



**PROPERTY**  
SECTOR  
**CHARTER**  
COUNCIL

2017 | 2018  
STATE OF  
**TRANSFORMATION**  
REPORT FOR THE  
SOUTH AFRICAN  
PROPERTY SECTOR

RELEASED IN **2019**



# ACKNOWLEDGEMENTS

We wish to thank all companies in the property sector that made an effort in transforming the sector. Being open to verification for B-BBEE means we are coming right in our pursuit for the economic inclusion of all South Africans.

Despite the tough economic times that our country is facing, some segments of the property private Sector has proven to understand the importance of economic transformation and have it at the core of their business. We truly appreciate companies that submitted their scorecards for analysis and the people behind that made this work possible.

We acknowledge and appreciate the support that we unequivocally receive from all our associations and organisations, including PSCC Board and Council members, and a specific gratitude to the Research Committee which provides an oversight role on all research reports including this: **2017-2018 State of Transformation Report for the Property Sector**.

Finally, thank you to all the PSCC personnel for their hard work towards the Report.



## GLOSSARY OF ACRONYMS

APUTS	Association of Property Unit Trusts
APSC	Amended Property Sector Code
BBBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
CEE	Central and Eastern Europe
CEO	Chief Executive Officer
EAP	Economically Active Populations
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 Schemes
SAPY's	South African Listed Property index
SETA	Sector Education and Training Authority
SONA	State of the Nation Address
SOT	State of Transformation
SMMEs	Small Medium and Micro Enterprises





*"Transformation doesn't take place with a vacuum; instead, it occurs when we are indirectly and directly connected to all those around us."*

*Byron Pulsifer*

# CHAIRPERSON'S MESSAGE



## PARTNERSHIPS - THE KEY TO UNLOCKING POTENTIAL FOR TRANSFORMATION

The Property Sector Charter Council with the support of the property sector have played an integral part of driving the finalisation and gazette of the Amended Property Sector Code in June 2017. The Amendments Property Sector Code in alignment to the revised B-BBEE Codes of Good practice are geared toward changing the landscape of the Property Sector and ultimately of our economy in general. And the strategic plan for the PSCC is forge stronger partnerships and collaboration remains key to achieving success with transformation, growth and evolution of the sector. This may require us to do things differently, far more efficiently but still strive for optimum impact.

Though the stride of transformation seems to be slow, we are encouraged by the property sector in their approach of embracing new programmes and proposing innovative strategic projects that will enable all industry players to participate in transformation. We request the recommitment to these initiatives as they will unlock the obstacles noted and address the challenges of the sector.

A special note of gratitude is extended to the commitment of representative members of the Board, Council and Exco - for always supporting the PSCC Office for their persistence and creating 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 insistence.

I urge and challenge every single company in the property sector to take the Amended Property Sector Code, its revised scorecards and targets to guide our transformation efforts in the industry. The PSCC office will surely knock on your doors again in the coming year

to engage on this report to qualify the outcomes with what you are facing in this chapter of our economy.

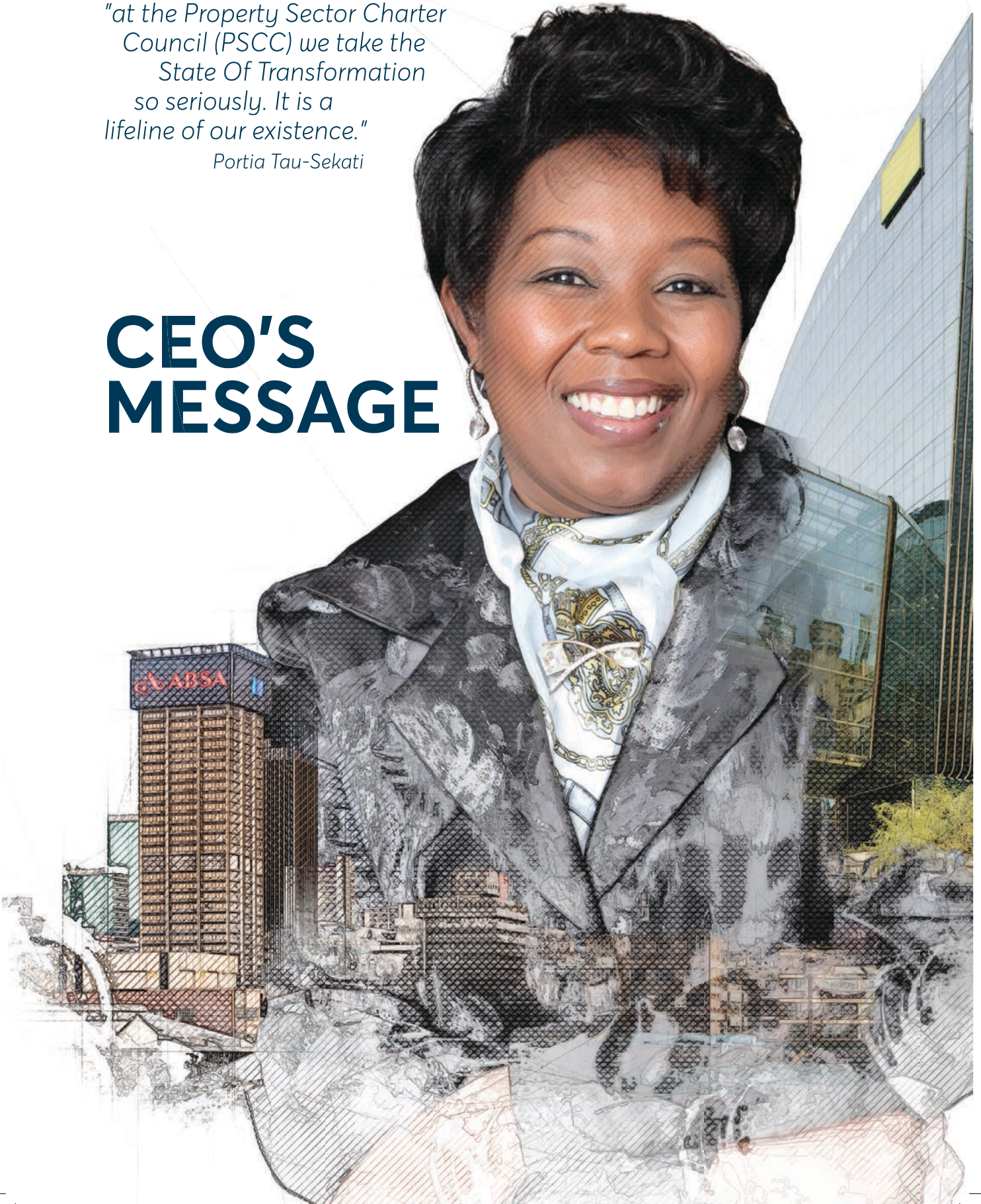
In concluding, it is crucial to note that Property Sector Code is in the process of being review, to align to the amendments gazetted by the Department of Trade and Industry under Code of Good Practice. The entire property sector through all its associate and organisational membership was invited be part of these engagements through a Technical Committee set up by the council. We truly believe and have stuck to our original commitment and to a process that is consultative, inclusive, representative, participative and stakeholder driven. And to-date we still using that approach. Even when we do not agree, we create a healthy conducive environment to everyone to raise their views, even when they are not popular.


The changes as introduced by DTI, talk to what is at the heart of our economy and defines us as a country. Things such as addressing job creation and funding higher education – remain amongst others at the centre of our key challenges. And as the property sector we must consider to be an integral part of the positive solutions our country requires. Hence we will be aligning our Amended property Sector Code to specifically factor the unique knowledge and characteristics to transformational issues of our industry that would otherwise not be cover in the generic BBBEE legislation. To assist the industry through the transformation journey.

With all our collective efforts we are sure to win the battle and if not, we will die trying and successfully make the right and positive impact in our industry and prosperity of our economy.

*"at the Property Sector Charter Council (PSCC) we take the State Of Transformation so seriously. It is a lifeline of our existence."  
Portia Tau-Sekati*

# CEO'S MESSAGE





2019 was certainly an eventful year on many fronts, and it was definitely not an easy one for the South Africans, both economically and politically. We are all aware of the economic challenges that lie ahead of us. These are not only short term challenges, but we have long term issues such as unemployment, inequality and poverty.

Whilst many people sometimes feel that South Africa is often only a heartbeat away from a heart attack, I was left inspired by the invitation from our president during the State of the Nation Address (SONA) to all South Africans to put aside their differences, remember how much we have already achieved, and work together to rebuild our economy and create inclusive prosperity. He called on all of us as South Africans to build a country in which all may know peace, comfort and contentment.

This year our country celebrated 25 years of democracy and 16 years since 2003 when transformation legislation was first introduced. I remember that this was when transformation topped the government agenda. There was an emphasis on BBBEE not only being critical to redress the economic imbalances, but also on how it was a necessary pragmatic growth strategy to assist our country in realising its full economic potential.

Many people still ask whether is BBBEE still relevant after so long and whether it has managed to achieve its stated goals... My short answer is normally that BBBEE is more relevant now than ever before. However, there are other relevant and critical questions to answer within this context.

It would be fair to say our transformation through the BBBEE instrument was a good intervention. Over the years this journey has evolved and continues to evolve, with mixed results, humps and bumps and lots of lessons learned along the way. Much progress has been recorded since the initiation stages, although it has been extremely slow and limited. On the other hand, there are some areas where we have regressed. In fact it became very clear, especially during implementation, that the policy in general also had some unintended consequences.

Criticisms of the property sector code are no different from those regarding the general legislation. The first property sector code was

gazetted in 2012 and this sector gazette aimed to address the unique industry peculiarities that would otherwise not have been adequately dealt with through the generic BBBEE codes. Our property sector code aimed to enhance the meaningful transformation using our unique understanding and knowledge of the property sector.

The question remains, what transformational progress has the property sector recorded? The answer, once again, yields mixed results. We are achieving progress in some aspects, albeit slow and limited, and on the other hand drastic interventions are required in other aspects if meaningful change is what the sector aims to achieve.

The State of Transformation Report remains our key mandate as a sector – it is the lifeline of our existence. Every year we generate a report on the state of transformation in the property sector that reflects the progress, or lack thereof, measured against the gazetted Property Sector Code.

This year's collected information has certainly improved compared to last year. However, we find that the more analysis we do, the more data we require in order increase our understanding of the sector, and to enhance meaningful transformation.

The 2019 State of Transformation Report covers 2017/2018 BBBEE certificates and reports. It focuses on both the 2012 Property Sector Code gazette no. 35400 and the 2017 Amended Property Sector Code gazette no. 40910.

It is important to note that these documents are merely guidelines for how transformation and empowerment could be achieved in the property sector. The true effects will only be realised through implementation of the code.

Most importantly, we realise that it is not only for the property sector and here and now. In the bigger picture, it is about prosperity of the property sector and our South African economy. Hence, it is important to make our future vision possible through concerted efforts and the participation of all. If we can do this, we will be the change we want to see in our industry.

# MAIN PURPOSE OF THE PROPERTY SECTOR CHARTER COUNCIL

(REASONS FOR EXISTENCE)

- To enhance transformation by factoring in the unique knowledge and characteristics of the property sector in legislation in order to deepen the meaningful contribution of property participants in the mainstream SA economy; and
- To actively promote a transformed, vibrant and globally competitive property sector that aims and strives to reflect the demographics of SA and contributes towards the establishment of an equitable society.

The Property Sector Charter Council(PSCC) achieves the above through the development of Property Sector Code (PSC) legislation:

- PSC legislation is developed under the authority and guidance of broad-based black economic empowerment (B-BBEE) to create a conducive environment and to enable transformation of the SA property sector;
- PSC legislation is reviewed at agreed intervals as captured in the code and/or when B-BBEE legislation is revised; and
- At such time PSC is expected to coordinate, lead and drive engagements with the sector to develop and/or revise PSC targets and weightings as guided by B-BBEE legislation as well as to accommodate a changing business environment.

## THE MANDATORY ROLE OF THE PSCC

- To collect relevant B-BBEE PSC certificates and back-end reports from companies in the SA property sector and to collate and analyse these into an annual report.
- To generate a report on the annual state of transformation progress in the SA property sector and share this report with relevant structures.

Where the sector has not achieved its targets as set out in the PSC, the PSCC must:

- Identify current, potential and emerging obstacles and develop specific intervention solutions inhibiting transformation in the SA property sector;

- Encourage, support and, where possible, facilitate the implementation of transformation in line with PSC targets;
- Annually review sector priorities to bring these in-line with property sector transformation delivery;
- Identify new activities, as well as defining work programmes and roles for relevant task teams; and
- Prepare and review business plans and budgets by highlighting prioritised activities.

## OTHER ROLES THE PSCC PLAYS TO ACHIEVE ITS PURPOSE

### Executive authority

- The PSCC is empowered to act with executive authority in providing the necessary guidance on sector-specific matters affecting B-BBEE to entities within the SA property sector.
- To assist stakeholders in the sector on their transformation journey as outlined in the relevant PSC; and
- To add value to the sector by providing much-needed guidance towards transformation and to breathe life into the PSC implementation process.

### B-BBEE legal

- The PSCC adjudicates matters affecting transformation of the SA property sector as captured in the relevant PSC between various stakeholder participants such as B-BBEE practitioners and property sector enterprises.
- The PSCC attends to any and all legal matters that arise out of the legislation as captured in the PSC.

### Communication

- PSCC to share communication about new and/or revised legal requirements in the B-BBEE legislation or any other legislation that impacts the transformation of the SA property sector.

### Interpretive guide and support

- The PSCC is responsible for producing the interpretative guide of the relevant PSC in order to assist its members and relevant users on the interpretation of legislation in accordance with the objectives of transformation of the sector.

### Research

- The PSCC embarked on research in order to create a consolidated body of knowledge which fosters a consistent understanding of the SA property sector and in turn enables the sector to contextualise the progress of transformation.



### Intervention programme

- To identify partners/systems and/or have memorandums of understanding (MOU) with relevant stakeholders that will enable and support transformation of the SA property sector under the auspices of specific intervention programmes.
- Identify high-impact programmes/projects that will enable transformation of the SA property sector and create enablers that will facilitate easy/convenient implementation of projects by members with the aim of achieving targets as set out in the PSC.
- Create an enabling environment that ensures any current or future entities and programmes are established with transformation elements factored in from the establishment in order to avoid driving and implementing continuous corrective initiatives.

### Strategic projects

- Develop, partner, drive, support and guide property sector strategic projects that have a direct impact on the transformation of the sector in-line with legislation and PSC targets.
- Lobby the property sector to consolidate the broader sector in return for high-impact, efficient and effective transformation programmes aimed at the SA property sector.
- To establish programmes and/or events that promote, encourage and drive awareness of transformation in the SA property sector.

- To contribute towards increased investment in the skills development and training of existing and new black professionals, particularly women;
- To increase the pool of intellectual capital amongst black people, particularly women, in the sector by focusing on attracting new entrants and developing appropriate curricula;
- To promote economic transformation in the SA property sector to enable meaningful participation of black people including women;
- To increase the procurement of goods and services from B-BBEE suppliers;
- To promote property development and investment in under-resourced areas, which enhances basic infrastructure, encourages investment and supports micro-and small enterprises;
- To enhance entrepreneurial development and increase the number and expertise of B-BBEE firms and small, medium and micro enterprises (SMMEs), by providing services and products to the sector;
- To encourage good corporate citizenship amongst enterprises in the sector, including participation in corporate social investment projects and adherence to triple bottom-line accountability; and
- To promote investment in the property sector and contribute to growth of the sector and the SA economy at large.

### OBJECTIVES OF THE PSC

The PSC aims to promote the objectives contained in Section 2 of the B-BBEE Act 53 of 2003 as these relate to the SA property sector and, in particular, but without limitation to:

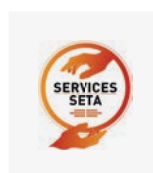
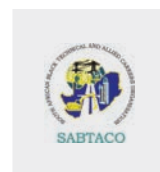
- Enhance uniformity and consistency in the application of the principles contained in the PSC;
- To achieve a substantial change in the racial and gender composition of property ownership, control and management and enhance the participation of black people, including black women and designated groups in the SA property sector;
- To unlock obstacles to property ownership and participation in the property market for black people;
- To facilitate the accessibility of finance for property ownership and property development;
- To promote employment equity in the SA property sector and encourage diverse organisational cultures;



# GOVERNANCE STRUCTURE

## PROPERTY SECTOR CHARTER COUNCIL MEMBERS

- Black Professional Valuers Association (BPVA)
- Community Schemes Ombud Services (CSOS)
- Department of Public Enterprises (DPE)
- Department of Public Works (DPW)
- Estate Agency Affairs Board (EAAB)
- Green Building Council of South Africa (GBCSA)
- Institute for Real Estate Management
- 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 Institute of Black Property Practitioners (SAIBPP)
- Women's Property Network (WPN)
- Youth in Property Association (YIPA)



## 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 (also known as selective or subjective) sampling technique was used as enterprises were evaluated, based on their contributions to annual transactions in the property sector. This analysis is based on the 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.

### PARTICIPATING SEGMENT IN THE PROPERTY SECTOR

In this report, the property sector is segmented as follows:

- Generic enterprises
  - Property owners
    - Listed property owners
    - Institutional property owners
    - Private property owners
    - Public sector
  - Property management services
    - Property brokers
    - Facilities managers
  - Real estate
    - Managing agents
    - Valuers
- Qualifying Small Enterprises (QSEs)

## SAMPLING

The purposive sampling was done in-line with the Property Sector Code's scope as gazetted. For 2019, two hundred and twenty-five (225) enterprises were targeted as a total sample from the property sector. This is a 36% YoY increase from the 165 total number of enterprises sampled in 2018. The sample size is made up of companies which contribute to at least 70% of annual transactions in the property sector.

The breakdown of the two hundred and twenty-five (225) enterprises is as follows:

- Property owners - 84 (37%);
- Property management services - 47 (21%);
- Real estate - 27 (12%);
- Managing agents - 12 (5%);
- Valuers - 5 (2%); and
- QSEs - 50 (22%).



## RESEARCH METHODOLOGY STEPS

Eight (8) steps were followed in the research methodology

Step 1: Scope the Property Sector

Step 2: Segment the Property Sector

Step 3: Conduct estimated value assessment per segment

Step 4: Identification of significant players per segment and their value contribution

Step 5: Sample using value contribution per company

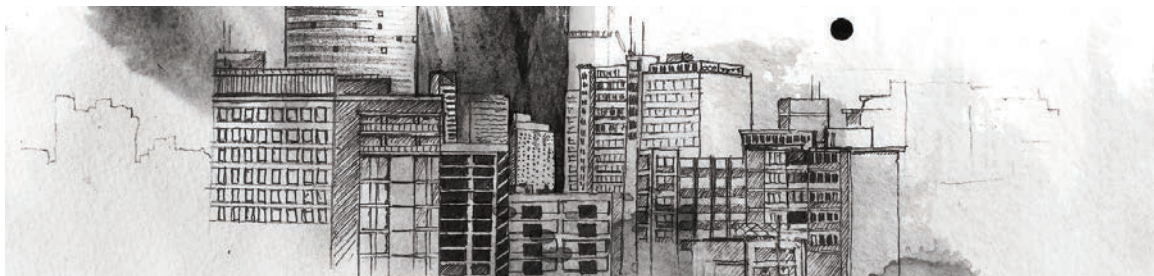
Step 6: Collection of scorecard data of the sampled companies

Step 7: Analysis of data

Step 8: Report generation

## RESPONSE RATE – DATA ANALYSIS

INDUSTRY	SUB-ELEMENTS	2019 SAMPLE TARGET		RECEIVED	PERCENTAGE
Property Owners	Listed Property Owners	84	31	28	71 (84%)
	Unit Trust Owners		3	2	
	Institutional Owners		3	2	
	Private Owners		32	32	
	Public Sector		15	7	
Property Management Services	Property Broker	47	4	0	34 (72%)
	Property Manager/ Facility managers		43	34	
	Public Sector				
Real Estate	Estate Agencies	27	27	7	7 (25%)
Managing Agents	Managing Agents	12	12	6	6 (50%)
Valuers	Valuers	5	5	3	3 (60%)
QSE	QSE	50	50	27	27 (54%)
Submitted Affidavits	2 Managing Agents 11 Private Owners 2 Property Services 3 Estate Agents			18	
		225		116	73%



This year's State of Transformation report of 2019 – focuses on the certificate and report for the year 2017/2018. 2017 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 2017 will expire sometime in 2018.

