PROPERTY MOGUL

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Issue 7 - July 2015

KZN's Dolphin Coast booms

Melrose Arch: Past, present and future

Up close and personal with Vukile's Sedise Moseneke

SA's CBDs awaken

How innovation is rejuvenating SA's cities

SALUTING INNOVATION IN SA PROPERTY

South Africa's roaring property sector is not only offering very attractive returns to investors. It also offers some of the most innovative developments that compare to the best practices around the world.

Innovation is a tough challenge, as innovation is not a guarantee of success. Innovation needs to work in many dimensions. Architectural appeal, energy efficiency and a good consumer experience must convert into economic viability. It is indeed a difficult balance to perfect and there are probably many more failures than success stories.

This edition of Property Mogul looks at innovation in the local property market, ranging from the best gadgets for your home, to a closer look at two contrasting success stories.

The first is the pioneering Melrose Arch development that in 1992 took the leap to establish the first major mixed-use development in South Africa. Today, more than two decades later, this development continues to expand and remains a blueprint for other mixed-use developments. It is without any doubt one of the most significant success stories in the South African property history books.

On the other end of the scale, is 27 Boxes.

This is a brand spanking new "budget" retail centre in Johannesburg's trendy Melville area. The R30 million development saw the transformation of 80 steel containers into a 2 600 square metre retail center in less than two years.

Although the use of these containers is not new for residential developments, 27 Boxes represents a benchmark in the retail space. Only time will tell if the functionality, innovation and aesthetically pleasing elements of this development will be financially viable.

This seventh edition of Property Mogul is available in the popular Joomag format, as well as a more traditional PDF document.

Please feel free to email any comments and suggestions to me at ryk@moneyweb.co.za

Regards
Ryk van Niekerk
Editor

WRITE TO US
and stand a chance to be featured in our next issue.

Send thoughts to:
editor@moneyweb.co.za

CONTENTS

EDITOR
Ryk van Niekerk
ryk@moneyweb.co.za

PUBLISHER
Marc Ashton
marc@moneyweb.co.za

PRODUCTION EDITOR
Blair Burmeister
blair@moneyweb.co.za

SALES
Tracy Parsons
tracyp@moneyweb.co.za

LAYOUT AND DESIGN
Alexis Green
alexis@moneyweb.co.za

CONTRIBUTORS

Craig Wilson
me@craigwilson.net

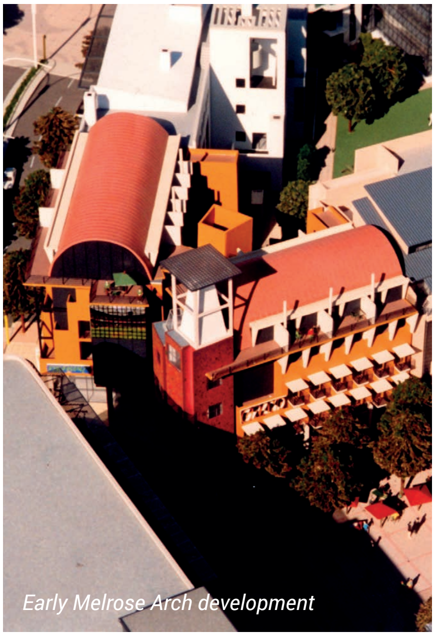
Kim Cleote
cloetek@yahoo.co.uk

Julie Scott
juliescott@netactive.co.za

Ray Mahlaka
ray@moneyweb.co.za


Melville's 27 Boxes


The Radisson Blu Hotel, Cape Town


Early Melrose Arch development

SA'S INNER CITIES COME TO LIFE

More developers are bullish on CBDs.

By Ray Mahlaka

Most inner CBD areas in South Africa share similar cycles of decay and waves of decentralisation since their glory days in the late 1990s.

At the time, property investors had two choices: disinvest from the inner CBDs or stay put. Most chose the former, with corporates, retailers and landlords fleeing for new growth avenues. Years later, those who chose to remain in the cities are reaping the rewards, as the regeneration of CBDs in Johannesburg, Tshwane and Durban takes hold.

Other developers opted to bulk up their CBD exposure at around 1998 by acquiring derelict commercial properties with the intention of redeveloping them into residential and office space.

Property fundamentals at the time were supportive of developments, as investors acquired properties at "next to nothing", says financial director of Octodec Investments Anthony Stein.

Nearly ten years ago, Stein says office blocks in Johannesburg and Pretoria CBD would fetch approximately R1 000 per square metre "which is extremely low". Values have now increased up to R4 000 per square metre, creating a strong investment case for CBDs. The upshot in valuations has been a result of more players now entering the market and wanting a share of the spoils.

"It's becoming competitive. We are not finding decent office space that can be converted at attractive returns," Stein says.

Octodec started its office-to-flat conversions 15 years ago and is considered a pioneer in the Johannesburg and Pretoria inner cities. As more players come to the market the costs of conversions are rocketing, while returns come under pressure. Stein estimates that typical conversions cost are in the region of R5 000 to R7 000 per square metre, while yields are approximately 8.7% from 13% seven years ago. "You are not going to find the yields that are more than that," he says.

MABONENG

Private developer Propertuity is behind the rejuvenation of a mixed-use area called the Maboneng Precinct in the east of Johannesburg CBD. Founder Jonathan Liebmann converted space in the once derelict Marshalltown and Jeppestown into a trendy precinct in 2010, with a twice-weekly food and design market, residential apartments, office space and restaurants.

Mafadi Property Sales MD David Teasdale, who focuses on the Maboneng Precinct and surrounding areas, says buildings were being sold five years ago for R2 000 to R2 500 per square metre, which "has almost doubled" in recent years.

Depending on the type of apartment, prices in Maboneng range from R450 000 to about R3.5 million.

Teasdale adds that Propertuity's regeneration has a positive spin-off for the area's residential market.

"People are coming back into the city because of public transport. They want to be closer to home and don't want to travel a lot. The residential market in the inner CBD is on the increase.

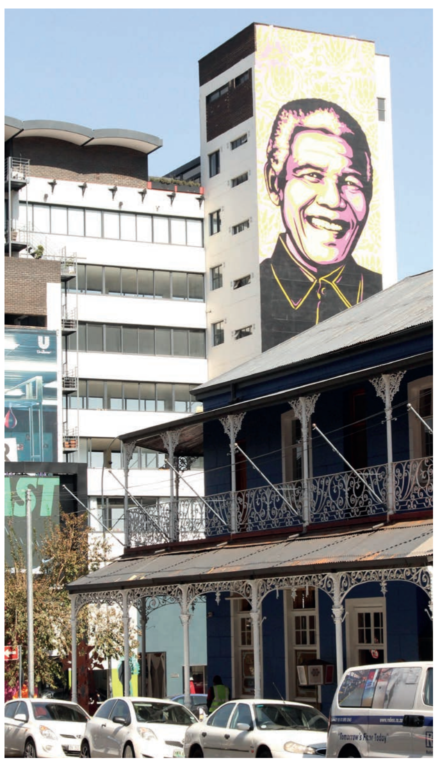
"The more private developers develop in Johannesburg CBD, the more choice it gives tenants," Teasdale explains.

"The equivalent apartment of the same size inner city, for example in Braamfontein, would go for R300 000 to R350 000 as opposed to a Maboneng product for about R450 000," he says.

