

RELEASED IN
2018



PROPERTY
SECTOR
CHARTER
COUNCIL

**2016/2017 STATE OF
TRANSFORMATION REPORT
FOR THE SOUTH AFRICAN
PROPERTY SECTOR**

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1 PURPOSE OF THE REPORT

ABOUT THE REPORT

It is mandatory that every sector charter Council office should generate an annually report that provides an analysis of the State of Transformation of its relevant sector.

This year's State of Transformation report of 2018 – focuses on the certificate from sampled property measured entities for the year 2016/2017.

2016 is the measurement year: the year the certificate was issued. Any B-BBEE certificate is valid for 12 months from date of issue, which means all certificates issued in 2016 will expire sometime in 2017.

The 2018 State of Transformation report of the Property Sector analysis will focus on the Sector Code under gazette No. 35400, Vol 564 – gazetted in June 2012 only. Although on the 9th June 2017 we published of the Amended Property Sector Code under Gazette No. 40910, Vol 624, this report will not focus on any of those changes this year but will do so in next years (in the 2017/2018 report).

The PSCC has undertaken to treat all information and certificates received with the outmost confidentiality and will ensure that measures are put in place to preserve the integrity of the study. All submitted B-BBEE scorecards will be used only in consolidated form.

The report serves as the Property Sector Charter Council State of Transformation Report for the property Sector entities for the year ending 31 Dec 2016.

The report generated needs to be reported to the following structures:

- Custodians of B-BBEE - Minister of Trade and Industry;
- Line Ministry - Department of Public Works; and
- Property Sector Participants.



2 ACKNOWLEDGEMENTS

Despite all the challenges experienced in transforming the Property Sector, we would like to thank and appreciate all people that made this work possible and more importantly companies that submitted their scorecards for analysis. It is certainly clear from this exercise that there are companies and enterprises that understand the importance of economic transformation in general and more so in the Property Sector.

In the PSCC, we recognise and acknowledge the importance of transformation and understand that the state of transformation in the Property Sector is a critical milestone towards the desired end status.

We acknowledge and appreciate the support that we unequivocally receive from all our associations and organisations, including Board and Council members, and a specific gratitude to the research committee which provides an oversight role on all research report including this: ***2016-2017 State of Transformation Report for the Property Sector***.

Finally, progress is attributed to the hard work of all Property Sector Charter Council personnel.



3 GLOSSARY OF ACRONYMS

APSC	Amended Property Sector Code
APUTS	Association of Property Unit Trusts
B-BBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
CEO	Chief Executive Officer
EAAB	Estate Agency Affairs Board
EME	Exempted Micro-Enterprises
GDP	Growth Domestic Product
NPAT	Net Profit After Tax
PDI	Previously Disadvantaged Individuals
PLSA	Property Loan Stock Association
PSC	Property Sector Code
PSCC	Property Sector Charter Council
QSE	Qualifying Small Enterprises
REITS	Real Estate Investment Trust
SETA	Sector Education and Training Authority
SOE	State Owned Enterprise
SOT	State of Transformation
SMMEs	Small Medium and Micro Enterprises



4 ORGANISATIONAL PROFILE

4.1 CHAIRMAN'S MESSAGE *Mr Saul Gumede*

“Transformation is hard because its value is so easily overestimated and the cost of not doing it underestimated”



Driving transformation is not an easy task, you are often faced with resistance and criticism from some onlookers, but I am glad that most of Property Sector participants took the challenge and responsibility consciously and continue to commit to it.

We are proud that the Property Sector Charter Council (PSCC) has always enjoyed the support and the commitment of all key sector players. Since inception, the PSCC has been carried and driven by the vast range of stakeholders in the property sector, including both the public and private sectors. They continue to strive for transformed property relations in South Africa, and to promote a vibrant and growing property sector that reflects the South African nation and contributes towards the development and establishment of an equitable society.

The pace maybe slow, and the result may not be where we want to be, but a continuous strive toward transformation of the property sector is seen through proactive engagements by the sector. The annual publication of the State of transformation of the Property Sector report gives the actual performance of the sector against the target we set for ourselves as captured in the Property Sector Code gazette no. 35400. It is my hope that all players recommit themselves

towards the transformation journey whilst unlocking obstacles that prohibit transformation and prosperity of the property sector.

I would like to extend my gratitude to the commitment of representative members of the Board, Council and Exco - the heart-beat of this organisation - for always supporting the PSCC Office which sets the new stage and creates a conducive environment for transformation of the Property Sector to take place. The Property Charter is where it is because of your undoubted spirit of perseverance.

It is agreeable, a lot more still needs to be done, but for now the responsibility is with every single company in the Property Sector. It is up to the sector to now take the amended Property Sector Code, its revised scorecards and targets to guide our transformation efforts in the industry.

In concluding, it is crucial to note that Property Sector Code specifically factors the unique characteristics of and attend to transformational issues that are specific to the sector to assist through the transformation journey. It aims to guide how transformation and empowerment could be achieved in the Property Sector. The true delivery and effects will remain in the implementation of this sector code.



4.2 CEO'S MESSAGE *Ms Portia Tau-Sekati*

*“If you can't measure it,
you can't manage it”*

Peter Drucker

It has been a year since our last State of Transformation Report, but it feels like only yesterday. “Where has the time gone?” The more I realise how quickly time goes, the more I accept that we need to do things differently and far more efficiently to ensure that we record positive change every year using the analysis provided by the report.

Sector specific charters must - whilst addressing industry peculiarities that would otherwise not have been adequately dealt with through the generic B-BBEE codes - they must seek to exceed the minimum standards and targets of empowerment, enhance and fast track true and meaningful transformation in our sectors including the Property Sector.

Peter Drucker, the management guru, famously said, “If you can't measure it, you can't manage it” - and that is exactly why at the Property Sector Charter Council (PSCC) we take the State of Transformation Report so seriously. It is a life line of our existence.

Have we managed to achieve meaningful transformation in the property sector? To answer that question, we have to assess our progress in complying with the Department of Trade and Industry's broad-based black economic empowerment (B-BBEE) requirements. It is a prerequisite of the Property Sector Code to align with B-BBEE objectives and principles. But our code also needs to take account of unique features of the Property Sector to realise transformation beyond the minimum standards and targets of the generic B-BBEE codes.

As the executive authority, we take full responsibility for compiling annual reports on the Property Sector's transformation based on the objectives and targets set out in the Property Sector Code.

Ensuring that the report is accurate and reliable is essential to all our work. It is therefore based on the above that it is critical for the PSCC to continuously review the process of producing this report. We need to assess all areas -

including preparation, methodology, responses and response rate, performance outcome and, reporting – to identify where we can improve. Areas for improvement include:

- Increasing training and awareness,
- Developing interpretive guides and/or practice notes,
- Improving our data collection (of B-BBEE certificate and report) processes and platforms.

This year's collected information has certainly improved from last year's information. We find that the more analysis you have, the more data you want to increase our understanding of the sector.

The 2018 State of Transformation Report covers 2016/2017. It focuses on of the Property Sector Code gazetted in June 2012 (Gazette no. 35400, vol. 564). Although the sector code was amended in June 2017 (Gazette no. 40910, vol. 624), these changes will only be addressed in our 2017/2018 report.

It is important to note that the Property Sector Code of 2012 is merely a guiding document for how transformation and empowerment could be achieved in the property sector. The true effects will only be realised through implementing the amended code.

Much progress has been made in transforming our sector, although it has

been slow. On the other hand, there are some areas where we have regressed. It became clear after gazetting the Generic Codes of Good Practice and the Property Sector Code and during implementation that the B-BBEE policy had some unintended consequences.

As we assess the successes and failures of this policy, it is important to ask some critical questions:

- Are the most vulnerable and deserving citizens benefitting from the B-BBEE policy?
- What tangible benefits have been experienced by the intended beneficiaries of the B-BBEE Act and its regulations?
- Can the structure and implementation of current initiatives be improved?
- How can government and the Property Sector ensure that all South Africans benefit from participating meaningfully in a sustainable economy?

We remain determined in our vision to transform the Property Sector. We own the content in the gazetted Property Sector Code because it resulted from all our engagements and deliberations.

We have created a conducive environment for transforming the sector. A great deal more needs to be done. But for now, it is up to each company in the property sector to take the Property Sector Code and make the changes that we want to see.

4.3 MAIN PURPOSE OF PROPERTY SECTOR CHARTER COUNCIL

(Reason for Existence)

- Enhance transformation by factoring unique knowledge and characteristics of the Property Sector in the legislation in order to deepen meaningful participation of property participants in the main stream of SA Economy;
- To actively promote transformed, vibrant and globally competitive property sector that aim & strive to reflect the demographics of SA & contributes towards the establishment of an equitable society; and
- PSCC achieves the above through development of Property Sector Code (PSC) legislation;
- Property Sector Code legislation is developed under the authority and guidance of the broad based black economic empowerment (B-BBEE) to create a conducive environment and to enable transformation of the property sector;
- Property Sector Code legislation is reviewed at agreed intervals as captured in the code and/or when B-BBEE legislation is revised; and
- At such time PSCC is expected to coordinate, lead and drive engagements with the sector to develop and/or revise property sector code targets and weighting as guided by the B-BBEE legislation as well as to accommodate changing business environment.

4.4 MANDATORY ROLE OF PROPERTY SECTOR CHARTER COUNCIL

- Collect relevant B-BBEE Property Sector Code certificate and back-end report from companies in the property sector collate and analyze into an annual report.
- Reporting of annual state of transformation progress of the Property Sector to the relevant structures.
- Where the sector has not achieved its targets as set out in the Property Sector Code, the PSCC must:
- Identify current, potential and emerging obstacle and develop specific intervention solutions inhibiting transformation in the Property Sector;
- Encourage, support and where possible facilitate the implementation transformation in line with the Property Sector Code targets;
- Review yearly sector priorities in line with the Property Sector transformation delivery;
- Identify new activities, define work programmes & roles for relevant task teams; and
- Prepare and review business plans & budgets highlighting prioritised activities.

4.5 OTHER ROLES THAT PROPERTY SECTOR CHARTER COUNCIL PLAYS TO ACHIEVE ITS PURPOSE

- PSCC is empowered to act with executive authority in providing necessary guidance on sector specific matters affecting B-BBEE to entities within the Property Sector.
- To assist the stakeholders of the sector on their transformation journey as outlined in the relevant Property Sector Code;
- To add value to the sector by providing the much-needed guidance towards transformation; and to breathe life into the Sector Charter process.
- PSCC adjudicate matters affecting transformation of Property Sector as captured in the relevant PSC between various stakeholders participants such as B-BBEE practitioners; property sector entities etc.
- PSCC attends to any and all legal matters that arise out of the legislation as captured in the Property Sector Code.
- PSCC to communicate that all new and/or revised legal requirements in the B-BBEE legislation or any other legislation that impacts on the transformation of the Property Sector are communicated to the sector and relevant stakeholders including making input on behalf of the members in line with the commitment taken by the sector.
- Interpretive Guide and Support: PSCC is responsible for producing the interpretative guide of the Property Sector Code in order to direct its members and constituencies on the interpretation of legislation in accordance to objectives of transformation of the sector.
- Research: PSCC embarked on research in order to create a consolidated body of knowledge which fosters consistent understanding of the Property Sector that enables the sector to contextualize transformation progress.
- Intervention Programme:
 - Identify partners/systems and/or have Memorandum of Understanding (MOU) with relevant stakeholders that will enable and support transformation of the Property Sector under specific intervention programme.
 - Identify high impact programmes/projects that will enable transformation of the Property Sector and create enablers that will facilitate easy/ convenient implementation of project by members with aim of achieving targets as set out in the PSC.
 - Create enabling environment that ensure that any current or future entities and programmes are established with transformation elements factored from the establishment to avoid driving and implementing continuous corrective initiatives.
- **Strategic Projects:**
 - Develop, partner, drive, support and guide Property Sector strategic projects that have direct impact on the transformation of the sector in line with the legislation and Property Sector Code targets.
 - Lobby the sector to consolidate broad sector efforts in return for high impact, efficient and effective transformation programme of the Property Sector.
 - Establish programme and/or events that promote, encourage and drive awareness of transformation of the Property Sector.

4.6 OBJECTIVES OF THE PROPERTY SECTOR CODE (PSC)

The PSC aims to promote the objectives contained in Section 2 of the Broad-Based Black Economic Empowerment (B-BBEE) Act 53 of 2003 as these relate to the Property Sector, and in particular, but without limitation:

- Enhance uniformity and consistency in the application of the principles contained in the PSC;
- Achieve a substantial change in the racial and gender composition of ownership, control and management and enhance the participation of black people, including black women and designated groups in the Property Sector;
- Unlock obstacles to property ownership and participation in the property market for black people;
- Facilitate the accessibility of finance for property ownership and property development;
- Promote employment equity in the Property Sector and encourage diverse organisational cultures;
- Contribute towards increased investment in the Skills Development and training of existing and new black professionals, particularly women;
- Increase the pool of intellectual capital amongst black people, particularly women, in the sector by focusing on attracting new entrants and developing appropriate curricula;
- Promote economic transformation in the Property Sector in order to enable meaningful participation of black people including women;
- Increase the procurement of goods and services from B-BBEE suppliers;
- Promote property development and investment in under-resourced areas which enhances basic infrastructure, encourages investment and supports micro and small enterprises;
- Enhance entrepreneurial development and increase the number and expertise of B-BBEE firms and Small Medium and Micro Enterprises (SMMEs) providing services and products to the sector;
- Encourage good corporate citizenship amongst enterprises in the sector, including participation in corporate social investment projects and adherence to triple bottom line accountability; and
- Promote investment in the property sector and contribute to growth of the sector and SA economy at large.



5 GOVERNANCE STRUCTURE

5.1 PROPERTY SECTOR CHARTER COUNCIL MEMBERS

- Black Professional Valuers Association (BPVA)
- Community Schemes Ombud Services (CSOS)
- Department of Public Works (DPW)
- Estate Agency Affairs Board (EAAB)
- Institute of Estate Agents of South Africa (IEASA)
- National Association of Model Agencies (NAMA)
- National Economic Development and Labour Council (NEDLAC)
- National Property Forum (NPF)
- Public investment Corporation (PIC)
- Real Estate Business Owners of South Africa (REBOSA)
- Real Estate Investment Trust (REITs)
- Services Sector Education and Training Authority (SSETA)
- South African Black Technical and Allied Career Organisation (SABTACO)
- South African Council for the Property Valuers Profession (SACPVP)
- South African Council of Shopping Centres (SACSC)
- South African Facilities Management Associations (SAFMA)
- South African Property Owners Association (SAPOA)
- The South African Forum for Real Estate (SAFRE)
- The South African Institute of Black Property Practitioners (SAIBPP)
- Women's Property Network (WPN)
- Youth in Property Association (YIPA)



5.2 BOARD OF DIRECTORS



**Mr. Saul
Gumede**

Chairman of PSCC



**Adv. Jan
Tladi**

EAAB



**Mr. Coenie
Groenwald**

NAMA



**Ms. Sandi
Mbutuma**

WPN



**Mr. Kapei wa
Phahlamohlaka**

PIC



**Ms. Chele
Moyo**

SASCS



**Mr. Mashilo
Pitjeng**

Independent



**Mr. Musa
Nqco**

SAPOA



**Mr. Neil
Gopal**

SAPOA



**Mr. Christo
Weilbach**

IEASA



**Dr. Sedise
Moseneke**

REITS



**Mr. Thulani
Mabuza**

NEDLAC



**Mr. Tshepo
Matlala**

SAIBPP



**Ms. Zola
Malinga**

Independent



**Mr. Donovan
Pydigadu**

REITS



**Ms. Pam
Synman**

SSETA



**Mr. Monedi
Lefakane**

YIPA

6 RESEARCH METHODOLOGY

This research was quantitative in nature and a collection of B-BBEE certificates and reports from South African Property Sector enterprises was used to gather data for this report.

A purposive sampling technique was used as enterprises were sampled based on their contributions to annual transactions in the Property Sector.

The analysis is based on a total sum of all collected B-BBEE certificates and reports for all enterprises measured against elements and targets as set out in the 2012 PSC, gazette no. 35400 and in the 2017 APSC, gazette no. 40910.

6.1 PARTICIPATING SEGMENT IN THE PROPERTY SECTOR

In this study, the Property Sector was segmented into three (3) main industries, namely:

- Commercial Industry;
- Residential Industry; and
- Professional.

The sector was segmented further under the above-mentioned industries to look as follows:

- Commercial Industry
 - property owners; and
 - property management services.
- Residential Industry
 - real estate.
- Professional
 - valuer.

6.2 SAMPLING

Purposive sampling was done after the Property Sector was scoped, segmented and conducted an estimated value assessment per segment. Hundred and sixty five (165) enterprises were the target sample from the Property Sector segments. Of the one hundred and sixty five (165) enterprises, sixty nine (69) were property owners, twenty five (25) were property management services, twenty seven (27) were real estate, nine (9) were managing agents, five (5) were valuers, and thirty (30) were QSE.

6.3 RESEARCH METHODOLOGY STEPS

Eight (8) steps were followed in the research methodology.

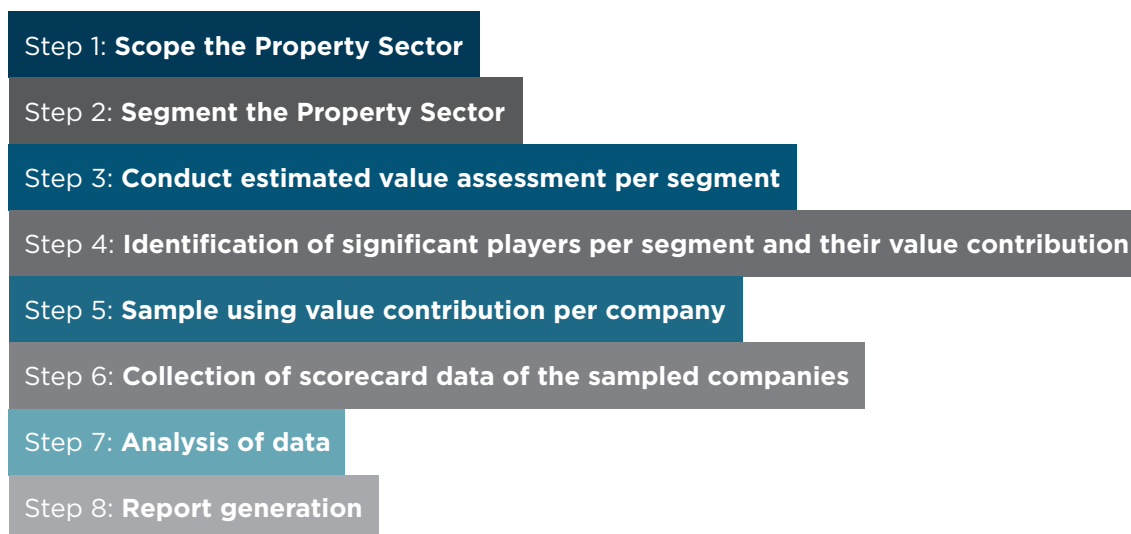


Figure 1: Research methodology steps

6.4 RESPONSE RATE - DATA ANALYSIS

Industry	Category	Target 2017	Actual received to-date	Percentage
Property Owners	Listed Property Owners	69 (70%)	26	68 (98%)
	Unit Trust Owners		3	
	Institutional Owners		3	
	Private Owners		25	
	Public Sector		11	
Property Management Services	Assets Managers	25 (75%)	2	23 (92%)
	Property Broker			
	Property Manager/ Facility managers		21	
	Public Sector			
Real Estate	Estate Agencies	27 (50%)	8	8 (40%)
Managing Agents	Managing Agents	9 (50%)	4	4 (44%)
Valuers	Valuers	5 (66%)	3	3 (60%)
		165	106	64%

Table 1: Response Rate: Data Analysis per Property Sector Categories

The analysis was done using the transformation elements as per the 2012 PSC. The documents, B-BBEE certificate and the back-end report, received from enterprises were captured for analysis. This analysis is structured according to generic entities, large entities and QSEs.