## YEAR OF MEASUREMENT

The 2019 State of Transformation report of the Property Sector analysis will focus on the Sector Code under gazette No. 35400, Vol 564 – gazette in June 2012 and gazette No.40910 Vol. 624 gazette in June 2017.



## THE SOUTH AFRICAN PROPERTY SECTOR: BACKGROUND

South Africa's (SA's) economy was traditionally rooted in primary sectors as a result of a wealth of mineral resources and favourable agricultural conditions. However, recent decades have seen a structural shift in output.

Since the early 1990s, economic growth has been driven mainly by the tertiary sector, and now SA is moving towards becoming a knowledge-based economy, with a greater focus on technology, e-commerce as well as financial and other services. The financial sector is among the key sectors that contribute significantly to SA's gross domestic product (GDP) and keeping SA's economic engine running.

The property sector or real estate is currently classified under 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 plays a critical part at an individual level, business and other areas in the SA economy.

At an individual level, property is a necessity for shelter as defined in Maslow's hierarchy of needs. It is entrusted with fulfilling the right to shelter of every human being and every SA citizen. At a business level, it is defined as a basic requirement for businesses to have operational space- although this is changing fast with technology taking over and substituting this need. Property is also considered a wealth-creator globally.

In SA, the property market size is R5.8trn and contributes significantly to GDP, according to a 2015 PSCC study. A 2018 South African Reserve Bank (SARB) report also estimated that SA's total fixed-capital stock is worth R7.6trn. This means that property accounts for 76% of SA capital stock outside machinery and transport.

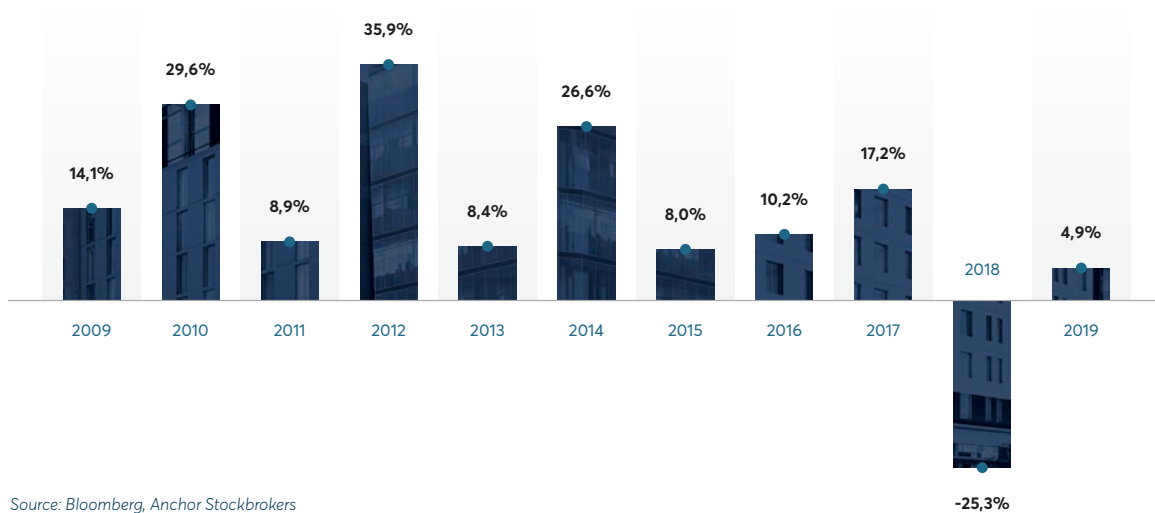
The property sector is expected to redress historical imbalances, injustices, inequalities, disparities, unfairness and unequal distribution of properties and wealth caused by Apartheid. Despite significant progress since the establishment of a democratic government in 1994, SA society, including the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

The sector is expected to ensure that ownership, control and participation in property and property enterprises conform to the demographics of SA. Although there has been some effort made in the transformation of the sector with some positive improvements, albeit at a slow pace, black people, especially black women and people living with disabilities, are still underrepresented in the local property sector.

## PROPERTY SECTOR SEGMENTS

### Listed property industry

The South African Listed Property Index's (SAPY's) market capitalisation has grown significantly over the last 10 years in spite of the dramatic share price declines experienced in 2018 for a wide range of SAPY constituents.



Source: Bloomberg, Anchor Stockbrokers

Figure 1 highlights the performance of the SA listed property sector over the past 10 years. The total returns have been driven by the following key factors:

- the adoption of real estate investment trust (REIT) status in 2013;
- the establishment of listed property as a separate asset class;
- REITs increasing their gearing;
- accretive equity raises that supported the growth of net asset value (NAV) premiums; and
- offshore expansions by REITs and yield accretive transaction.

### Offshore expansion

Although the global financial crisis (GFC) affected major financial centres around the world, SA was relatively unscathed thus presenting an opportunity for companies to raise funding at reasonable rates and to acquire good-quality assets offshore at a discounted price. This was the initial catalyst for offshore expansion.

However, around 2015, the local economy seemed to take a turn for the worst. This came as Eskom implemented 99 days of load shedding which culminated in the so-called Nenegate, when ex-President Jacob Zuma abruptly dismissed (without valid reason) well-respected then Minister of Finance Nhlanhla Nene, indicating the peak of political instability in SA. This, in conjunction with the State Capture revelations through the release of the so-called Gupta leaks by various SA media organisations, have had a long-term negative impact on the local economy. SA economic growth was effectively stunted motivating REITs to search for growth opportunities offshore with the most popular destination being Central and Eastern Europe (CEE).

Various SA REITs have entered CEE as the prospects of growth are high in that region due to a combination of growing economies, growing populations and low unemployment rates. In addition, the cost of debt in CEE (at c. 3%) is significantly lower than the cost of SA debt (c. 9%) resulting in earnings-accretive acquisitions from day-one. Some REITs have also only hedged a portion of their earnings to effectively provide a rand hedge to investors.

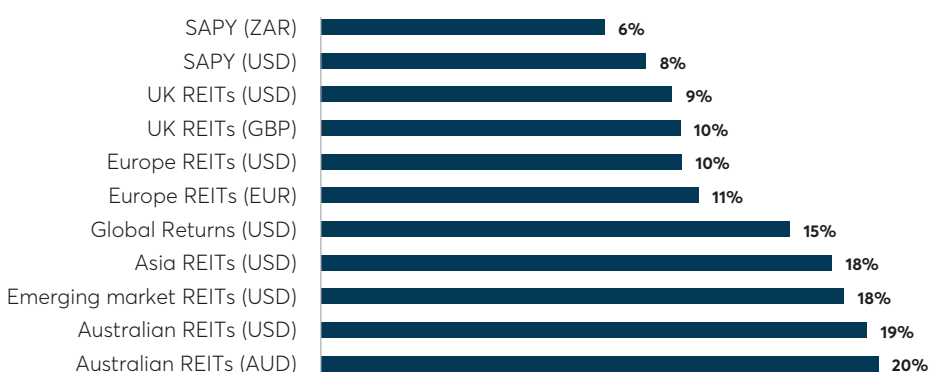
Table 1: Comparative Statistics for European Regions

REGION	Population 2018 mn	Unemployment 2018 (%)	GDP per Capita (EUR)	GDP per Capita CAGR 2000 - 2018 (%)
Central and Eastern Europe	102.6	4.8	13,459	6.7
Germany	82.8	3.4	40,897	2.6
United Kingdom	66.3	4.0	36,118	1.0
France	66.9	9.1	43,764	2.8

Source: MAS Real Estate, Eurostat

As can be seen below, SA-listed property has underperformed European REITs even after accounting for currency movements.

Figure 6: 1H19 Global property performance



Source: Thomson Reuters and Anchor Stockbrokers

### Best practice recommendations

The best practice recommendations (BPR) is a framework, developed by the SA REIT Association, to improve disclosure and governance amongst SA REITs. BPR aims to also improve the usefulness, relevance and transparency of REIT reports by detailing additional disclosures that are specific to REITs.

Published on 1 January 2016, the first edition of the BPR focused on standardising the calculation of distributable earnings to enhance comparability.

In March 2019, SA REIT released a draft version of BPR2 for comment. The focus was on developing a reporting annexure that would accompany the financial report and include REIT-specific disclosure such as distributable earnings and valuation assumptions. Commentary was provided by industry stakeholders during May 2019 and we await the final version of BPR2.

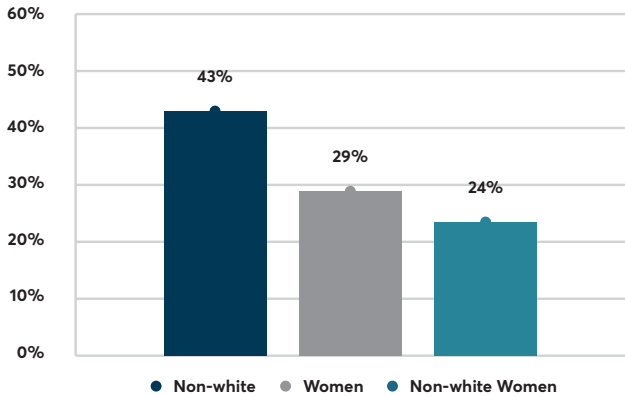
It is important to note that BPR disclosure does not replace any International Financial Reporting Standards (IFRS) disclosure. Full compliance with BPR is encouraged by SA REIT as far as is practical, legally and financially.

There has also been an increased focus on the sector's need to transform through share ownership and board representation. Transformation through share ownership tends to lag for various reasons. For example, large institutional investors may hold a large portion of the shares in REITs and might not be willing to relinquish such a substantial portion. In addition, funding is a barrier to ownership that requires complex B-BBEE structures to be implemented. Board-level transformation has, however, occurred and continues to improve.

### Board composition

Below is an analysis of the board composition of the top-10 SA REITs (by market cap) on the All Property Index (ALPI), accounting for 73% of the ALPI.

Figure 7: Board composition of the top-10 SA REITs in the ALPI



While positive strides have no doubt been made to improve board representation, focus should also be drawn to developing an adequate pipeline of talent to ensure sustainable transformation. This involves transformation at a senior management and a management level as well as investing in skills development for young professionals, which could aid in the retention of talent within the sector.

### Pay-out ratio

Historically, SA REITs have distributed c. 100% of earnings to shareholders. This creates a need for REITs to incur debt for short-term expenses such as capex requirements and ultimately limits the flexibility of these REITs.

Globally, there seems to also be a drive towards lower pay-out ratios thus retaining a portion of earnings. In the US, many REITs reduced their pay-out ratios during 2018, highlighting that it is not sustainable on a long-term basis to have 100% pay-out ratios. Many of these companies opted instead to hold back some earnings, which they could use towards buying back their shares in cases where the share price had fallen sharply. Others have done so in order to increase financial flexibility, strengthen their balance sheets (through the higher retained earnings) and facilitate strategic initiatives.

Retaining a portion of earnings triggers tax implications for the REIT. Where no tax would be paid if 100% of earnings are distributed, a 28% corporate tax is payable on amounts retained. We are of the view that the tax leakage is marginal in comparison to the long-term benefit which can be sustained from retaining a portion of earnings. Furthermore the introduction of retained earnings within the entity also provides additional flexibility in that companies now have the option of debt, equity and internal resources available to fund operations.

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.





## RESIDENTIAL INDUSTRY

### Transformation of Real Estate Industry

This analysis on the residential industry was necessary and relevant because we were not able to collect enough BBBEE certificates and reports from sampled estate agencies to make a proper and relevant assessment on the State of Transformation for the residential industry. The analysis below use the Estate Agency Affairs Board (EAAB) official database of registered estate agents and agencies from January 2018 to December 2018.

#### 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 (7) responses. Out of the 7 responses, four (4) are affidavits 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.

#### State of Transformation in the Residential Industry using EAAB database information

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

#### a. National – Full Stats

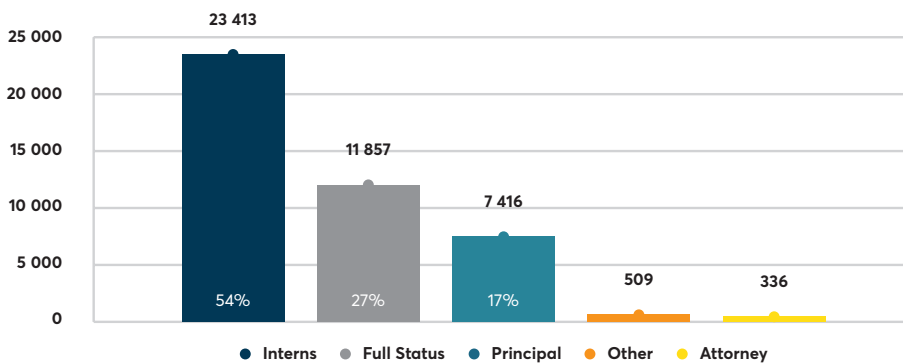
By end of 2018 there were a total of 43549 registered estate agents in South Africa. This was an total increase of 4% (1 639) at the end of 2017 (with 41 910 registered estate agents).

Table 5 : Comparison of 2017 and 2018 Residential stats

	2017		2018	
Interns	20 340	48,5%	23 431	53,8%
Full status	12 912	30,8%	11 857	27,2%
Principals	8 398	20,0%	7 416	17,0%
Attorneys	245	0,6%	336	0,8%
Other	15	0,0%	509	1,2%
	41 910		43 549	

Out the 43549 estate gents (54% are Interns, 27% are full status estate agents, 17% are principals, 1.33% are Attorneys and other at 0.77%). Below is the breakdown of all 2018 registered agents in a Bar graph.

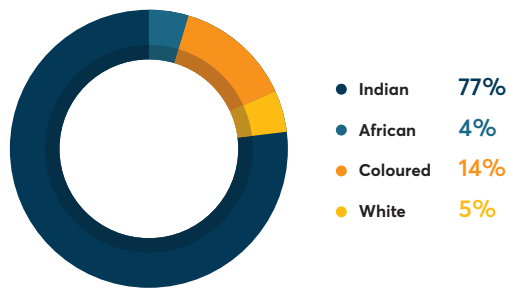
### 2018 NATIONAL STATS



### Overall Racial Stats

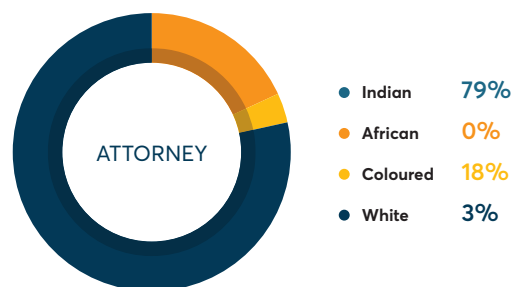
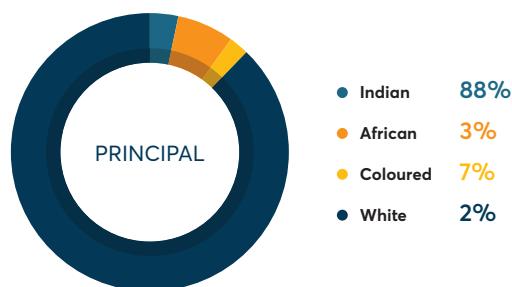
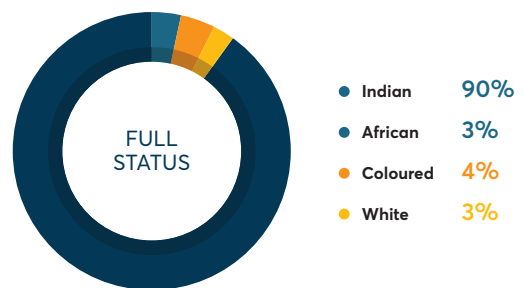
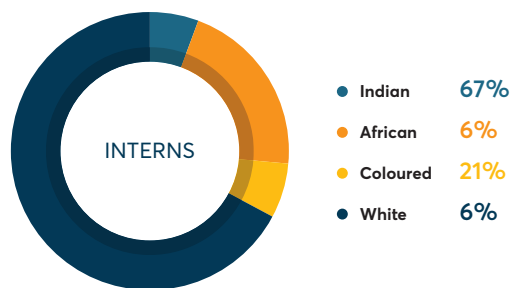
The below figure shows Overall racial Stats, 77% are White estate agents while 23% are black (African, Coloured, Indian) estate agents.

### National 2019 Racial Stats



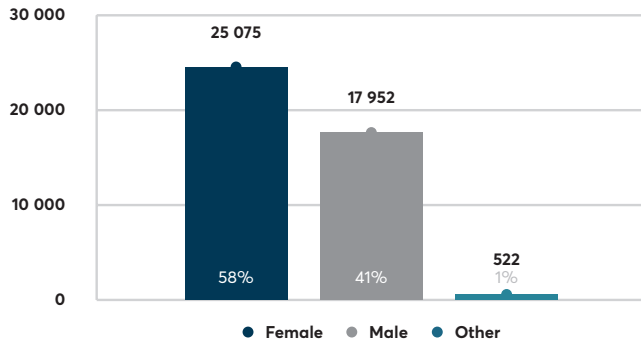
### Racial Stats by category

There are more black estate agents that are interns and they increased from 28% in 2018 to 33% in 2018. The concern is that there are only 10% full status agents and 13% principals are black.



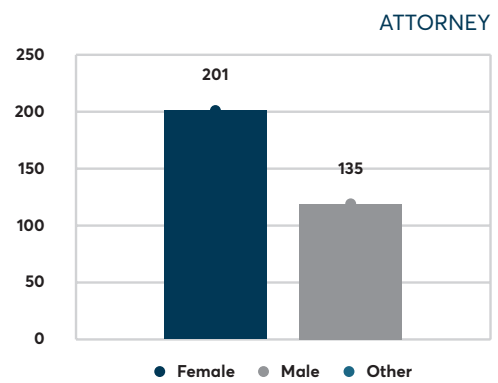
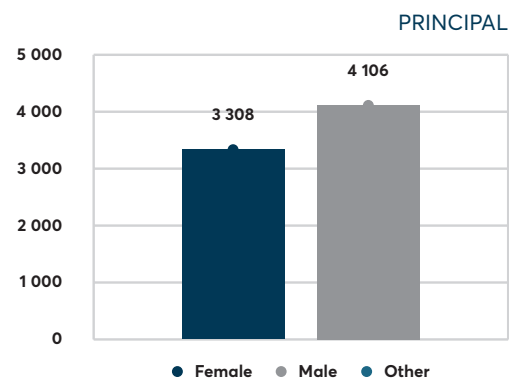
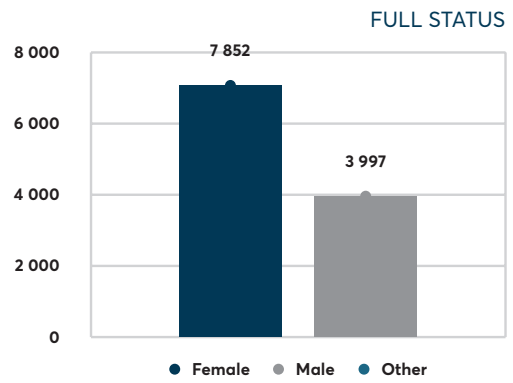
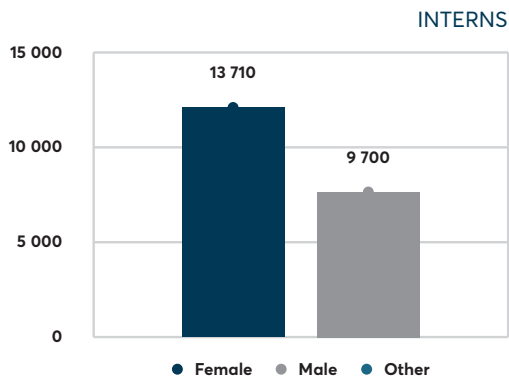
### Gender Stats

There are more female at 58% vs male at 41% estate agents registered with EAAB in 2018.



### Gender Stats by Category

Females dominate each category except principal agents



# 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 investment development, thus will not be able to make investments in property

related developments will hence be exempt from performing under that category of the scorecard, and consequently scored out of commensurately less. This is illustrated on the table (2 and 3) below.