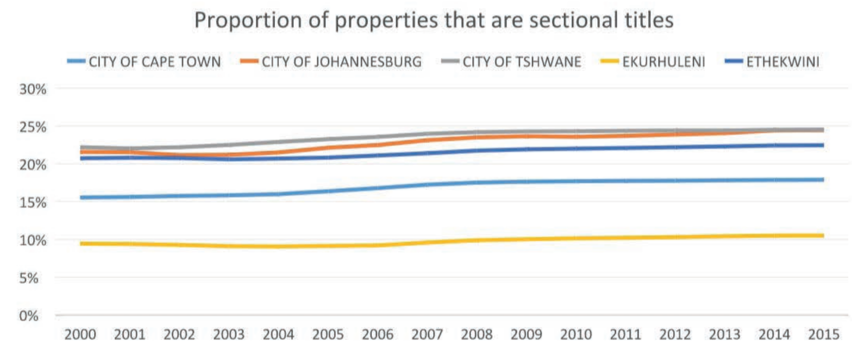
> *"The more private developers develop in Johannesburg CBD, the more choice it gives tenants.*

Mafadi Property recently sold a three-level 300-square metre penthouse in the precinct for R3.5 million - said to be a record sale for residential property in Johannesburg's CBD.

Another Jozi success story is Braamfontein. Property development company Play Braamfontein has transformed sections of the area into a trendy node - largely in Juta and De Beer Street - where the hugely popular Neighbourgoods market, restaurants, offices and apartments have sprung up.



Two of niche property development company Play Braamfontein's developments: Milner Park (bottom right) - restored in 2011 and 115 Smit (left) – both iconic buildings in bustling Braamfontein



***Source: Lightstone**

CAPE TOWN

Cape Town also has its fair share of regeneration projects on the go, largely in the city centre and inner CBD. In the last 20 years, Cape Town has had a lot of vacancies in buildings which were turned into residential units, says Pam Golding Properties commercial broker Selwyn Sharon. But residential investments by private developers into Cape Town CBDs took a further knock at the height of the global recession in 2007.

"There was a dearth of developments; nobody was putting up new apartment buildings in the city. Even landlords were hardly spending money on their buildings," Sharon says.

However, in the last three years, developers have flooded the market with developments. Green Point, located on the fringe of Sea Point, has been a magnet for investments, as commercial buildings have been bought, demolished and turned into apartment blocks.

Other areas which have seen plans approved for office and residential developments include Woodstock, Strand and Foreshore.

The development plans, of which some are still pending, have had a positive impact on residential house prices. Woodstock is a case in point. As Sharon points out: "R1 million used to be a lot of money in recent years, but now it is entry level....Prices can go up to R5 million."

DURBAN

While Durban has lagged behind Johannesburg and Cape Town on the rejuvenation front, the announcement in 2014 that Propertuity would look to develop Rivertown showed renewed interest in the city.

The Rivertown Precinct is located between the Durban International Convention Centre and the beachfront. Propertuity, with the support of the eThekwini municipality, is rejuvenating the industrial precinct, which features the weekly market 'The Morning Trade'.

The idea over time is to replicate Joburg's Maboneng Precinct in Durban by redeveloping some of the industrial properties into a mixed-use space. Apartments are expected to be priced from R350 000.

Despite being slow on the uptake in urban rejuvenation, Durban has been among the top cities to see growth in the supply of residential sectional titles over the past 15 years. Latest figures from property data analytics group Lightstone indicate that eThekwini municipality trumped the City of Cape Town and Ekurhuleni in the growth of sectional title properties (see graph above).

VIABILITY OF RENEWAL PROJECTS

Although urban rejuvenation projects are important for investments in areas which usually do not get attention, industry players caution that development projects need to be evenly spread out. Associate Professor at the University of Cape Town Francois Viruly says CBDs are platforms for economic activity and "there cannot be islands of prosperity in one area."

Viruly adds that the public sector has a role to play in urban regeneration, as the private sector has been most active deploying its capital to various areas.

"There is a risk in the world that cities have abdicated responsibilities to the private sector. If these projects are going to work then private-public partnerships are needed.

"Government owns a fair amount of land. If government comes to the party with land, it can make inner city projects viable," Viruly explains.

Also, urban regeneration projects need to be linked to public transport nodes to make them more accessible to the public. ■

Private developer Propertuity's rejuvenation of Maboneng – the precinct between Marshalltown and Jeppestown has boosted the area's residential property market


MAIN STREET LIFE
canteen

TRENDS, CHANGE AND INNOVATION IN SA PROPERTY

Dr Andrew Golding, Chief Executive of the Pam Golding Property Group.

In property, change and innovation are a given. In fact they are key imperatives for any successful real estate company seeking to stay ahead in a rapidly evolving and consumer-driven marketplace.

Investment in real estate has become recognised globally as a sound asset class. South Africa is no exception - in fact, increasingly we see a young, savvy generation of aspirant home buyers seizing opportunities to get onto the property ladder from an early age.

TECHNOLOGY

The very manner in which people look to buy homes has changed dramatically. Huge advances in modern technology and internet connectivity mean buyers can easily peruse potential neighbourhoods and properties which catch their attention.

Technology also has a role to play in property development, with ongoing advances helping make eco-efficient building more practical.

TRENDS

There are a number of trends which are shaping and changing the real estate landscape globally and locally. Major expansion in cities and key business nodes are seeing house prices in major metropolitan areas around the country outperform overall regional price appreciation, resulting in stock shortages due to the high demand for accommodation to buy and to rent.

As a result, densification is one of several key trends, as households move to economic nodes along public transport corridors to avoid traffic congestion and young professionals gravitate towards city centres.

Internationally the return to the CBD is seen as a reflection of the millennial cohort entering the property market, as Generation Y is generally thought to prefer lightweight, connected city living which includes the greater use of public transport, cycling, walking and also the use of public spaces. Examples of the desired 'live, work, play' lifestyle include Melrose Arch and Park Central in Johannesburg and the Gateway precinct in Umhlanga in KwaZulu-Natal.

Growing resistance among homeowners to the ever-rising costs of municipal rates, security, electricity and other utility costs is seeing them opt for smaller – but not necessarily cheaper – homes with low overheads and improved security.

Looking at building plans being passed, it is evident that sectional title units ie flats and townhouses, are on the up, compared with freehold properties. Evident both here and in major cities around the globe, this growing demand for sectional title homes is not just about affordability, but also security and the growing trend to smaller, more conveniently located properties. As Lightstone noted, in Midrand the number of sectional title properties built accounts for a rapidly increasing percentage of the total, with Midrand on track to become the densest area in South Africa.

Perhaps a key element of lifestyle change in South Africa is the growing shift towards estate living and even private cities. Homeowners acquire a house within a community, which allows for schooling, work and leisure all within a secure environment. The increasing focus of these communities on sustainability and self-sufficiency reflects the growing expense and erratic provision of public utilities. Steyn City in Fourways, Gauteng is a prime example of such an integrated community catering for these needs.

> *“Midrand is on track to become the densest area in South Africa.*

This growing focus on sustainability is also a reflection of increased environmental awareness among many of the new generation now entering the property market. Many of the new developments currently under construction echo the growing impetus towards sustainability and hence self-sufficiency.

Another new trend we are noticing is for luxury apartments above hotels – where residents have access to the security and services of the hotel. While they sacrifice space, residents also free themselves from much of the maintenance required by a freehold house while enjoying top-notch facilities and amenities such as a pool, restaurants, high level security, concierge service, secure parking and gym. ■

Q&A

INDUSTRY PLAYER IN-FOCUS: Dr Sedise Moseneke

By Ray Mahlaka

"I was at the right place at the right time during my property career

Dr Sedise Moseneke (39) has had an unconventional career. The first-born son of Constitutional Court Deputy Chief Justice Dikgang Moseneke is a qualified dental surgeon, has plied his trade as a tomato farmer and then turned property entrepreneur.

He currently juggles the positions of executive director of Vukile Property Fund and interim CEO of Synergy Income Fund, Vukile's recently acquired JSE-listed subsidiary. He was also the president of the South African Property Owners Association (Sapoa).