7 YEAR OF MEASUREMENT

This year's State of Transformation report of 2018 – focuses on the certificate and report for the year 2016/2017. 2016 is the measurement year: the year the certificate was issued. Any B-BBEE certificate is valid for 12 months from date of issue, which means all certificates issued in 2016 will expire sometime in 2017.

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8 NUMBER OF SCORECARDS CAPTURED FOR ANALYSIS

We sampled a total of 165 entities spread across various segment and sub-segment in the Property Sector namely:

- Property Owners
 - Listed Property owners
 - Institutional Owners
 - Private Owners
 - Public owners
- Property Management Services
 - Property Brokers
 - Facilities Managers
- Real Estate
- Managing Agents
- Valuers

We manage to get 64% of the targeted 165 entities – resulting in 106 scorecard captured. The breakdown of captured scorecards are as follows:

- Property Owners (54.4%)
 - Listed Property Owners – (33.1%)
 - Private Owner – (21.3%)
- Property Management – (30.7%)
- Real Estate – 4%
- Valuers – 1%
- Managing Agents – 4%



9 BACKGROUND OF PROPERTY SECTOR

South Africa's economy was traditionally rooted in the primary sectors - the result of a wealth of mineral resources and favourable agricultural conditions. But recent decades have seen a structural shift in output.

Since the early 1990s, economic growth has been driven mainly by the tertiary sector, Now South Africa is moving towards becoming a knowledge-based economy, with a greater focus on technology, e-commerce and financial and other services. Financial Sector is among the key sectors that contribute significantly to the gross domestic product and keep the economic engine running.

Property Sector or Real Estate is currently classified under the financial and business Services. The financial, real estate and business service sector accounted for 22% of the country's real value added (value of total production) in 2006 and, together with other services sectors, has proved to be a pillar of the country's economic growth over the years. The Property Sector that plays a critical part at an individual level, business and other areas in the South African Economy.

At an individual level, it is a basic necessity for shelter as defined in the Maslow's needs of hierarchy. It is entrusted with fulfilling the right to shelter of every South African. At a business level, it is defined as a basic requirement. for businesses to have operational space. Property is also a considered a wealth creator globally.

In South Africa, the property market size is R5.8 trillion and contributes significantly to Growth Domestic Product (GDP), according to the 2015 PSCC study.

The Property Sector is also expected to redress the historical imbalances, injustices, inequalities, disparities, unfairness and unequal distribution of properties and wealth caused by Apartheid. Despite significant progress since the establishment of a democratic government in 1994, the South African society, including the Property Sector, remains characterised by racially based income and other socio-economic inequalities. This is not only unjust, but it also inhibits South Africa's ability to achieve its full economic potential.

The sector is expected to ensure that ownership, control and participation in the Property Sector and property enterprises conform to the demographics of South Africa. Although there has been some effort put in the transformation of the sector with some positive improvements, albeit at a slow pace, black people, black women and people living with disabilities, in particular, are still under-represented in the Property Sector.

9.1 PROPERTY SECTOR RESEARCH

In order to establish comprehensive understanding of the State of Transformation in the Property Sector, PSCC deemed it necessary to conduct scientific researches.

The aim of the researches is to create a consolidated body of knowledge on which fosters a consistent and coherent understanding of the Property Sector from which decisions can be based upon.

Studies conducted about the transformation of the property sector are both qualitative and quantitative in nature.

The first study of the Property Sector, which was done in 2012, concluded that the South African property market size was R4.9 trillion. The major contributor to the total value of the Property Sector was the residential property that was valued at R3.0 trillion. Non-residential (commercial) property was valued at R780 billion, while public property and zoned urban land were valued at R570 billion and R520 billion, respectively. Figure (ii) shows the size of the South African Property Sector as per 2012 study.

The same study was repeated in 2015. The latter found that the market size of the Property Sector had grown to R5.8 trillion. Residential remained the greatest contributor to the total value of the Property Sector market size and it was valued at R3.9 trillion. Commercial properties were valued at R1.3 trillion, while public properties and zoned urban land were valued at R237 billion and R520 billion, respectively.



9.1.1 COMPARISON OF THE SOUTH AFRICAN MARKET SIZE

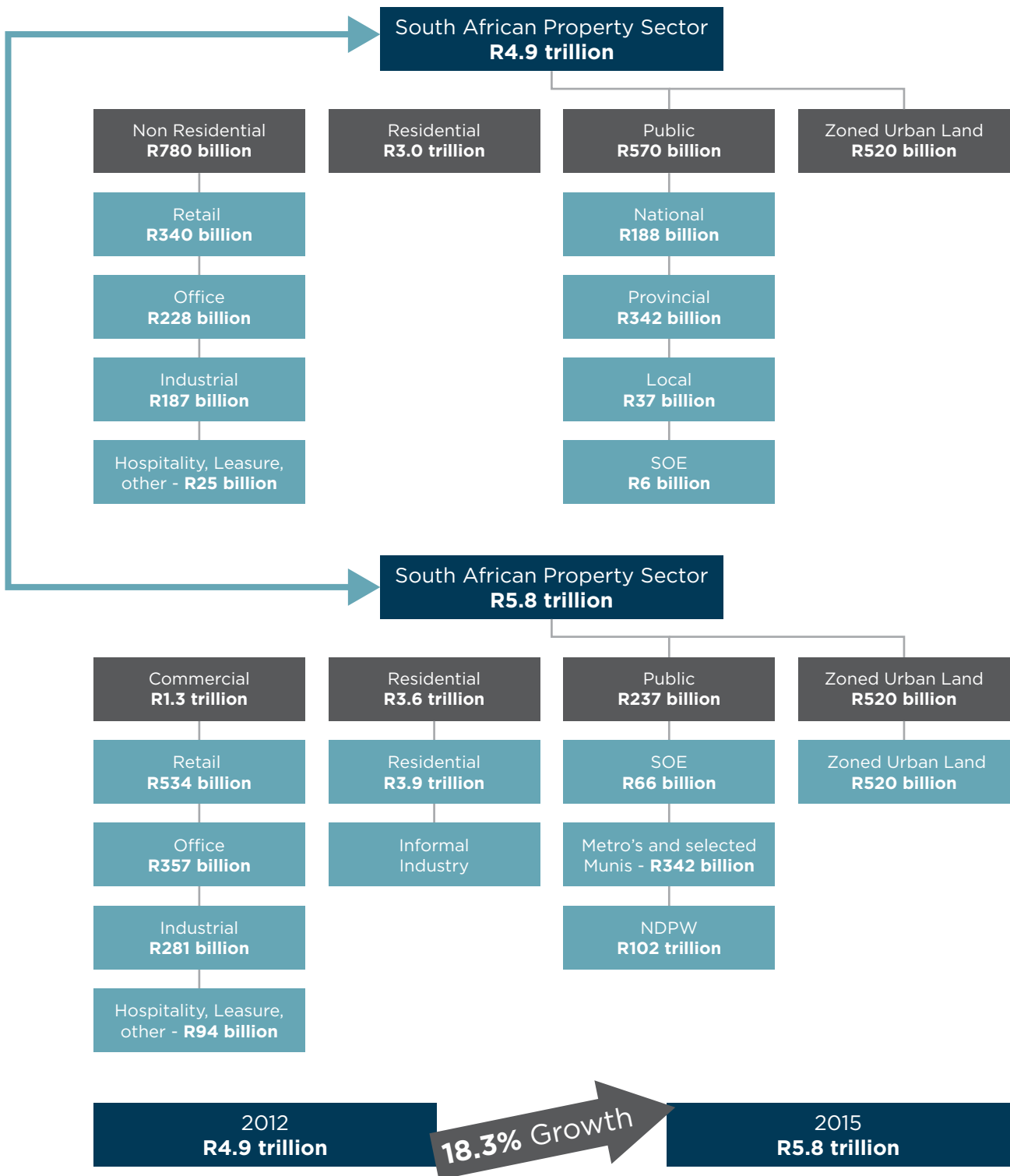


Figure 2 - The SA Property Sector Market Size 2012 and 2015

9.1.2 2015 SOUTH AFRICAN PROPERTY SECTOR MARKET SIZE

HEADLINE RESULTS COMMERCIAL PROPERTY SECTOR

COMMERCIAL PROPERTY SECTOR **R1.3TN**

Property Type	Owner Type
Retail R534bn	REITs R297.7bn
Office R357bn	Unlisted Funds R130.7bn
Industrial R281bn	Life & Pension Funds R48.6bn
Hotel R74bn	Corporate/Other R789bn
Other R20bn*	

* Excludes for "Other" category based on IFC Guidance

CHANGE IN MARKET SIZE 2010-2014

Retail

- Formal retail estimated at 20.7m m² based on SACIC directory (2013) & workings by MSD Real Estate (2014)
- Traditional retail estimated at 18m m² in 2010 – this was projected forward at a rate of 6.3% (or 3.3% CAGR) based on building completion estimates from StatsSA for the period 2010-2014.
- Market was segmented by type and a value applied to each segment. The value factor used in 2010 was projected forward using IPO capital growth factors.

Floor area millions of square meter, gross lettable area

2010	2014	CHANGE (%)
37.3	39.8	6.7%

Capital Value Rand per square meter, Weighted average

2010	2014	CHANGE
9,115	13,408	47%

Market Size Rand billions

2010	2014	CHANGE (%)
340	534	57%

CHANGE IN MARKET SIZE 2010-2014

Office

- The SAPCA Div's provides a figure of 14.8m m² as at the end of 2014 – with an estimated coverage of around 85%.
- An additional 3.8m m² of space is added to account for areas not covered by the SAPCA Div's, (3.4m m² in 2010 estimated by 1.8% CAGR based on StatsSA building completions).
- Market was segmented by grade and a value applied to each segment. The value factor used in 2010 was projected forward using IPO capital growth factors.

Floor area millions of square meter, gross lettable area

2010	2014	CHANGE
29.2	32.2	10.3%

Capital Value Rand per square meter, Weighted average

2010	2014	CHANGE
7,808	11,088	42%

Market Size Rand billions

2010	2014	CHANGE (%)
228	357	57%

CHANGE IN MARKET SIZE 2010-2014

Industrial

- Industrial market size was estimated at 51m m² in 2010 – based on 2007 BAI estimates and StatsSA industrial & warehousing building completions for 2008-2010.
- Market was segmented by property type and a value applied to each segment. The factored-down value factor used in 2010 was projected forward using IPO capital growth factors.

Floor area millions of square meter, gross lettable area

2010	2014	CHANGE
55.1	58.9	6.9%

Capital Value Rand per square meter, Weighted average

2010	2014	CHANGE
3,393	4,780	41%

Market Size Rand billions

2010	2014	CHANGE (%)
187	281	51%

CHANGE IN MARKET SIZE 2010-2014

Hotels

- The number of hotel rooms, by star grading in SA was obtained from PWC (3-5 star establishments were included in the analysis)
- Replacement cost per key (source: ACCOM) was used as a proxy in order to calculate market size.

Number of rooms thousands

2010	2014	CHANGE
58.8	61.5	4.6%

Capital Value Rand (1000) value per key

2010	2014	CHANGE
729	1,146	57%

Market Size Rand billions

2010	2014	CHANGE (%)
42*	74	64%

* Reworked based on new methodology

© Franchise/Hotel/Leasing
LLP, Wilbur Smith Group
Assessors



RESIDENTIAL PROPERTY

FORMAL RESIDENTIAL MARKET; RAND BILLIONS



The registered South African residential property market comprises of 6.1 million properties worth R3.9 trillion.

The estimated size of the formal residential market is based on research by Lightstone – a company that analytically identifies the residential property market making use of the following variables:

1. Municipal zoning
2. Private vs. Non-Private ownership (also analytically identified);
3. Property Type (e.g. farms are identified and removed);
4. Lightstone's market value modelling, and
5. Purchase Price

DEPARTMENT OF PUBLIC WORKS

The Size of the South African Property Sector

Results:



The value of the portfolio of assets under DPW is R102 billion, as at 31 March 2015.

The value stated of the portfolio reflects the fair value of the assets and takes into account the condition of the assets in the portfolio.

The figures mentioned above are inclusive of all property types that NDPW is a custodian of. This implies that estimation of the replacement cost of the portfolio is not a straight forward one as the different property types have different replacement costs per square meter.

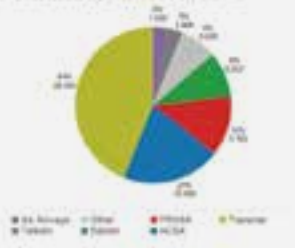
For this reason, all values mentioned in this section will be based on fair value as explained above.

STATE OWNED ENTERPRISES (SOEs)

VALUES IN RAND MILLIONS; AS AT MARCH 2015



Split of SOE property holdings by value



The 19 State Owned enterprises included in the research accounted for property worth R65.9bn.

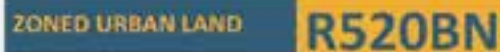
The top 5 SOE's in terms of value accounted for 88% of the sample's property holdings (~R59bn). The other 14 SOE's has an average of R496m of property on their balance sheet.

Transnet, ACSA & PRASA were the largest contributors – accounting for 80% of the sample's total.

75% of the SOE sector's property holdings were owner occupied with the balance being held as investment properties.

ZONED URBAN LAND

ESTIMATED VALUATION

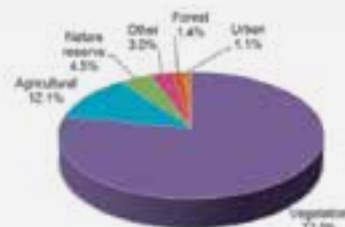


From the report presented to the Minister of Agriculture and Land Affairs (2007) on foreign land ownership in SA, of the nearly 123 million hectares of land in SA, the following estimates are provided: Industrial / Commercial 234,540Ha (2.7% trillion m²) or 0.2%, Urban Residential 3,299,784Ha (13 trillion m²) or 1.1%. Residential properties can be divided into three distinctive market categories, viz. low (below 80m²), middle (between 80m² and 440m² or with a value below R2 million) and high/luxury (bigger than 440m² or with a value more than R2 million).

In terms of land use, most of South Africa is under natural pasture (73.2%), approximately 12% is arable productive agricultural land, and about the same proportion is allocated to nature conservation while only about 1% of the land is currently used for urban and residential purposes. An alternative breakdown offered is state land (excluding local authorities) = 20.4%, Trust land = 3.4% and Private = 76.2%.

The report also makes reference to corporate ownership across the four main land uses and by value, head count and size; to this end in terms of urban residential freehold corporates are deemed to own 53.6% by value, 4.67% by head count and 4.13% by size; in terms of sectional title the ratios are 37.97%, 16.26% and 75.93% respectively.

In a report on land-use for South Africa in 1994/1995 based on data obtained from the National Land-Cover Project at the CSIR Satellite Application centre: They show that the major land-use for South Africa in 1994/1995 was natural vegetation (54,599,300Ha or 77.9%), followed by agricultural land – cultivated (14,753,264Ha or 12.1%), nature reserve and conservation (5,539,320Ha or 4.5%), other land (2,452,611Ha or 2.1%), forest land (1,763,649Ha or 1.4%) and land underlying buildings and structures (1,378,952Ha or 1.1%).



The value of zoned land was calculated as the total of building areas (approximately 1 billion m² as the sum of residential, non-residential and public buildings), then applying acceptable rates of a land cost ratio of 15% and a rate per square metre of R3,500/m² to provide a total value of approximately R520 billion.

9.1.3 ECONOMIC CONTRIBUTION OF SOUTH AFRICAN PROPERTY SECTOR

There is no economy that can function without fixed property. People need a place to live. Firms need a place to do business. Industries need buildings to house their factories and governments need offices. This makes the Property Sector critically important. In a country like South Africa, it also means it can play a key role in socio-economic transformation. It is therefore fitting that this report was commissioned by the South African Property Sector Charter Council.

The size of the Property Sector is overwhelming. The South African Property Sector was valued at R5.8tn in 2015. In the same year the South African Reserve Bank estimated the total value of all fixed capital stock – property, machinery, transport – at R7.6tn. This means that property constitutes 78% of all fixed capital stock in the country. The largest property sub-sector is residential worth R3.9tn. This is two-thirds of the total value of property. In the non-residential sector, commercial property was R1.3tn (21%), publicly owned property R237bn (4%) and (with the limited information on) zoned urban land R520bn (9%).

The overall economic contribution of property is almost immeasurable. Housing makes people healthy and productive. Carefully designed factories are airy and light – this helps people and makes these places more productive. Architecturally pleasing offices give a sense of pride and make for a sense of place.

This document reports the contribution of the Property Sector to the South African economy. The analysis is narrower than the overall contribution to well-being, health and productivity. Rather, it focuses on the GDP, taxes and jobs when buildings are constructed, as they are let out to people and firms, and when they reach the end of the design life. The latter may mean demolition, or it can mean renovation, rejuvenation and a new lease of economic life.

Three perspectives are given to the economic contribution. First, the economic contribution during the 2015 financial year. This was the key assignment objective. Second, the changes between 2012 and 2015. Third, a comparative contribution of the size of property relative to a selection of other economic sectors.



KEY YEAR 2015

Three key indicators are reported: contribution to GDP, taxes and jobs.

GROSS DOMESTIC PRODUCT

Gross Domestic Product (GDP) is the total value of all final goods and services produced in the country. Two levels of contribution are reported. First, is the direct contribution to GDP. Second, is indirect and induced. Direct contribution is the first-round direct contribution of an industry to GDP. Indirect and induced are the multiplier effects of the direct contribution.

The direct contribution to GDP in 2015 was R59.3bn. By phase:

- R13.4bn (22.6%) - origination;
- R43.1bn (72.7%) - transaction; and
- R2.8bn (4.7%) - end of cycle.

In the origination phase, the residential and non-residential property are 75% and 25% respectively. In the transaction phase 53% of the contribution is from non-residential and 47% from residential property. End of cycle is relatively small.