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

## 2012 PSC

	APUTS	PLSA / REITs / Property Owners (Externally Managed)	PLSA / REITs / Property Owners (Internally Managed)	Asset Management	Property Management Services	Unlisted Public Mandated Collective Investment Scheme	Estate Agents / Valuers / Property Brokers
Ownership	✓	✓	✓	✓	✓	✗	✓
Management Control	✓	✓	✓	✓	✓	✓	✓
Employment Equity	✗	✗	✓	✓	✓	✓	✓
Skill Development	✗	✗	✓	✓	✓	✓	✓
Preferential Procurement	✓	✓	✓	✓	✓	✓	✓
Enterprise Development	✓	✓	✓	✓	✓	✓	✓
Socio-Economic Development	✗	✓	✓	✓	✓	✓	✓
Economic Development	✓	✓	✓	✗	✗	✓	✗

Table 2 Complex Structure Set by 2012 PSC

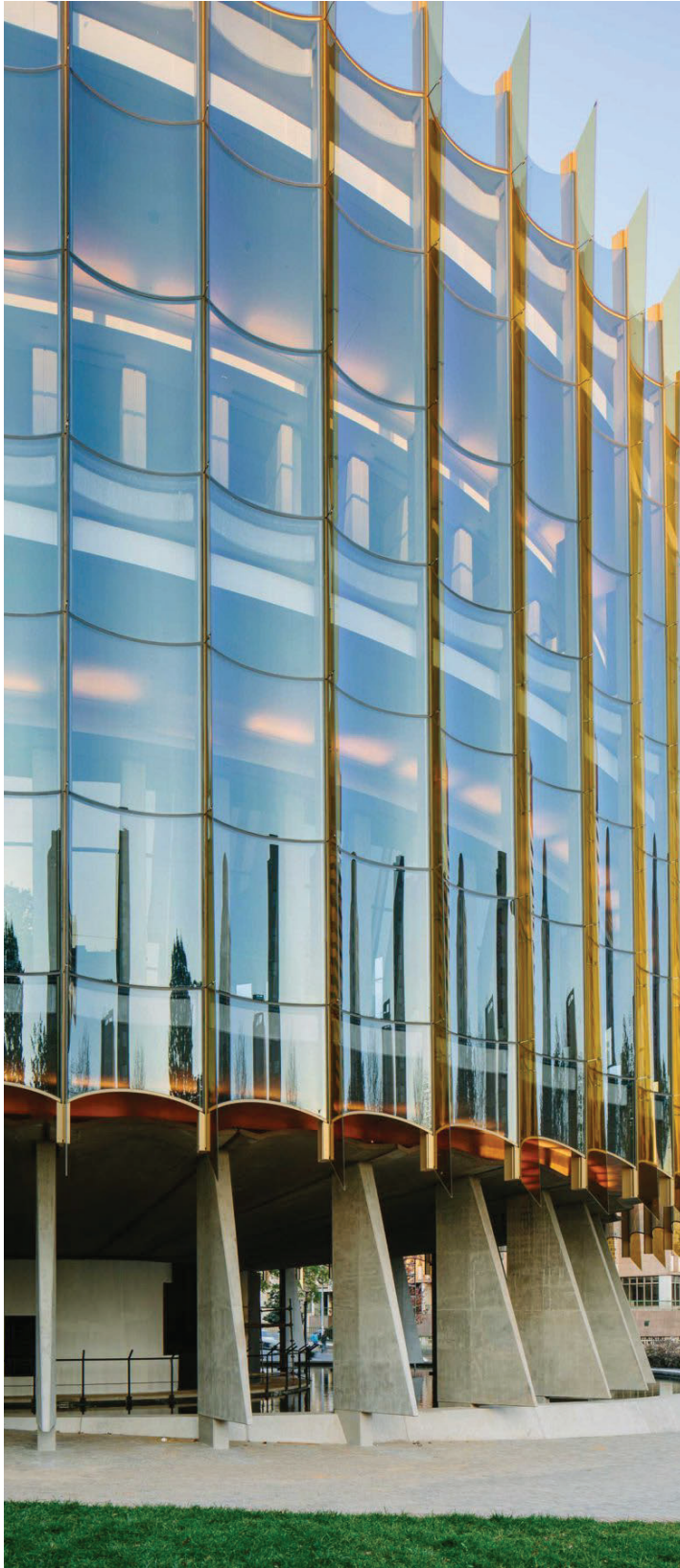


2017 APSC

	APUTS	PLSA / REITs / Property Owners (Externally Managed)	PLSA / REITs / Property Owners (Internally Managed)	Asset Management	Property Management Services	Unlisted Public Mandated Collective Investment Scheme	Estate Agents / Valuers / Property Brokers	Specialised Entities incl state organs
Ownership	✓	✓	✓	✓	✓	✓	✓	✗
Management Control	✓	✓	✓	✓	✓	✓	✓	✓
Employment Equity	✗	✗	✓	✓	✓	✓	✓	✓
Skill Development	✗	✗	✓	✓	✓	✓	✓	✓
Preferential Procurement	✓	✓	✓	✓	✓	✓	✓	✓
Enterprise Development	✓	✓	✓	✓	✓	✓	✓	✓
Socio-Economic Development	✗	✓	✓	✓	✓	✓	✓	✓
Economic Development	✓	✓	✓	✗	✗	✓	✗	✗

Table 3 Complex Structure set by 2017 APSC





## PROPERTY SECTOR RECOGNITION B-BBEE LEVEL

- From the submitted scorecards, the following analysis is extracted:
  - Recognition level 1-2 - 2.8%
  - Recognition level 2-4 - 33.1%
  - Recognition level 4-6 - 31.7%
  - Recognition level 6-8 - 9.7%
  - Non-compliant - 22.8%
- Performance by segment is as follows:
  - Listed Property sector - level 6
  - Private Property Owners - level 5
  - Generic Code (Institutions) - level 2
  - Property Management Service - level 4
  - Valuers - level 6
  - Estate Agencies (QSE's) - level 8
  - Property Brokers - No data

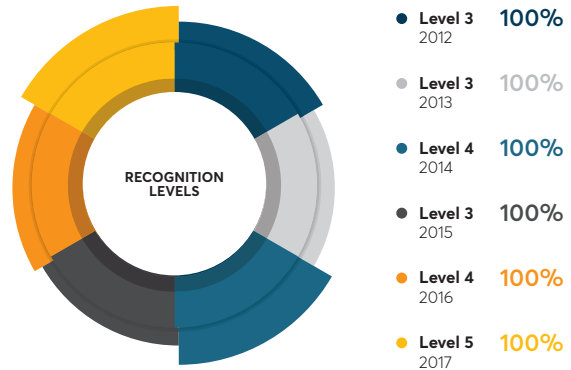


Figure 1: Recognition Levels From 2012 to 2017

The figure 1 above shows the overall levels Achieved by the property sector since 2012. The level has been alternating between level 3 and 4 from 2012 to 2016. In 2017 the level has dropped to level 5.

Partly the drop is attributed to the change in the recognition level under the 2017 APSC.

With direct application- the scores achieved in 2018 would have put the sector at level 6.

Although level 5 is still not good enough, there was effort in retaining the same level as albeit not enough to retain the same score.

B-BBEE CONTRIBUTOR STATUS	PREVIOUS BBBEE RECOGNITION LEVEL (2012 PSC)	REVISED RECOGNITION LEVEL (2017 APSC)
Level One	≥100 points	≥100 points
Level Two	≥85 but <100 points	≥95 but <100 points
Level Three	≥75 but <85 points	≥90 but <95 points
Level Four	≥65 but <75 points	≥80 but <90 points
Level Five	≥55 but <65 points	≥75 but <80 points
Level Six	≥45 but <55 points	≥70 but <75 points
Level Seven	≥40 but <45 points	≥55 but <70 points
Level Eight	≥30 but <40 points	≥40 but <55 points
Non-Compliant	<30 points	<40 points



# 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 both 2012 PSC and 2107 APSC scorecard and consists of eight (8) elements, namely:

SUB-ELEMENTS	2012 PSC	2017 APSC
Ownership	✓	✓
Management Control	✓	✓
Employment Equity	✓	✓
Skills Development	✓	✓
Preferential Procurement	✓	} ✓
Enterprise Development	✓	
Socio-Economic Development	✓	✓
Economic Development	✓	✓
<b>TOTAL</b>	<b>8</b>	<b>7</b>

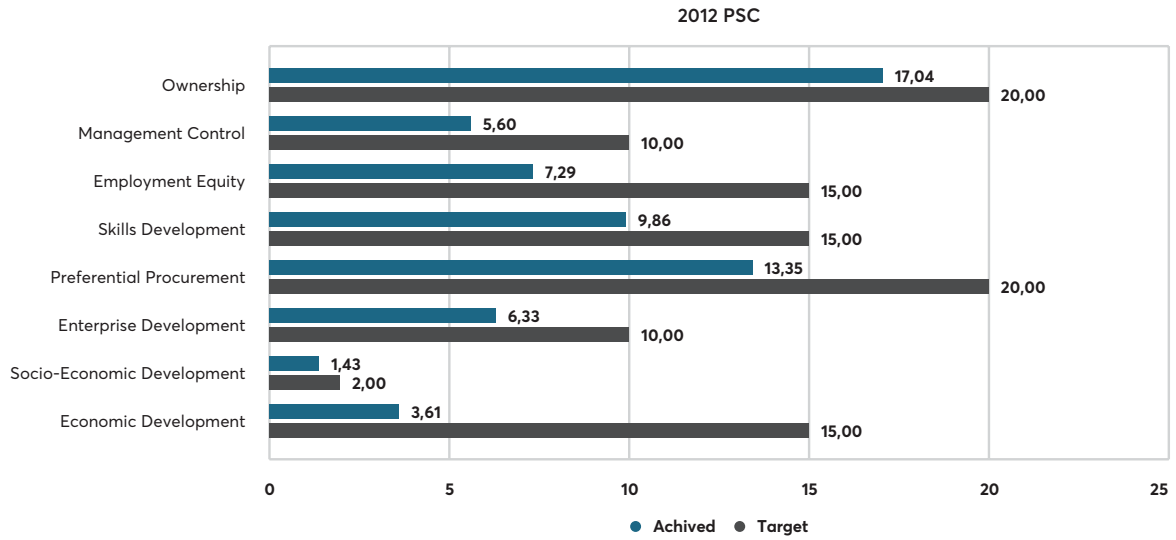
*The above elements are measured against set targets with a particular given target.*





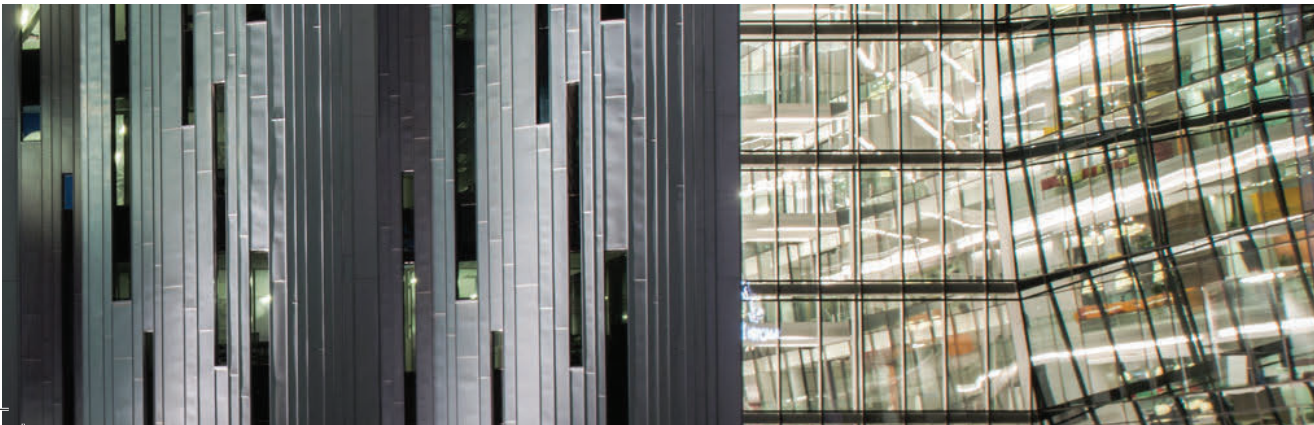
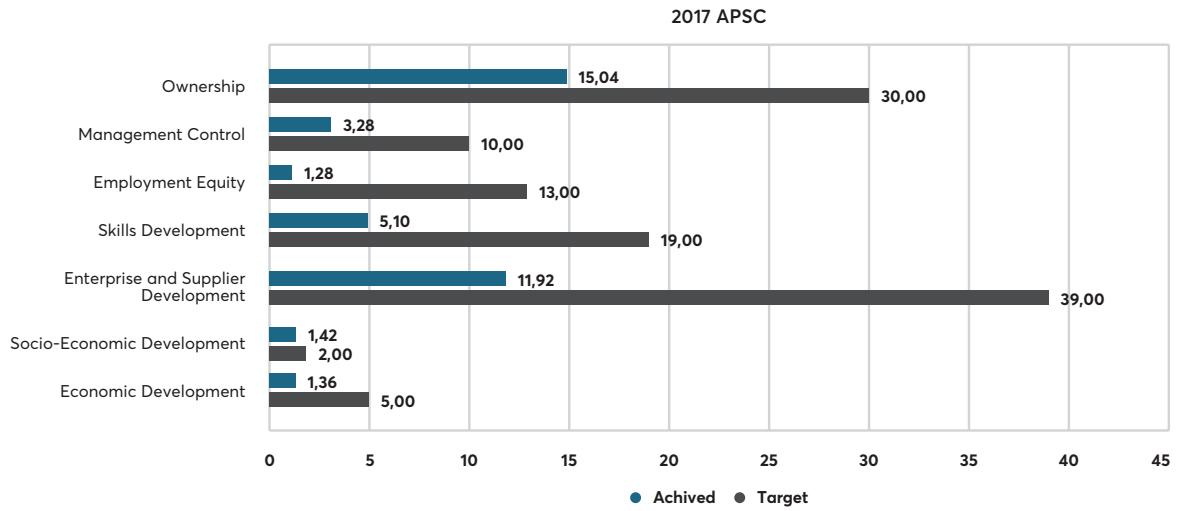
### 2012 PSC

Figure 1: 2017/2018 2012 Property Sector Code actual transformation performance by element



### 2017 APSC

Figure 2: 2017/2018 2012 Amended Property Sector Code actual transformation performance by element



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.

### Comparison scores of Under 2012 PSC

2015/2016 vs 2016/2017 vs 2017/2018

#### 1. Ownership

2015/2016 82%	2016/2017 80%	2017/2018 (%) 85%	CHANGE (%) -5%
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#### 2. Management Control

2015/2016 60%	2016/2017 57%	2017/2018 (%) 56%	CHANGE (%) -1%
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#### 3. Employment Equity

2015/2016 55%	2016/2017 33%	2017/2018 (%) 49%	CHANGE (%) +16%
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#### 4. Skills Development

2015/2016 69%	2016/2017 66%	2017/2018 (%) 65%	CHANGE (%) -1%
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#### 5. Preferential Procurement

2015/2016 82%	2016/2017 84%	2017/2018 (%) 67%	CHANGE (%) -17%
------------------	------------------	----------------------	--------------------

#### 6. Enterprise Development

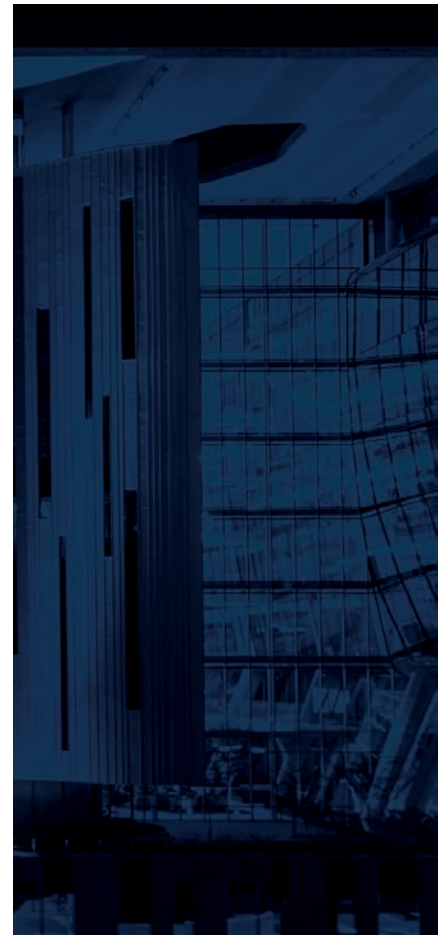
2015/2016 115%	2016/2017 106%	2017/2018 (%) 63%	CHANGE (%) -43%
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#### 7. Socio-Economic Development

2015/2016 114%	2016/2017 117%	2017/2018 (%) 72%	CHANGE (%) -34%
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#### 8. Economic Development

2015/2016 54%	2016/2017 38%	2017/2018 (%) 34%	CHANGE (%) -4%
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# 1

## OWNERSHIP

### 2012 PSC



#### Voting Rights

- Black Voting Rights
- Black Women Voting Rights

#### Economic Interest

- Black Economic Interest
- Black Women Economic Interest
- Designated Groups Economic Interest

#### Realisation Points

#### Voting Rights

- Black Voting Rights
- Black Women Voting Rights

### 2017 APSC



#### Voting Rights

- Black Voting Rights
- Black Women Voting Rights

#### Economic Interest

- Black Economic Interest
- Black Women Economic Interest
- Designated Groups Economic Interest

#### Realisation Points

#### Financial Support

#### Bonus Points

- Disposal Of assets

**1.1 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.

**1.2 OWNERSHIP IN THE PROPERTY SECTOR CODE**

The Ownership scorecard in the property sector is divided into two, namely:

**1.2.1 Property Owning Companies.**

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

**1.2.2 All Other Companies.**

- All other companies refers to companies that operate in the property space but do not own properties for example (Valuers, Estate Agencies, Property Services companies. etc)

**1.3 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 seen in the 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.

**1.4 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.

**1.5 OWNERSHIP TARGETS AND WEIGHTINGS**

Each property sector enterprise commits to achieve the following targets with the first five (5) years :

**1.5.1 2012 PSC - Generic measured entities**

- 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 2012 PSC Ownership Targets and Weightings set for Enterprises in the Property Sector

OWNERSHIP (20 POINTS)					
CATEGORY	MEASURED INDICATOR	WEIGHTING POINTS		COMPLIANCE TARGET	
		Property Owning companies	All other companies	Property Owning companies	All other companies
Voting Rights	Exercisable voting rights in the enterprise In the hands of black people	5	3	25% +1 vote	25% +1 vote
	Exercisable voting rights in the enterprise In the hands of black women in the enterprise	2	2	10%	10%
Economic Interest	Economic interest of black people in the Enterprise	5	4	25%	25%
	Economic interest of black women in the Enterprise	2	2	10%	10%
	Economic interest of the following black Natural persons in the enterprise:  1. Black designated groups; 2. Black participants in employee ownership schemes; 3. Black beneficiaries of broad based ownership schemes; or 4. Black participants in co-operatives	1	1	2.5%	2.5%
Realization points	Ownership fulfilment	1	1	1	Refer to paragraph 10.1 of Codes of Good Practice
	Net equity value	4	7	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%	Annexure C paragraph 4 of the codes of Good Practice
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. in Employment ownership schemes 2. of broad-based ownership schemes 3. Co-operatives	1	1	10%	10%

## 1.1.1 2017 APSC- Generic enterprises

- at least 27% economic interest by black people;
- at least 27% vote exercisable by black 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 1.2 Highlights the 2017 APSC Ownership Targets and weightings set for enterprises in the property sector

OWNERSHIP (20 POINTS)					
CATEGORY	MEASURED INDICATOR	WEIGHTING POINTS		COMPLIANCE TARGET	
		Property Owning companies	All other companies	Property Owning companies	All other companies
Voting Rights	Exercisable voting rights in the enterprise in the hands of black people	4	5	27% +1 vote	25% +1 vote
	Exercisable voting rights in the enterprise in the hands of black women	2	2	10%	10%
Economic Interest	Economic interest of black people in the enterprise	4	5	25%	25%
	Economic interest of black women in the enterprise	2	2	10%	10%
	Economic interest of the following black natural persons in the measured entity 1. Black designated groups; 2. Black participants in employee share ownership schemes programme; 3. Black beneficiaries of broad-based ownership schemes; or 4. Black participants in co-operatives.	4	4	2.5%	2.5%
Realization points	New Entrants	2	2	2%	2%
	Net equity Value	8	10	Year 1 - 3% Year 2 - 7% Year 3 - 10% Year 5 - 19% Year 7 - 43% Year 9 - 50%	Year 1 - 10% Year 2 - 20% Year 3 - 40% Year 5 - 60% Year 7 - 80% Year 9 - 100%
Financial Support	Financial support to Black property owned and controlled companies with at least 51% black ownership (level1-3) measured as a % of development / redevelopments spend on properties not currently owned by the measured entity	4		1 - 3yrs 1% 4 - 5yrs 2%	
Bonus points	Disposal of assets to Black owned and controlled company with at least 51% Black ownership (level1-3) as a % of total asset disposal	3		35%	



1.1.2 2017 APSC - QSE enterprises

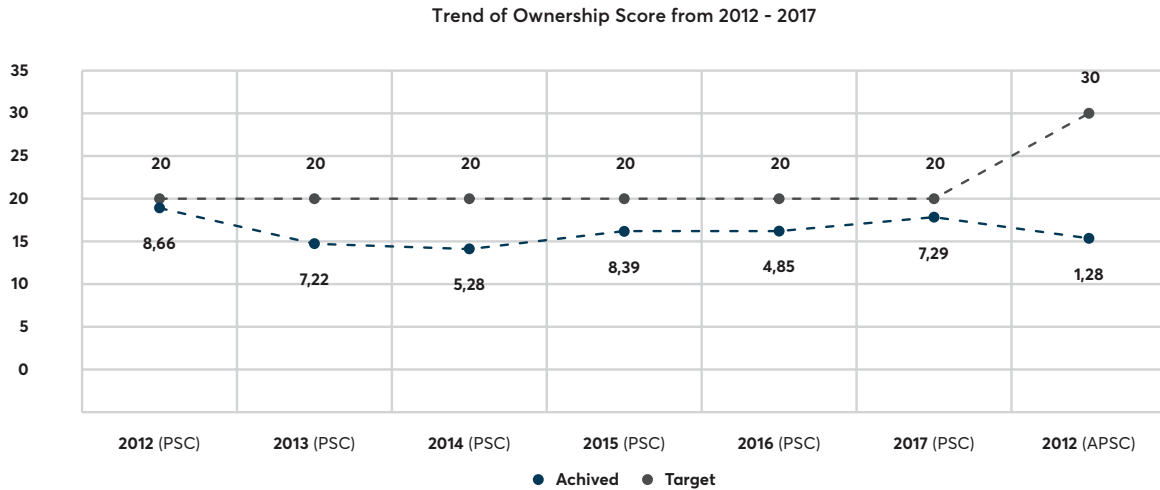
- at least 25% plus one vote exercisable by black people in the enterprise;
- at least 25% economic interest by black people;
- at least 10% ownership 10% votes exercisable and by black women and economic interest by black women in the enterprise; and
- at least 2% participation in ownership and economic interest held by new entrants /or designated groups.
- at least 10% ownership 10% votes exercisable and by black women and economic interest by black women in the enterprise; and
- at least 2% participation in ownership and economic interest held by new entrants /or designated groups.