1 Where did you grow up; how would you sum-up your upbringing?

I grew up in Atteridgeville, west of Pretoria in an academically-inclined family with a strong political background. In 1976 I was born at a time when there was turmoil in the townships. When I was about 11 years old, the township schools were non-functioning … and I moved schools to Waterkloof House Preparatory School. It was a huge step in changing my trajectory. It certainly opened up the world to better opportunities than if I had stayed in the township. Education was drummed into us at a very young age, because as a family that is what we believe in.

Q&A

INDUSTRY PLAYER IN-FOCUS: Dr Sedise Moseneke

2 You went on to be a dental surgeon and later made the leap to corporate. Talk me through that move?

While I was in fourth year dentistry, my dad and uncle [Tiego Moseneke] went into business. I started attending my first few board and business meetings with [them]. By the end of that year, I was sitting on my first board of directors to look after one of our investments and as time went on, it was quite clear that I was not going to be a dental surgeon for too long…. I knew that they were going to allow me to finish my degree but the pressure was on, as the family business was growing.

After I finished my degree, I was in the army for about three years and worked as a dentist at 1 Military Hospital in Pretoria for two years, as part of community service. I did not want to be sent to the rural areas. Then I left to run our family farm which is north of Pretoria where we were growing tomatoes. One of the big tools of what the Moseneke family does is that you get given a year at the family farm if you want to leave a certain profession to join the family business. This is to get you to realise what it entails for you to run a business of some sort. Now there is nothing harder than farming – it's in a different league. You have to bear with what nature gives you and try work with that. And I was fairly successful at it.

3 From farming to property, how did the switch come about?

While I was running the farm the property interest started. I met the guys at Deloitte and told them that I wanted to start learning about property. They said they had a property management business called Ovland, which has been sold.

I took the offer and presented it to the Encha investment committee and they liked it. It was my first adventure in trying to close a deal which would see us buy 51% of the company and converting it into Encha Property Services. I spent nearly three years on the property management side and that gave me the base on how property works.

4 You have been quite vocal on transformation. Why do you think the sector has been slow to embrace it?

I cannot see how the excuse that there aren't enough black executives or difficulties in training people, can keep going on without there being any punitive measures in trying to get the industry to transform. There has been enough time, lessons and opportunity to learn how the Property Charter works. But you get other entities that have embraced transformation, but are in the market place.

Did you engineer your career or it is attributable to luck?

I think it's both. I believe in a lot of hard work – the harder the one works the luckier one becomes.

5 Is BEE still viewed as a box-ticking exercise?

A lot of people try to meet the bare minimum of what is required and the only thing that forces them to comply and run with it is if their tenants say “give us your BEE certificate”. Unfortunately, BEE is still a box-ticking exercise. The sector as a whole has not done enough to be able to transform. Ownership is but one of the elements we ought to address and, where we can, make the biggest impact on procurement, supplier development and skills development.

6 What are other pressing issues affecting the industry?

The perceived corruption in government is still a concern and needs to be dealt with urgently. The pressures of the economy are quite a dangerous element, which I think the industry needs to watch out for. I have a concern about the roll-out of infrastructure, electricity and water.

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MOSENKE OFF-DUTY

1 Who are your mentors?

First my dad and Tiego. From a career perspective, they built and moulded me. My dad is by far my biggest mentor in terms of conducting yourself in business, hard work, the non-giving up mentality and humility.

2 What motivates you?

My wife and my three children. They keep me extremely motivated.

3 What are the qualities that have sustained you throughout your career?

I call it the triple ‘H’ – hard work, humility and honesty. I have a passion for working with people, meeting people and travelling. In order to do that in an environment where you can engage with people across all levels, humility kicks in. What sits paramount above all that is the ability just to be honest about most things, if not everything.

4 What do you do in your spare time?

I enjoy playing golf with my father and spending time with my wife and children. I also enjoy going out to dinner and entertaining family and friends.

5 SMART GADGETS FOR THE HOME

First we had smartphones, then smartwatches and now even our homes are becoming smart.

While creating a truly smart home usually requires planning ahead before construction commences, thanks to a range of innovative consumer products it's possible to get many of the benefits of a smart home without spending a fortune rewiring your existing home or replacing your existing appliances.

These are some of the best gadgets to upgrade your home without a second home loan.

Switch on your home and maybe even save money.

By Craig Wilson

SENSIBO

The Sensibo is a small, round device that connects any air conditioner with a remote control to the Internet. Once fitted to an air conditioner the Sensibo can be controlled using a mobile app, making it possible to turn heating or cooling on and off from afar, according to a predefined schedule, or automatically based on usage patterns.

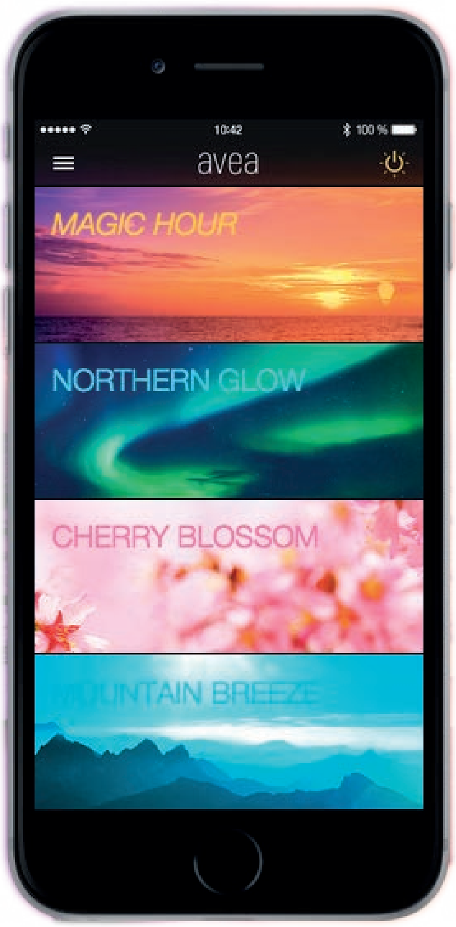
It uses the same infrared commands as the air conditioner's remote control, which also means it works straight out of the box and doesn't require elaborate installation, and multiple units can be used to control multiple air conditioners.

R700

AEROBIE AEROPRESS COFFEE MAKER

Designed by the same aeronautical engineer who made the Frisbee-like Aerobie flying disc, the Aeropress is a high-tech coffee maker with a low-tech appearance. A cross between a plunger and an espresso machine the Aeropress works rather like a large syringe. Coffee grounds are steeped in hot water briefly before the water is forced through the device using only elbow grease. Because it doesn't require electricity, the Aeropress is as good at home as it is on a camping trip and has garnered cult status among coffee connoisseurs and technology aficionados alike.

R550



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AVEA ELGATO BULBS

Avea's smart light bulbs connect to an iPhone, iPad or Apple Watch directly using Bluetooth – rather than via a separate smart hub or gateway like some smart bulbs – and can be set to any colour the user likes.

Alternatively, the user can choose from a selection of built-in colour schemes. Multiple bulbs can be controlled from a single device and set to work together or individually. The 7W LED bulbs can also be set to operate like an alarm, gradually illuminating a room like an artificial sunrise.

Avea's Elgato bulbs aren't the only smart bulbs available locally but they're the easiest to use.

R700

AMAZON ECHO

It may resemble a high-tech flask, but the Amazon Echo is actually a voice-controlled speaker that plays well with other Internet-of-things (IoT) devices like Belkin's WeMo products. It connects to a home network using Wi-Fi and to mobile devices or other audio sources using Bluetooth.

But the Echo isn't only for listening to music, thanks to its Alexa voice assistant – Amazon's equivalent of Google Voice or Siri – users can ask it for news, weather information, or just about anything else you can find online and its seven microphones mean it should pick up a user's voice wherever they are in the room.

