more complex. It involves getting that mass of middle to high income spending power of the thousands of employees “out onto the streets” again. Joburg CBD in its heyday was one of corporate employees regularly walking out the front door for lunch, or going out to shop or even to be entertained.

That is the REAL potential benefit of having companies and people in an area with high levels of spending power. They can spend it on a wide variety of goods and services, good and services often provided by lower income people’s businesses, be it lower value retail stores or sidewalk vendors.

There isn’t a lack of lower value retail in downtown Joburg, but they don’t appear able to capture, in a big way, the spending power of corporate head office staff in the same way as it seems they are able to do in a city such as London or even Cape Town perhaps. That purchasing power is often captured by either the corporate itself or by other “semi-corporates” to which internal head office food and retail services may be outsourced. The result is that the real value of having corporates remain in the Joburg CBD has not truly been unlocked.

Precinct developments in the CBD have been positive events for the area, upgrading and maintaining a small defined area at a high standard. Once again, however, their benefits are often limited to the retailers and service providers within that precinct.

And in more recent times, the move is towards massive secure developments that not only include residential property but also very significant retail and commercial. Once again, such shifts in the way we live

and work are largely a reflection of the general environment, and property merely adapts accordingly.

The point? I am of the belief that South Africa's ongoing desire to shift a sizeable chunk of commercial, retail and residential activity into "secure enclaves", while being a perfectly rational response to the existing environment, doesn't contribute to greater income equality in the country. More likely it does the opposite, as only the "better-resourced" businesses seem able to capture much of the spending power within these confines.

Government's challenge is to create a general environment, through a variety of infrastructure and service delivery which ultimately reduces the desire for citizens and their businesses to move into such

enclosed and secure environment. It needs to be an environment where people with high levels of purchasing power feel free and safe to move around and spend more widely. Crime prevention is arguably the most important, though not the only, challenge.

Therefore, indicators reflecting the shifts in residential and commercial design, and geographical distribution, are key indicators of economic policy success and longer term sustainability. And while the currently high demand for what I term "secure and well managed property enclaves" is high, it would be a decline in demand for such a way of life that would arguably be one of the best indicators of economic policy success, not an increase.

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