Table 1.5 Highlights the Ownership Targets and Weightings of 2017 APSC QSE Enterprises in the Property Sector

OWNERSHIP (27 POINTS)					
CATEGORY	EMPLOYMENT MEASUREMENT INDICATOR	WEIGHTING POINTS		COMPLIANCE TARGET	
		Property Owning companies	All other companies	Property Owning companies	All other companies
Voting Rights	Exercisable votingrights in the enterprise Inhands of black people	5	5	25% + 1 vote	25% + 1 vote
	Exercisable voting rights in the enterprise In the hands of black women	2	2	10%	10%
Economic Interest	Economic interest of black people in the Enterprise	5	5	25%	25%
	Economic interest of black women in the Enterprise	2	2	10%	10%
	New entrants or black designated groups	3	3	2%	2%
Realization points	Net value	10	10	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%	Year 1 - 10% Year 2 - 20% Year 3 - 40% Year 5 - 60% Year 7 - 80% Year 9 - 100%

### 1.6 GENERIC OWNERSHIP SCORE TREND SINCE 2012 PSC TO 2017 APSC

The Figure 1.1 below shows how the property sector has performed against the target from 2012 to 2017



The figure 1.1 above shows how the Property Sector has performed overtime against the set target. The target was 20 points from 2012 – Mid 2017 , from 10 June 2017 measured entities were forced to use the released Amended Property Sector Code hence this is the reason we have 2012 (PSC) and 2017 (APSC) which simply means that there are companies who applied the Old Property Sector Code (2012 PSC) and the Amended Property Sector Code (2017 APSC). The best performance was in 2012 as the sampled companies managed to achieve an average percentage of 94%. The worst performance was in 2014 where the sampled companies have achieved an average percentage of 70%.In 2017 we had two different scores and targets as we had companies that applied the old scorecard (PSC) and companies that applied the new scorecard (APSC), companies that applied the Amended Property Sector Code were 50% lower than the target however it is understandable as targets and points were increased and measured entities did not have much time to prepare for the new changes.

### 1.7 GENERIC OWNERSHIP ACTUAL

The figure 1.1 below shows the average performance of 2012 PSC and 2017 APSCfor Generic entities

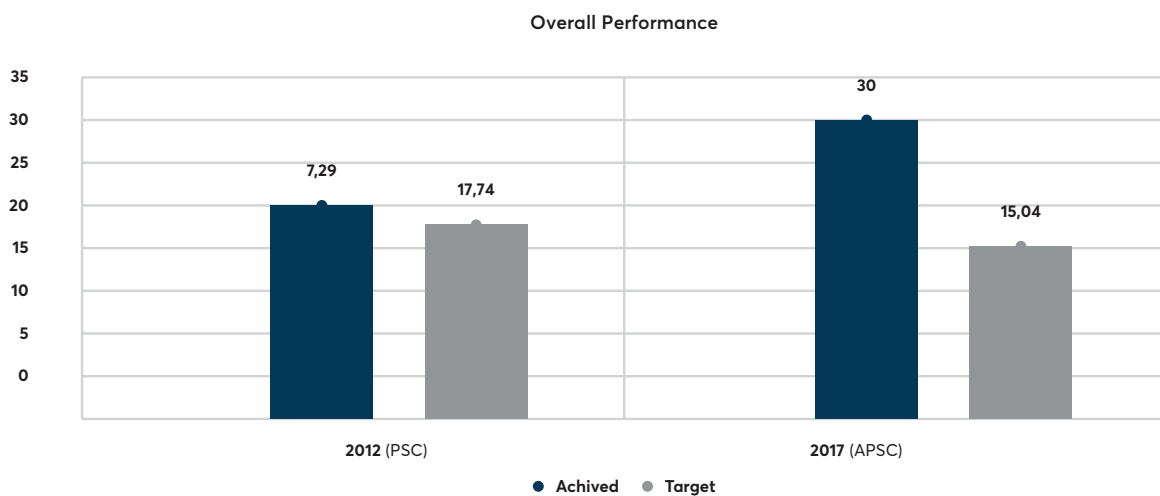




Figure 1.2 shows the performance of the property sector under ownership for both 2012 PSC and 2017 APSC. Companies measured under 2012 PSC: achieved a total of 17.74 out of 20 making the achievement on ownership 88%, while companies measured under 2017 APSC: Achieved a total of 15.04 out of 30 making the achievement on ownership 50%.

Although the two gazettes cannot be compared as there are many changes incorporated in the 2017 APSC which was first applied from June 2017, the results above shows that companies found it hard to comply with ownership under the 2017 APSC than in 2012 PSC.



### 1.8 SEGMENT PERFORMANCE OF OWNERSHIP

The figure 1.3 below shows the average performance of 2012 PSC and 2017 APSC per Segment

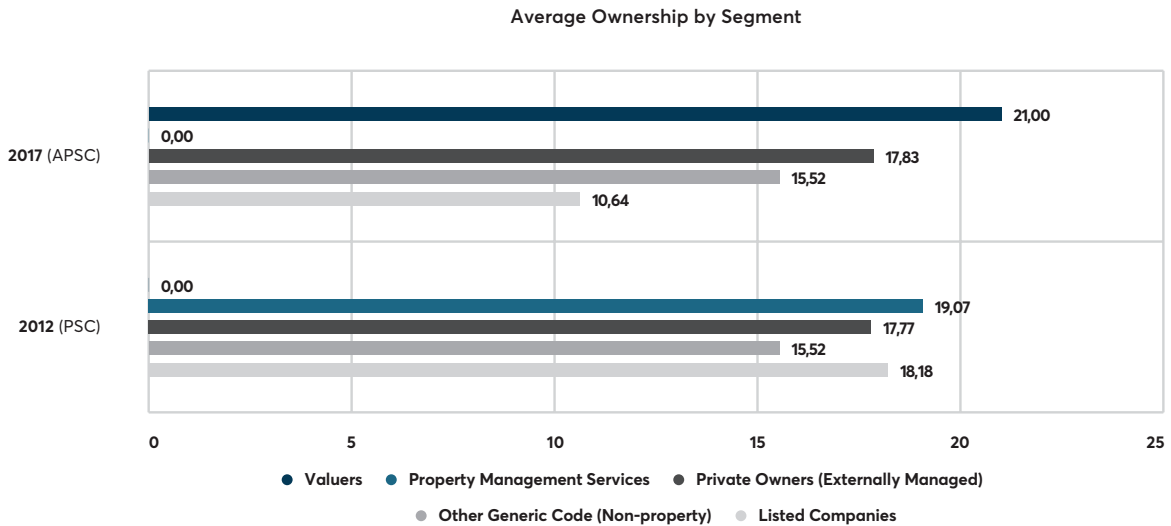


Figure 1.2 looks at the performance of the sector under ownership by segment for both 2012 PSC and 2017 APSC. Under the 2012 PSC property management services were a standout performer as they were closest to the target with 95%, while the lowest performer was the other Generic code (non-property) with 77%. The 2017 APSC, the valuers, measured for the first time, were the highest performers with 21 points out of the set target of 30 points which is 70% and the listed industry remains the lowest with 10.64 which is 35%. There were no certificates received from valuers under 2012 PSC and there were no certificates received under property management services under 2017 APSC.

### 1.9 PERFORMANCE OF OWNERSHIP SUB-ELEMENTS

Table 1.4 below shows performance of ownership sub-elements

SUB-ELEMENTS	2012 PSC		2017 APSC	
	Target	Performance	Target	Performance
Black voting rights	25%	45%	27%	35%
Black women voting rights	10%	14%	10%	13%
Black economic rights	25%	44%	27%	35%
Black women economic interest	10%	13%	10%	13%
Group economic interest	2.50%	9%	2.5%	14%
New entrants	10%	0	2%	19%
Net equity	8	4.4	8	4.5
Financial support	N/A	N/A	2%	0%
Disposal of assets	N/A	N/A	35%	7%

Performance of black voting rights and black economic interested were the standout performances as they have over exceeded the target with more 80% under the 2012 PSC, while under the 2017 APSC black new entrants was the standout performer with achieved score of 18% against a target of 2%.

### 1.10 QSE OWNERSHIP ACTUAL

The figure 1.4 below shows the average performance of 2012 PSC and 2017 APSC for QSE Entities

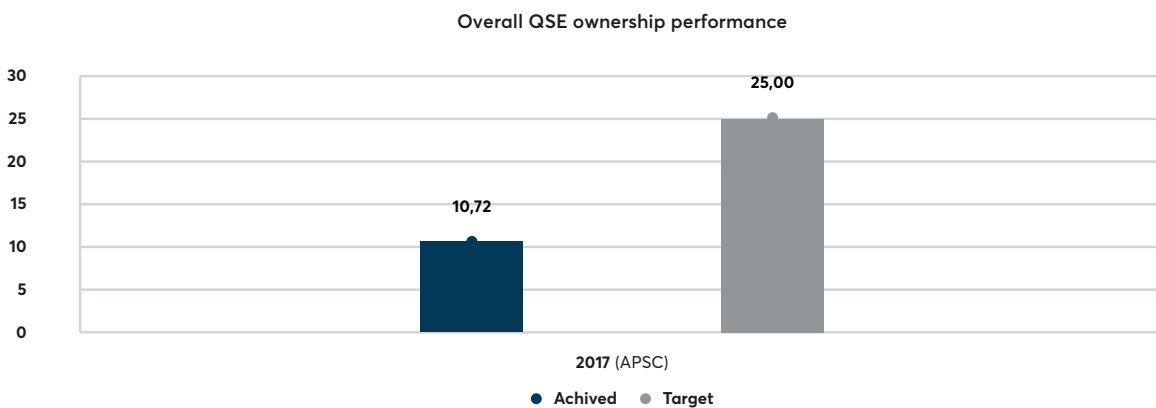


Figure 1.3 Shows the average total Ownership of Qualifying Small Enterprises. The performance was below the set target with overall percentage of 39% which is 10.72 points out of 25 points.

Though the percentage is not impressive, it is understandable as QSEs did not apply the property sector code in the previous years and did not have to comply with all elements when they applied the COGP.

**1.11 SEGMENT PERFORMANCE OF OWNERSHIP**

The graph 1.4 below shows the average performance of 2012 PSC and 2017 APSC per Segment for QSE

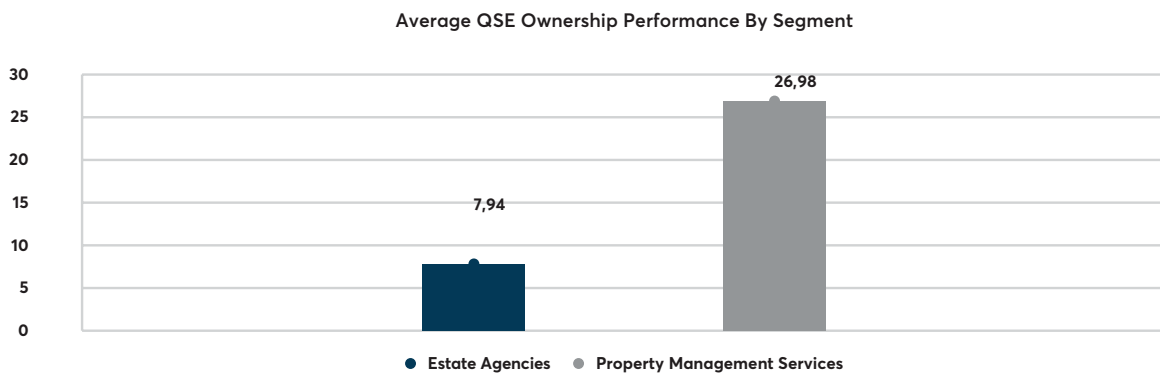


Figure 1.4 Shows the total average QSE ownership performance by segment. The measurable data received is only from two segments, namely Estate Agencies and Property Services under the QSE Scorecard. Property services have achieved 26.98 points which was higher than the set target of 25 points, while Estate Agencies had poor performance with 7.94 points out of 25 points which is below 50% of the target.

**1.12 PERFORMANCE OF SUB-ELEMENTS UNDER OWNERSHIP**

Table 1.6 Performance of QSE Ownership Sub-elements

SUB-ELEMENTS	2017 APSC	
	Target	Performance
Black voting rights	25%	18%
Black women voting rights	10%	4%
Black economic rights	25%	18%
Black women economic interest	10%	4%
New entrants or black designated groups	2%	12%
Net equity	10	2.5
Disposal of assets	35%	0%



Under sub-elements, performance of black new entrants standouts as it has over exceeded its target by more than 100%, while net equity performance was lower.

### 1.13 SUMMARY

#### Generic enterprises

Ownership achieved under the 2012 PSC (17.74 points), was 87.35% lower than the set target of 20 points and under the 2017 APSC (15.04), 50.13% lower than the set target of 30 points.

#### QSE enterprises

Ownership achieved under the 2017 APSC (10.72 points), was 42.88% lower than the set target of 25 points. This was attributed to both poor performance in both (same achievement) voting rights and economic interest for black people and black women at 72.00% and 40.00% respectively.

The performance in generic ownership was attributed to the following:

#### Voting rights

2012 PSC – there was an excellent effort towards achieving the required voting rights:

- black people achieved 180.00% against target.
- black women achieved 140.00% against target.

2017 APSC – again another excellent effort towards achieving the required voting rights:

- black people achieved 129.63% against target.
- black women achieved 130.00% against target.
- For QSEs black people achieved 72.00% against target.
- For QSEs black women achieved 40.00% against target.

#### Economic interest

2012 PSC – there was an super performance towards achieving the required economic interest:

- black people achieved 176.00% against target.
- black women achieved 130.00% against target.
- For QSEs black people achieved 72.00% against target.
- For QSEs black women achieved 40.00% against target.

2017 APSC – again another excellent effort towards achieving the required voting rights:

- black people achieved 129.63% against target.
- black women achieved 130.00% against target.

#### Group Economic interest

2012 PSC – another great performance towards achieving the required economic interest:

- black people achieved 360.00% in 2012 PSC and 560% in 2017 APSC against target.

#### New Entrants

2012 PSC – no performance recorded under this.

2017 APSC – Extra-ordinary performance of 19% against 2% target.

#### Net Equity

2012 PSC – there was poor performance against target at 55.00%.

2017 APSC – another poor performance against target at 56.25%

#### Financial Support

This is a new line item incorporated in the 2017 APSC.

There is no record captured under this sub-element. This may be that there has not been take up on this support element to-date.

#### Disposal of Assets

This is a sub-element is new under ownership for in the 2017 APSC.

The is poor performance of this sub-element with 20.00% achievement against target.

## 1.2. CONCLUSION

The property sector has performed well in the important sub-element of ownership mainly economic interest, voting rights and group economic interest. However the funding mechanism of this ownership is not favourable as noted in the poor performance of the net equity target.

## 1.3. RECOMMENDATION

The Sector should be encouraged to continue with its black ownership commitment in the ownership deal but find innovative favourable funding models that would suitably help improve the net equity points by meeting the targets as per the relevant schedule.

# 2

## MANAGEMENT CONTROL

2012 PSC



### Board Participation

- Black voting rights
- Black executive directors

### Other Executive Management

- Senior top management
- Black other top management

2017 APSC



### Board Participation

- Black voting rights
- Black women voting rights
- Black executive directors
- Black female executive

### Other Executive Management

- Black other executive management
- Female other executive management

**2.1 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 of these enterprises. 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) levels.

**2.2 MANAGEMENT CONTROL CHALLENGES**

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

**2.3 PURPOSE OF MANAGEMENT CONTROL IN THE PROPERTY SECTOR CODE**

To redress historic challenges, the Property Sector Code

(PSC) requires enterprises in the property sector to commit to achieving Management Control set targets.

**2.4 MANAGEMENT CONTROL TARGETS AND WEIGHTINGS**

These Management Control targets are applicable to all segments of the property sector. Each property sector enterprise commits to achieving the following targets:

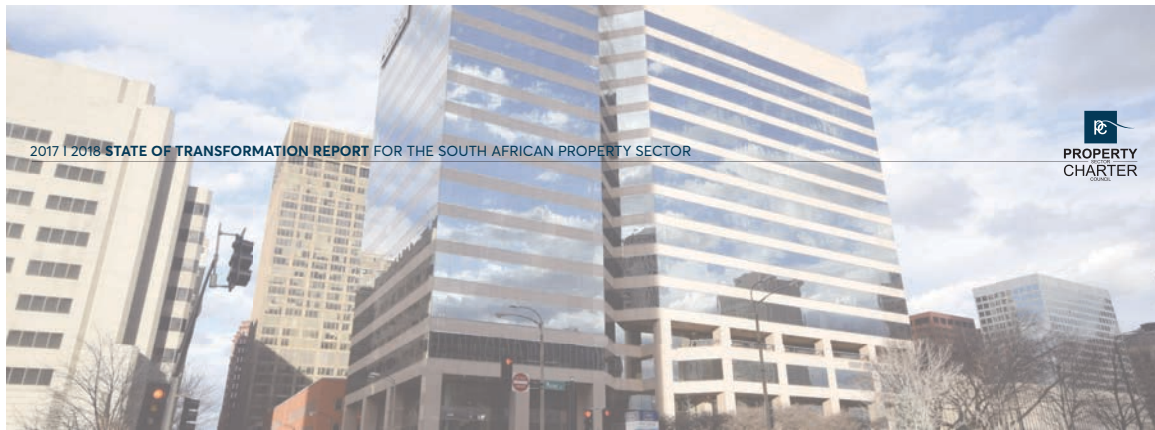
**2.4.1 2012 PSC - Generic Entities**

- 50% of voting rights by black people at aboard level, using adjusted recognition for gender;
- 50% black executive directors using adjusted recognition for gender;
- 40% black at atop senior-management level, using adjusted recognition for gender;
- 40% black other at a top-management level, using adjusted recognition for gender; and
- 40% bonus points for black independent non-executive board members.