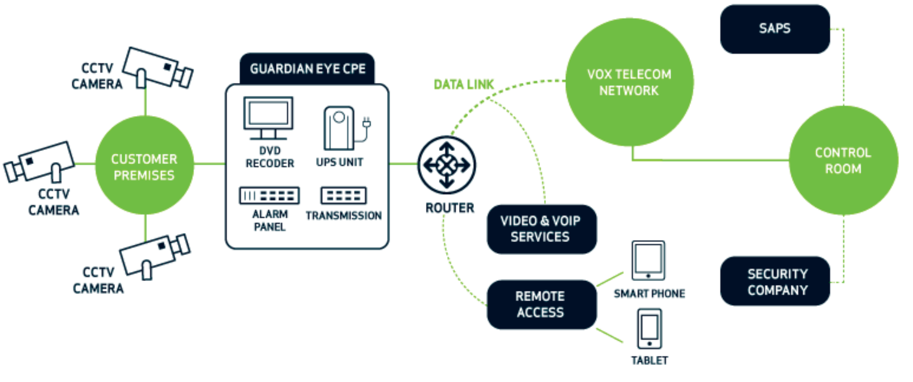
R3 000

VOX GUARDIAN EYE

Improved home security is one of the obvious benefits of making a home smarter. South African telecoms company Vox offers a range of Internet protocol (IP) cameras that connect to a home Wi-Fi network and allow users to monitor a property remotely from most major smartphones and tablet computers.

Users can use the built-in motion sensors to trigger custom alerts and can send or receive audio to or from individual cameras. There are indoor- and outdoor-camera models available, setup is a breeze and Vox delivers countrywide.

FROM
R2 200



MELVILLE'S R30M 27 BOXES UNVEILED

Retail centre set to revitalise the once vibrant area.

By Ray Mahlaka

When rumours first emerged two years ago that Melville's derelict Faan Smit Park would be transformed into a retail centre constructed from shipping containers, residents raised objections to stall the development.

They were concerned about the park being a central part of Melville and having heritage elements. But Citiq Property Developers, which is behind the development called 27 Boxes, stuck to its guns.

The company first acquired Joburg Artists Market, which had a 30-year lease on the park, addressed the concerns of Melville residents and then proceeded with the master plan of a 2 600 square metre retail centre.

As Citiq MD and the brainchild of the development, Arthur Blake puts it: "It has been a long process and we have fought very hard to get here."

The long process also included dealing with cost overruns, a month delay in construction to address objections and postponing the opening of 27 Boxes, located on Third and Fourth Avenue.

The completion of the R30 million development was speedy, given that the developers started breaking ground and stacking more than 80 shipping containers in September.

Initially, Citiq eyed an opening for February, but this proved to be unrealistic due to the sheer scale of the development. The shipping containers were assembled within two weeks, but it took months to complete the finishes.

"We saved on bricks and mortar, money and two-thirds of construction time as we used shipping containers. We also underestimated the work and difficulties of this project," says CEO of Citiq Paul Lapham.

A total of 102 stores are available, with an average size of 27 square metres. Fashion retailers, an art studio and gallery, bakery and restaurants make up some of the tenant mix. Also on offer are boutique gardens, walkways and a children's playground. Some of the environmentally friendly features include the use of energy-efficient lighting and use of prepaid electricity meters in stores.

Blake says the idea of using shipping containers was inspired by London's Box Park, where a pop-up mall was created from shipping containers. Plus, the use of shipping containers is right up Citiq's alley.

In 2014, Citiq refurbished the Newtown grain silos into student accommodation using shipping containers. Citiq is also planning a shipping container apartment development in Johannesburg CBD of 270 units.

Lapham admits that using shipping containers in developments is still relatively new in South Africa. But he believes 27 Boxes will be a catalyst for Melville's rejuvenation. The area is famous for its vibrant bars and restaurants attracting cosmopolitan individuals, but Melville in the early 2000s began to lose its sparkle.

"Melville already gets a lot of day time trade; there are a lot of cars parked and people who walk. Our next step is making sure that people come in their droves to the centre," says Lapham.

With 150 parking bays in the basement for shoppers, Lapham suggests that 27 Boxes will address the shortage of parking in Melville. Not only will the retail centre appeal to a broad range of individuals, including families, but Lapham stresses that it caters for small businesses which cannot afford rentals at big retail centres.

"It is difficult for small tenants to afford space at a big centre. We could make small shops available at the right price," he says.

In fact, Citiq's national marketing manager Mandy Shave says a 13 square metre container space can fetch R2 800 per month (excluding VAT) and bigger containers of 27 square metres in size fetch R4 800 per month (excluding VAT). In comparison rentals in the area, for example a 28 square metre retail space at Campus Square can cost R38 000 per month, Blake says.

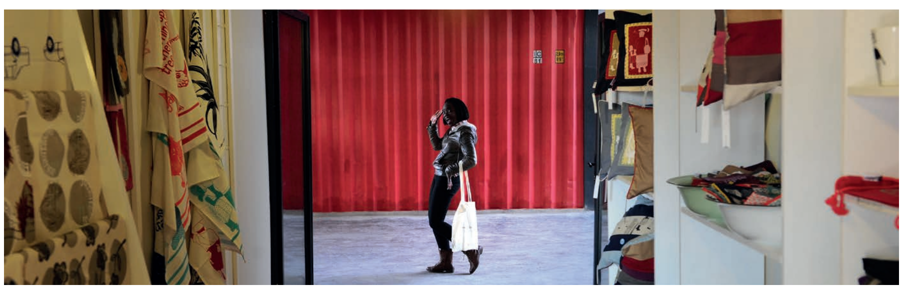
Leases are flexible at 27 Boxes. "Tenants can rent space for three months up to two years. There is also the option of pop-up stores of up to a week," Shave explains. ■

**All images: Michel Bega*

CEO of Citiq Paul Lapham

27 Boxes launched in July with 102 stores available

Owners of the Good African Bistro at work



Stores at 27 Boxes range from eateries, to furniture stores to decor shops and art galleries

Inside the biggest art gallery at 27 Boxes

Melrose Arch 1998

MELROSE ARCH: FROM OFFICE PARK TO PRIME MIXED-USE REAL ESTATE

By Ray Mahlaka

Melrose Arch today

More grand development plans in the pipeline.

Circa 1992, when the Mine Pension Fund had a master plan to transform the Melrose Arch precinct from an established office park into a mixed-use development, many ruled out the plans as being too ambitious.

South Africa back then had no blueprint or track record of how mix-use developments worked. But having a single area that combines office, retail and residential elements had already taken off in other parts of the world, largely the US and Europe.

Added to the scepticism was strong criticism that the developers should invest in the inner Johannesburg CBD, as the node was starting to decay with the exodus of corporates to northern areas.

As Graham Wilson of Osmond Lange Architects and Planners recalls: "We believed intrinsically in the city centre but we also believed that a decentralisation of nodes was also a good thing. You don't have everyone converging to the city centres every day."

Wilson at the time was involved in master planning of Melrose Arch when the Mine Pension Fund owned the precinct.

The pension fund, which also owned many properties including office buildings and shopping centres throughout South Africa, disposed of smaller properties in its portfolio to focus on core assets.

> *"The pension fund was reluctant to embark on residential developments and gung-ho about keeping Melrose Arch as an office park.*

"The pension fund tried to do what Liberty Properties did at the time with Sandton City, by getting rid of smaller properties throughout the country to focus on really big ones," says Wilson.

And the focus for management of the pension fund was to grow the precinct from its initial office park to include several amenities. In 1995, the pension fund was on the search for properties around the business park in a high-value area with good access to highways suitable for the expansion of Melrose Arch.

"Then JHI Properties came up with this triangle of land bordered by one side of Corlett Drive, which is one of the east-west routes. We don't have many good east-west routes in the northern suburbs and then obviously the M1. Melrose Arch was already a nicely defined area," says Wilson.