In non-residential: (made up of commercial, other commercial and public sector)

- Under Commercial:
 - The largest contributor to direct GDP in the transaction phase is retail - R8.7bn followed by offices - R5.9bn and Industrial -R4.3bn.
 - The contribution by 'other' is R4.0bn.
 - Other commercial property (such as hotel and hospitals)
- Under Public Sector:
 - The National DPW contributes the most to direct GDP at R1.5bn;
 - This is followed by the SOEs, Metros & Municipalities at R1.0bn each; and
 - Zoned urban land:
 - There is no relevant transaction expenditure for zoned urban land.

- 1 The National DPW contributes the most to direct GDP at R1.5bn;
- 2 This is followed by the SOEs and Metros & Municipalities at R1.0bn each;
- 3 Other commercial property (such as hotels and hospitals) contribute R0.5bn;
- 4 There is no relevant transaction expenditure for zoned urban land.

The multiplied (indirect and induced) contribution to GDP is R75.9bn. This is just over a quarter more than the direct contribution of R59.3bn. The total, direct and multiplied, contribution to GDP is R135.2bn.

TAXES

The Property Sector makes an important tax contribution. These include direct taxes (such as property taxes), VAT and multiplied taxes. The multiplied taxes include direct and indirect company taxes and personal tax. Total taxes in 2015 were R62.4bn made up of:

- R25.6bn (41.0%) in direct taxes;
- R18.6bn (29.8%) in VAT; and
- R18.2bn (29.2%) in multiplied taxes.

Of these total taxes, R22.5bn (36%) were by residential and R38.2bn (61%) by non-residential properties. End of cycle contributed R1.7bn (3%).

EMPLOYMENT

Employment is reported separately as direct and multiplied (indirect and induced).

In 2015 nearly 100 000 people were employed in property. 26 000 were in the origination, 69 000 in the transaction and 5 000 in the end of cycle phases. The high levels of employment during the transaction phase is important because these jobs can be sustained over time. This stands in contrast to the project-based jobs in origination and end of cycle that need continuous construction, alterations or additions.

There were 54 000 jobs in residential and 41 000 in non-residential. Retail at R12bn and offices at R9bn were the biggest job contributors in non-residential, whilst industrial and other are both R6bn.

Direct expenditure creates multiplier – indirect and induced – jobs.

- There were 178 000 indirect and induced (multiplied) jobs in 2015. The bulk of these (127 000) were in the transaction phase, followed by origination at 42 000 and 9 000 in end of cycle.
 - There were 94 000 multiplied jobs in residential,
 - And 75 000 multiplied jobs in commercial;
 - 1 000 multiplied jobs are in other commercial (schools and hospitals); and
 - 10 000 multiplied jobs are in public sector.

The Property Sector sustained a total of 278 000 (direct, indirect and induced) jobs in 2015. Just over one-third (36%) were direct jobs and the balance (64%) is multiplied jobs.

CHANGES 2012 - 2015

The GDP contribution from transactions and origination increased between 2012 and 2015. There was a lower contribution from end of cycle. The largest increase came from transactions. Between 2012 and 2015 the contribution to direct GDP increased from:

- R43bn to R59bn in nominal values - a 39% increase.
- R50bn to R59bn in real (2015) values - a real increase of 19%.

Most importantly, the real average annual contribution to GDP grew by 5.9% between 2012 and 2015. During the same time the economy grew by 2.6%.

Total employment increased from 240 000 to 278 000 between 2012 and 2015.

- This is an overall increase of 16%.
- It is an average annual increase of 5%.

The tax contribution from residential and non-residential grew over this period. There was a fall from end of cycle.

- Total nominal taxes increased from R42bn in 2012 to R62bn in 2015. This is a nominal increase of 47%.
 - In real (2015) values, taxes increased from R50bn in 2012 to R62bn in 2015. This is a 25% increase.
- The average annual real growth in taxes was 7.8%.

In summary, there has been a substantial increase in the macroeconomic contribution of the property - both nominal and real - between 2012 and 2015.

RELATIVE CONTRIBUTION

There is merit in having perspective on the relative size and contribution of the property sector. In 2015 the property sector made up:

- 1% of national GDP;
- 1% of (formal, non-agricultural) employment.

It was the equivalent of:

- 40% of the construction sector contribution to GDP and 18% of construction employment;
- 11% of the retail, catering and accommodation sector contribution to GDP and 5% of employment in that sector.

OVERALL CONCLUSION

An economy cannot function without buildings in which to live and buildings in which to work. The value of buildings in this country – making up 78% of all fixed capital stock - is testament to that fact. It makes the Property Sector critically important. In a country like South Africa, it also means it can play a role in socio-economic transformation.

The overall economic contribution of property is almost immeasurable. Housing makes people healthy and productive. Carefully designed factories are airy and light – this helps people and makes these places more productive. Architecturally pleasing offices give a sense of pride and make for a sense of place. This report analysed a narrower part of the contribution of property – the income that is generated and jobs created from the professional and other services used when buildings are built, rented and used, and modified at the end of design life.

This part of the Property Sector is worth 1% of the South African economy and 1% of formal employment. It makes a GDP contribution that is the equivalent of 40% of the construction and 11% of retail, catering and accommodation sector. Its employment is the equivalent of 18% and 5% respectively of these two sectors.

The sector, between 2012 and 2015, grew faster than the economy. The part of the Property Sector focussed on in this report grew by 5.9% annually while the economy managed 2.6%.

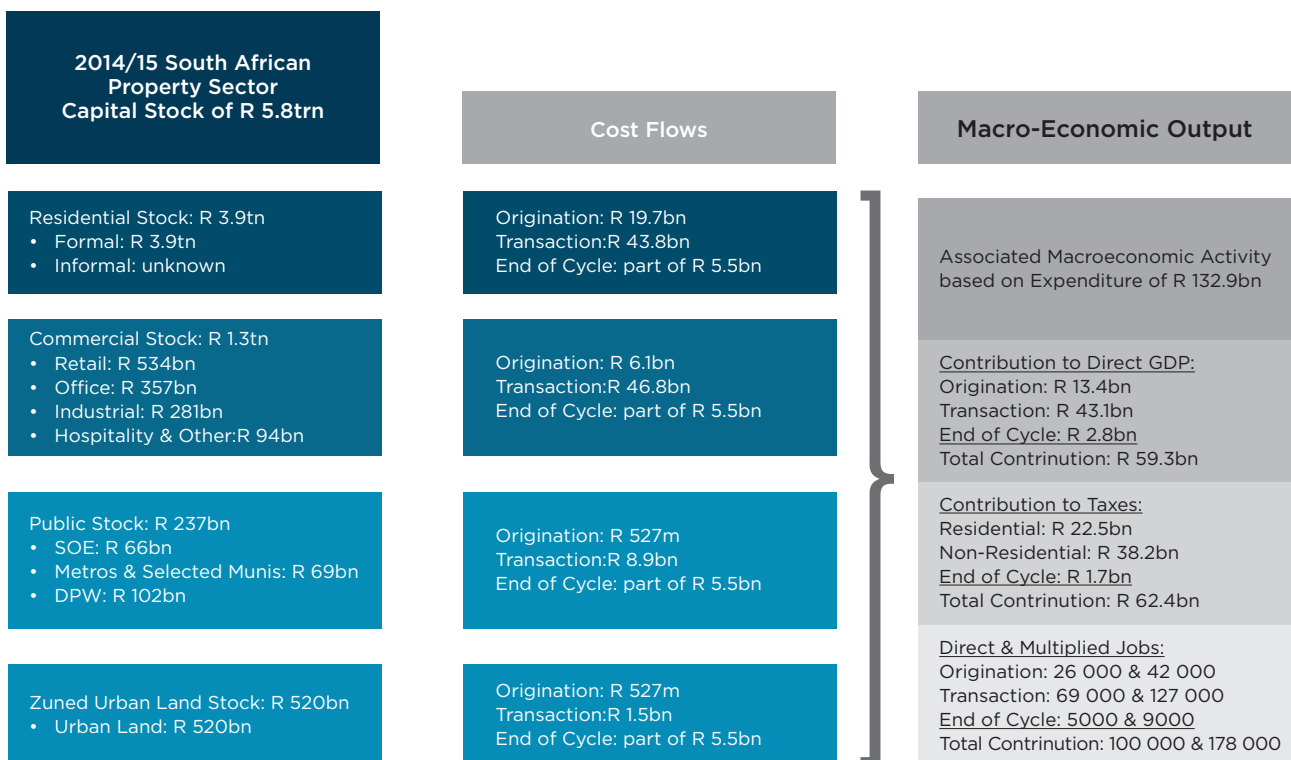


Figure 3: The SA Property Sector associated cash flow and micro-economic results

9.2 UNDERSTANDING COMPLEX STRUCTURE

Where an enterprise is exempt from an indicator in the scorecard because of the nature of its trade, it will calculate its overall performance based on total maximum points minus the weighting allocated to the indicator from which it is exempt. For example any enterprise that does not do development, thus will not be able to make investments in property related developments will be exempt from performing under that category of the scorecard, and consequently scored out of commensurately less. This is illustrated on the table (1) below.

Each tick represents an indicator of the scorecard that an enterprise needs to comply with.

	PUTS Property Unit Trust	PLSA Property Loans Stock	Asset Management	Property Owners	Property Management Services	Internal Management with PLSA	Unlisted Public Mandated Collective Investment	Estate Agents
Ownership	√	√	√	√	√	x	x	√
Management Control	√	√	√	√	√	√	√	√
Employment Equity	x	x	√	x	√	√	√	√
Skill Development	x	x	√	x	√	√	√	√
Preferential Procurement	√	√	√	√	√	√	√	√
Enterprise Development	x	√	√	√	√	√	√	√
Socio-Economic Development	x	√	√	√	√	√	√	√
Economic Development	√	√	x	√	x	√	√	x

Table 2 - Property Sector Complex Structure



9.3 PROPERTY SECTOR SEGMENTS

9.3.1 Property Listed Industry

9.3.1.1 Impact of globalisation in the SA Property Sector

The South African listed Property Sector has grown almost six-fold to R650 billion by market capitalization including the dual listed companies.

The growth was largely fuelled by local property companies expanding abroad and as offshore companies without a presence in the country however still listed in our local JSE. The growth was fuelled by new listings locally and new equity capital raising because over the last 10 years local listed property outperformed all the other asset classes (being equities, bonds and cash). The equity raised was deployed to new listings by pension funds to monetize their property portfolios with staggering local economy and excess capital listed local companies also started to diversify offshore and deploying close to 40% of the total market capitalization at its peak thus further growing the sector.

SA listed Property Sector has delivered good returns over time, apart from a declining yield environment, is primarily due to its predictable and growing income stream.

SA property listed sector today, the reality is that the local economic landscape is deteriorating. The subdued economic growth coupled with cautioned political stability and uncertainty around certain key legislation and policies.

SA GDP growth in 2015 averaged 1.4%. For the year ahead, GDP growth is expected to average 0.5%. This is not supportive of rental growth which has previously been responsible for above inflation distribution growth. Operating margins have come under pressure due to inflation costs. All this including many other such as funding cost hedging, gearing etc has resulted in listed property funds increasingly looking elsewhere to generate good returns.

The sector has seen a move where existing funds are aggressively looking at other markets for their diversification strategies with addition of new funds still listed locally but with their assets all outside the South African market. Apart from offering local investors currency diversification, these offshore regions have better economic growth prospects than South Africa in the short to medium term. According to the World Bank, 2016 GDP growth for the United Kingdom and Romania was at 2.4% and 3.9% respectively.

The Property Sector's offshore exposure is expected to increase beyond current levels as more offshore investments are made. Even though South African property fundamentals remain relatively weak, the overall sector could still generate good income growth due to the benefit of recent offshore investments.

In simple terms, the SA listed property sector is importing growth through offshore acquisitions because the funding costs are lower compared to the acquisition yields thus marking the acquisitions accretive immediately.

All this is happening in a space where globalisation is aggressively taking over whilst our legislations such as B-BBEE are crafted inwards with no outlook yet of how they are factored in this economic global transformation.

Against a challenging backdrop it remains critical that the South African property sector in particular the listed sector put extra added effort in prioritising real transformation if it is to continue making a significant contribution to the country's economic advancement and social development.



9.3.2 RESIDENTIAL INDUSTRY

9.3.2.1 Transformation of Real Estate Industry

Summary of BBBEE data collection

We have sampled 27 biggest real Estate companies in the residential Industry and we managed to secure a total of only four (4) responses. Out of the 4 responses, one (1) is an affidavit and the other three (3) are QSEs.

Out of the two (2) major industries (Commercial and Residential Industry), we have seen less effort in the residential industry to transform and more concerning is that majority of the companies do not have BBBEE certificates and those that have are reluctant to even provide the required information to us to analyse and assess the State of Transformation in this industry.

Transformation using Estate Agency Affairs Board (EAAB)

The statement that residential is showing limited effort to transform is based on the official EAAB registration figures.

a. National - Full Stats

By end of 2017 there were a total of 41910 registered agents in South Africa. Out of the 41 910 Estate Agents (49% are Interns, 31% are full status Estate Agents, 20% are principals, 0.6% are Attorneys). Below is the breakdown of all registered agents in a chart diagram.

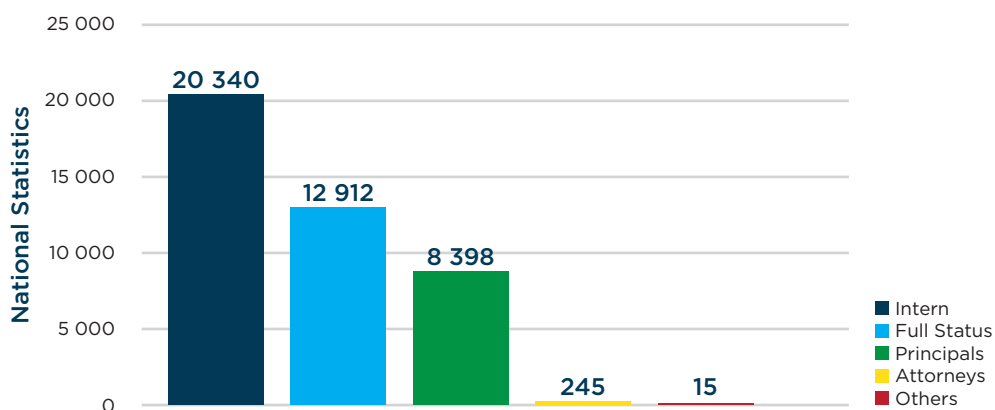


Figure 4: National registered Real Estate Agents as per regulator (EAAB)

a. National - Racial Stats

The racial split of all registered agents are as shown in the table and pie chart below.

There are only 19% Black Estate agents and 81% White Estate Agents. Black is defined as per BBBEE codes made up of African, Coloured, Indians.

a. National - Racial Stats

The racial split of all registered agents are as shown in the table and pie chart below.

There are only 19% Black Estate agents and 81% White Estate Agents . Black is defined as per BBBEE codes made up of African, Coloured, Indians.

All Registered Agents	African	Coloured	Indian	White
Interns	3458	1017	1220	14645
Full status agents	388	387	516	11621
Principals	167.96	251	503	7390
Attorneys	22	4	7	196
Firms-cc	0	0	0	0
Non-Exec principals	2	2	0	5
Attorney Employee	1	0	0	2

Table 3: National racial stats of registered Estate Agents by category as per the regulator (EAAB)

b. Racial Split by Category

The racial split by category is as follows: The intern have more Blacks estate agents are 28%, 20% black that are attorneys coming from a very small base.

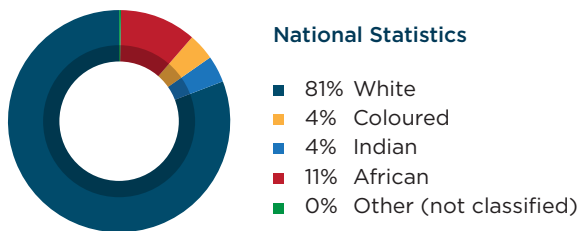


Figure 5: National racial stats of registered Real Estate Agents as per regulator (EAAB).

The concern is that the both full Status and Principal Estate agents have only 10% and 12% respectively.

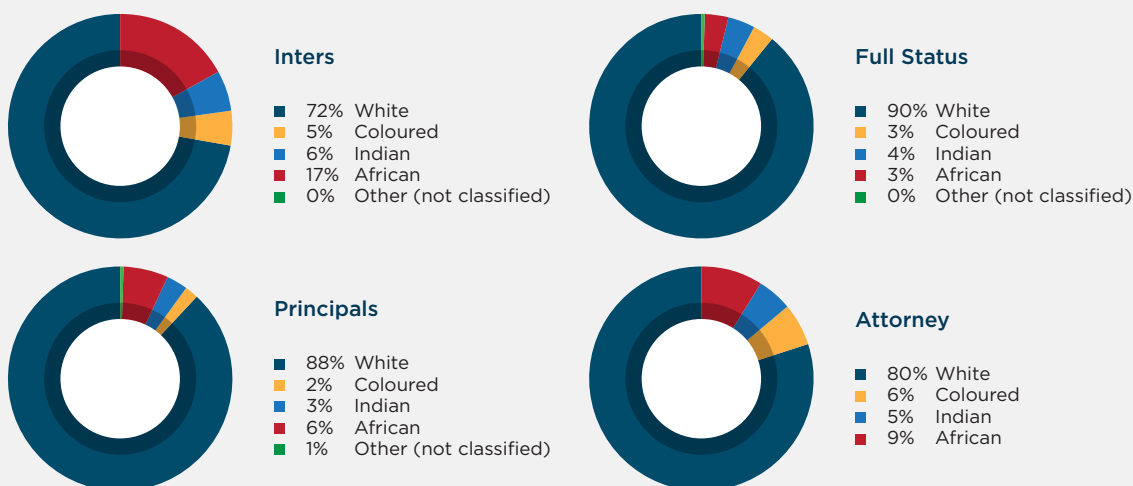


Figure 6: National racial stats by category of registered Real Estate Agents as per regulator (EAAB)

C. Gender Stats

There are more female at 57% vs male AT 42% estate agents registered with EAAB.

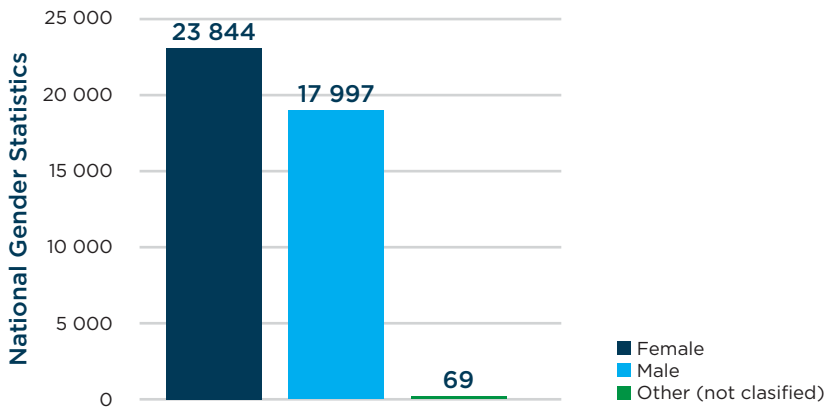


Figure 7: National gender stats of registered Real Estate agents as per regulator (EAAB)

The national gender stats by category also has more females than males except for the principal category, that has more male principal estate agents than females.