Table 2.1 Management Control targets and weightings set by the 2012 PSC for generic enterprises

MANAGEMENT CONTROL (9)			
CATEGORY	MEASUREMENT INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Board Participation	Exercisable voting rights of black board members who are black using the adjusted recognition for gender.	3	50%
	Black executive directors using the adjusted recognition for gender.	2	50%
Top Management	Black senior top management using the adjusted recognition for gender.	3	40%
	Black other top management using the adjusted recognition for gender.	2	40%
Bonus points	Black independent non-executive board members.	1	40%



#### 2.4.2 2017 APSC - Generic Entities

- 50% of voting rights by black people as a percentage of all board members;
- 25% of voting rights by black females as a percentage of all board members;
- 50% of black executive directors as a percentage of all executive directors;
- 25% of black female executive directors as a percentage of all executive directors;
- 60% bonus points for black other executive management as a percentage of all executive management; and
- 30% black female other executive management as a percentage of all executive management.

Table 2.2 Management Control targets and weightings set by the 2017 APSC for generic enterprises

MANAGEMENT CONTROL (9)			
CATEGORY	MEASUREMENT INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Board Participation	Exercisable voting rights of black board members as a percentage of all board members	2	50%
	Exercisable voting rights of black female board members as a percentage of all board members	1	25%
	Black executive directors as a percentage of all executive directors	2	50%
	Black female executive directors as a percentage of all executive directors	1	25%
Other Executive Management	Black other executive management as a percentage of all executive management	2	60%
	Black other female executive management as a percentage of all executive management	1	30%
Bonus points	Black executive directors as a percentage of all executive directors	1	70%
	Black female executive directors as a percentage of all executive directors	1	35%

#### 2.5 2017 APSC - GENERIC FOR ESTATE AGENTS, BROKERS AND VALUERS

- 50% of voting rights for black people as a percentage of all board members;
- 25% of voting rights for black females as a percentage of all board members;
- 60% of black executive management as a percentage of all executive management; and
- 30% of black female executive management as a percentage of all executive management.
- With bonus points for exceeding the following:
  - 70% of black executive management; and
  - 40% of black female executive management.

Table 2.3 Highlights of the 2017 APSC generic companies Management Control targets and weightings set for estate agencies, property brokers, and valuation companies

MANAGEMENT CONTROL (9)			
CATEGORY	MEASUREMENT INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Board Participation	Exercisable voting rights of black board members as a percentage of all voting board members	4	50%
	Exercisable voting rights of black female board members as a percentage of all voting board members	2	25%
Other Executive Management	Black executive management as a percentage of all executive management	2	60%
	Black female executive management as a percentage of all executive management	1	30%
Bonus points	Black executive management as a percentage of all executive management	1	70%
	Black female executive management as a percentage of all executive management	1	40%

## 2.6 2017 APSC - QSE ENTITIES

- 50% of black representation at an executive management level as a percentage of all executive management;
- 25% of black female representation at executive management as a percentage of all executive management;
- 60% of black representation at non-executive management as a percentage of all non- executive management; and
- 30% of black female representation at non-executive management as a percentage of all non-executive management.

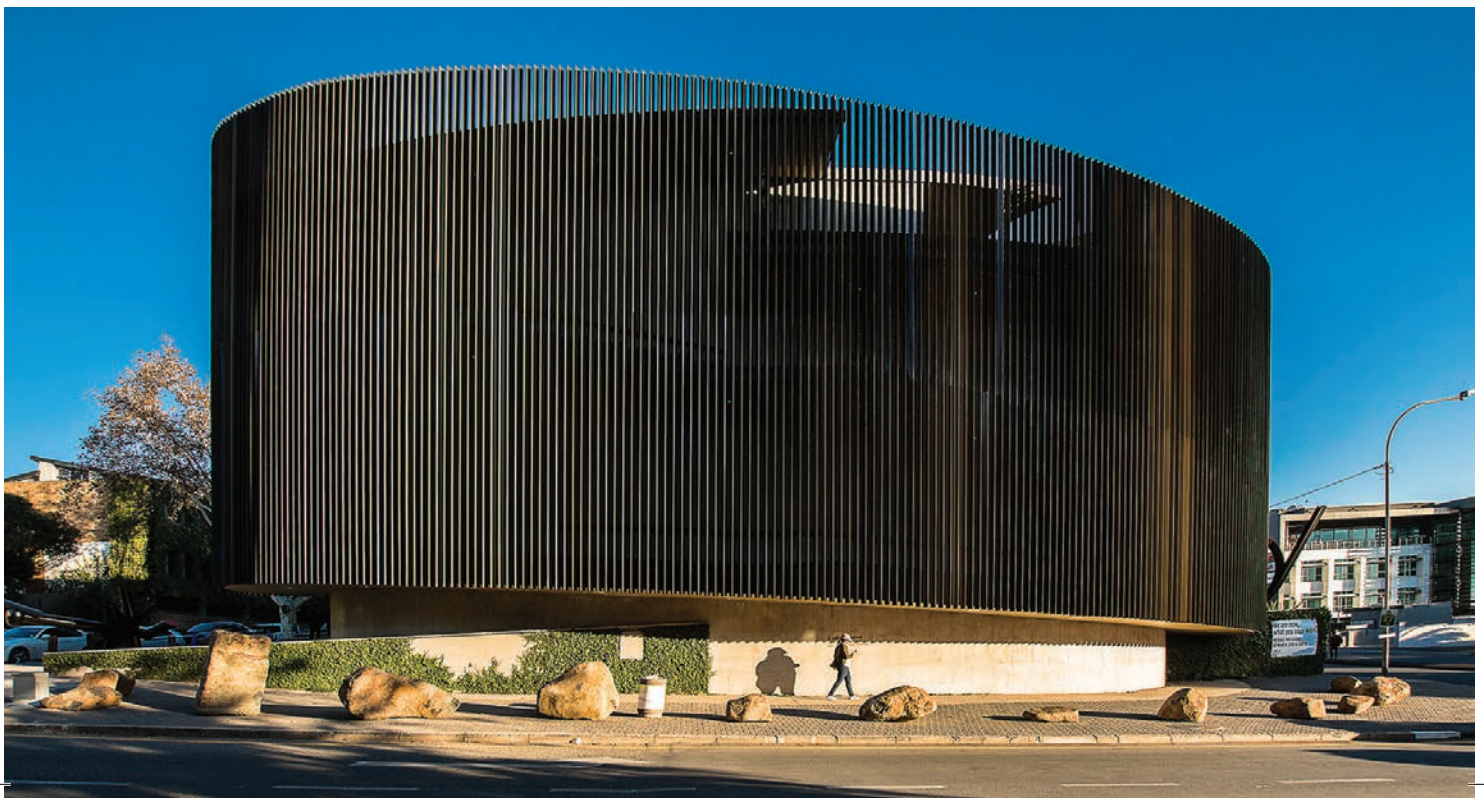




Table 2.4 Highlights of the 2017 APSC QSE measured entities - Management Control targets and weightings

MANAGEMENT CONTROL (9)			
CATEGORY	MEASUREMENT INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Executive Management	Black representation at executive management as a percentage of all executive management	4	50%
	Black female representation at executive management as a percentage of all executive management	2	25%
Non-Executive Management	Black representation at non-executive management as a percentage of all non- executive management	2	60%
	Black female representation at non-executive management as a percentage of all non-executive management	1	30%



2.7 GENERIC MANAGEMENT CONTROL SCORE TREND SINCE 2012 PSC TO 2017 APSC

Figure 2.1: Overall generic Management Control performance trend

Graph overall generic management property sector has performed against the target from 2012 to 2017

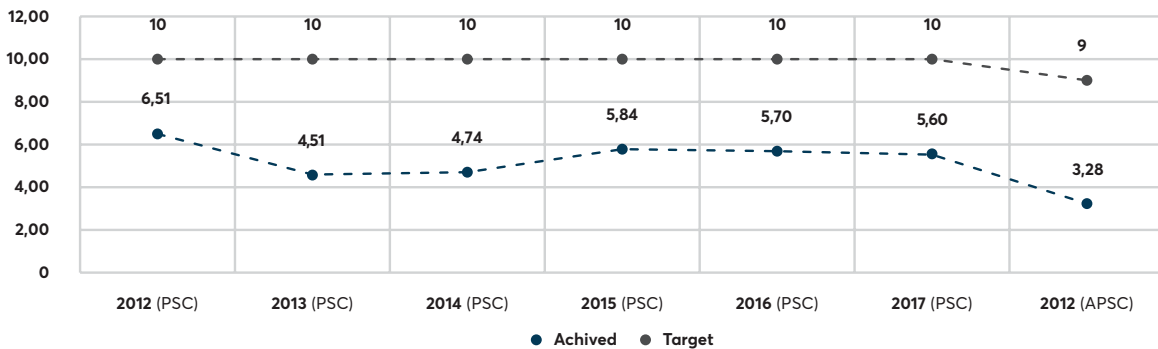


Figure 2.1 above shows how the property sector has performed overtime against the set target. The target was 10 points from 2012 to mid-2017 under the 2012 PSC and 9 points from June 2017 under the Amended PSC (APSC). The best performance was in 2012, where sampled companies managed to achieve an average percentage of 65.1%, while the worst performance was recorded in 2017, with companies that have applied the APSC achieving a total average percentage of 36%.

### 2.8 GENERIC MANAGEMENT CONTROL ACTUAL

Figure 2.2: Overall generic Management Control performance

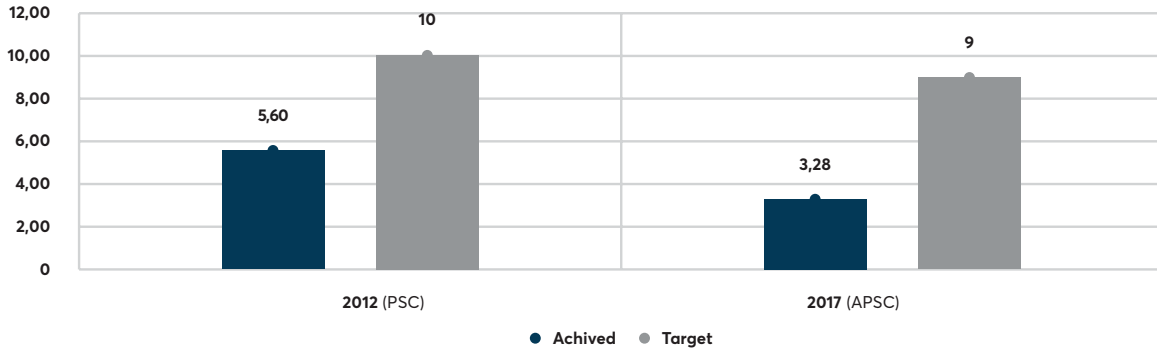


Figure 2.2 above shows the performance of the property sector under Management Control for both 2012 PSC and 2017 APSC. Companies measured under 2012 PSC achieved a total of 5,60 out of 10, making the achievement on Management Control 56,00%, while companies measured under the 2017 APSC achieved a total of 3,28 out of 9, making the achievement on Management Control 36,44%.

Sampled companies that applied the APSC (2017) did not meet the target as was the case of the PSC (2012). This is understandable in terms of the 2017 APSC, as there were 4 new sub-elements added, which are specific to the appointment of black females.

### 2.9 GENERIC MEASURED ENTITIES- SEGMENT PERFORMANCE OF MANAGEMENT CONTROL

Figure 2.3: Average performance of Management Control by segment

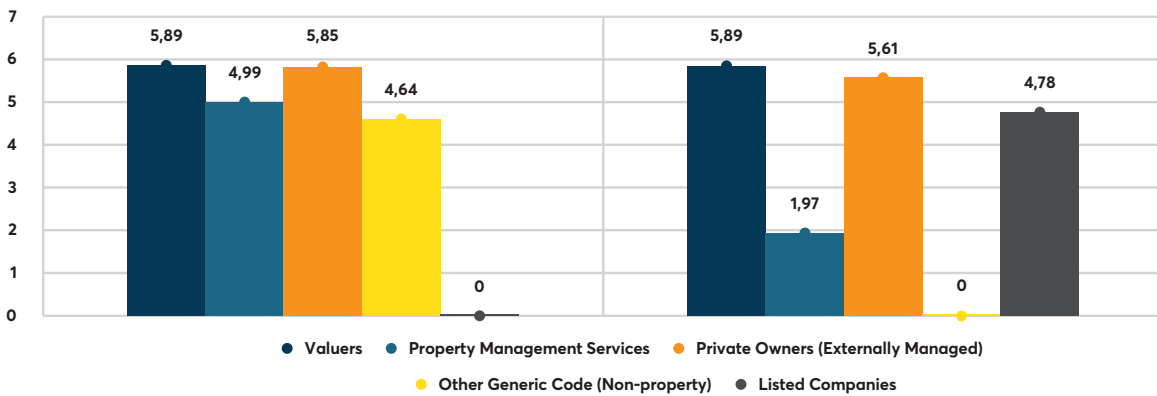


Figure 2.3 above shows the performance of the sector under Management Control by segment for both the 2012 PSC and the 2017 APSC. For both 2012 PSC and 2017 APSC, measured enterprises under generic code (non-property), were the highest performers at 58,9% and 65,4%, respectively. Under the 2012 PSC, the lowest performance was from property management services measured entities, while under the 2017 APSC, the lowest performance was from listed companies with an average percentage of 21,88%.

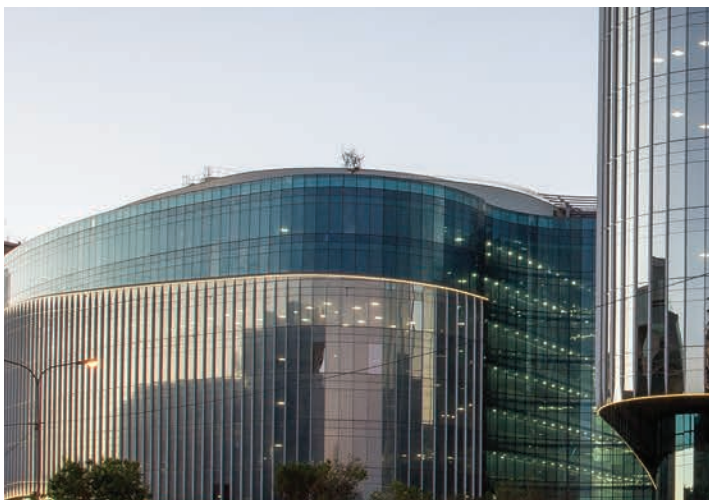
There were no certificates received for property management services companies under the 2017 APSC and there were also no certificates received for valuers under the 2012 PSC.

## 2.10 PERFORMANCE OF GENERIC MANAGEMENT CONTROL SUB-ELEMENTS

Table 2.4: Performance of generic Management Control sub-elements

	SUB-ELEMENTS	2012 PSC		2017 APSC	
		Target	Actuals	Target	Actuals
Voting Rights	Black voting rights	50.00%	45%	50%	36%
	Black female voting rights	N/A	N/A	25%	12%
Executive Directors	Black executive directors	50.00%	24%	50%	33%
	Black female executive directors	N/A	N/A	25%	10%
Executive Management	Black other executive management	N/A	N/A	60%	10%
	Black female other executive management	N/A	N/A	30%	2%
Black Senior & Other Top Management	Black senior management	40%	25%	N/A	N/A
	Black other top management	40%	19%	N/A	N/A
Bonus Points	Bonus-black independent non-executive	40%	13%	N/A	N/A
	Bonus-exceeding black executive directors target	N/A	N/A	70%	0%
	Bonus- exceeding black female executive directors target	N/A	N/A	35%	0%

Under the 2012 PSC black voting rights achieved the highest average percentage at 90.42% of target. Meanwhile, under the 2017 APSC black voting rights were also a standout performance with an average of 71.46% of target the lowest performance was for black independent executives under 2012 PSC at 33.20% against target and black female executive directors under 2017 APSC at 38.48% of the target.



### 2.11 MANAGEMENT CONTROL QSE ACTUAL

Figure 2.4: Overall QSE Management Control performance

The graph below shows the overall QSE average Management Control performance of 2017 APSC for QSE entities

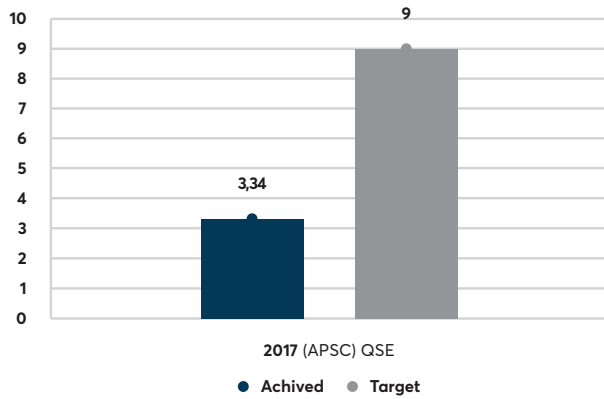


Figure 2.4 Shows the overall performance of measured entities that are QSE under Management Control. Sampled entities (that are QSEs) have managed to achieve 3.34 out of 9 points -an achievement of 37.11%.

### 2.12 QSE MEASURE ENTITIES -SEGMENT PERFORMANCE OF MANAGEMENT CONTROL

Figure 2.5: Average performance of QSE Management Control by segment

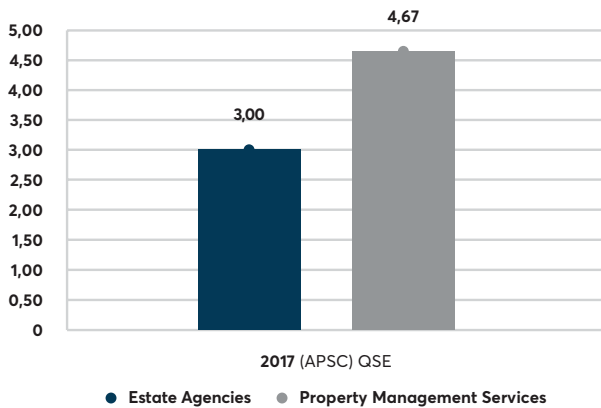
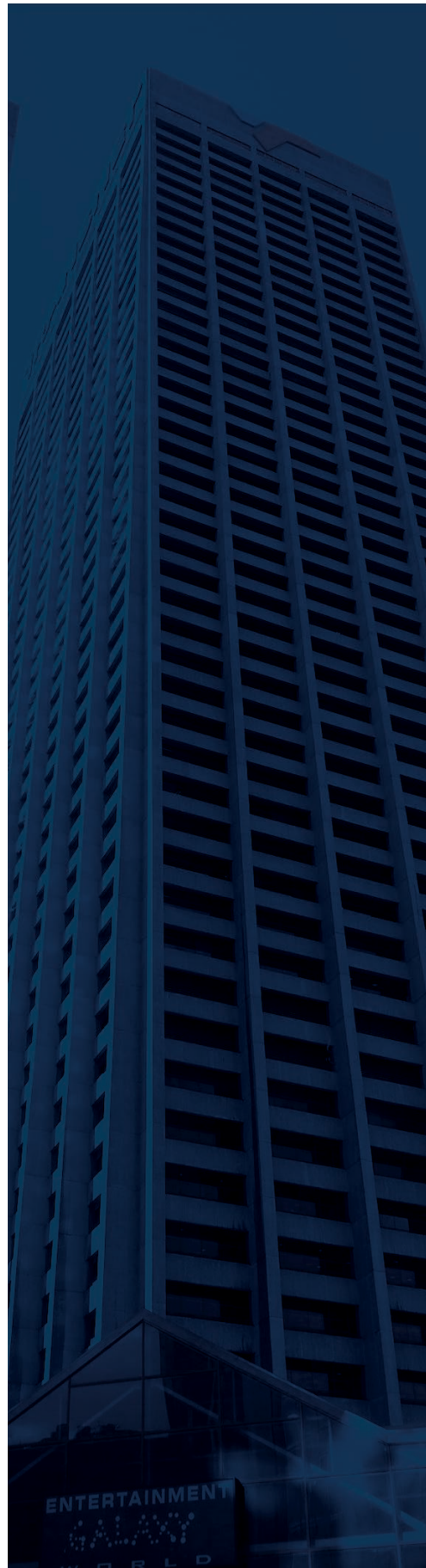


Figure 2.5 show sthe 2017 APSC total average QSE Management Control performance by segment. Property management services achieved the highest score compared with other sub-segments. However, the performance was still below the set target of 9 as they achieved an average percentage of 51.88%.