THE WORK BEGINS

JHI managed to get the rights to demolish 95 residential properties around the precinct to proceed with its plans – but the government had one condition. The only way the pension fund could start with expanding Melrose Arch was to replace the demolished properties and dedicate up to 15 000 square metres of the planned 171 500 square metre development to residential units.

"It was big development rights for offices but very small rights for retail [awarded to the developers]. The government did not want to lose housing at around 1994 and did not like the idea of demolishing 95 houses because it wanted to deliver on housing at the time," he says.

> *"Added to the scepticism was strong criticism that the developers should invest in the inner Johannesburg CBD.*

The pension fund was reluctant to embark on residential developments and gung-ho about keeping Melrose Arch as an office park, and reverted to approaching Wilson to sell the land dedicated to residential.

"We said to them, 'guys you have the makings of a proper mixed-use

development, rather than just an office park. People want to live closer to office parks and want to have flats here.'"

Management was convinced of Wilson's vision and research on global trends to redevelop existing cities and densify spaces.

"What they did not want was a flash in the pan and to make money from a development that would eventually become degraded.

"They said this thing has got to be future proof; be active not only in ten, 20 and 40 years but make it into a worthwhile investment."

And more than 20 years later, the Melrose Arch precinct is among Johannesburg's prime real estate, along with nearby Sandton and Rosebank. The trendy precinct, which is no doubt targeted at the well-heeled with a string of luxury retailers as tenants, offers top-end residential apartments and office space.

Even the ownership structure of the precinct has evolved over time, with property development company Amdec Group being the main shareholder from 2005, and Liberty Group netting 25% in 2014.

NEXT PHASE OF MELROSE ARCH

Sandton and Rosebank have seen large-scale developments in recent years, and Melrose Arch is following suit. The precinct, which currently stands at 225 000 square metres and is valued at about R8 billion, will grow to 600 000 square metres in the next eight years. This will see the precinct's valuation increase to R14 billion.

Already, Amdec has broken ground on a luxury apartment development on Whiteley Road, dubbed One on Whiteley, which boasts 119 one- and two-bedroom luxury apartments. Amdec and Pam Golding Properties, which will market the apartments, are aiming for the development to be completed in 2017.

The 40 000 square metre development is expected to cost more than R2 billion. Apartments at One on Whiteley are priced from R2.7 million for a 60 square metre one-bedroom apartment through to R6 million for a two-bedroom apartment of 136 square metres.

This development comes at a time when Melrose Arch has apartment

Melrose Arch coming of age

1983

Dr. Dirk Prinsloo of Urban Development Studies conducts international survey of office locations

1990

Idea of new office node in wealthy northern suburbs somewhere between City Centre and Fourways is first mooted

1992

David Marais of JH Isaacs originally identifies Melrose Arch site as an ideal office location. Ropes in Mine Pension Funds GM Mike Cullabine to invest

1995

Rights are approved by Council to develop mixed-use Melrose Arch development

1996

Osmond Lange Architects, Planners and ARUP are appointed to deliver phase one

1996 TO 1998

Core consultant team works on demolitions, roadworks, refining urban design plans, cost models and statutory approvals rentals ranging from R22 000 for a one bedroom per month up to R45 000 per month for a two-bedroom apartment.

MD of Amdec Guy Gordon, says Melrose Arch currently has about 190 residential units in three apartment buildings and One on Whiteley is expected to grow the precinct's units close to 300.

"Residential is a key part of Melrose project over the last decade. We believe that the supply and demand dynamics will drive the value of residential property," Gordon says.

> *"Rentals yields in Melrose Arch have been consistent at 9.5% to 14%.*

He says apartments at Melrose Arch are targeted at individuals looking for primary residence and property investors in the form of buy-to-let investments. "About 40% of buyers are buy-to-live and 60% are for buy-to-let," he says.

Amdec, which owns undeveloped bulk in Melrose Arch, plans to deliver a further 700 apartment units over the coming years.

Melrose Arch is showing strong property fundamentals, says Pam Golding's chief executive Andrew Golding. "Rental yields in Melrose Arch have been consistent at 9.5% to 14% which are some of the best in the country," he says.

Golding says One on Whiteley, which is selling off plan, has already seen 20 reservations in terms of the sales pre-launch. "We are confident that this project will bring a variety to Melrose Arch and is going to be popular with investors and people who want to live here," he says.

One on Whitely will also have a five-star hotel component linked to it, where a 350-unit key hotel with conference facilities is planned. "The hotel is by an international hotel brand, which we are not allowed to mention yet. But it will be a first in the country for that brand," Gordon says.

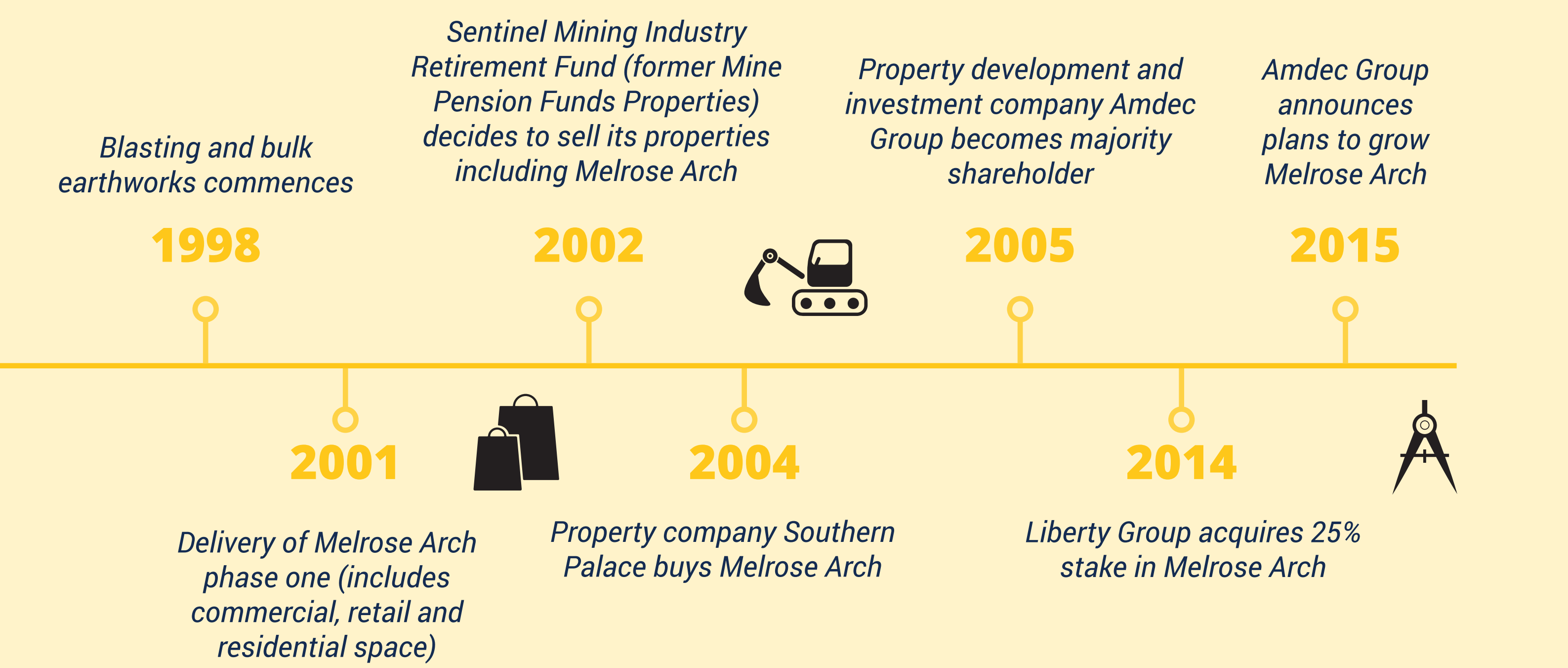
The apartment development will also house a 4 000 square metre Virgin Active gym and Daytona Motors, which sells luxury vehicles including Aston Martin, Maclaren and Rolls-Royce.