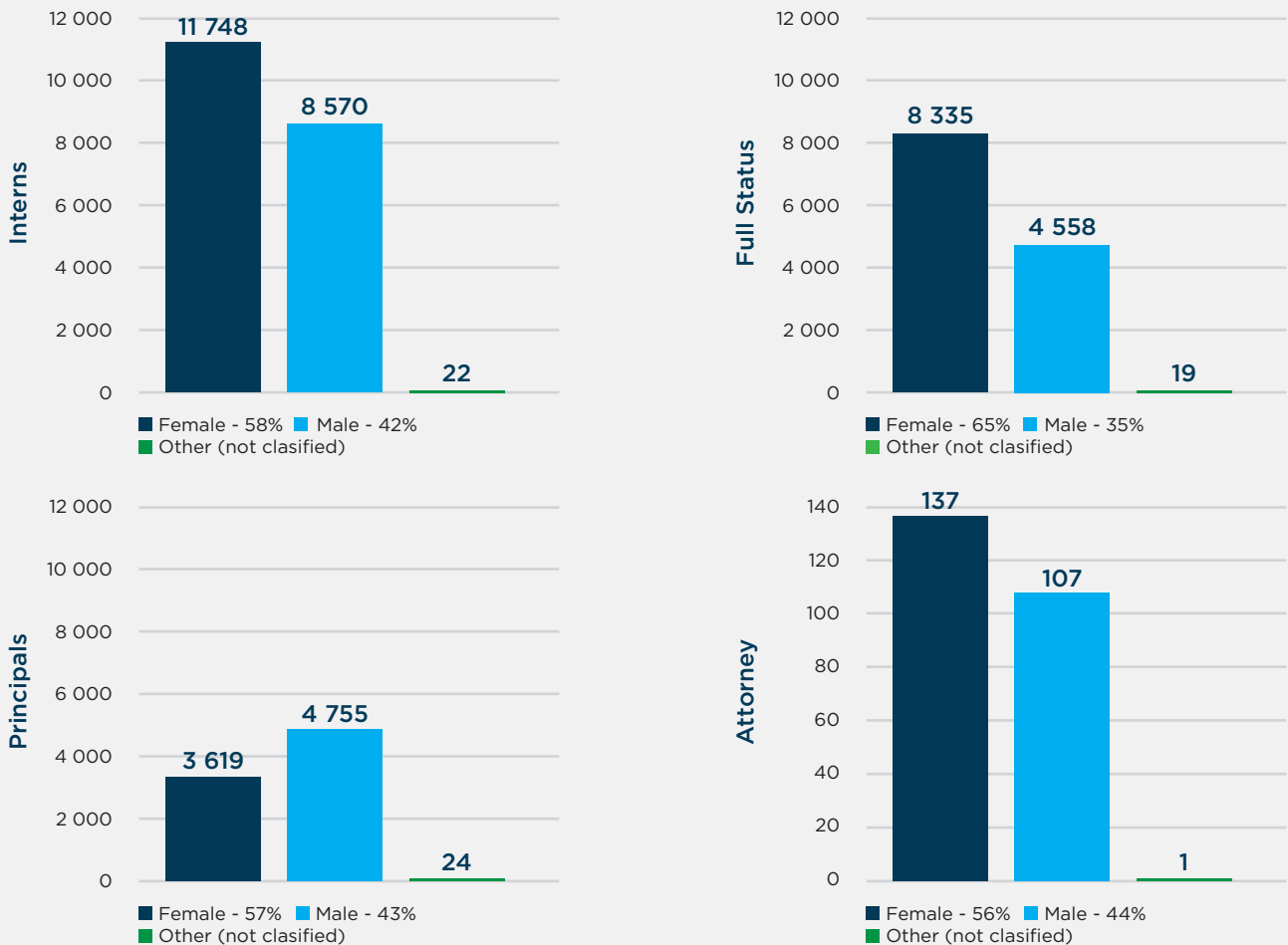


Figure 8: National gender stats by category of registered Real Estate Agents as per regulator (EAAB)



9.4 PROPERTY SECTOR RECOGNITION B-BBEE LEVEL

- From the submitted scorecards, the following analysis is extracted:
 - Recognition level 2-4 – 47.7%;
 - Recognition level 4-6 – 31.7%;and
 - Recognition level 6-8 – 20.6%
- Performance by segment is as follows:
 - Listed Property Sector – recognition level 3.8
 - Private Property Owner – recognition level 5.5
 - Generic Code (Institutions) – recognition level 3
 - Property Management Service – recognition level 4.6

9.5 AVERAGE RECOGNITION LEVEL

The average BEE level for 2016/2017 was



10 PROPERTY SECTOR CODE

10.1 EXECUTIVE SUMMARY

Property and Real Estate is one of the sectors that we have in the South African economy. Property plays a critical part at an individual level, business and other areas. At an individual level, it is a basic necessity (for shelter) as defined in the Maslow's needs of hierarchy. It is entrusted with fulfilling the right to shelter of every South African. At a business level, it is defined as a basic requirement. Property is also a considered a wealth creator globally.

In South Africa, the property market size is R5.8 trillion and contributes significantly to Growth Domestic Product (GDP) (2015 PSCC study). The Property Sector is also expected to redress the historical imbalances, injustices, inequalities, disparities, unfairness and unequal distribution of properties and wealth caused by Apartheid. Despite significant progress since the establishment of a democratic government in 1994, the South African society, including the Property Sector, remains characterised by racially based income and other socio-economic inequalities. This is not only unjust but also inhibits South Africa's ability to achieve its full economic potential.

The sector is expected to ensure that ownership, control and participation in the Property Sector and property enterprises conform to the demographics of South Africa. Although there has been some effort and some positive improvements albeit at a slow pace, black people, black women and people with disabilities, in particular, are still under-represented in the Property Sector.



The transformation performance of the Property Sector is measured under PSC scorecard and consists of eight (8) elements, namely:

- Ownership
- Management Control
- Employment Equity
- Skills Development
- Preferential Control
- Enterprise Development
- Socio-Economic Development
- Economic Development

The above elements are measured against set targets with a particular given target.

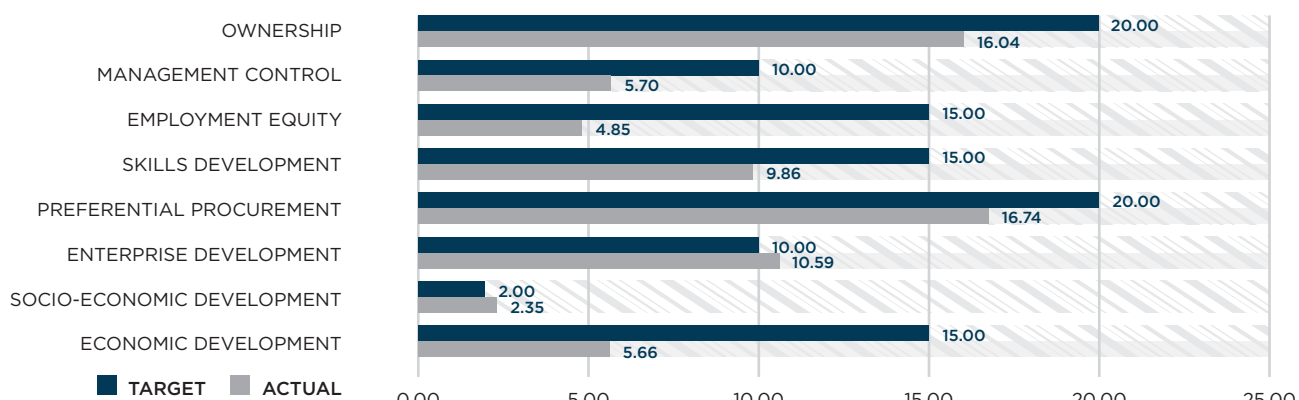


Figure 9: 2016/2017 State of Transformation performance by element.

10.1.1 SUMMARY OF STATE OF TRANSFORMATION OF PROPERTY SECTOR FOR 2016/2017

- Overall Excellent performance against targeted weighting is:
 - Enterprise Development - 105%
 - Socio-Economic Development - 117.2%
- Still below target but good performance
 - Ownership - 80.2%
 - Preferential Procurement - 83.7%
- More focus required
 - Skill Development - 65.7%
 - Management Control - 57.0%
 - Employment Equity - 32.3%
 - Economic Development - 37.7%

We are seeing an increased number of enterprises that are submitting their scorecards, against the sampled enterprises, but we acknowledge that we started at a very low base. There is still a need for many more enterprises, and ultimately all sampled enterprises to submit, and submit more promptly, upon request.

It is highly recommended that the Property Sector put more effort and focus in addressing all elements that are under target but more efforts are required to address Skills Development, Management Control, Employment Equity and Economic Development.

Following the status of transformation of the Property Sector, the sector needs to devise intervention strategies/plans and programmes to achieve set targets in all the elements as gazetted in the PSC.

10.1.2 COMPARISON SCORES OF 2015/2016 VS 2016/2017

- **OWNERSHIP**
2015/2016 • 82% 2016/2017 • 80.2% *CHANGE • -2.2%*
- **MANAGEMENT CONTROL**
2015/2016 • 60% 2016/2017 • 57% *CHANGE • -5%*
- **EMPLOYMENT EQUITY**
2015/2016 • 55% 2016/2017 • 32% *CHANGE • -42%*
- **SKILLS DEVELOPMENT**
2015/2016 • 69% 2016/2017 • 65.7% *CHANGE • -5%*
- **PREFERENTIAL PROCUREMENT**
2015/2016 • 82.2% 2016/2017 • 83.7% *CHANGE • -2%*
- **ENTERPRISE DEVELOPMENT**
2015/2016 • 115% 2016/2017 • 105.6% *CHANGE • -8%*
- **SOCIO-ECONOMIC EMPOWERMENT**
2015/2016 • 114% 2016/2017 • 117.2% *CHANGE • 3%*
- **ECONOMIC EMPOWERMENT**
2015/2016 • 54% 2016/2017 • 38% *CHANGE • -29.6%*



10.1.3 KEY FINDINGS

The property sector commits itself to the implementation of a Transformation Charter within the Property Sector. These are the main findings of the overall report:

1. Sampling

A total number of 165 companies were sampled and 64% (106) responded. 106 is a small number in comparison to the total number of companies in the property sector, but , it is reflective of the industry outlook. There are few large companies that hold a high market value and as a result dominate the Property Sector. In the Property Sector, direct property ownership and participation is dominated by institutional investors, large private owners, collective investment schemes, listed property entities and Government.

2. Industry performance

- The Property Sector continues to make reasonable efforts towards transformation albeit not at a sufficient pace. However, it is worth noting that various industries that make up the Property Sector (as defined in the Property Sector Code scope), suggest varying level of commitment towards the implementation of transformation exist.
- The commercial sector is making reasonable progress whereas the residential industry has shown limited effort in driving transformation, they are not conscious of it as there is still a high number of agencies that do not have scorecards nor even know and understand B-BBEE.
- Moreover it would seem from the study that, the public sector based on the limited submissions, it is not taking the active lead that it is expected to take in furthering transformation agenda.

3. Property Sector B-BBEE Recognition Level

- The Property Sector average recognition is Level 4, which is a reasonable level based on the previous B-BBEE scorecard. But this data must be interpreted with care as it is important to be reminded that the adjusted B-BBEE recognition level will bring down to the Average Property Sector to Level 6 if nothing changes.

4. Comparison of 2015/2016 vs 2016/2017

- There is a clear evident trend, the elements where the Property Sector is doing well it continues to improve, whilst the element that we are not doing well the performance score is getting worse and declining rapidly.

5. Performance in Employment Equity, Management Control and Skills Development

- Whilst there has been significant performance against our set targets in Enterprise Development and Socio-Economic Development reasonable efforts seem to have been made in the category Preferential Procurement and Ownership elements . Yet there are three interrelated aspects where the Property Sector is underperformed which includes- Employment Equity, Management Control and Skills Development. It is also not a surprise that the underperformance of these elements come as a “package” considering that they are interrelated.

- I. **Employment Equity:** the achieved scores in transformation of middle and senior management is extremely low against set targets. Hence it is unlikely that significant progress is being made to bring black individuals into the role of executive directors or executive management under Management Control. There is evidence that reporting enterprises in the Property Sector have not adequately addressed Employment Equity. This continues to lead to an under-representation of black people and black women in all levels of management.
- II. **Management Control:** It would seem that significant achievement has been made in the appointment of black independent non-executive Directors in the sector. However often their participation does not translate in significant and influential decision making. This is due to the voting rights targets being lower than expected. The Property Sector continues to be characterised by under-representation of black people and black women in particular in executive management and in certain companies which includes board level participation. Thus, race and gender inequality, particularly of black people and black women remains of major concern in the property sector and needs to be effectively and substantially addressed urgently.
- III. **Skills Development:** the spend by companies on black people on Skills Development training is easier to achieve if the targets under Employment Equity and Management Control are achieved. The difficulty in achieving Skills Development target is the consequence of the poor performance found in Employment Equity and Management Control

6. Skills Development

- The impact of the lack of Skills Development presently being implemented is that the present transformation scenario will be perpetuated. It is critical that enterprises in the Property Sector should adequately invest in Skills Development. This should be done in collaboration with academic institutions in order to build a curriculum that meets the needs of current and future needs.
- The impact of under-performance in Skills Development being implemented is that the industry will suffer now and continue to do so in the future because there are not enough Black skilled people and women to take over. Enterprises in the property sector need to adequately invest in Skills Development and work together with academic institutions to build a curriculum that would meet the needs of current and future trending needs.

7. Performance of Enterprise Development and Socio-Economic Development

- There was considerable achievement against targets in Enterprise Development and Socio-Economic development. Going forward it is important that this achievement leads to creation and growth of sustainable enterprises in the sector.

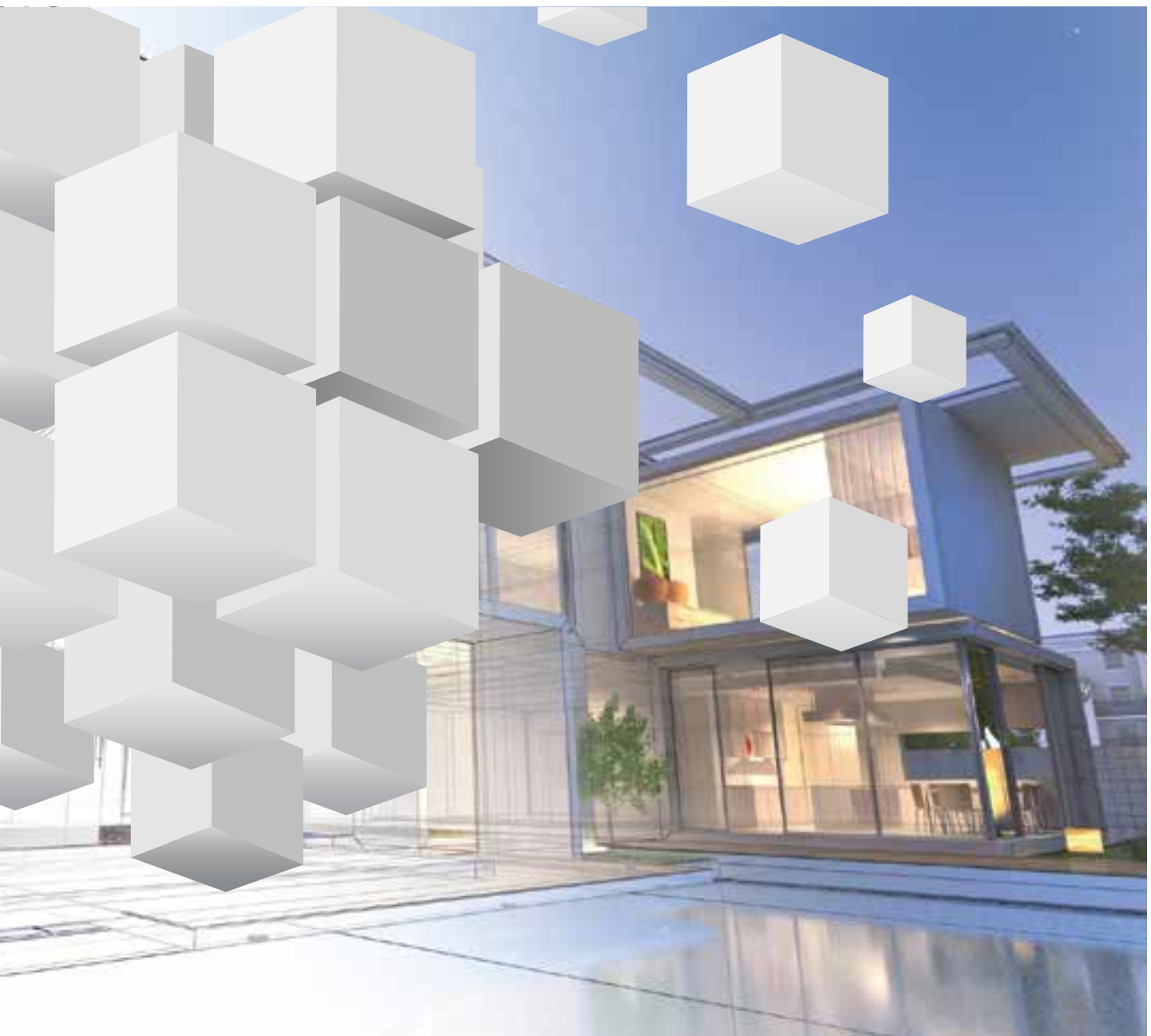
8. Performance of Economic Development

- Economic Development has not performed well against the set targets, however we are aware of some reasonable efforts undertaken by majority of the larger companies particularly in the development of retail shopping centres in townships

and in some rural areas. The lack of performance in this area could mean that our target is not sufficiently targeted at the poorest areas of the country (completely under resourced areas). It would seem that businesses are targeting investment opportunities at areas with relatively high income - we hope the future direction will lead the sector in the areas where development are needed the most.

9. Lessons learnt

Based on the compassion study of last years' performance and this year- unless the sector find strong interventions solution against elements where the sector is not performing well it will continue to get worse. In fact, the negative impact will be amplified once we start the assessment under the **AMENDED PROPERTY SECTOR CODE (Gazette 40910)** which was gazetted in June 2017.