**2.13 PERFORMANCE OF QSE MANAGEMENT CONTROL SUB-ELEMENTS**

Table 2.6: Performance of Management Control sub-elements

CATEGORIES	SUB-ELEMENTS	2017 APSC	
		Target	Actuals
Executive management	Black executive management	50%	28.84%
	Black female executive management	25%	18.75%
Black non-executive management	Black non-executive management	60%	12.50%
	Black female non-executive management	30%	12.50%

Black female executive management achieved the highest average of 75%, which is 18.75% of the compliance target out of 25.00%. Black non-executive management had the lowest performance, with an average percentage achieved of 20.83%.

**2.14 SUMMARY**

**Generic Enterprises**

Management Control achieved under the 2012 PSC (5.60 point), was 56.00% lower than the set target of 10 points and under the 2017 APSC (3.38), 36.44% lower than the set target of 9 points.

**QSE Enterprises**

Management Control achieved under the 2017 APSC (3.34 point), was 37.00% lower than the set target of 9 points. The poor performance in Management Control is across all sub-elements particularly for the 2017 APSC.

This low target was attributed to the following:

**Voting Rights**

**2012 PSC** – there was a great effort towards achieving the required voting rights for black people and the sector achieved 90.42% against target.

**2017 APSC** – the achievement towards voting rights for black people was lower at 71.46% of target and female voting rights at 49.32%.

**Executive directors**

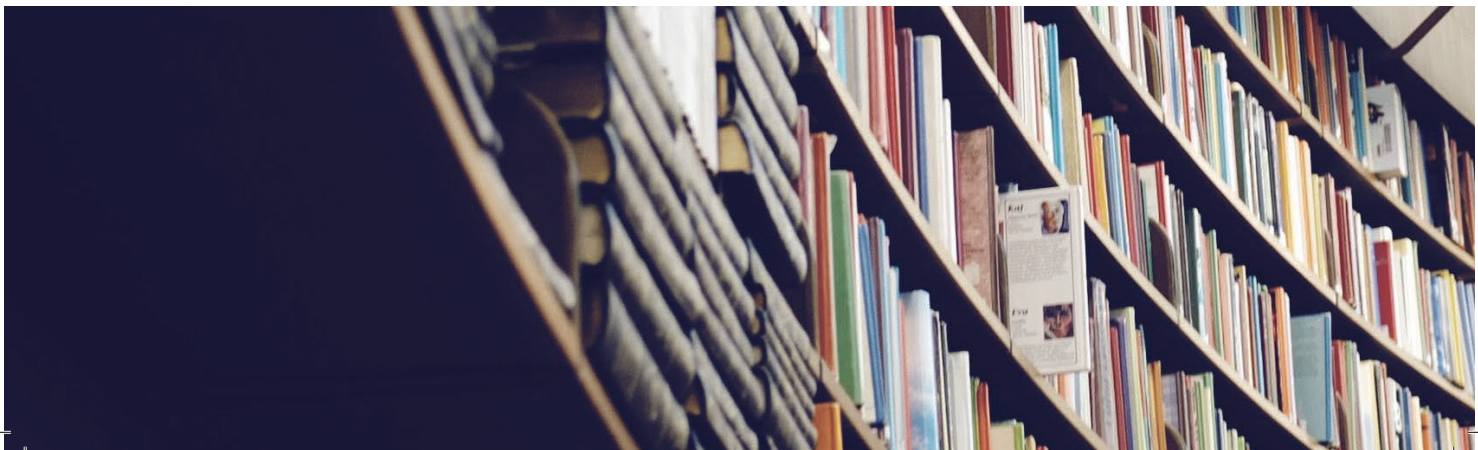
**2012 PSC** - The property sector achieved a poor performance of 47.42% for black executive directors, against a target of 50%.

**2017 APSC** - The property sector, although still below target, nevertheless improved on the appointment of black executive directors from 2012, achieving 66.66% against a target of 50%, whilst black female executives remained lower at 38.48% against a target of 25%.

**Executive Management**

This is a new line item incorporated in the 2017 APSC.

The performance under the executive management line item, indicates that the property sector needs an intervention in order to address the 16.37% performance of black people in executive management and the 6.00% performance of black females that are in executive management against a 30% target.



### Black Senior and other Top Management

This sub-element was only introduced in the 2012 PSC.

The performance of black senior management is 63.15% and of black other top management is 48.00%, both against a target of 40.00%. The achievement towards voting rights by black people was lower at 71.46% of target and female voting rights at 49.32% of the target.

### Bonus Points

This sub-element was only included in the 2012 PSC.

The performance for black independent non-executives is at 33.2% against 40% target.

### 2.15 CONCLUSION

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

### 2.16 RECOMMENDATION

The property sector needs to give Management Control some serious attention. The property sector should put strategies in place to help enterprises fully commit and develop plans that will enable them to achieve set targets in Management Control, particularly related to black executive directors, black senior top management and black top other management, with an emphasis on black female appointments.

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

It is critical that, ultimately, these entities achieve a substantial change in the racial and gender composition of management control and enhance the participation of black people, including black women, in both executive and non-executive positions with full decision-making powers in those entities and, ultimately, in the property sector.



# 3

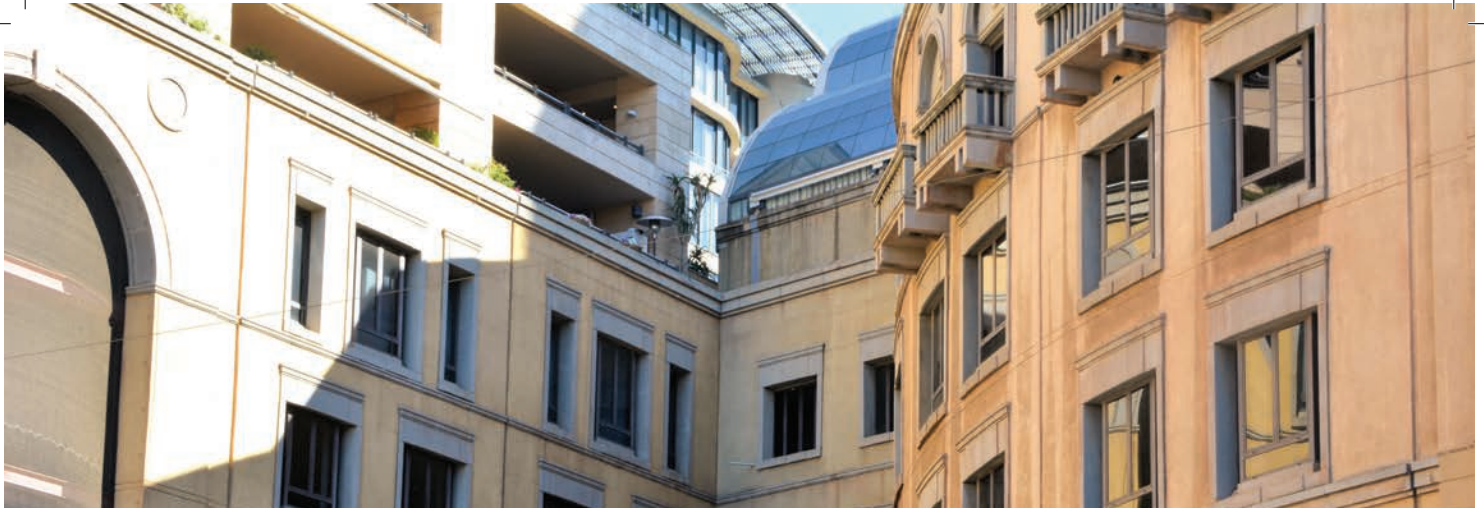
## EMPLOYMENT EQUITY

2012 PSC



2017 PSC





### 3.1 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, 55 of 1998)." Employment Equity measures initiatives intended at achieving equity in the workplace, under the Employment Equity Act, 55 of 1998.

### 3.2 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 which aims to ensure amongst others, the implementation of employment equity to redress the effects of discrimination and achieve a diverse workforce broadly representative of the South African population.

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

### 3.3 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.

#### 3.3.1 Property Sector Unique Structures:

Property Owners (Externally Managed) - This are the companies that only own properties, but do not manage them. Entities that have this unique structure are exempted from being rated under employment equity as they do not have employees.

### 3.4 EMPLOYMENT EQUITY TARGETS AND WEIGHTINGS

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

1. Employment Equity for everyone 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, Property Brokers etc is normally very lean and does not have various tiers and levels of management.

#### 3.4.1 2012 PSC- Generic Measured Entities

Each Property Sector enterprise commits to achieve the following targets:

- 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.



### 3.4.2 2012 PSC – Generic for Estate Agents, Property 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 using the adjusted recognition for gender:
  - Black practitioners - 60% target;
  - Black management - 40% target; and
  - Black women in management - 30% target.

### 3.4.3 2017 APSC - Generic Measured Entities

Each Property Sector enterprise commits to achieve the following targets:

- 2% black disabled employees;
- 60% black senior management employees;
- 30% black female senior management employees;
- 75% black employees in middle management; and
- 38% black female employees in middle management;
- 80% black employees in junior management; and

- 44% black female employees in junior management.
- With bonus points for exceeding the following
  - 70% Black senior management;
  - 40% Black female senior management;
  - 85% Black middle management; and
  - 50% Black female middle management.

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

### 3.4.4 2017 APSC – Generic for Estate Agents, Brokers and Valuers:

- 50% black practitioners as a percentage of all practitioners;
- 35% black female practitioners as a percentage of total practitioners;
- 35% black people in management as a percentage of total management;
- 18% black female as a percentage of total management.
- 30% black people in administration as a percentage of total administrators, and
- 40% black female in administration as a percentage of total administrators.
- With bonus points for exceeding the following
  - 60% Black practitioners;
  - 45% Black management and
  - 35% Black women in management.

**Table 3.1 Highlights the 2012 PSC Generic Measured Entities - Employment Equity Targets and Weightings**

EMPLOYMENT EQUITY (15 POINTS)			
CATEGORY	EMPLOYMENT EQUITY INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Disabled	Black disabled employees as a percentage of all employees using the adjusted recognition for gender	2	3%
Senior Management	Black employees in senior management as a percentage of all such 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 point for meeting or exceeding the EAP targets in each category (Snr=1, Middle=1 & Junior =1 point)	3	-

Table 3.2 Highlights the 2012 Generic Measured Entities Employment Equity targets and weightings for Estate Agencies / Property Brokers and Valuers

EMPLOYMENT EQUITY (15 POINTS)			
CATEGORY	EMPLOYMENT EQUITY INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Estate Agencies Property brokers / Valuers	Black practitioners as a % of total practitioners using the adjusted recognition for gender	7	50%
	Black people in management as a % of total management using the adjusted recognition for gender	7	35%
	Black women in management as a % of total management	1	18%
Bonus Points: (Estate Agencies / Property brokers / Valuers)	Black practitioners as a % of total practitioners using the adjusted recognition for gender	1	60%
	Black people in management as a % of total practitioners using the adjusted recognition for gender	1	40%
	Black women in Management as a % of total Management	1	30%



Table 3.3 Highlights the 2017 APSC Generic measured entities -Employment Equity targets and weightings

EMPLOYMENT EQUITY (13 POINTS)			
CATEGORY	MEASUREMENT CATEGORY & CRITERIA	WEIGHTING POINTS	COMPLIANCE TARGET
Senior Management	Black employees in Senior Management as a percentage of all Senior Management	4	60%
	Black Female employees in Senior Management as a percentage of all Senior Management	2	30%
Middle Management	Black employees in Middle Management as a percentage of all Middle Management	3	75%
	Black Female employees in Middle Management as a percentage of all Middle Management	1	38%
Junior Management	Black employees in Junior management as a percentage of all Junior Management	1	88%
	Black Female employees in Junior Management as a percentage of all Junior Management	1	44%
Employees with Disability	Black Disabled Employees as a percentage of all employees	1	2%
Bonus Points	Black employees in senior management as a percentage of all senior management	1	70%
	Black female employees in senior management as a percentage of all senior management	1	40%
	Black employees in middle management as a percentage of all middle management	0.5	85%
	Black female employees in middle management as a percentage of all middle management	0.5	50%



Table 3.4 Highlights the 2017 APSC Generic measure entities - Employment Equity targets and weightings for Estate Agencies / Property Brokers and / Valuers

EMPLOYMENT EQUITY (13 POINTS)			
CATEGORY	EMPLOYMENT EQUITY INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Practitioners	Black practitioners as a percentage of total practitioners	4	50%
	Black female practitioners as a percentage of total practitioners	3	35%
Management	Black people in management as a percentage of total management	2	35%
	Black female in management as a percentage of total management	1	18%
Administrators	Black people in administration as a percentage of total administrators	1	30%
	Black females in administration as a percentage of total administrators	2	40%
Bonus Points	Black practitioners as a % of total practitioners	1	60%
	Black people in management as a % of total management	0.5	45%
	Black females in management as a % of total management	0.5	35%

Each Property Sector enterprise commits to achieve the following targets

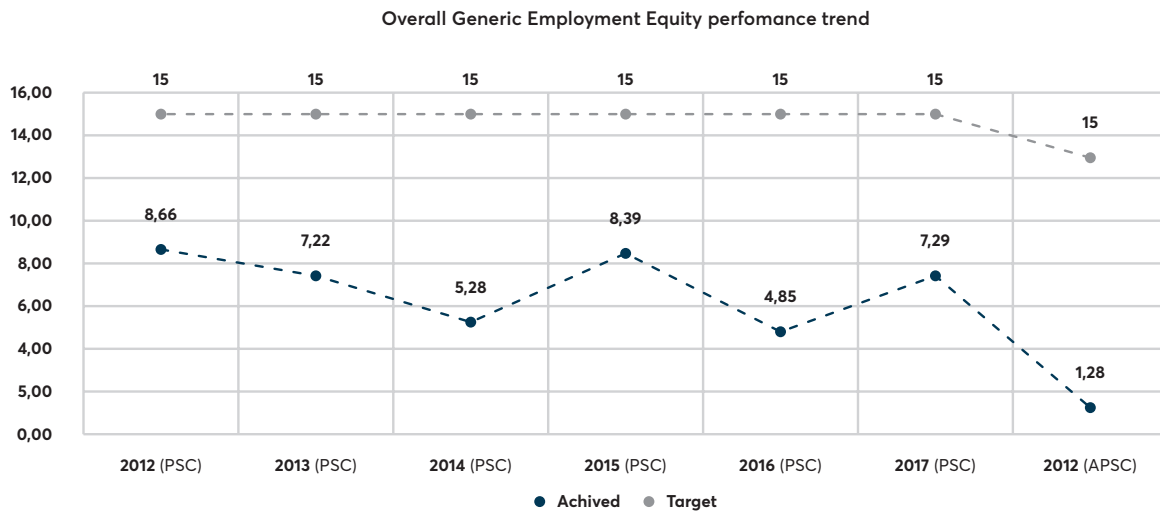
- 60% Black representation at junior, middle and Senior management as a percentage of all management
- 30% Black female representation at junior, middle and Senior management as a percentage of all management

Table 3.5 Highlights the 2017 APSC QSE measured Entities - Employment Equity targets and weightings

EMPLOYMENT EQUITY (11 POINTS)			
CATEGORY	EMPLOYMENT EQUITY INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Management	Black representation at junior, middle and senior management as a percentage of all management	8	60%
	Black female representation at junior, middle and senior management as a percentage of all management	3	30%
Bonus Points	Black representation at junior, middle and senior management as a percentage of all management	1	80%
	Black female representation at junior, middle and senior management as a percentage of all management	1	40%

3.5 GENERIC EMPLOYMENT EQUITY SCORE TREND SINCE 2012 PSC TO 2017 APSC

The Figure 3.1 below shows how the Property Sector has performed against the target from 2012 to 2017



The figure 3.1 above shows how the Property Sector has performed overtime against the set target. The target was 20 points from 2012 – Mid 2017, in June 2017 we have the new Employment Equity in the Amended Property Sector Code with the major difference being application of Economically Active People (EAP) target per race and gender.

### 3.6 GENERIC EMPLOYMENT EQUITY ACTUALS

The figure 3.2 below shows the average performance of 2012 PSC and 2017 APSC excluding Estate Agencies / Valuers / Brokers.

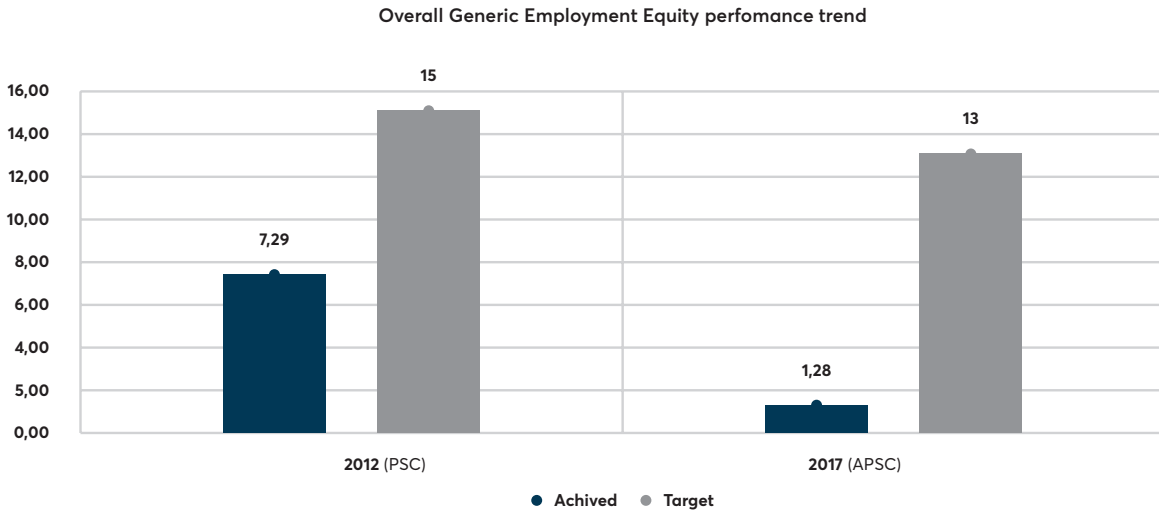


Figure 1.2 above shows the performance of the Property Sector under Employment Equity for both 2012 PSC and 2017 APSC. Companies measured under 2012 PSC: Achieved a total of 7.29 out of 15 making the achievement of 49%, while companies measured under 2017 APSC: Achieved a total of 1.28 out of 13 Making the achievement on ownership 10%.

The results above shows that the sector is still far from achieving its target under Employment Equity and hence more focus should be put on Employment Equity as the performance keeps dropping.



The figure 3.3 below shows the average performance of 2012 PSC and 2017 APSC for Estate Agencies / Property Brokers and Valuers.

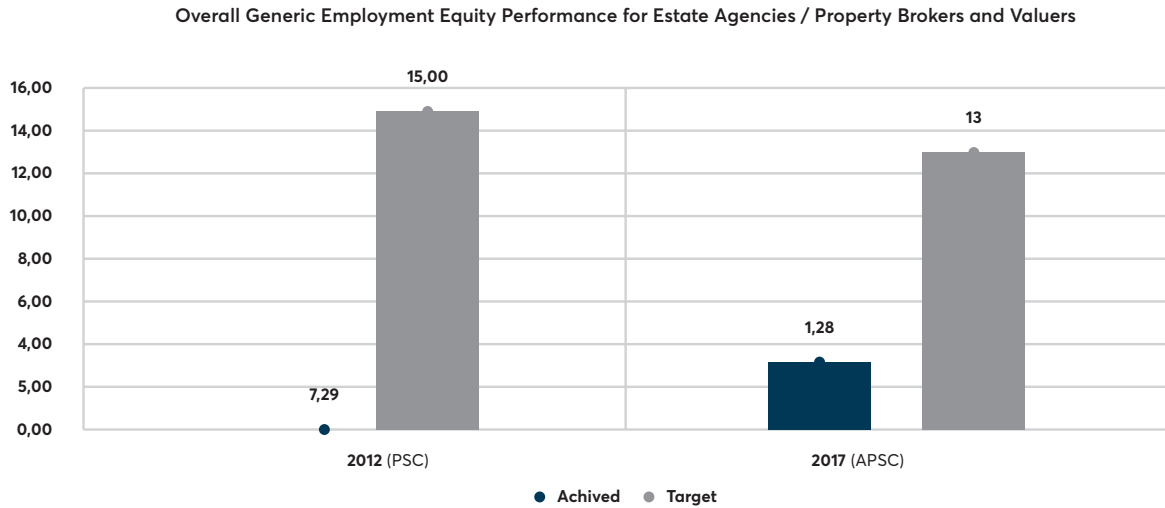


Figure 3.3 Overall Generic Employment Equity Performance for Estate Agencies/ Property Brokers and Valuers

The figure 3.3 above shows the performance of Employment Equity for Estate Agencies / Property Brokers and Valuers. There were no certificates received that were measured under the 2012 PSC gazette, while the performance of the measured entities that applied the 2017 APSC was very low at 3.06 points out of 13 points which makes an average percentage of 24.4%.