But One on Whitely is a small part of Melrose Arch's grand development plans. The precinct has about seven hectares of undeveloped land.

Gordon says that Melrose Arch has 38 000 square metres of retail space and Amdec looks to increase this to 60 000 square metres. As the retail space grows, so will parking, as the precinct is expected to have 18 000 parking bays. "We conservatively estimate 35 000 people here every day [from the 8 000 - 10 000 currently]," Gordon says.

Amdec will roll-out more office space to add more corporate tenants beyond the current Stanlib, Lonmin, WorleyParsons, DuPont and more. Rentals in the precinct are considered as prime, given that average rentals are R180/square metre, according to real estate services firm Jones Lang LaSalle in its first quarter office sector report. Sandton rentals fetch R197/ square metre, competively.

Currently, the precinct has two hotels, the Protea Hotel Fire & Ice and African Pride Hotel, and five more are in the pipeline. There is also a possibility of adding a retirement village to the precinct. ■



TOP FIVE BIGGEST CONSTRUCTION DEVELOPMENTS IN SANDTON

By Ray Mahlaka

Over the past five years, Sandton CBD has been a magnet for large-scale developments which are set to grow Africa's richest square mile. Corporates continue to relocate to Sandton, as developers pour billions into the area.

In this Property Mogul feature, real estate company Jones Lang LaSalle South Africa tracks the top five biggest developments in Sandton by gross lettable area (the total area that can be rented out to a tenant).

The rankings feature buildings that are currently under construction.

DISCOVERY

- Growthpoint Properties in partnership with Zenprop Property Holdings will develop a new global head office for financial services group Discovery.
- The 85 000 square metre building located on the corner of Rivonia Road and Katherine Street is earmarked for completion in 2017.
- Discovery will relocate from West Street.

SASOL

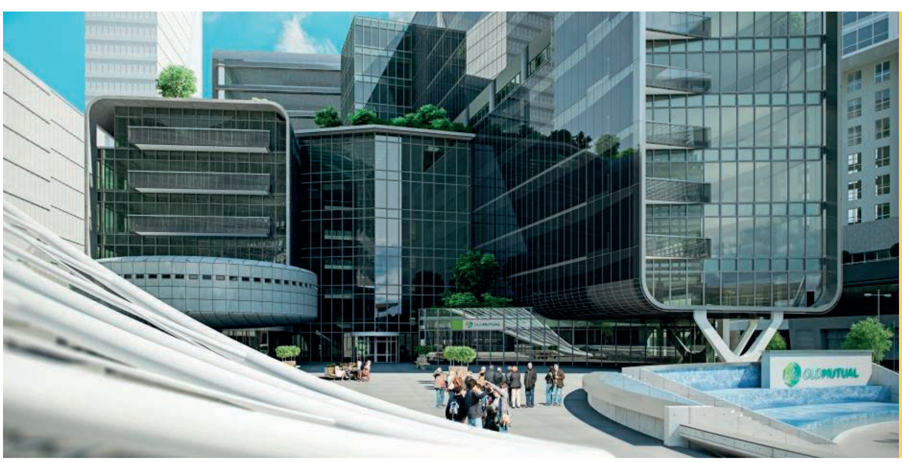
- Petrochemicals group Sasol will consolidate its offices into a new 67 000 square metre building in Sandton by the fourth quarter of 2016.
- The development, located on 50 Katherine Street, is developed jointly by Alchemy Properties and the Sasol Pension Fund.
- Sasol's current head office is in Rosebank. It also has other buildings in Randburg and Bryanston.

WEBBER WENTZEL

- Law firm Webber Wentzel will move from Illovo to a 33 000 square metre building.
- The development, which is expected to be completed in early 2016, is developed by Redefine Properties.
- Webber Wentzel's new building is located at 90 Rivonia Road.

ALICE LANE PHASE THREE

- JSE-listed Pivotal Property Fund is currently busy with a 35 000 square metre office development on Alice Lane.
- This development is a three part-development in which the first two phases were completed in 2013 and 2014.
- Phase three which will be completed in 2017, when law firm Bowman Gilfillan will take up most of the building space.



OLD MUTUAL EMERGING MARKETS

- Old Mutual Emerging Markets will be moving its Johannesburg head office to Stella Road, a few blocks away from its existing office on Grayston Drive.
- The new 30 000 square metre building will be developed by Old Mutual Property.
- It is expected to be completed by the end of 2017. ■

ARCHITECTS AND DESIGNERS LOVE THE MOTHER CITY

Property takes on a life of its own in Cape Town.

By Kim Cloete

The largest museum to be built in Africa for the last 100 years, a green light for Cape Town's first cruise liner terminal and a string of new developments on Cape Town's Foreshore is turning the Mother City into a cutting-edge destination for architects and designers.

While many buildings in the more established and older part of Cape Town – near the Company's Garden and Parliament – are being upgraded, transformation is sweeping the windy Foreshore.

"Below Strand Street, we've certainly seen the entire cityscape changing with the rise of contemporary commercial and residential developments. This will lead to a complete revitalisation of what has to date been the relatively quiet part of the CBD," Rob Kane, Chair of the Cape Town Central City Improvement District (CCID), told Moneyweb.

This area, which was reclaimed from the sea in the 1930s, is seeing a burst of greenfield developments.

One of the most dramatic refurbishments is The Towers building on the Foreshore, being developed by Standard Bank. It's due to be ready by September. A three-storey open courtyard has been created by a massive A-frame concrete truss, using innovative building technology which has never been used in Africa before. The refurbishments are due to be completed by September.

Investment has also spiraled in the hotel sector, with Tsogo Sun's overall commitment to the CBD now reaching R1 030 billion in new builds and refurbishments. Construction has recently begun on the site of the recently demolished Tulip hotel in Bree Street in the CBD. In its place will be a 500-bedroom, two-hotel complex pitched in the affordable bracket, with a total investment of R680 million.

Tsogo Sun CEO Marcel von Aulock believes it will meet what he sees as growing demand for hotel accommodation in Cape Town and will bring Tsogo Sun's number of beds in the Cape Town city centre to 2 000.

More than R830 million has been

Rob Kane, CCID Chairman

pumped into the expansion of the Cape Town International Convention Centre known as CTICC East, which is expected to be completed by the end of next year. A private hospital, the Netcare Christiaan Barnard Memorial Hospital, is being built next door, while KPMG Place, which will house commercial, medical and retail business, is being developed to the tune of R400 million.

The broader Foreshore area includes the R1.6 billion, 32-storey Portside building which opened earlier this year and is now the tallest building in Cape Town.

> *"Below Strand Street, we've seen the entire cityscape changing with the rise of contemporary commercial and residential developments.*

In the State of Cape Town Central City Report, official property valuations for the 2013/2014 financial year were reported to be nearly R24 billion, but Kane says this has increased in recent months, particularly with the recent announcement of the Signature/ Radisson Blu conversion of the old Triangle House. The Riebeek Street building is being converted into 12 levels of hotel and 12 levels of apartments in a R1 billion development. Kane says the development was nearly sold out within the first month of release and should be ready for occupation by next September.

The development mirrors a rising trend to convert underutilised B and C grade office space into residential buildings. From 2011 to 2014, the residential property market in the CBD boomed, with sales more than doubling to R296 million in 2014.

As more people move into the CBD, the atmosphere of the city is changing, with more demand for shops and family restaurants after hours.