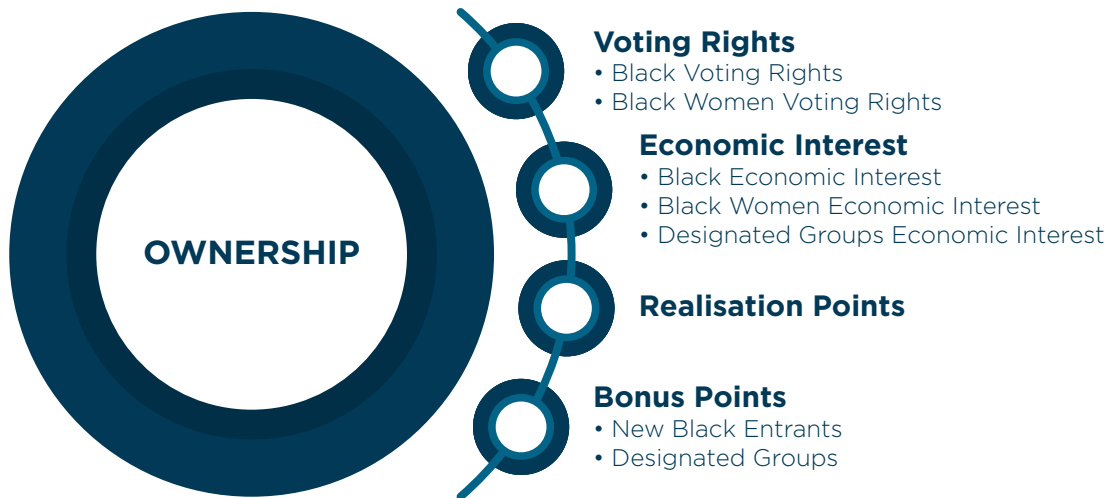




OWNERSHIP

10.2 OWNERSHIP

This chapter reports about the ownership of enterprises in the Property Sector.



10.2.1 DEFINITION OF OWNERSHIP

Ownership measures the effective ownership of enterprises by black people. Ownership recognises and measures the entitlement of black people to the voting rights and economic interest associated with equity holding. Voting rights afford the rights to determine strategic and operational policies of an enterprise, while economic interests result in the rebuilding and accumulation of wealth by black people.

10.2.2 OWNERSHIP IN THE PROPERTY SECTOR CODE

Under PSC there are two (2) ownership scorecards, namely:

- Property owning companies; and
- All other companies.

The core business of property owning companies is buying and owning property as well as increasing their portfolio and assets.



10.2.3 OWNERSHIP CHALLENGES

Ownership of enterprises by black people, particularly black women is limited in the Property Sector. Majority of the enterprises in the Property Sector are largely owned by white people.

Property commercial activities still reflect inequality in ownership shown by skewed ownership patterns of property, in general. There are low levels of black ownership in property enterprises, including property services enterprises, and there are obstacles to ownership of property assets by black people.

10.2.4 PURPOSE OF OWNERSHIP IN THE PROPERTY SECTOR CODE

This code aims to address the low levels of black ownership in property enterprises, including property services enterprises, as well as deal with obstacles to ownership of property assets by black people.

10.2.5 OWNERSHIP TARGETS AND WEIGHTINGS

10.2.5.1 PSC Ownership Targets and Weightings

Each Property Sector enterprise commits to achieve the following targets with the first five (5) years (PSC):

- at least 25% economic interest by black people;
- at least 25% plus one (1) vote exercisable by people in the enterprise;
- at least 10% ownership and economic interest by black women and 10% votes exercisable by black women in the enterprise; and
- at least 2.5% participation in ownership and economic interest held by broad-based ownership schemes and/or designated groups.

Table 1.1 highlights the PSC ownership targets and weightings set for enterprises in the Property Sector.



OWNERSHIP (20 POINTS)					
Category	Indicators	Weightings		Target	
		Property owning companies	All other companies	Property owning companies	All other companies
Voting rights	Exercising voting rights in the enterprise in the hands of black people	5	3	25% plus 1 vote	25% plus 1 vote
	Exercising voting rights in the enterprise in the hands of black women	2	2	10%	10%
Economic interest	Economic interest of black people	5	4	25%	25%
	Economic interest of black women	2	2	10%	10%
	Economic interest of black designated group, participants in employee ownership schemes, beneficiaries of Broad based ownership schemes, and participants in cooperatives	1	1	2.5%	2.5%
Realisation points	Ownership fulfilment	1	1	1	Refer to paragraph 10.1 of Codes of Good Practice
	Net equity value	4	7	The schedule below applies to property owning companies: Year 1 - 3% Year 2 - 7% Year 3 - 10% Year 4 - 15% Year 5 - 19% Year 6 - 24% Year 7 - 30% Year 8 - 36% Year 9 - 43% Year 10 - 50%	All other companies comply with the codes of good practice schedule.
Bonus Points	Involvement in the ownership of the enterprise of new Black entrants;	2	2	10%	10%
	Involvement in the ownership of the enterprise of Black participants;	1	1	10%	10%
	1. Employment ownership schemes				
	2. Broad-Based ownership schemes				
	3. Co-operatives				

Table 4 - Property Sector Code Ownership Scorecard

10.2.6 OWNERSHIP ACTUAL

The average total ownership weighting score for the year 2016 achieved was **16.04**, and it was lower than the set target of twenty (20) plus three (3) additional bonus points. This makes the achievement of ownership at **80.2%**.

The average total ownership is the sum total of the following sub-elements:

- average black voting rights score;
- average black women voting rights score;
- average black economic interest score;
- average black women economic interest score;
- average net equity interest score;
- average group and schemes economic interest score; and
With bonus points
- average involvement of enterprises of new black entrants; and
- average involvement of enterprises of designated groups.

10.2.6.1 Segment performance of ownership

Property Loan Stock (internal) achieved the highest average ownership weighting score of 19.57 and it was however, lower than the set weighting target of twenty (20) while Property Loan Stock (external) had the lowest ownership weighting score of 13.57, and it was also lower than the set target.

Figure 1.1 depicts the 2016 average actual ownership achieved score per segment.

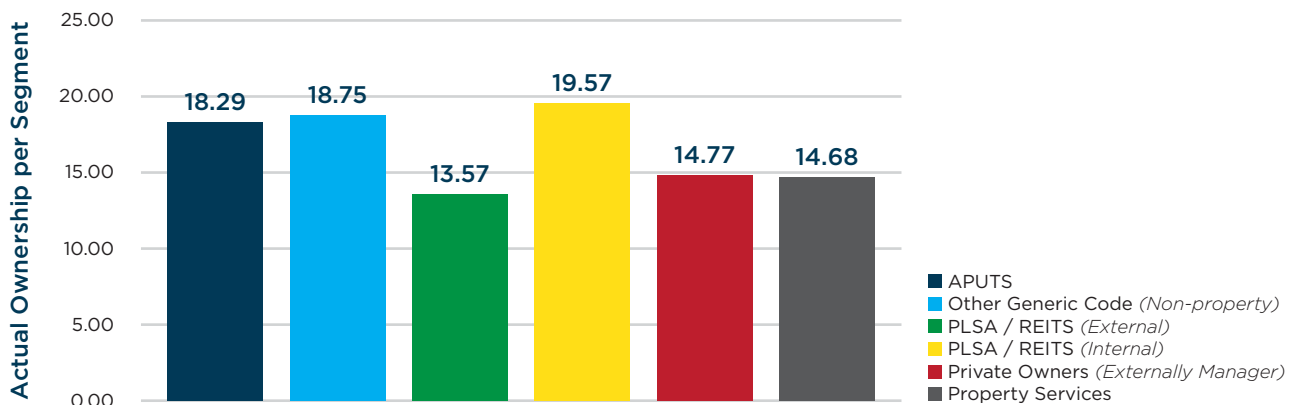


Figure 10: PSC average total Ownership weighting score per segment



- 10.2.6.1.1 Property Listed Industry
 - Property listed sector has achieved average of 17.12 points, which is 85.6% against set weighting target points of 20.
- 10.2.6.1.2 Other Generic Codes
 - Other Generic Codes has achieved average of 19.57 points, which is 98% against set weighting target points of 20.
- 10.2.6.1.3 Private Owners
 - Private Owners has achieved average of 14.77 points, which is 74% against set weighting target points of 20.
- 10.2.6.1.4 Property Services
 - Property Services has achieved average of 14.68 points, which is 73% against set weighting target points of 20.

10.2.7 PERFORMANCE OF SUB-ELEMENTS UNDER OWNERSHIP

10.2.7.1 Black voting rights

The average percentage of black voting rights score achieved was 28.03%, and it was higher than the set target of 25%.

10.2.7.2 Black women voting rights

The average percentage of black women voting rights score achieved was 7.71%, and it was lower than the set compliance target of 10.00%.

10.2.7.3 Black economic interest

The average percentage of black economic interest score achieved was 24.26%, and it was higher than set compliance target of 25%.

10.2.7.4 Black women economic interest

The average percentage of black women economic interest score achieved was 7.14%, and it was lower than the set compliance target of 10%.

10.2.7.5 Group and schemes economic interest

The average percentage of group schemes economic interest score achieved was 5.90%, and it was higher than the set compliance target of 2.50%.

10.2.7.6 Net Equity Interest

The average percentage net equity interest score achieved was 4.25%, and it was lower than the set asset based and revenue-based target of 7%.

10.2.8 SUMMARY

Ownership achieved (16.04 point) 20% lower than the set target of 20 points. This low target was attributed to the following:

- Net Equity was 39% lower than the set target (4.25 vs 7 points);
- Black Women Economic Interest was 29% lower than the set target (7.14% vs 10%);
- Black Women Voting Right was 23% lower than the set target (7.7% vs 10 %); and
- Black Economic Interest was 3% lower than the set target (24.26% vs 25%).

The overall target was boosted by the over performance in the following:

- Economic Interests under Group Schemes achieved 136% higher than the set target (5.9% vs 2.5%); and
- Black Voting Right achieved 12% higher than the set target (28%vs 25%).

10.2.9 CONCLUSION

The Property Sector have missed every women target in the ownership scorecard (voting right and economic Interest) and whilst we over achieved in group schemes it is yet to be ascertained the groups schemes that are true and proper beneficiaries in the Property Sector. And the fact that we have achieved low targets for the realisation points it meant the we need to look for better funding models in the sector that enable black owners to realise the benefits in line with the realisation schedule.

10.2.10 RECOMMENDATIONS

The sector should be encouraged to increase the commitment in attracting and absorbing new black entrants in the ownership deal whilst finding favourable funding models that would suitably help improve the net equity points by meeting the targets as per the relevant schedule.

The sector needs to attract more Black women in ownership structure in order to improve the Black Women Voting rights and Black Women Economic Interest.

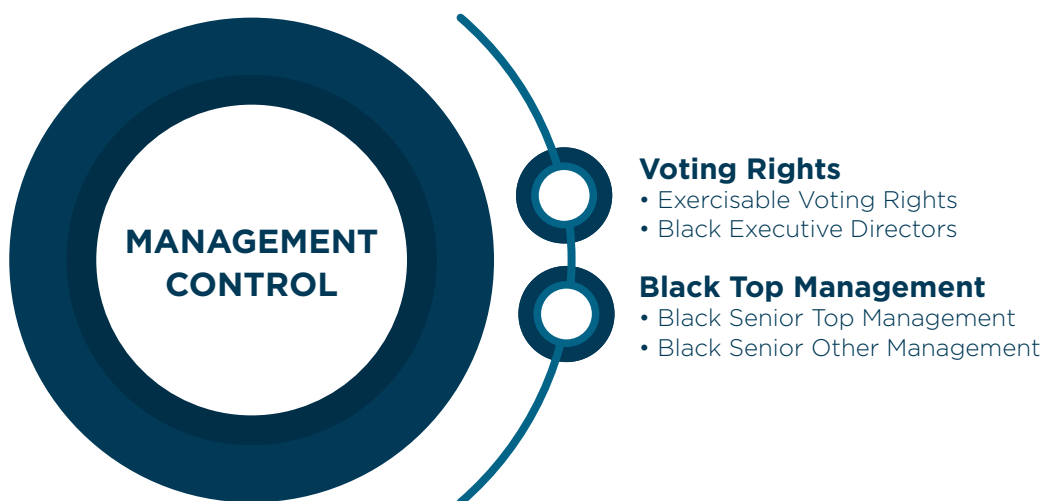




MANAGEMENT CONTROL

10.3 MANAGEMENT CONTROL

This chapter reports about Management Control by black people and black women in the Property Sector.



10.3.1 DEFINITION OF MANAGEMENT CONTROL

Management Control measures the effective control of economic activities and resources of enterprises by black people. This involves the power to determine policies as well as the direction of economic activities and resources. Management Control is exercised through the governing bodies of an enterprise and it is normally measured at board of directors (or equivalent) and executive management (or highest equivalent).

10.3.2 MANAGEMENT CONTROL CHALLENGES

The Property Sector is characterised by under-representation of black people and black women at board level and executive management. Thus, race and gender inequality, particularly black people and black women is still a major concern in the Property Sector and needs to be effectively and substantially addressed urgently.

10.3.3 PURPOSE OF MANAGEMENT CONTROL IN THE PROPERTY SECTOR CODE

To redress these historic challenges, the PSC requires enterprises in the Property Sector to commit to achieve Management Control set targets.

10.3.4 MANAGEMENT CONTROL TARGETS AND WEIGHTINGS

These Management Control targets are applicable to all segments of the Property Sector.

Each Property Sector enterprise commits to achieve the following targets:

- 50% of voting rights by black people in board levels using adjusted recognition for gender;
- 50% black executive directors using adjusted recognition for gender;
- 40% black top senior management level using adjusted recognition for gender; and
- 40% black other top management level using adjusted recognition for gender.

Table 5: Highlights the PSC Management Control targets and weightings set for enterprises in the Property Sector.

MANAGEMENT CONTROL (10 POINTS)			
Category	Indicators	Weightings	Compliance Targets
Board participation	Exercisable voting rights of black board members using adjusted recognition for gender	3	50%
	Black executive directors using adjusted recognition for gender	2	50%
Top management	Black top senior management using adjusted recognition for gender	3	40%
	Black other top management using adjusted recognition for gender	2	40%
Bonus	Black independent non-executive board member	1	40%

Table 5: Property Sector Code Management Control Scorecard

10.3.5 MANAGEMENT CONTROL ACTUAL

The average total Management Control weighting score achieved was **5.70**, and it was lower than the set weighting points target of ten (10) plus one (1) additional bonus point. This makes the achievement of Management Control at **57%**.

The total Management Control score is a sum total of the following scores:

- average black voting rights score;
- average black women voting rights score;
- average black executive directors score;
- average black top management score; and
- average black other top management score.

With bonus points:

- average black independent non-executive directors score.

10.3.5.1 Segment performance of Management Control

APUTS achieved the highest average Management Control weighting score of eleven (11), and it was higher than the set weighting target of ten (10) whilst Property Loan Stock (PLSA) or Real Estate Investment Trust Scheme (REITS) that are externally managed had the lowest score of 3.25 points.

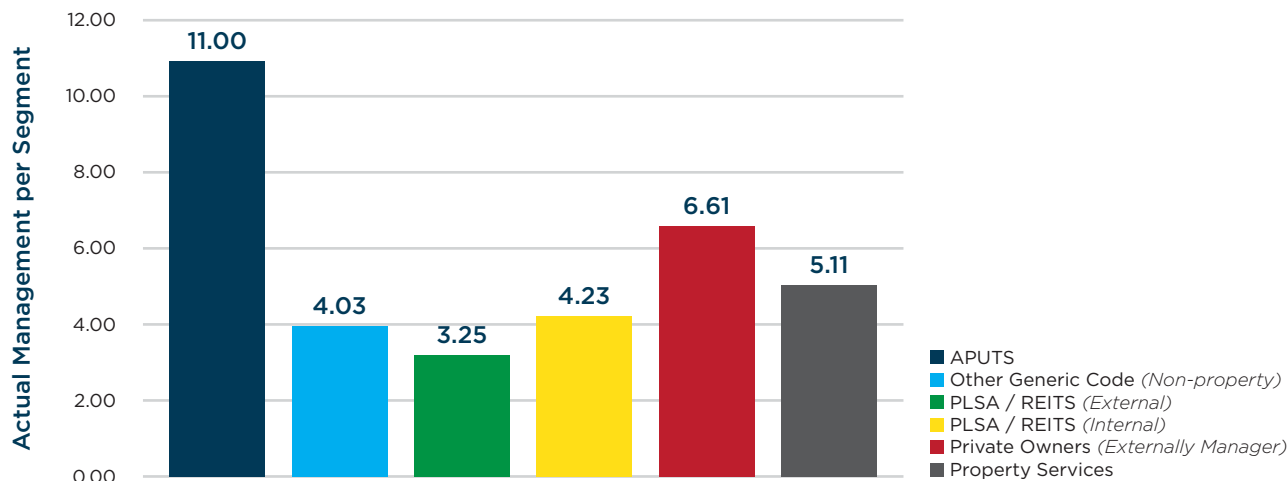


Figure 11: PSC average total Management Control weighting score per segment

10.3.5.1.1 Property Listed Industry

- Property listed sector has achieved average of 6.16 points, which is 61% against set weighting target points of 10.

10.3.5.1.2 Other Generic Codes

- Other Generic Codes has achieved average of 4.03 points, which is 40% against set weighting target points of 10.

10.3.5.1.3 Private Owners

- Other Generic Codes has achieved average of 6.61 points, which is 66% against set weighting target points of 10.

10.3.5.1.4 Property Services

- Property Services has achieved average of 5.11 points, which is 51% against set weighting target points of 10.



10.3.6 PERFORMANCE OF SUB-ELEMENTS UNDER MANAGEMENT CONTROL

10.3.6.1 Black Voting Rights

The average percentage of black voting rights score achieved was 28.03%, and it was lower than the set compliance target of 50%.

10.3.6.2 Black Executive Directors

The average percentage of black executive directors score achieved was 15.07%, and it was lower than the set compliance target of 50%.

10.3.6.3 Black Senior Top Management

The average percentage of black senior top management score achieved was 15.98% and it was lower than the set compliance target of 40%.

10.3.6.4 Black Other Top Management

The average percentage of black other top management score achieved was 8.14%, and it was lower than the set compliance target of 40%.

10.3.6.5 Bonus Points - Black Independent Non-Executive

The average percentage of black independent non-executive bonus score achieved was 31.45%, and it was lower than the set target of 40%.

10.3.7 SUMMARY

Management Control achieved (5.70 point) 43% lower than the set target of 10 points. The sector missed all the sub-element targets.

This low target was attributed to the following:

- Black Other Top Management was 20.35% lower than the set target (8.14% vs 40%);
- Black Executive was 30.14% lower than the set target (15.07% vs 50%);
- Black Senior Top management was 39.95% lower than the set target (15.98% vs 40 %);
- Black Voting Rights was 56.06% lower than the set target (28.03% vs 50%); and
- Black Independent Non-Executive was 78.62% lower than the set target (31.45% vs 40%).

10.3.8 CONCLUSION

The Black people have not penetrated to executive management or any other senior management position in the property sector. This means that Black people do not have effective control of economic activities and the resources of enterprises in the property sector.

10.3.9 RECOMMENDATIONS

Property Sector needs to give Management Control some serious attention. The Property Sector should put strategies in place to help enterprises to fully commit and develop plans that will enable them to achieve set targets in Management Control particularly on Black Executive Directors, Black Senior Top management and Black Top Other Management and with emphasis to Black female appointments.

Enterprises should be encouraged to employ black people and create mobility growth path route for them towards Senior and executive management levels.