### 3.6.1 Average Generic Employment Equity performance by segment

The figure 3.4 below shows the average performance of 2012 PSC and 2017 APSC per Segment.

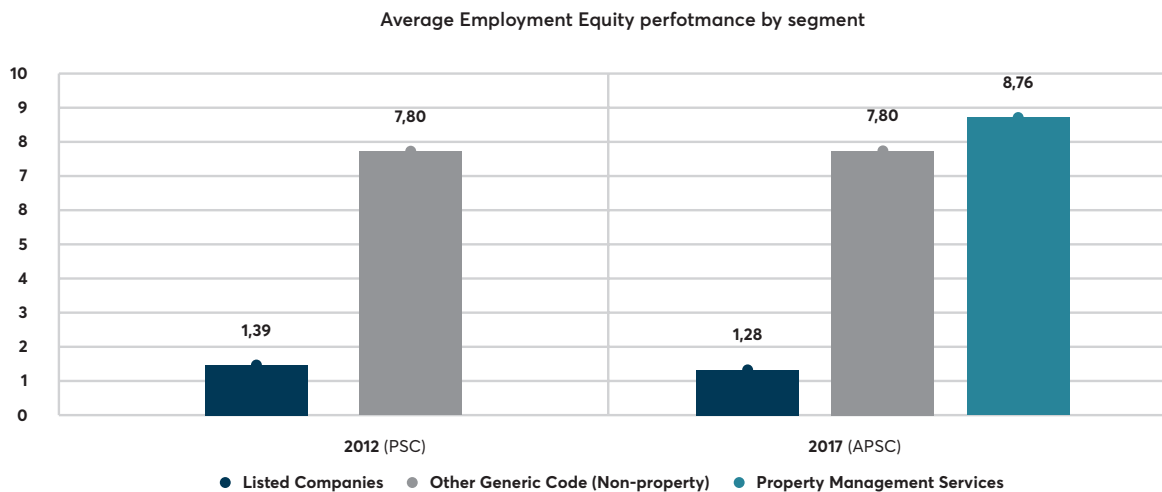


Figure 3.4 (page 9) above shows the performance of the sector by sub-segment excluding Estate Agencies /Property Brokers and Valuers. Listed Sector had poor performance under both 2012 PSC and 2017 APSC while better performance was from Property Management Services under the 2017 APSC that achieved 8.76 out of 13 which makes it an average percentage of 67%.

The figure 3.5 below shows the average performance of 2012 PSC and 2017 APSC per Segment.

**Average Employment Equity performance by segment for Estate Agencies / Property Brokers and Valuers**

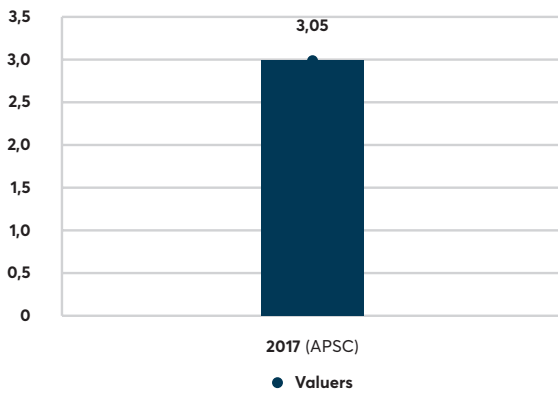
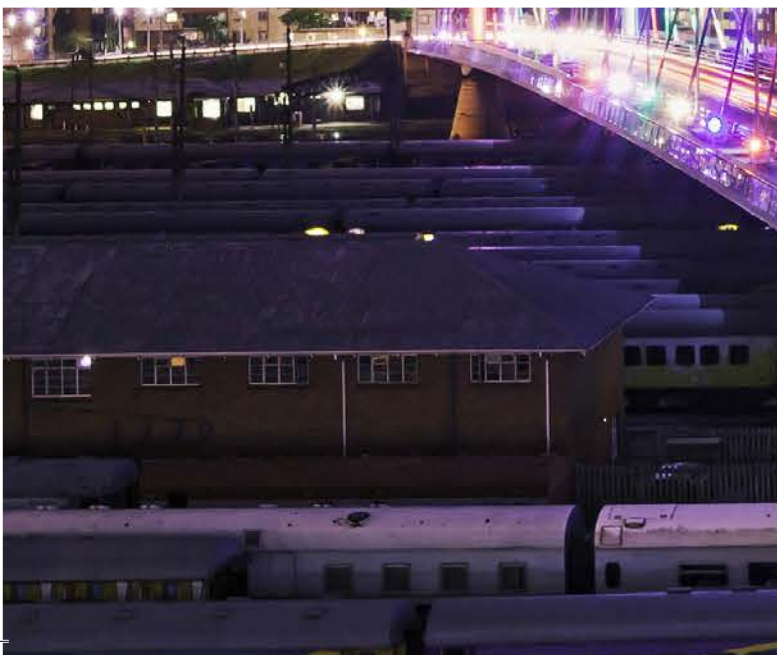
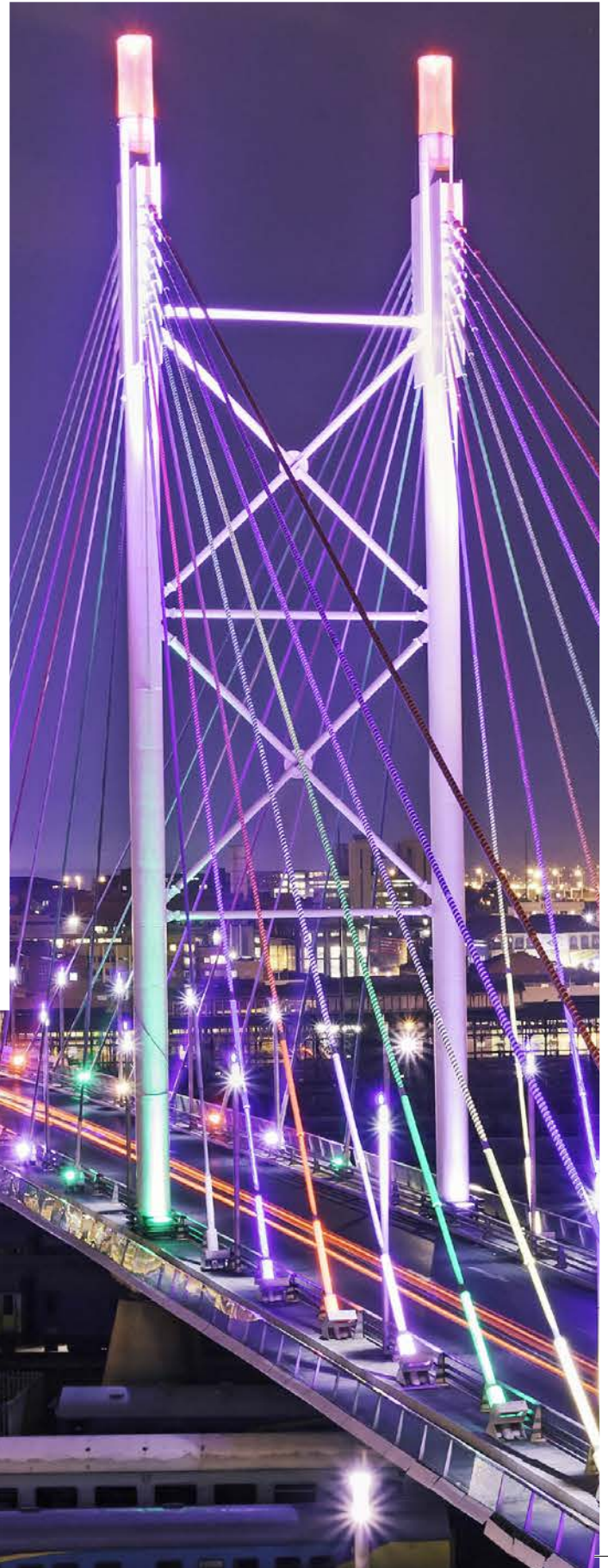


Figure 3.6 above shows the performance of the sector by segment excluding Estate Agencies / Property Brokers and Valuers.

There were no certificates and reports received for Estate Agencies and Property Brokers, while the performance of Valuers was under the set target with 3.05 points out of 13 points which is an achievement of 23%.





### 3.6.2 Performance of Generic Employment Equity Sub-Elements Excluding Estate Agencies / Property Brokers and Valuers

Table 3.6 below shows performance of Employment Equity sub-elements excluding Estate Agencies / Property Brokers and Valuers

SUB-ELEMENTS	2012 PSC		2017 APSC	
	TARGETS	PERFORMANCE	TARGETS	PERFORMANCE
Black Senior Management	60%	25%	60%	0%
Black Female Senior Management	N/A	N/A	30%	0%
Black Middle Management	75%	34%	75%	8%
Black Female Middle Management	N/A	N/A	38%	9%
Black Junior Management	80%	44%	88%	15%
Black Female Junior Management	N/A	N/A	44%	4%
Black Disabled Employees	3%	1%	2%	13%

The above table shows that Employment Equity remains an issue in the Property Sector as every sub-element has achieved below the target. The standout performance was on disabled employees under 2017 APSC where sampled companies have managed to exceed far beyond target at an achievement of 13% against 2% of compliance target.

### 3.6.3 Performance of Employment Equity Sub-Elements for Estate Agencies / Property Brokers and Valuers

Table 3.7 below shows the performance of Employment Equity Sub-Elements for Estate Agencies / Property Brokers and Valuers

CATEGORIES	SUB-ELEMENTS	2012 PSC		2017 APSC	
		TARGETS	PERFORMANCE	TARGETS	PERFORMANCE
Black Practitioners	Black Practitioners	50%	5%	50%	0%
	Black Female Practitioners	N/A	N/A	35%	0%
Black Management	Black People in Management	35%	0%	55%	30%
	Black Female in Management	18%	0%	18%	8%
Black Administrators	Black Administrators	N/A	N/A	30%	11%
	Black Female Administrators	N/A	N/A	40%	11%

Even under Estate Agencies /Property Brokers and Valuers Employment Equity remains an issue as sampled companies have under achieved at every sub-element once again.

Only entities who applied the 2017 APSC achieved 53.73% under Black people in management with an average of 30% out of 55% against compliance target.

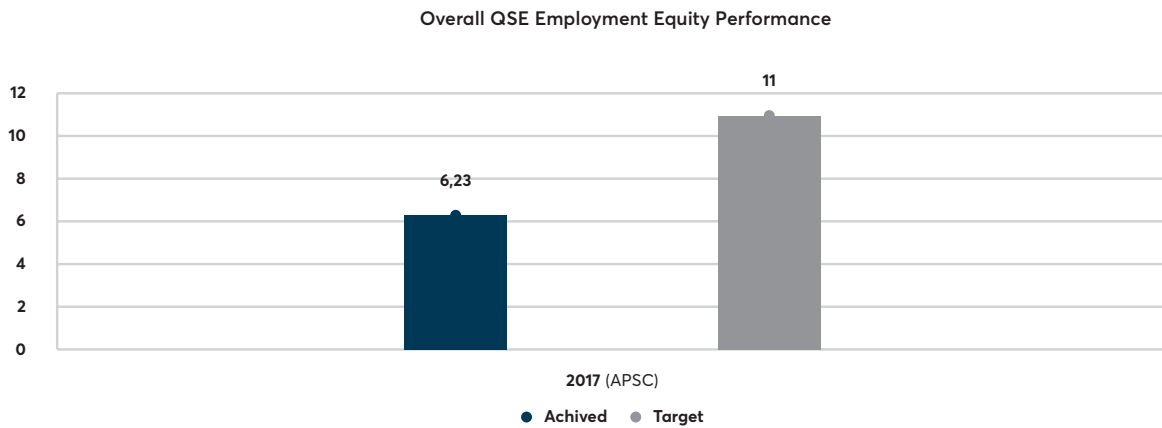


Figure 3.6 shows the overall performance of measured entities that are QSE under Employment Equity. Sampled entities that are QSE's have managed to achieve 6.23 points out of 11 points- which makes an achievement of 57%.

**3.7.1 QSE Segment Performance of Employment Equity**

The figure below shows the average performance of 2017 APSC for QSE entities per sub-segment

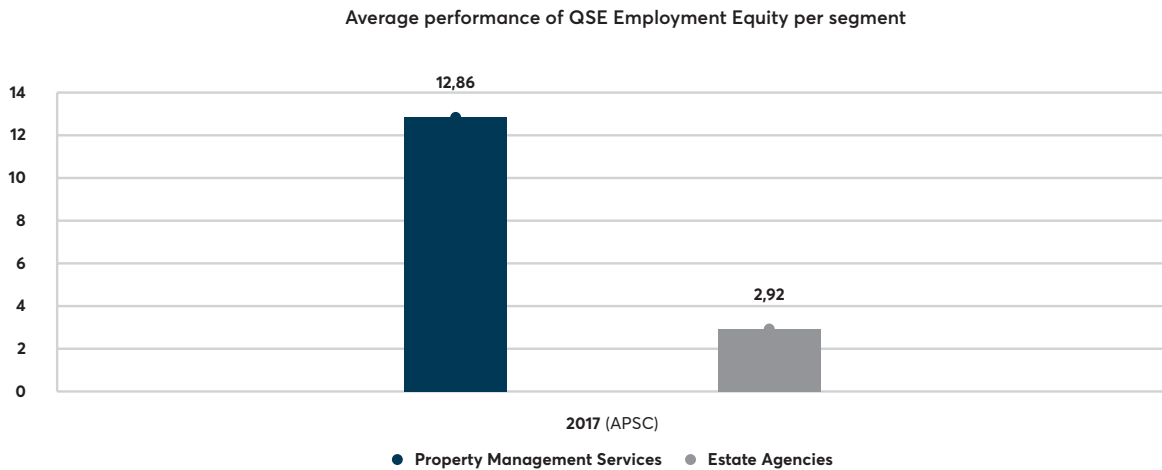


Figure 3.7 shows 2017 APSC the total average QSE Employment Equity per segment.

Property Management Services have managed to exceed the target with 12.86 out of 11 points, which makes an achieved percentage of 117%

### 3.7.2 Performance of QSE Employment Equity Sub-Elements

Table 3.8 below shows performance of Employment Equity sub-elements

CATEGORIES	SUB-ELEMENTS	2017 APSC	
		TARGETS	PERFORMANCE
Black Representation	Black Representation	60%	28%
	Black Female Representation	30%	18%

The above table shows that most QSEs of the companies sampled achieved 61.10% of the target under female representation by gaining 18% out of 30% compliance target. Whilst Black representation remains low at 47.22% as the measured entities managed to achieve 28% out of 60% against compliance target.



# 4

## SKILLS DEVELOPMENT

2012 PSC



2017 PSC



#### 4.1. DEFINITION OF SKILLS DEVELOPMENT

Skill 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 in enterprises management and subsequently develop the economy of the country. Skill Development is defined as "the transfer or gaining of technical knowledge, related skills, values and attitudes in order to develop proficiency and a person's natural aptitudes and other abilities to improve his/her capabilities as a worker".

Training, which generally takes place outside of formal educational institutions, is often directed towards the needs of a specific employer or group of employers. Skill 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 Skill Development legislation (the Property Sector Code [PSC])."

#### 4.2. SKILLS DEVELOPMENT CHALLENGES

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

#### 4.3. PURPOSE OF SKILL DEVELOPMENT IN THE PSC

The parties to the PSC are committed to addressing the backlog in structured Skill Development through the newly gazetted 2017 APSC.

This programme will be designed in partnership with the sector and other regulators such as the relevant Sector Education and Training Authority (SETA), the Estate Agency Affairs Board (EAAB), the South African Council of Property Valuers Profession (SACPVP), other sector regulatory bodies, as well as academic and government institutions that meet Skill Development requirements.

For accredited professional segments in the property sector the PSC, in support of regulatory procedures, requires enterprises to implement internships / candidacy programmes (or something similar) 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 on Skill Development, -particularly of black people.

#### 4.4. PROPERTY SECTOR UNIQUE STRUCTURE

In the property sector we have two different types of property owners—(i) those companies that own and manage their properties are referred to as internally managed property owners, while (ii) those companies that own, but outsource the management of their properties are referred to as externally managed property owners. Externally managed property owners do not have people in their entity and hence they will not be scored against Employment Equity and Skill Development. A Detailed explanation please refer to the complex structure in Table 13.2 of the report.

#### 4.5. SKILLS DEVELOPMENT TARGETS AND WEIGHTINGS

Each property sector enterprise commits to achieving the following targets:

##### 4.5.1. 2012 PSC Generic Entities

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

Table 4.1 Skills Development targets and weightings set by the 2012 PSC for generic enterprises

SKILL DEVELOPMENT (15 POINTS)			
CATEGORY	MEASUREMENT INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Skill Development expenditure for black employees	Skill Development expenditure on learning programmes, specified in the learning programme matrix for black employees, as a percentage of the leviable amount using the adjusted recognition for gender.	6	3%
Skill Development expenditure for black employees with disabilities	Skill Development expenditure on learning programmes, specified in the learning programme matrix for black employees with disabilities, as a percentage of the leviable amount using the adjusted recognition for gender.	3	0.3%
Learnerships	The number of black employees participating in learnerships or category B,C and D programmes as a percentage of total employees using the adjusted recognition for gender.	6	5%

#### 4.5.2 2017 APSC Generic Entities

- 5% of Skills Development expenditure on learning programmes, specified in the learning matrix for black employees as a percentage of leviable amount, in addition to the Skills Development levy;
- 0.3% of Skills Development expenditure on learning programmes, specified in the learning matrix for black employees with disabilities as a percentage of the leviable amount;
- 2.5% of black employees participating in leadership or category B, C, and D programmes, as a percentage of total employees; and
- 2.5% of black unemployed people participating in leadership or category B, C, and D programmes as a percentage of total employees.
- With bonus points:
  - 100% of the number of black people in any sector absorbed by the measured and industry entities at the end of the learnership, internship or apprenticeship programme/s.

Table 4.2 Skill Development targets and weightings set by the 2017 APSC for generic entities

SKILLS DEVELOPMENT			
CATEGORY	MEASUREMENT INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Skill Development expenditure for black people	Skills Development expenditure on learning programmes, specified in the learning programme matrix for black people as a percentage of the leviable amount.	8	5%
Skill Development expenditure for black people with disabilities	Skills Development expenditure on learning programmes, specified in the learning programme matrix for black people with disabilities as a percentage of the leviable amount	3	0.3%
Learnerships/ apprenticeship and Internship	Number of black employees participating in learnerships, apprenticeships and internships as a percentage of total employees	4	2.5%
	Number of previously unemployed black people participating in learnerships, apprenticeships and internships as a percentage of total employees	4	2.5%
Bonus points	Number of black people in any sector absorbed by the measured entity and industry entity at the end of the learnership, internship or apprenticeship programme	3	100%

#### 4.5.3 2017 APSC QSE ENTITIES

- 3% of Skills Development expenditure of learning programmes, specified in the learning matrix for black employees as a percentage of the leviable amount, in addition to the Skills Development levy;
- 1% of Skills Development expenditure of learning programmes, specified in the learning matrix for black female employees as a percentage of the leviable amount, in addition to the Skills Development levy;
- With bonus points:
  - 100% of number of black people in any sector absorbed by the measured entity and industry entity at the end of the learnership, internship or apprenticeship programme.