THE V&A JEWEL

The inner city may be seeing big changes, but the jewel in Cape Town's property crown remains the V&A Waterfront, where mixed-use residential, retail and commercial developments have swelled.

The V&A has been astute in diversifying its offerings. On the young and trendy side, it introduced rental options for the first time in March this year - a move which has attracted young professionals who want to live in an urban-chic environment but don't want to commit to buying property yet.

"The priority for current development is connecting the V&A Waterfront with the city. The FIFA World Cup taught Capetonians that we have a walkable city and we are looking at ways to leverage that," said CEO of

David Green, V&A Waterfront CEO

the V&A Waterfront, David Green.

At the beginning of July, Transnet named the V&A the preferred bidder to develop Cape Town's first cruise liner terminal. It's targeted to be ready for use in December 2017.

"We see the terminal being an extension of the activity of the V&A Waterfront," said Green. The terminal building is in close proximity to the V&A's historic grain silos, which is to become a major hub with the development of the R500 million Zeitz Museum of Contemporary Art Africa. The museum - a converted silo – is being developed by world renowned architect Thomas Heatherwick. ■

Aerial view of Cape Town's Greenpoint and Waterfront areas

DEMAND FOR KZN'S NORTH COAST HEATS UP

Residential estate living drives growth. Live, work, play trend on horizon.

By Julie Scott

The burgeoning KwaZulu-Natal North Coast, extending from the warm waters of the Indian Ocean, is fast becoming a destination of choice for families migrating away from traditional suburbs of Durban and for those, often commuters from Johannesburg, opting to purchase a pied-à-tierre in one of the area's most sought after luxury estates.

Peter Cameron, sales director for Brettenwood Coastal Estate, says "about 30 families move to the North Coast per month". He says more people are choosing the North Coast over the Western Cape for its convenience, warmer climate and laid-back lifestyle. Also, the closer proximity of the airport means that people from Johannesburg are able to commute knowing their families are in a secure environment.

The expected trend after the airport's relocation, from the South to the North coast in 2010, was that property sales would boom in the region, however, says Cameron, "it is only in the past six months that it has become real".

This is the general sentiment among industry players. Despite the move of the airport, which is now located 10km from Umhlanga, the market was relatively stagnant up until about 2013. It is only in the last two years that sales have really increased, despite some of the developments being around since the early- to mid-2000s.

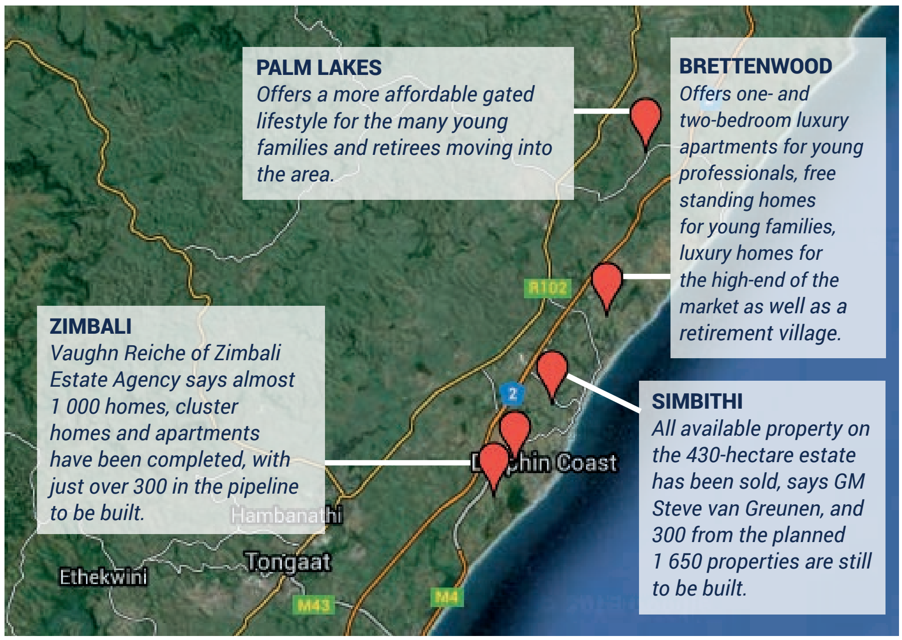
ENTER ESTATE LIVING

Sales and marketing director for Seeff Dolphin Coast, Tim Johnson, describes the North Coast's gated estates as a "product which has exploded over the last two years" and speaks of the area as a "popular lifestyle destination". He says this can be attributed to the existence of a quality product and several key catalysts – the close proximity of King Shaka International, Alberlito Hospital, quality schooling options and the host of restaurants, markets and retail outlets within easy reach.

The five major estates in the area – Zimbali Coastal Estate, Simbithi Eco-Estate, Brettenwood Coastal Estate, Seaward Estate and Palm Lakes Family Estate – have created a lifestyle choice for people where amenities range from community centres to 25-metre lap pools and floodlit tennis courts.

> *"People know the future is on the North Coast and are securing land knowing they will get a return over the next couple of years.*

Walking and cycling trails, fibre optic communication and the promise of 24-hour access controlled security are also part of the appeal.



Zimbali Valley of the Pools. Image credit: Zimabli Estate Agency

> The gated estate is a 'product which has exploded over the last two years'.

Residential estates like Simbithi, and Zimbali where property prices for freehold homes range from R5 million to R45 million, are at the forefront, making up about 35% to 40% of the total Dolphin Coast residential property market and accounting for around R1 billion per year in sales.

"Much of the residential development that has taken place has been based on their [Zimbali and Simbithi's] models and formulas," Johnson explains.

Brettenwood's Cameron says that last year, there were R2 billion worth of transfers in the area. "R1.5 billion worth of those transfers happened in the five estates". He explains that "75% of all property transfers that are happening on the North Coast are within gated estates".

Land in both Simbithi and Brettenwood has sold out in the last two years. 160 pieces of land were sold in Brettenwood over the last two years and prices have gone up 100% in the last 18 months, says Cameron. "People know the future is on the North Coast and are securing land knowing they will get a return over the next couple of years."

Zimbali home on the market for R13m. Image credit: Zimabli Estate Agency

ADDED INFRASTRUCTURE

To meet the needs of the growing North Coast population is the construction of the R1.4 billion Ballito Junction project. Joint CEO of Galetti Knight Frank, Tony Galetti says "the pioneering mall development, spearheaded by Gauteng-based property developers Menlyn Maine, will see the existing 10 000 square metre centre being revamped and extended to 65 000 square metres".

Frank Reardon of Broll Property Group KwaZulu-Natal explains that a number of new roads as well as road upgrades and other infrastructure developments have been developed to support the continued growth of residential and commercial developments within the Northern corridor.

Recent buyer stats - period : March 2014 to February 2015				
Suburb	**Age group**			
	65 or older	**50-64**	**36-49**	**18-35**
Baillto	24%	41%	31%	5%
Palm Lakes Estate	3%	23%	40%	34%
Salt Rock	30%	40%	26%	4%
Simbithi Eco-Estate	1%	25%	52%	22%
Zimbali Coastal Resort	4%	29%	49%	18%

**Source: Lightstone*

However, he says, electricity remains a challenge for developers, which has prompted the development of green buildings and homes that are completely "off the grid".

"Tongaat Hulett also has exciting property development initiatives in the pipeline for the North Coast region," says Galetti, who singles out the 480-hectare mixed-use Tinley Manor Southbanks development. The project is envisioned as a 'green' village with commercial and residential components. It has not, however, been given the green light as yet.

Dube City, located within Dube Tradeport, three minutes from King Shaka International Airport, has been designated as a mixed-use development accommodating retail, entertainment, hotel, office and conferencing facilities. It boasts pedestrian-friendly zones, a tree-lined boulevard, dedicated cycle lanes, multi-functional lawn spaces and a public square. Hamish Erskine, acting CEO of Dube Tradeport Corporation, describes Dube City as an "urban 'green' hub providing an ultra-modern, world class and cosmopolitan business and leisure facility".