It is critical that ultimately the entities achieve a substantial change in the racial and gender composition in Management Control and enhance the participation of black people including black women in both Executive and Non-Executive position with full decision making powers in those entities and ultimately in the property sector.

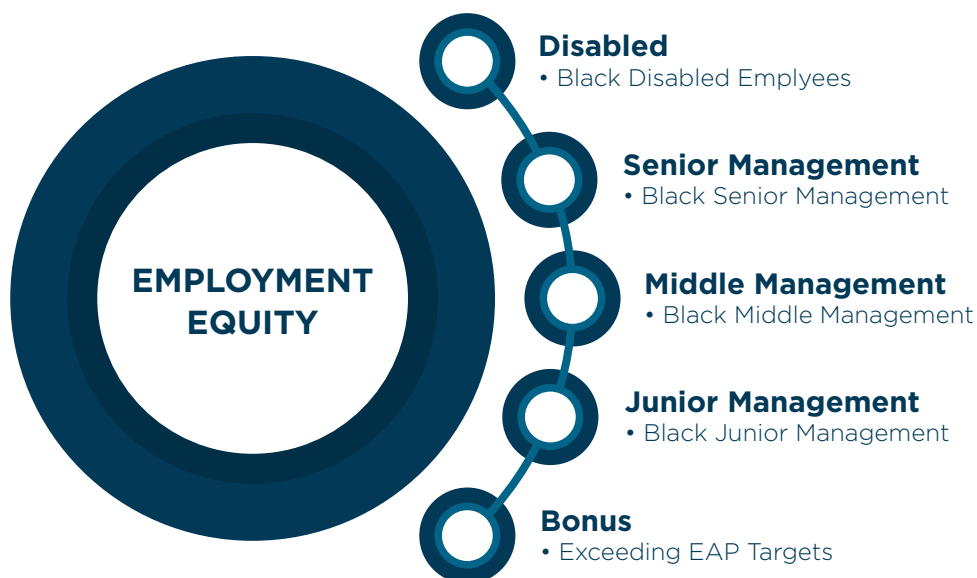


EMPLOYMENT EQUITY



10.4 EMPLOYMENT EQUITY

This chapter reports about Employment Equity within enterprises in the Property Sector.



10.4.1 DEFINITION OF EMPLOYMENT EQUITY

Employment Equity is defined as “means to promote equal opportunity and fair treatment in employment through the elimination of unfair discrimination and the implementation of affirmative action measures to redress the disadvantages in employment experienced by designated groups, in order to ensure their equitable representation in all occupational categories and levels of the workforce (Employment Equity Act of 1998).” Employment equity measures initiatives intended at achieving equity in the workplace, under the Employment Equity Act of 1998.

10.4.2 EMPLOYMENT EQUITY CHALLENGES

Race and gender in the Property Sector, especially in the various management categories, is not representative of the demographics of the country. This is despite the introduction of the Employment Equity Act, 55 of 1998.

Enterprises in the Property Sector have not adequately addressed Employment Equity. This has led to the under-representation of black people and black women. The under-representation is also evident in different levels of management within various enterprises.

10.4.3 THE PURPOSE OF EMPLOYMENT EQUITY IN THE PROPERTY SECTOR CODE

It is the objective of the PSC to promote Employment Equity by requiring each Property Sector enterprise to undertake to implement a transformation programme in its workplace and eradicate inequalities and disparities; promote a non-racial, non-sexist environment and enhance cultural diversity and gender sensitivity; and ensure reasonable accommodation and access for employees with disabilities within the sector.

10.4.4 EMPLOYMENT EQUITY TARGETS AND WEIGHTINGS

There are two (2) Employment Equity scorecards in the Property Sector Code, namely,

1. Employment Equity excluding Estate agencies, Property brokers and Valuation companies; and
2. Employment Equity for Estate agencies, Property brokers and Valuation companies.

The reason for existence of two (2) Employment Equity scorecards is the business management structure such as those of estate agencies is normally very lean and does not have various tiers and levels of management.

10.4.4.1 PSC Employment Equity Targets and Weightings

Each Property Sector enterprise commits to achieve the following targets within five (5) years:

- 3% black disabled employees;
- 60% black senior management employees;
- 75% black employees in middle management; and
- 80% black employees in junior management.

All the above targets are as a percentage of all employees using the adjusted recognition for gender.

For Estate Agents, Brokers and Valuers:

- 50% black practitioners as a percentage of all practitioners using the adjusted recognition for gender;
- 35% black people in management as a percentage of total management using the adjusted recognition for gender; and
- 18% black women as a percentage of total management.
- With bonus points for exceeding the following
 - Black practitioners - 60% target;
 - Black management - 40% target; and
 - Black women in management - 30% target.

Table 6 highlights the Employment Equity targets and weightings set by the PSC for enterprises.



EMPLOYMENT EQUITY (15 Points)			
Category	Indicators	Weightings	Compliance Targets
Disabled	Black disabled employees as a percentage of all employees using the adjusted recognition for gender	2	3%
Senior management	Black senior management employees as a percentage of all employees using the adjusted recognition for gender	5	60%
Middle management	Black employees in middle management as a percentage of all employees using the adjusted recognition for gender	4	75%
Junior management	Black employees in junior management as a percentage of all employees using the adjusted recognition for gender	4	80%
Bonus points	Bonus points for exceeding targets in each category (senior=1, middle=1 and junior=1)	3	

Table 6: Property Sector Code Employment Equity Scorecard (Excluding Estate Agents)

EMPLOYMENT EQUITY (15 Points)			
Category	Indicators	Weightings	Compliance Targets
Property brokers/estate agents & valuers	Black practitioners as a % of all practitioners using the adjusted recognition for gender	7	50%
	Black people in management as a % of total management	7	35%
	Black women as a % of total management	1	18%
Bonus points	Black practitioners as a % of all practitioners using the adjusted recognition for gender	1	60%
	Black people in management as a % of total management	1	40%
	Black women as a % of total management	1	30%

Table 7: Property Sector Code Employment Equity Scorecard (for Estate Agents)

10.4.5 EMPLOYMENT EQUITY ACTUALS

10.4.5.1 Employment Equity (for Estate Agents)

Not enough information was provided to make credible analysis under the relevant scorecard. However analysis is provided under 9.3.2.

The average total Employment Equity excluding estate agents weighting score was **4.85**, and it was lower than the set weighting target points of fifteen (15) plus three (3) additional bonus points. This makes the achievement of Employment Equity at **32.3%**.

The total Employment Equity excluding estate agents is a sum total of the following sub-elements:

- average sector black senior management score;
- average sector black middle management score;
- average sector black junior management score; and
- average sector disabled management score.

10.4.5.2 Segment performance of Employment Equity (Excluding Estate Agents)

It is noted that only a few segments have recorded some performance under Employment Equity - the full explanation is provided under section 9.2 - Understanding Complex structure. The Property services achieved the highest employment equity weighting score of 6.48, and it was lower than the set target of 15% while PLSA property loan stock (internal) achieved the lowest weighting score of 6 and which was also lower against the set weighting target.

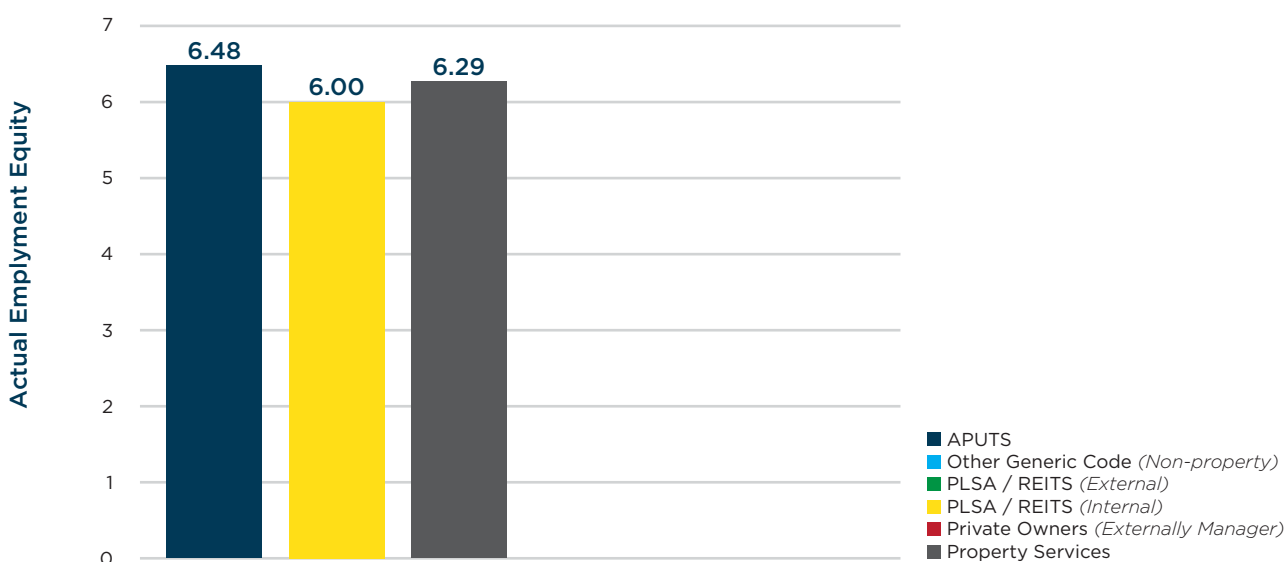


Figure 12: PSC average total Employment Equity weighting score per segment excluding Estate Agents

10.4.5.2.1 Property Listed industry

- PLSA (internal) has achieved average of 6.0 points, which is 40% against set weighting target points of 15.

10.4.5.2.2 Other Generic Codes

- Other Generic Codes has achieved average of 6.48 points, which is 43.2% against set weighting target points of 15.

10.4.5.2.4 Property Services

- Property Services has achieved average of 6.29 points, which is 41.9% against set weighting target points of 15.

10.4.6 PERFORMANCE OF SUB-ELEMENTS UNDER EMPLOYMENT EQUITY

10.4.6.1 Black Senior Management (Excluding Estate Agents and brokers)

The average percentage of black senior management score (excluding estate agents and brokers) achieved was 19.13%, and it was lower than the set compliance target of 60%.

10.4.6.2 Black Middle Management (Excluding Estate Agents and brokers)

The average percentage of black middle management score (excluding estate agents and brokers) achieved was 33.67% and it was lower than the set compliance target of 75%.

10.4.6.3 Black Junior Management (Excluding Estate Agents and brokers)

The average percentage of black middle management score (excluding estate agents and brokers) achieved was 69.02% and it was lower than the set compliance target of 80%.

10.4.6.4 Black Disabled Management (Excluding Estate Agents and brokers)

The average percentage of black disabled management score (excluding estate agents and brokers) achieved was 0.17% and it was lower than the set compliance target of 3%.



10.4.7 SUMMARY

Employment Equity achieved (4.85 points) 67.7% lower than the set target of 15 points. The entire sector missed the targets of all the sub-element targets.

This low target was attributed to the following:

- Black Disabled Employees was 94.4% lower than the set target (0.17% vs 3%);
- Black Senior Management was 68.2% lower than the set target (19.13% vs 60%);
- Black Middle Management was 55.2% lower than the set target (33.6% vs 75%); and
- Black Junior Management 13.73% lower than the set target (69.02% vs 80%).

10.4.8 CONCLUSION

Property Sector has not achieved equitable representation of race and gender in all occupational categories and levels of the workforce. Despite Employment equity measures initiatives that each individual companies have put in place in order to achieve equity in the workplace, under the Employment Equity Act of 1998 have not worked well.

10.4.9 RECOMMENDATIONS

Enterprises should be encouraged to develop strategic Employment Equity plans that will enable the measured entities to achieve the Employment Equity set targets. The plan must focus on all levels of management, particularly senior and middle management, with the aim to bridge the big gap in both middle and senior management.

Enterprises should be encouraged to employ and increase the pool of intellectual capital black people and in particular black women and create mobility growth path route for them towards middle and senior management levels and ultimately into executive director positions.

It is clear that the sector needs to promote the effective advancement of Employment Equity and encourage diverse organisational cultures.

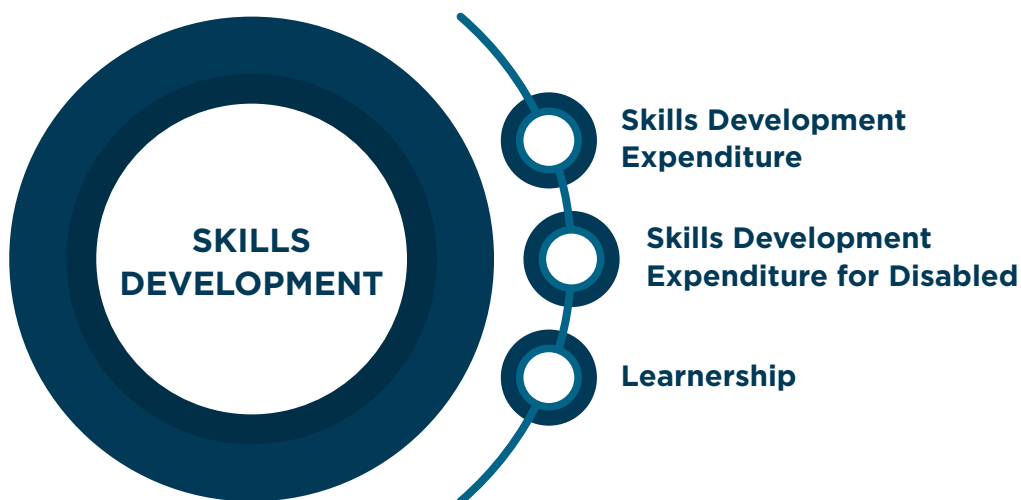




SKILLS DEVELOPMENT

10.5 SKILLS DEVELOPMENT

This chapter reports about Skills Development within enterprises in the Property Sector.



10.5.1 DEFINITION OF SKILLS DEVELOPMENT

Skills Development measures the extent to which enterprises implement measures that are aimed at developing the core technical skills and competencies of black employees in order to perform their duties as property practitioners or management of enterprises, and subsequently develop the economy of the country. Skills Development is defined as “the transfer or gaining of technical knowledge, related skills, values and attitudes in order to develop proficiency and to develop a person’s natural aptitudes and other abilities to improve his/her capabilities as a worker.

Training, which generally takes place outside formal educational institutions, is more often than not, directed towards the needs of a specific employer or group of employers. Skills Development spend refers to the direct cost, excluding peripheral costs, incurred by a company for accredited or sector acknowledged training and development including costs related to learnerships and bursaries and excluding the skills levy as per the Skills Development legislation (Property Sector Code).”

10.5.2 SKILLS DEVELOPMENT CHALLENGES

Enterprises in the sector are not adequately investing in Skills Development and consequently there are limited levels of workplace development and continued professional training. There are insufficient structured and accredited training programmes or curricula related to the property professions.

10.5.3 PURPOSE OF SKILLS DEVELOPMENT IN THE PROPERTY SECTOR CODE

The parties to the charter commit to address the backlog in structured Skills Development through the newly gazetted the 2017 APSC. This programme will be designed in partnership with the sector, the SETA, the Estate Agency Affairs Board (“the EAAB”), the South African Council of Property Valuers Profession (SACPVP), other sector regulatory bodies, academic institutions and government.

Property Sector. Moreover, the PSC requires enterprises to implement internships for qualified individuals who will work under the supervision of qualified property practitioners, recognise prior learning and promote continuous professional development. The PSC requires enterprises to commit and annually report on Skills Development, particularly of black people.

10.5.4 SKILLS DEVELOPMENT TARGETS AND WEIGHTINGS

Each Property sector enterprise commits to achieve the following targets:

- 3% of Skills Development expenditure of learning programmes, specified in the learning matrix for black employees as a percentage of leviabale amount using the adjustable recognition for gender, in addition to the skills development levy;
- 0.3% Skills Development expenditure on learning programme, specified in the learning matrix for black employees with disabilities as a percentage of leviabale amount using the adjustable recognition for gender; and
- 5% of black employees participating in leadership or category B, C, D programme as a percentage of total employees using the adjustable recognition for gender.

Table 8 highlights the Skills Development targets and weights set by the PSC for enterprises in the Property Sector.

EMPLOYMENT EQUITY (15 Points)		
Indicators	Weightings	Compliance Targets
Skills development expenditure of learning programmes, specified in the learning matrix for black employees as a percentage of leviabale amount using the adjustable recognition for gender, in addition to the skills development levy	6	3%
Skills development expenditure on learning programme, specified in the learning matrix for black employees with disabilities as a percentage of leviabale amount using the adjustable recognition for gender	3	0.3%
Number of black employees participating in leadership or category B, C, D programme as a percentage of total employees using the adjustable recognition for gender	6	5%

Table 8: Property Sector Code Skill Development Scorecard

10.5.5 SKILL DEVELOPMENT ACTUALS

The average total Skills Development score was **9.86** and lower than the set target of fifteen (15) This makes the achievement of Skill Development at **65.73%**.

The total Skill Development is a sum total of the following sub-elements:

- average black skills development spending score;
- average black disabled skills development spending score; and
- average sector learnership score.

10.5.5.1 Segment performance of Skills Development

Only a limited segments in the Property Sector apply Skill Development. the full explanation if provided under section 9.2 - Understanding Complex Structure.

The other generic (non-property) has achieved the highest average Skills Development score of 14.01 points, however it was lower than the set weighting points of fifteen (15) whilst PLSA/REITS (internal) had the lowest score of 5.67 points.