"We could see more mixed-use developments arising in the North Coast," Galetti says. "We've already seen the 'live, work, play' philosophy being embraced in other parts of the country including Melrose Arch, Newtown Junction and Steyn City in Gauteng, as well as Century City in Cape Town.

"The whole idea behind the philosophy is self-explanatory. The environment needs to be one that people can live, work and play in, and considering the convenience and success of this philosophy, we could see more developments along the North Coast embracing it."

What is important to note here, says Erskine, is "the lifestyle offerings on the North Coast distinguish it from any other region in the province". With easy access to the ocean, the game reserves of Zululand, great educational institutions and top quality residential estates, the "North Coast can hold its own". ■

> *"Electricity remains a challenge for developers, which has prompted the development of green buildings and homes that are completely 'off the grid'.*

New Dube City Innovation Hub

ADVERTORIAL

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THE SOUTH AFRICAN INSTITUTE OF CHARTERED ACCOUNTANTS

WHEN IS PAYMENT MADE TO SARS?

TO MEET DEADLINE

The issue:

When are payments legally effected to ensure they meet the statutory deadlines? Clarity on this matter is of vital importance, as payments or submissions received after their specified deadlines are marked as late by SARS, and will be liable for penalties and interest.

Although the issue is of general application to all SARS payments, this issue was highlighted by the recent SARS communication issued through their website to taxpayers who made payments or return submissions on 31 March 2015, urging them to do so by midday.

A question arises as to when payment should be effected by the various prescribed payment methods that would be in compliance with such deadlines.

THE SARS VIEW:

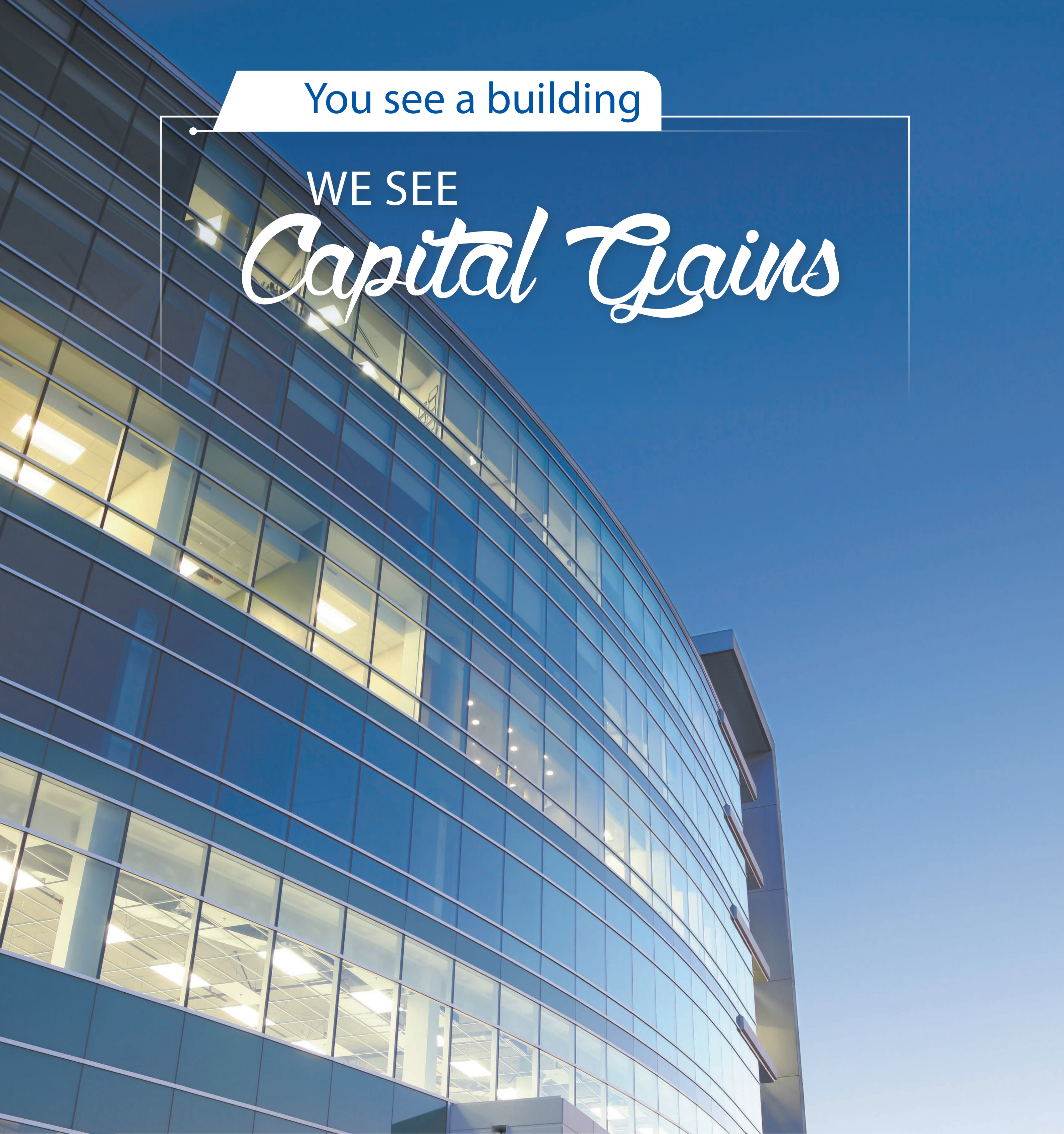
It appears that SARS is of the view that payment has only been made once the relevant amount is reflected in its bank account (for example, the SARS External Guide: Provisional Tax, 2015 states at page 13 that "where payments are done electronically, provision must be made for your bank's cut-off times and for a clearance period that could take between two and five days"). Furthermore, in terms of SARS External Guide: Payment Rules, any payment made and placed in a SARS drop box on a business day must be received by 15:00. Where payments are received after 15:00, this will be deemed to have been received on the first following business day. SARS views is supported by the courts i.e. the high court in Bush and Others v B J Kruger Inc and Another (2009/36699) [2013] ZAGPJHC 4; [2013] 2 All SA 148 (GSJ) (8 February 2013) confirms that an EFT is paid when received by the recipient – the same as for cheques.

THE UNCERTAINTY:

In terms of section 162(2) of the Tax Administration Act 2011, the Commissioner has the right to prescribe the manner of payment, including electronic payments. However, based on the principles established by the Supreme Court's judgement in Stabilpave v SARS (615/12) [2013] ZASCA 128 (26 September 2013). Though dealing with cheques, this judgement implies that SARS' right and practice to prescribe the method of payment to which the taxpayer must adhere, could result in a transfer of risk to SARS of the particular payment method. SARS currently prescribes various methods of payments i.e. payments via eFiling (Credit Push payments); electronic funds transfer (EFT) and cheque payments at SARS Revenue branches. If it could be established that SARS has in fact prescribed the method of payment, the result would be that payment is effected once the taxpayer has complied with the method based on the principle established in Stabilpave v SARS, and not when the payment is honoured by the bank through crediting SARS' account.

CONCLUSION:

The complexity of the various payment methods as to when payment is legally effected, may result in an unfair an administratively burdensome process for taxpayers if time of payment is only once payment is received by SARS. For example, if the taxpayer makes an EFT payment from the same bank as that of SARS, the payment should clear immediately. However, if payment is made from a different bank, such payment is subject to that specific bank's internal clearing processes, which differ from bank to bank and may thus result in timing delays from the time that the EFT payment is effected, to when it actually clears in SARS' bank account. This will then result in penalties and interest being imposed by SARS. Legal certainty and administrative fairness may inevitably only be achieved by legislative amendment. ■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