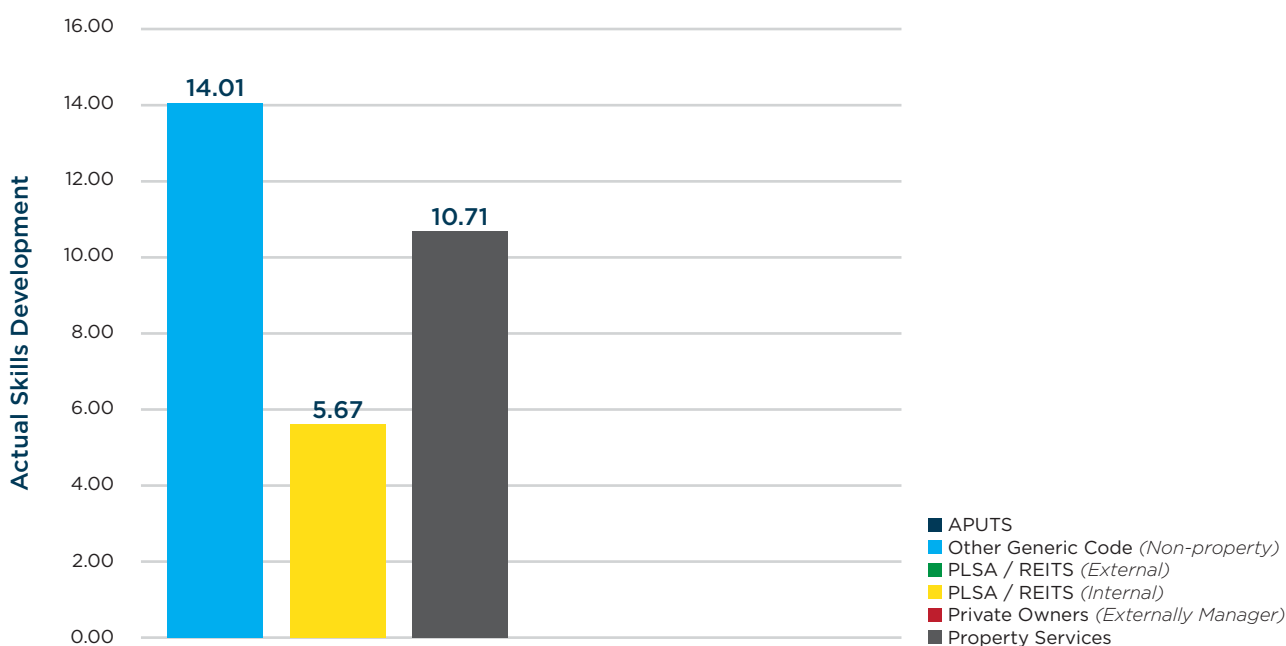


Figure 13: PSC average total Skills Development weighting score per segment,

- 10.5.5.1.1 Property Listed Industry
- PLSA/REITS (internal) has achieved average of 5.67 points, which is 37.8% against set weighting target points of 15.
- 10.5.5.1.2 Other Generic Codes
- Other Generic Codes has achieved average of 14.01 points, which is 93.4% against set weighting target points of 15.
- 10.5.5.1.3 Property Services
- Property Services has achieved average of 10.71 points, which is 71.4% against set weighting target points of 15.

10.5.6 PERFORMANCE OF SUB-ELEMENTS UNDER SKILLS DEVELOPMENT

10.5.6.1 Spend on Black Skills Development

There is no record under spend on Black Skills Developments.

10.5.6.2 Spend on Black Disabled Development

The average percentage spend on black disabled Skills Development score was 0.12%. This average score was lower than the set compliance target of 0.30%.

10.5.6.3 Black Learnership

The average percentage number of black learnership score was 15.01%. This score was higher than the set compliance target of 5%.

10.5.7 SUMMARY

Skills Development achieved (9.86 point) 34.3% lower than the set target of 15 points.

This low target was attributed to the following:

- There is was no spend recorded in Black Skill Development; and
- Spend in Black Disabled Development 60% lower than the set target (0.12% vs 0.3%);

The overall target was boosted by the over performance in the following:

- Black Learnership was 200% higher than the set target (15.01% vs 5%);



10.5.8 CONCLUSION

Property Sector have not been able to implement skill development program aimed at developing the core technical skills and competencies of black employees in order to perform their duties as property practitioners or management of enterprises.

Enterprises in the sector are not adequately investing in Skills Development and consequently there are limited levels of workplace development and continued professional training. There are insufficient structured and accredited training programmes or curricula related to the property professions.

10.5.9 RECOMMENDATIONS

Skills Development is one of the critical element for now but also has an impact on the future outlook in transformation performance of the sector. Skills Development ensures that any effort put in transformation now can be sustainable because there is enough intellectual pool capital amongst black people and black women that are qualified to do the work. Enterprises should be encouraged to spend more on skills development of black people and not forgetting people living with disability. The Property Sector must work together with academic institutions to build a curriculum that would meet the needs of current and future trending needs.

Learnerships have become important to address the unemployment in our country by ensuring that people are employable, and organisations are highly encouraged to do recognised learnership training in line with the learner matrix.

Lack of addressing Skills Development comprehensively in an integrated and holistic manner will negatively impact enterprises and ultimately the entire property sector.

The sector needs to address Skills Development in a manner that accelerates the advancement of black people (especially black women and black employees with disabilities) with increased investment in the skills development and training of new entrants.

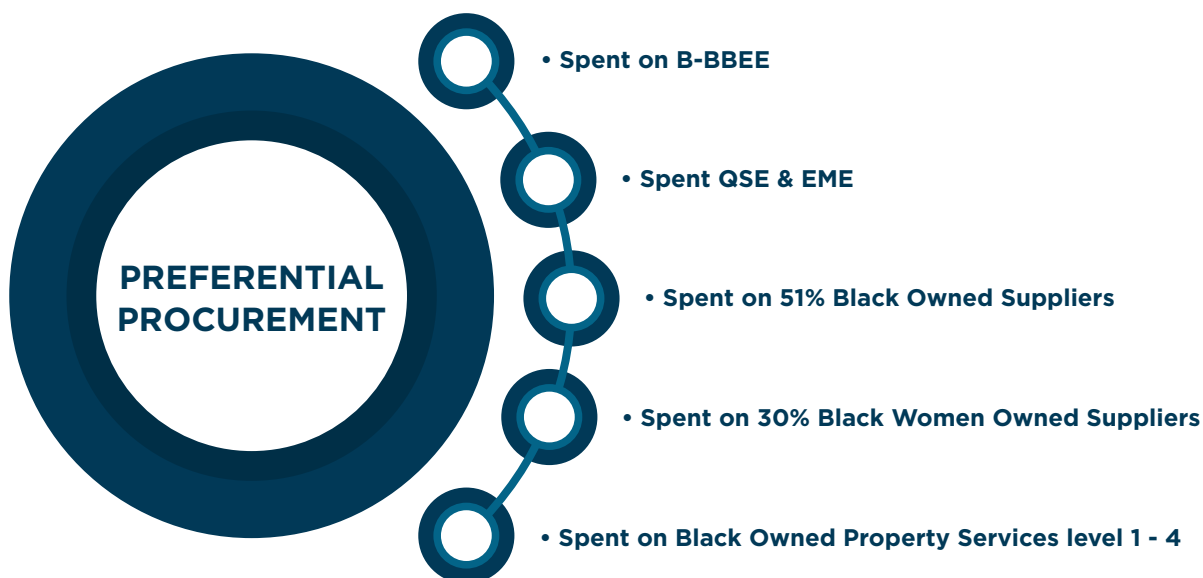




PREFERENTIAL PROCUREMENT

10.6 PREFERENTIAL PROCUREMENT

This chapter reports on the performance of Property Sector enterprises in their pursuit to achieve set Preferential Procurement targets.



10.6.1 DEFINITION OF PREFERENTIAL PROCUREMENT

Preferential Procurement measures the extent to which enterprises buy goods and services from suppliers with strong B-BBEE procurement recognition levels. It is designed to widen market access for entities, in order to integrate them into the mainstream of the economy. It encourages and facilitates the adoption of B-BBEE by aligning business imperatives to B-BBEE. Preferential Procurement creates economic empowerment benefits indirectly but meaningfully, as it multiplies the effects of private and public-sector interventions to promote B-BBEE.

10.6.2 PREFERENTIAL PROCUREMENT CHALLENGES

There has been some reasonable effort in spending on black companies and black women suppliers in the Property Sector but more has to be done at a much faster pace. The majority of the enterprises still procure from non-black owned suppliers and even from those with no B-BBEE recognition.

10.6.3 PURPOSE OF PREFERENTIAL PROCUREMENT IN THE PROPERTY SECTOR CODE

In line with the Constitution of South Africa and B-BBEE Act, the PSC aims to increase procurement of goods and services from B-BBEE suppliers by requiring enterprises to commit to Preferential Procurement set targets. This will ensure growth of SMMEs and ultimately drive job creation.

10.6.4 PREFERENTIAL PROCUREMENT TARGETS AND WEIGHTINGS

Each Property Sector enterprise commits to achieve the following targets:

- spend 70% of procurement recognition level for B-BBEE enterprises
- spend 20% of their procurement on:
 - 50% black owned; and
 - 30% black women owned suppliers.
- spend 15% on Qualifying Small Enterprises (QSEs) or Exempted Micro-Enterprises (EMEs); and
- 40% procurement spend on property service enterprises with a B-BBEE status of Level One to Four; (1-4), Enterprises must implement Preferential Procurement policies that promote procurement spending on B-BBEE enterprises and small and micro enterprises.

Table 9 summarises the indicators and weightings for Preferential Procurement.

EMPLOYMENT EQUITY (15 Points)		
Indicators	Weightings	Compliance Targets
Procurement from B-BBEE suppliers	10	70%
B-BBEE procurement spend from QSE or EME	2	15%
B-BBEE procurement from 50% black owned (3 out of 5 points) and 30% black owned (2 out of 5 points)	5	under 12% under 20% and 8% under 20%
% of procurement spend with black owned enterprises (Level 1-4) as a percentage of total property services spend	3	40%

Table 9: Property Sector Code for Preferential Procurement Scorecard

10.6.5 PREFERENTIAL PROCUREMENT ACTUALS

The average total Preferential Procurement weighting score achieved was **16.74**, and it was lower than the set weighting points target of Twenty (20). This makes the achievement of Preferential Procurement at **83.7%**.

The total Preferential Procurement score is a sum total of the following sub-elements:

- Procurement from B-BBEE suppliers.
- B-BBEE procurement spend from QSE or EME.
- B-BBEE procurement from 50% black owned (3 out of 5 points) and 30% black owned (2 out of 5 points).
- Procurement spend with black owned enterprises (Level 1-4) as a percentage of total property services spend.

10.6.5.1 Segment Performance of Preferential Procurement

APUTS achieved the highest average Preferential Procurement score of 18.9, although it was lower than the set weighting target of twenty (20). Other Generic codes (non-property) achieved the lowest average Preferential Procurement score of 14.5.

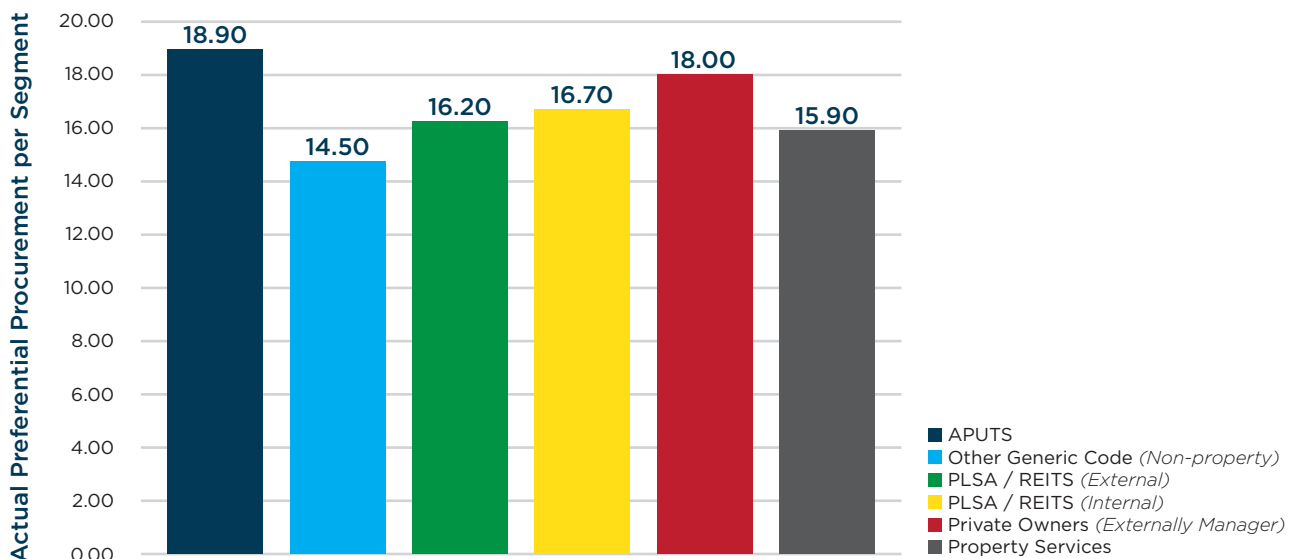


Figure 14: PSC Average total Preferential Procurement weighting score per segment

10.6.5.1.1 Property Listed Industry

- Property listed sector has achieved average of 17.3 points, which is 86.3% against set weighting target points of 20.

10.6.5.1.2 Other Generic Codes

- Other Generic Codes has achieved average of 14.2 points, which is 71% against set weighting target points of 20.

10.6.5.1.3 Private Owners

- Private Owners has achieved average of 18.0 points, which is 90% against set weighting target points of 20.

10.6.5.1.4 Property Services

- Property Services has achieved average of 15.9 points, which is 79.5% against set weighting target points of 20.

10.6.6 PERFORMANCE OF SUB-ELEMENTS UNDER PREFERENTIAL PROCUREMENT

10.6.6.1 B-BBEE Procurement Spend

The average percentage of B-BBEE recognition level procurement spend score achieved was 88.49%, and it was much higher than the set compliance target of 70.00%.

10.6.6.2 Procurement Spend with QSE and EME

The average percentage of BEE actual spending with black QSE & EME score achieved was 12.83%, and it was slightly lower than the set compliance target of 15.00%.

10.6.6.3 Procurement Spend with 50% Black Owned and 30% Black Women Owned Enterprises

- The average percentage of procurement spend with black owned enterprises score achieved was 12.65%, and it was lower than the set compliance target of 12.00%.
- The average percentage of procurement spend with black women owned enterprises score achieved was 5.22%, and it was lower than the set compliance target of 8%.

10.6.6.4 Procurement spend with property service that are Black Owned Enterprises

No score appear under this sub-element. More investigation need to be done in order to determine why there is not score under this sub-element.

10.6.7 SUMMARY

Preferential Procurement achieved (16.74 point) 16.3% lower than the set target of 20 points. This low target was attributed to the following:

- Property services there is no score recorded under this sub-element;
- Procurement spend with Black Women Owned enterprises was 34.75% lower than the set target (5.22% vs 8%); and
- QSE and EME Spend was 14.46% lower than the set target (12.83% vs 15%).

The overall target was boosted by the over performance in the following:

- BEE Procurement spend recognition level was 10.61% higher than the set target (88.49% vs 70%);
- Procurement spend with 51% black owned enterprises was 5.1% higher than the set target (12.56% vs 12%);

10.6.8 CONCLUSION

There has been some reasonable effort in spending on black companies in the Property Sector but more has to be done at a much faster pace in particular spending in black women owned companies and property service companies that are level 1-4.



10.6.8 RECOMMENDATIONS

Property enterprises should be encouraged to commit more to preferential procurement. Strategies should be put in place to ensure that increased B-BBEE supplier enterprises comply with the set targets. Enterprises are encouraged to have procurement policies that enhance entrepreneurial development and increase the number of B-BBEE firms and SMMEs providing services and products to the sector whilst promoting sustainable growth of such firms.

Enterprises are encouraged to put more effort on spending on black women owned companies and on small enterprises.

Property owners should specifically target to use black enterprises for the property service required for their assets.

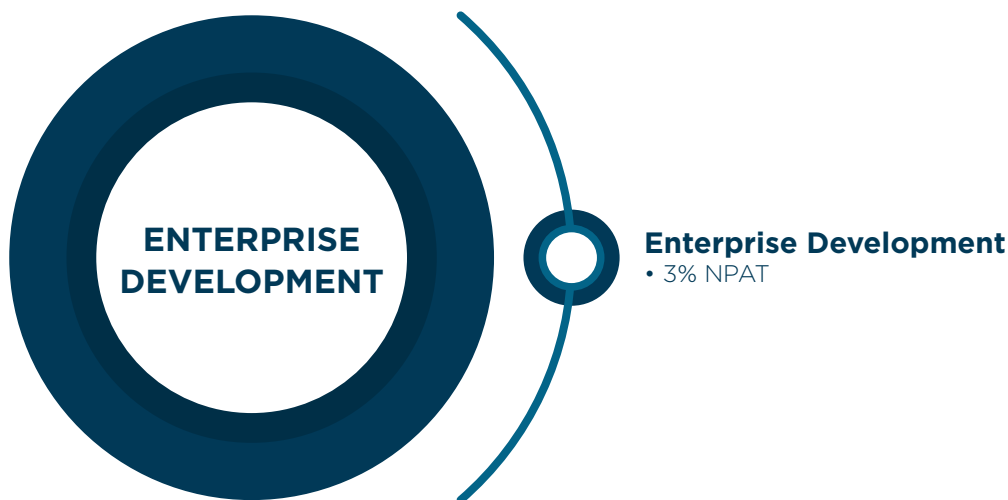


ENTERPRISE DEVELOPMENT



10.7 ENTERPRISE DEVELOPMENT

This chapter reports on the performance of Property Sector enterprises in their pursuit to achieve set Enterprise Development targets.



10.7.1 DEFINITION OF ENTERPRISE DEVELOPMENT

Enterprise Development refers to the monetary and non-monetary support to develop and foster new or existing small and micro enterprises with a B-BBEE status level of One (1) to Four (4) as per the PSC. It measures the extent to which enterprises carry out and accelerate the development of the operational and financial capacity of entrepreneurial enterprises who contribute towards broad-based BEE and the sustainability of such enterprises.

The primary beneficiaries of Enterprise Development should be the small and medium enterprises owned and controlled by black people. The measures range from direct financial assistance to non-monetary support provided to entrepreneurial enterprises in order to transform the Property Sector.

10.7.2 ENTERPRISE DEVELOPMENT CHALLENGES

The Property Sector is characterised by limited support in Enterprise Development and lack of promotion for growth of sustainable enterprises.

10.7.3 PURPOSE OF ENTERPRISE DEVELOPMENT PROPERTY SECTOR CODE

To redress the challenge, the Property Sector should commit to invest, support, facilitate, and foster new and existing small and micro enterprises with Level One (1) to Level Four (4) B-BBEE status. The Property Sector should implement Enterprise Development programmes.

10.7.4 ENTERPRISE DEVELOPMENT TARGETS AND WEIGHTINGS

Each Property Sector enterprise commits to achieve the following targets within five (5) years:

- 3% of the net profit after tax.

Table 10 summarises the targets and weightings for Enterprise Development.

ENTERPRISE DEVELOPMENT (10 points)		
Indicators	Weightings	Compliance Targets
Value of all Enterprise Development contributions and sector specific programmes made by the measured entity as a percentage of the target	10	3% NPAT

Table 10: Property Sector Code for Enterprise Development Scorecard

10.7.5 ENTERPRISE DEVELOPMENT ACTUALS

The average total Enterprise Development score achieved was **10.59**, was higher than the set weighting target of ten (10). This makes the achievement of Enterprise Development at **105.9%**.

10.7.5.1 Enterprise Development Performance per Segment

Other Generic (non-property) achieved the highest Enterprise Development score of 15, and it was higher than the set weighting target of ten (10) whereas PLSA/REITS (internal) achieved the lowest score of 7.81, which was lower than the set target of ten (10).

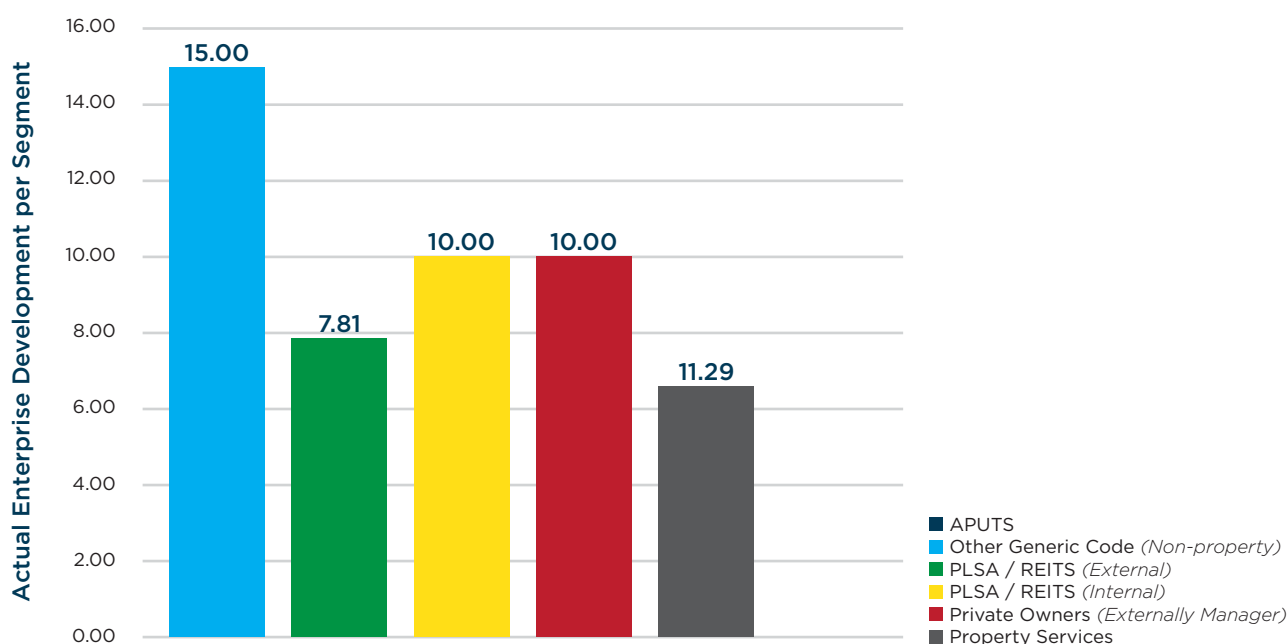


Figure 15: PSC average Enterprise Development weighting score per segment

- 10.7.5.1.1 Property Listed Industry
 - Property listed sector has achieved average of 8.91 points, which is 89.1% against set weighting target points of 10.
- 10.7.5.1.2 Other Generic Codes
 - Other Generic Codes has achieved average of 15 points, which is 150% against set weighting target points of 10.
- 10.7.5.1.3 Private Owners
 - Private Owners has achieved average of 10 points, which is 100% against set weighting target points of 10.
- 10.7.5.1.4 Property Services
 - Property Services has achieved average of 11.29 points, which is 112.9% against set weighting target points of 10.

10.7.6 SUMMARY

There has been excellent achievement against target.

10.7.7 CONCLUSION

Property Sector has shown great support in small and medium sized businesses in their development and now we need to put more efforts in promoting their growth in order for them to be more sustainable enterprises.

10.7.8 RECOMMENDATIONS

Property segments should be encouraged and supported to improve on their commitment and the real achievements towards enterprise development with emphasis to creating sustainable enterprises.





SOCIO-ECONOMIC DEVELOPMENT

10.8 SOCIO-ECONOMIC DEVELOPMENT

This chapter reports on the Property Sector's Socio-Economic Development.



10.8.1 DEFINITION OF SOCIO-ECONOMIC DEVELOPMENT

Socio-Economic Development measures the extent to which enterprises carry out initiatives that contribute towards Socio-Economic Development or sector specific initiatives that promote access to the economy for black people.

10.8.2 SOCIO-ECONOMIC DEVELOPMENT

The South African Property Sector has shown great character and commitment towards effective implementation of Socio-Economic Development initiatives..

10.8.3 PURPOSE OF SOCIO-ECONOMIC DEVELOPMENT IN THE PROPERTY SECTOR

The Property Sector enterprises are required to commit their resources to initiate and contribute to Socio-Economic Development projects that benefit black people. These Socio-Economic Development projects should be monitored and evaluated to measure impact. Enterprises are encouraged to form partnerships with private sector organisations, in and outside of the Property Sector, to improve Socio-Economic Development.

10.8.4 SOCIO-ECONOMIC DEVELOPMENT TARGETS AND WEIGHTINGS

These Socio-Economic Development targets and weightings are applicable to both generic entities and QSE.

Each Property Sector enterprise commits to achieve the following targets within five (5) years:

- 1% of Net Profit After Tax (NPAT) of average annual value of all Socio-Economic Development contributions made by the measured entity as percentage of the target.

Table 11 Summarises the indicators, targets and weightings for Socio-Economic Development.

SOCIO-ECONOMIC DEVELOPMENT (2 points)		
Indicators	Weightings	Compliance Targets
Average annual value of all socio-economic development contributions made by the measured entity as a percentage of the target	2	1%

Table 11: Property Sector Code for Socio-Economic Development Scorecard

10.8.5 SOCIO-ECONOMIC DEVELOPMENT ACTUALS

The average Socio-Economic Development weighting score was **2.35**. This average score was higher than the set weighting target of two (2).

10.8.5.1 Segment performance of Socio-Economic Development

The Other Generic (non-property) had the highest Socio-Economic Development weighting score of 5 which was higher than the set weighting of two (2), while PLSA/REITS (external) had the lowest weighting score of 1.09 which was lower than the set weighting target. Figure 7.2 indicates the average Socio-Economic Development weighting score per segment.

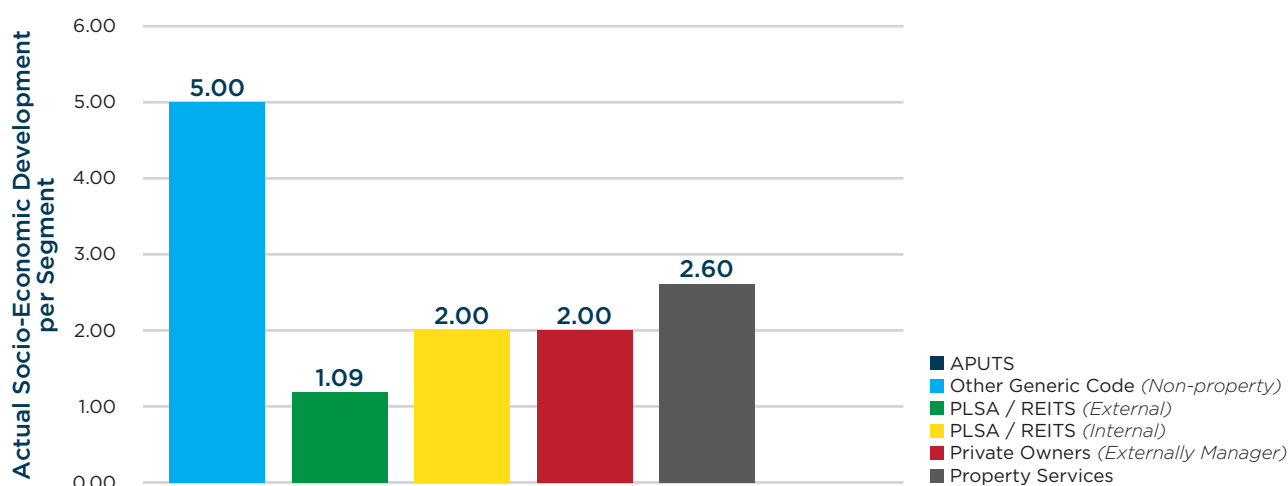


Figure 16: PSC Average total Socio-Economic Development weighting score per segment

- 10.8.5.1.1 Property Listed Industry
 - Property listed sector has achieved average of 1.55 points, which is 77.5% against set weighting target points of 2.
- 10.8.5.1.2 Other Generic Codes
 - Other Generic Codes has achieved average of 5 points, which is 250% against set weighting target points of 2.
- 10.8.5.1.3 Private Owners
 - Private Owners has achieved average of 2 points, which is 100% against set weighting target points of 2.
- 10.8.5.1.4 Property Services
 - Property Services has achieved average of 2.60 points, which is 130% against set weighting target points of 2.

10.8.6 PERFORMANCE OF SUB-ELEMENTS UNDER SOCIO-ECONOMIC DEVELOPMENT

10.8.6.1 Annual value of Socio-Economic Development contributions

The average percentage annual value of Socio-Economic Development score was 4.05% and it was higher than the set target of 1.00%. This makes the achievement of Socio-Economic Development contributions at 405%.

10.8.9 SUMMARY

Property Sector has shown excellent performance in Socio-Economic Development.

10.8.10 RECOMMENDATIONS

The property sector performed well against target and must continue to improve their commitment. As the Property Sector we need encourage good corporate citizenship amongst enterprises in the sector, including participation in corporate social investment projects and adherence to triple bottom line accountability. As a sector we need to promote investment in and contribute to growth of the sector.

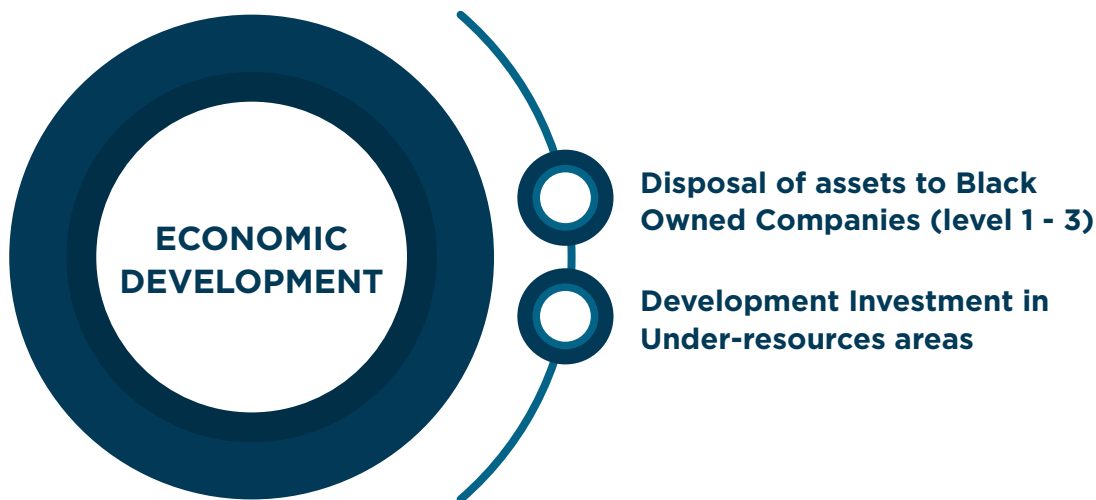




CHAPTER 8: ECONOMIC DEVELOPMENT

10.9 ECONOMIC DEVELOPMENT

This chapter reports on the performance of Property Sector enterprises in their pursuit to achieve set Economic Development targets.



10.9.1 DEFINITION OF ECONOMIC DEVELOPMENT

Economic Development measures the disposal of assets to B-BBEE enterprises as a percentage of the total asset disposal (private) which are black owned and the development investment in under-resourced areas as a percentage of total annual investment.

10.9.2 ECONOMIC DEVELOPMENT CHALLENGES

The Property Sector lacks investment and property development in under-resourced areas. This in turn leads to service inequality and limited trade of properties in these areas.

10.9.3 PURPOSE OF ECONOMIC DEVELOPMENT IN THE PROPERTY SECTOR CODE

In response to the challenges, certain part of our country are going through the Property Sector is encouraged to stimulate development in under-resourced areas of our country.

10.9.4 ECONOMIC DEVELOPMENT TARGETS AND WEIGHTINGS

Each Property Sector enterprise commits to achieve the following targets within five (5) years:

- 10% of new property development in under-resourced areas over a five (5) year period; and
- Enterprises are required to commit 35% of property disposals to Level One (1) up to Level Three (3) B-BBEE enterprises that are black owned over a five (5) year period.

Table 12 Summarises the 2012 PSC targets and weightings for Economic Development.

ECONOMIC DEVELOPMENT (15 points)		
Indicators	Weightings	Compliance Targets
Disposal of assets to B-BBEE enterprise (Level 1-3) as a % of total asset disposal (private) which are black owned	8	35%
Development Investment in under-resourced areas as a % of total annual investment	7	10%

Table 12: Property Sector Code Economic Development Scorecard

10.9.5 ECONOMIC DEVELOPMENT ACTUALS

The average Economic Development weighting score was **5.66**. This average score is lower than the set weighting target of fifteen (15). This makes the achievement of Economic Development at **37.7%**.

The total Economic Development score is a sum total of the following scores:

- Disposal of assets to B-BBEE enterprise (Level 1-3) as a % of total asset disposal (private) which are black owned;
- Development Investment in under-resourced areas as a % of total annual investment.

10.9.5.1 Segment performance of Economic Development

The PLSA/REITS (internal) had the highest combined average of Economic Development score of 9.06 but it was lower than the set target of fifteen (15) while PLSA/REITS (external) had the lowest score of 2.53 which was also lower than the set target.

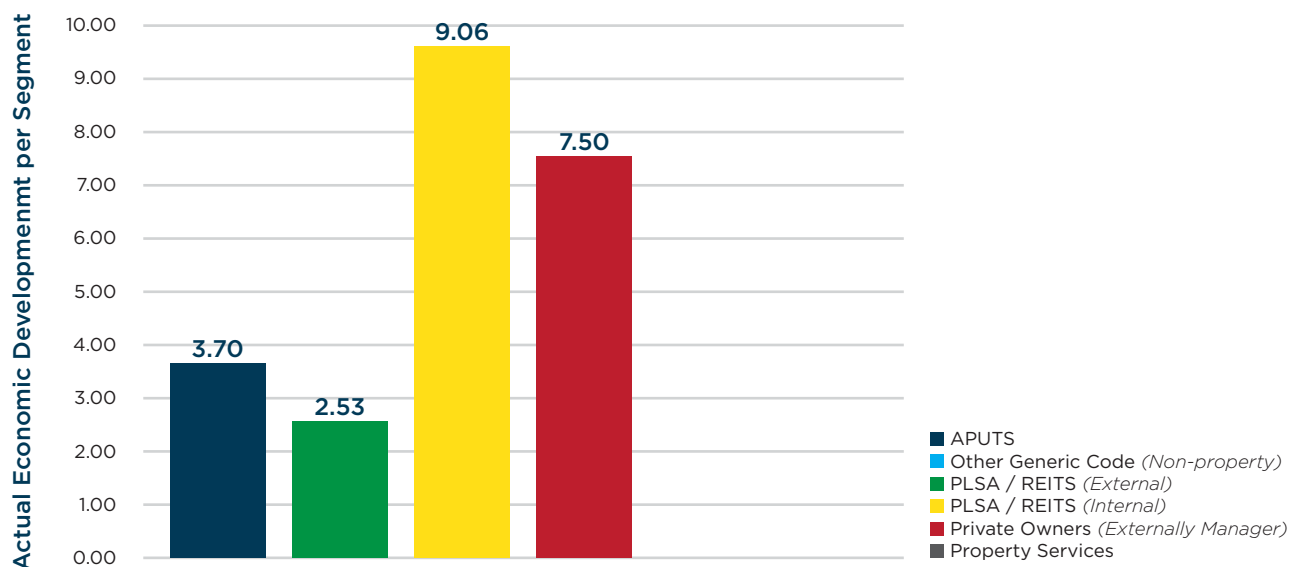


Figure 17: PSC Average total Economic Development weighting score per segment

10.9.5.1.1 Property Listed Industry

- Property listed sector has achieved average of 5.1 points, which is 34.0% against set weighting target points of 15.

10.9.5.1.2 Private Owners

- Private Owners has achieved average of 7.5 points, which is 50% against set weighting target points of 10.

10.9.6 PERFORMANCE OF SUB-ELEMENTS UNDER ECONOMIC DEVELOPMENT

10.9.6.1 Disposal of Assets

An average percentage of disposal of assets' score was 26.58% and lower than the set target of 35%.

10.9.7 SUMMARY

Economic Development achieved (5.66 point) 37.73% lower than the set target of 15 points. The sector missed all the sub-element targets.

This low target was attributed to the following:

- Disposal of assets to B-BBEE enterprise (Level 1-3) as a % of total asset disposal (private) which are black owned was 76.71% lower than the set target (26.85% vs 35%);
- There were no investments in under resourced areas.

10.9.8 CONCLUSION

Economic Development was intended for development in under-resourced areas the lack of achievement in this element means that developers must review areas of development in line with the needs whilst balancing that with economics of development.

10.9.9 RECOMMENDATIONS

All segments should be encouraged to submit their scorecards for economic development. Segments should be encouraged to dispose assets to B-BBEE enterprises in order to increase property ownership by black people and to continue to invest in under resources areas. As Property Sector we need to promote property development and investment in under-resourced areas which enhances basic infrastructure. Companies continue to invest in well developed areas such as Sandton vs developing model that could encourage or justify development in under-resourced areas.

11 OVERVIEW OF THE GENERAL INTERVENTION PLAN TO ADDRESSING CHALLENGES OF PROPERTY SECTOR

The Property Sector Charter Council aims to promote the objectives of the B-BBEE Act as these relate to the property sector and, in particular, but without limitation:

- Enhance uniformity and consistency in the application of the principles contained in the code.
- Promote economic transformation in the Property Sector in order to enable meaningful participation of black people including women, the youth, people with disabilities and other designated groups;
- Unlock obstacles to property ownership and participation in the property market by black people;
- Find possible means to unlock where feasible accessibility of finance for property ownership and property development;
- Achieve a substantial change in the racial and gender composition of ownership, control and management and enhance the participation of black people (including black women) and designated groups in the property sector;
- Promote the effective advancement of Employment Equity in the Property Sector and encourage diverse organisational cultures;
- Address Skills Development in a manner that accelerates the advancement of black people (especially black women and black employees with disabilities) with increased investment in the skills development and training of new entrants;
- Increase the pool of intellectual capital amongst black people, particularly black women, in the sector by focusing on attracting new entrants and developing appropriate curricula;
- Enhance entrepreneurial development and increase the number of B-BBEE enterprises and SMMEs providing services and products to the sector whilst promoting sustainable growth of such firms;
- Increase the procurement of goods and services from B-BBEE suppliers;
- Encourage good corporate citizenship amongst enterprises in the sector, including participation in corporate social investment projects and adherence to triple bottom line accountability;
- Promote investment in and contribute to growth of the sector;
- Promote property development and investment in under-resourced areas which enhances basic infrastructure, encourage investment and supports micro and small enterprises.



THANK YOU MESSAGE

Property Sector Charter Council (PSCC) would like to express its sincere appreciation to all the companies that responded to our request for information to conduct this imperative research as we enter a new phase with the revised Property Sector Code.

The Research Committee for their time and intellectual efforts selflessly; their dedication, willingness and commitment to this project and the property sector in general remain undoubted and the value that they have put into this project remains unmatched.

We want to thank everyone who has made a contribution to this research, directly or indirectly, big and small. We value your input and contributions and hope you are able to continue to enhance this research through feedback and responses in your various roles.

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