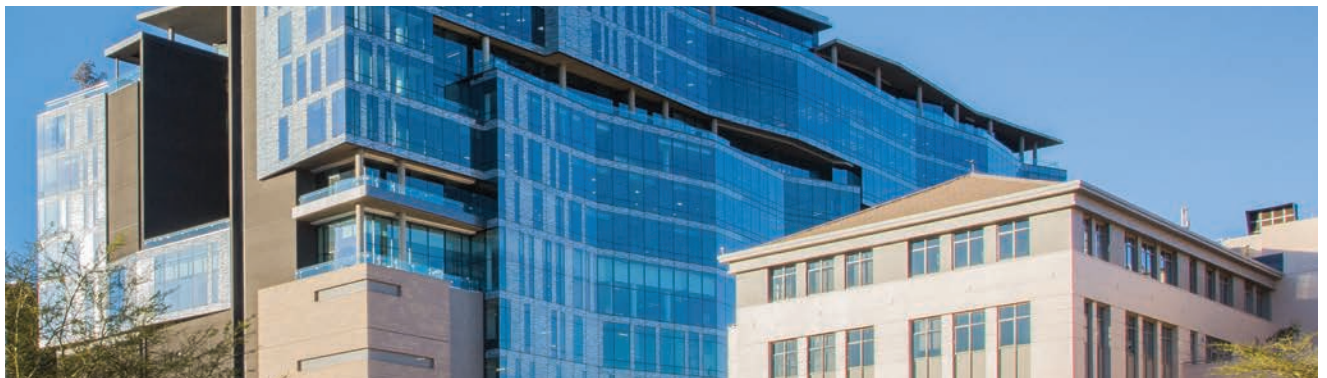


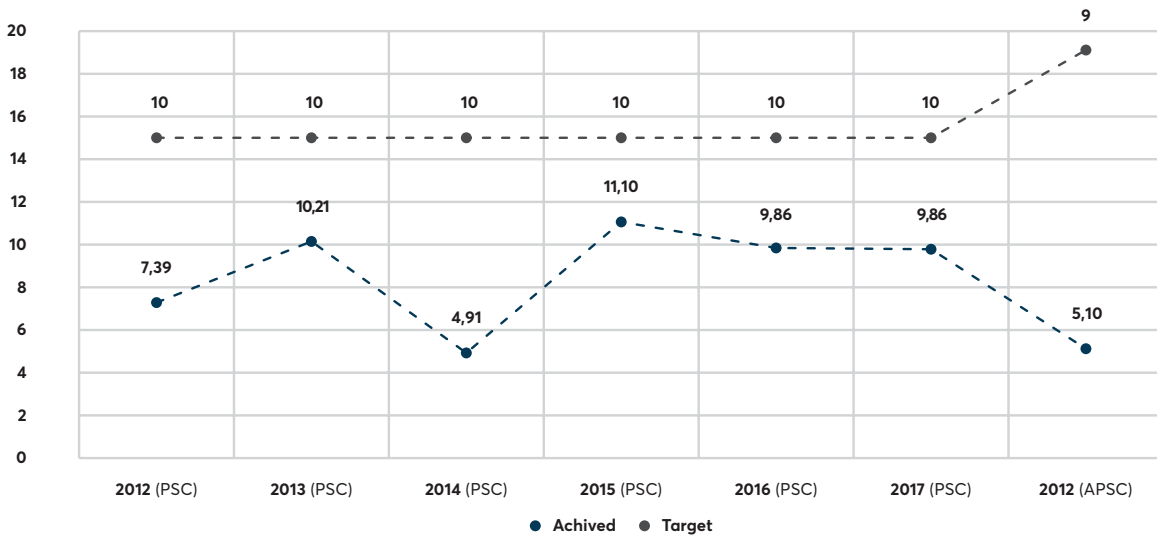
Table 4.3 Highlights of 2017 APSC generic entities: Skill Development targets and weightings for entities

SKILLS DEVELOPMENT			
CATEGORY	MEASUREMENT INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Skill Development expenditure for black people	Skills Development expenditure on learning programmes specified in the learning programme matrix for black people as a percentage of leviable amount.	12	3%
Skill Development expenditure for black females	Skills Development expenditure on learning programmes specified in the learning programme matrix for black females as a percentage of the leviable amount.	5	1%
Bonus points	The number of black people in any sector, absorbed by the measured entity and the industry entity at the end of the learnership, internship or apprenticeship programmes.	3	100%

4.6 GENERIC SKILL DEVELOPMENT SCORE TREND FROM 2012 (PSC) TO 2017 (APSC)

Figure 4.1 below shows how the property sector has performed overtime (from 2012 to 2017) vs the set target.

Figure 4.1: Overall generic Skill Development performance trend, 2012-2017



The target was 15 points from 2012 to mid-2017, but in June 2017 we implemented the new Skill Development target as set out in the Amended Property Sector Code (APSC). The major difference being the introduction of the application of Economically Active People (EAP) targets per race and gender and a new, sub-element in learnerships for those learners who were previously unemployed.

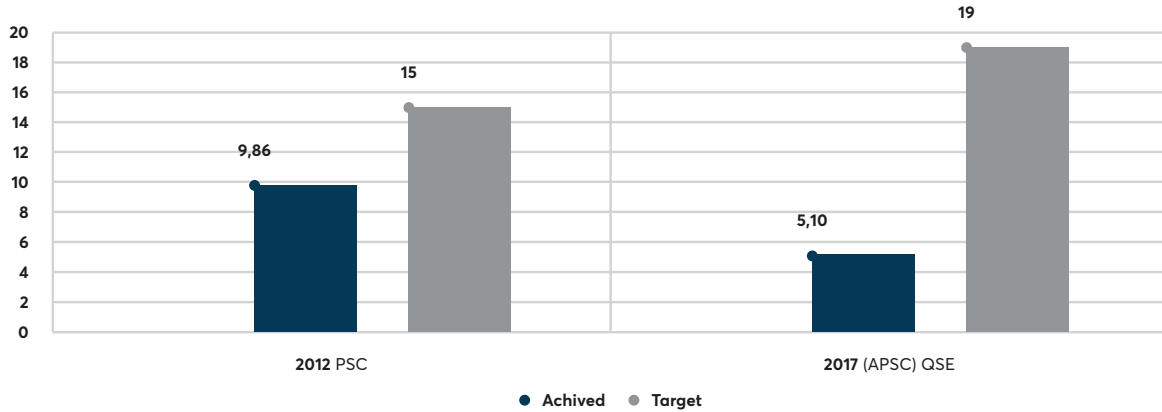
We note that the highest performance was recorded in 2015 with an average of 74% at 11.10 out of 15 points. The performance under the 2017 APSC was extremely poor, with an average of 27% at 5.10 out of 19 points.



#### 4.7 GENERIC SKILLS DEVELOPMENT ACTUALS

Figure 4.2 below indicates the average performance of the SA property sector under Skills Development targets for both the 2012 PSC and the 2017 APSC for generic enterprises.

Figure 4.2 Overall generic Skill Development performance, 2012 vs 2017



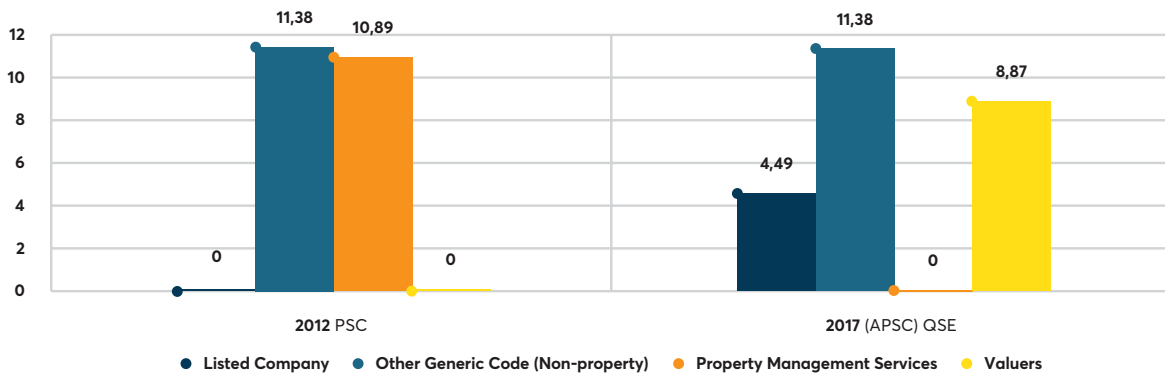
Companies measured under the 2012 PSC, achieved a total of 9.86 out of 15 making it an achievement of 66%, while those companies measured under the 2017 APSC, achieved a total of 5.10 out of 19 – a 27% achievement on ownership.

The results above show that this sector is very far behind in achieving its target under Skills Development legislation and, hence, more focus should be put on skills development as this performance continues to decline.

##### 4.7.1 Generic Skill Development Performance By Segment

Figure 4.3 below shows the average performance segment for both 2012 PSC and 2017 APSC.

Figure 4.3: Average performance: Generic Skill Development by segment, 2012 vs 2017



Other generic code (non-property) showed a good effort, although it remains below target at 11.38 points out of 15 points and an average percentage of 76% under 2012 PSC. The listed companies recorded a very poor performance of 4.49 points out of 19, which is 24% below the 2017 APSC target.

#### 4.8 THE PERFORMANCE OF THE GENERIC SEGMENT UNDER SKILL DEVELOPMENT SUB-ELEMENTS

The table below shows the performance of Skill Development sub-elements for generic entities.

Table 4.4: Average performance of generic Skill Development by segment, 2012 vs 2017:

SUB-ELEMENTS	2012 PSC		2017 APSC	
	Target	Actuals	Target	Actuals
Skill Development expenditure for black people	3%	4%	5%	1%
Skill Development expenditure on people with disabilities	0.3%	8%	0.3%	0.1%
Number of black employees participating in learnership programme	5%	15%	2.5%	0.4%
Number of previously unemployed black people participating in learnership programme	N/A	N/A	2.5%	0.6%
Absorption	N/A	N/A	100%	0%

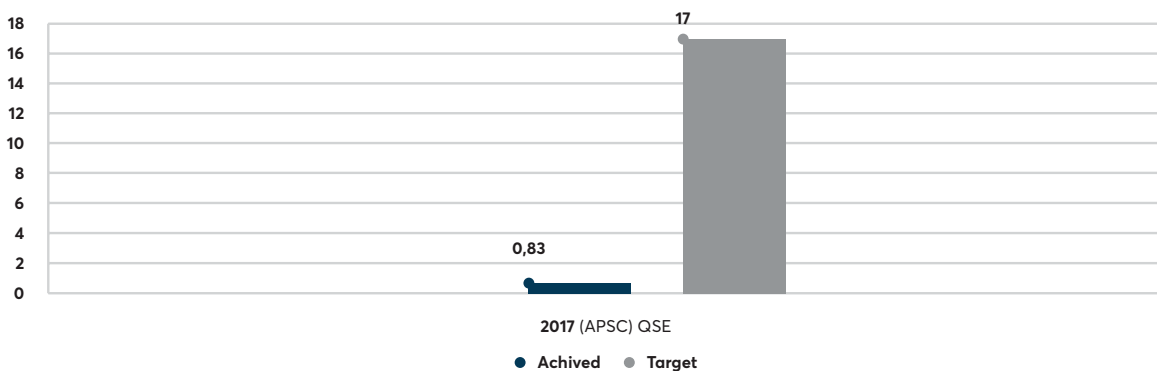
Under the 2012 PSC black voting rights achieved the highest average percentage at 90.42% of target. Meanwhile, under the 2017 APSC black voting rights were also a stand out performance with an average of 71.46% of target.

The lowest performance was for black independent executives under 2012 PSC at 33.20% against target and black female executive directors under 2017 APSC at 38.48% of the target.

#### 4.9 QSE SKILL DEVELOPMENT ACTUALS

Figure 4.4 below shows the overall average performance of 2017 APSC for QSEs entities under Skill Development.

Figure 4.4: Overall QSE Skills Development performance



Sampled entities that are QSEs have managed to achieve only 0.83 points out of 17 points, making it an average of 4.88%.

#### 4.9.1 QSE Skill Development Performance by Segment

There is no meaningful data to share, other than to state that the majority of the QSEs were property management services companies, which achieved a performance average of 9.76% vs a target of 17 points.

It is also worth mentioning that other property sector sub-segments, such as estate agencies and property brokers have not shown an effort towards achieving Skill Development. Hence, a serious intervention will need to be developed to address their poor performances.



#### 4.10 PERFORMANCE OF QSE UNDER SKILL DEVELOPMENT SUB-ELEMENT

Table 4.5: The performance of QSE Skill Development sub-elements

SUB-ELEMENTS	2017 APSC	
	Target	Actuals
Skills development expenditure on black people	3.00%	0.10%
Skills development expenditure on black people	1.00%	0.09%
Absorption	100%	0.00%

The table above shows that the performance of Skills Development for QSE enterprises needs serious attention across all sub elements.

#### 4.11 SUMMARY

The property sector recorded a weak performance in Skill Development in 2012 PSC at 9.86 points (65.73%), but an even worse performance for 2017 APSC at 5.10 points or 26.84%.

The low performances were attributed to the following:

- Changes that were introduced in the 2017 APSC, in particular the incorporation of EAP targets under Skill Development.
- 2012 PSC performance was as follows:
  - Superb effort- way above targets in the Skill Development expenditure for black people with disabilities and those black people participating in the learnership programme.
  - a below-target performance on Skill Development expenditure of black people at 75% of the target.
- 2017 APS
  - The property sector has shown a poor performance across all sub-elements, with Skill Development expenditure for black people with disabilities dropping to 33% from a high 2012 PSC achievement.

#### 4.12 CONCLUSION

The property sector has not been able to implement the Skill Development programme, which is aimed at developing the core technical skills and competencies for black employees in order to perform their duties as property practitioners or managers of enterprises.

Enterprises in the sector are not adequately investing in Skill Development and consequently there are limited levels of workplace development and continued professional training. There is currently insufficient structures and accredited training programmes, or curricula, for property-related professions.

#### 4.13 RECOMMENDATION

Skills Development is one of the critical elements currently, but it also has an impact on the future outlook in terms of the transformation performance of the sector. Skills Development ensures that any effort put in transformation now, can be sustainable because there is enough of an intellectual pool of capital amongst black people, and black women, that are qualified to do the work. Enterprises should be encouraged to spend more on skills development for black people, without forgetting those people living with a disability. The property sector must work together with academic institutions to build a curriculum that would meet the needs of current and future generations.

Learnerships, internships and similar platforms have become important to address unemployment in our country, by ensuring that people are employable. Organisations are encouraged to carry out the recognised learnership training in-line with the learner matrix.

The establishment of the Property Sector Skills Development Foundation aims to address the sector's Skills Development needs comprehensively and in an integrated and holistic manner.



# 5

## ENTERPRISE AND SUPPLIER DEVELOPMENT

### 2012 PSC - Preferential Procurement



#### Preferential Procurement

- BBBEE spend
- Spend on 51% Black owned
- Spend on 30% Black Woman
- Spend on QSE & EME
- Spend of 51% black owned property Services

### 2017 PSC - Enterprise Development



#### Enterprise Development

- 3% of NPAT

### 2017 APSC



#### Preferential Procurement

- Add the sub-elements under PP

#### Supplier Development

- 2% of NPAT

#### Enterprise Development

- 1% of NPAT

#### Bonus Points

- Job Creation
- Graduation

### 5.1. DEFINITION OF ENTERPRISE AND SUPPLIER DEVELOPMENT

Measures the extent to which entities buy goods and services from empowering suppliers with strong B-BBEE recognition levels. It is designed to widen market access for entities, in order to integrate them into the mainstream of the economy. It also measures the extent to which enterprises carry out supplier development and enterprise development initiatives intended to assist and accelerate the establishment, growth and sustainability of black enterprises.

### 5.2. ENTERPRISE AND SUPPLIER DEVELOPMENT CHALLENGES

There has been some reasonable effort in spending on black companies, black women companies and also implementing initiatives that are intended to assist SMME's that are black owned 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, while Enterprise Developments and Supplier Developments are done with companies outside our sector.

There has been limited support in Enterprise Development and lack of promotion for establishment, growth and sustainable enterprises.

### 5.3. PURPOSE OF ENTERPRISE AND SUPPLIER DEVELOPMENT 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.

The property sector also commits itself to invest in, support, facilitate and foster new and existing small and micro enterprises possessing that are black owned, through the implementation of comprehensive enterprise and supplier development programmes. This will ensure growth of SMMEs and ultimately drive job creation.

### 5.4. ENTERPRISE AND SUPPLIER DEVELOPMENT TARGETS AND WEIGHTINGS

In the 2012 PSC Preferential Procurement and Enterprise Development were two (2) separate elements.

Each property sector enterprise commits to achieve the following targets:

#### 5.4.1 2012 PSC - Generic Preferential Procurement Measured Enterprises Ntities

- Spend 70% of procurement recognition level for B-BBEE enterprises

- Spend 15% of BBEE procurement spend from all empowering suppliers that are Exempted Micro-Enterprises or Qualifying Small Enterprises.
- Spend 20% of their procurement on:
  - 12% black owned; and
  - 8% black women owned suppliers.
- 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 5.1 Highlights the 2012 PSC Preferential Procurement targets and weightings set for enterprises in the property sector

PREFERENTIAL PROCUREMENT (20 POINTS)			
CATEGORY	MEASUREMENT INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Preferential Procurement	B-BBEE procurement spend from all suppliers based on the BEE procurement recognition Levels as a percentage of total measured procurement spend	10	70%
	B-BBEE procurement spend from Qualifying Small Enterprises or Exempted Micro-Enterprises based on the applicable B-BBEE procurement recognition levels as a percentage of total measured procurement spend	2	15%
	B-BBEE procurement spend from any of the following Suppliers (regardless of their B-BBEE procurement recognition Level) as a percentage of total measured procurement spend:	5	20%
	1 Suppliers that are more than 50% black owned (3 out of 5 points); and, 2 Suppliers that are more than 30% black women owned (2 out of 5 points)		(12%) (8%)
	% of procurement spend with black owned enterprises (Level 1-4) as a percentage of total property services spend	3	40%

Table 5.1 Preferential Procurement targets and weightings set by the 2012 PSC for Generic Enterprises

#### 5.4.2 2012 PSC Generic Enterprise Development

- Spend 3% of annual value of NPAT towards Enterprise Development contributions.

Table 5.2 highlights the 2012 PSC Enterprise Development targets and weightings set for enterprises in the Property Sector

ENTERPRISE DEVELOPMENT (10 POINTS)			
CATEGORY	MEASUREMENT INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Enterprise Development Contribution	Value of all Enterprise Development contributions and sector specific programmes made by the measured entity as a percentage of the target	10%	3% of NPAT

Table 5.1 Preferential Procurement targets and weightings set by the 2012 PSC for Generic Enterprises

#### 5.4.3 2017 APSC Generic - Enterprise and Supplier Development

- Spend 80% of procurement recognition level for B-BBEE enterprises
- Spend 15% of BBEE procurement spend from all empowering suppliers that are Exempted Micro-Enterprises
- Spend 15% of BBEE procurement spend from all empowering suppliers that are Qualifying Small Enterprises
- Spend 40% of BBEE procurement spend from all empowering suppliers that are at least 51% black owned
- Spend 12% of BBEE procurement spend from all empowering suppliers that are at least 30% black women owned
- Spend 40% of procurement spend on property service enterprises that are 51% black owned (level 1-3) as a percentage of total property services spend.
- Spend 2% of annual value of NPAT on all Supplier Development contributions;
- Spend 1% of annual value NPAT on Enterprise Development contributions and sector specific





Table 5.3 Highlights the 2017 APSC Enterprise and Supplier Development targets and weightings set for enterprises in the Property Sector

ENTERPRISE AND SUPPLIER DEVELOPMENT (39 POINTS)			
CATEGORY	MEASUREMENT INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Preferential Procurement	BBEE procurement spend from all empowering suppliers based on the B-BBEE procurement recognition levels as a percentage of total measured procurement spend	2	80%
	B-BBEE Procurement Spend from all Empowering Suppliers that are Qualifying Small Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	2	15%
	B-BBEE Procurement Spend from all Empowering Suppliers that are Exempted Micro-Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	2	15%
	B-BBEE Procurement Spend from all Empowering Suppliers that are at least 51% black owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	8	40%
	B-BBEE Procurement Spend from all Empowering Suppliers that are more than 30% black women-owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	4	12%
	Percentage of procurement spend with at least 51% Black owned Property Service enterprises (level 1-3) as a percentage of the total property services spend	6	40%
Supplier Development	Annual value of all Supplier Development Contributions made by the Measured Entity as a percentage of the target.	10	2% of NPAT
Enterprise Development	Annual value of Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of the target.	5	1% of NPAT
Bonus	BEE Procurement Spent from designated group suppliers that are at least 51% Black Owned	2	2%
	Bonus points for graduation of one or more Enterprise Development beneficiaries to the Supplier Development level	1	
	Bonus points for creating one or more job directly in the beneficiary entity as a result of supplier Development or enterprise development initiatives by the measured entity	1	

#### 5.4.4 2017 APSC - QSE Measured Entities

- Spend 60% of procurement recognition level for B-BBEE enterprises
- Spend 15% of BBEE Procurement Spend from all Empowering Suppliers that are at least 51% black owned
- Spend 1% of annual value of NPAT on all Supplier Development contributions;
- Spend 1% of annual value NPAT on Enterprise Development contributions and sector specific

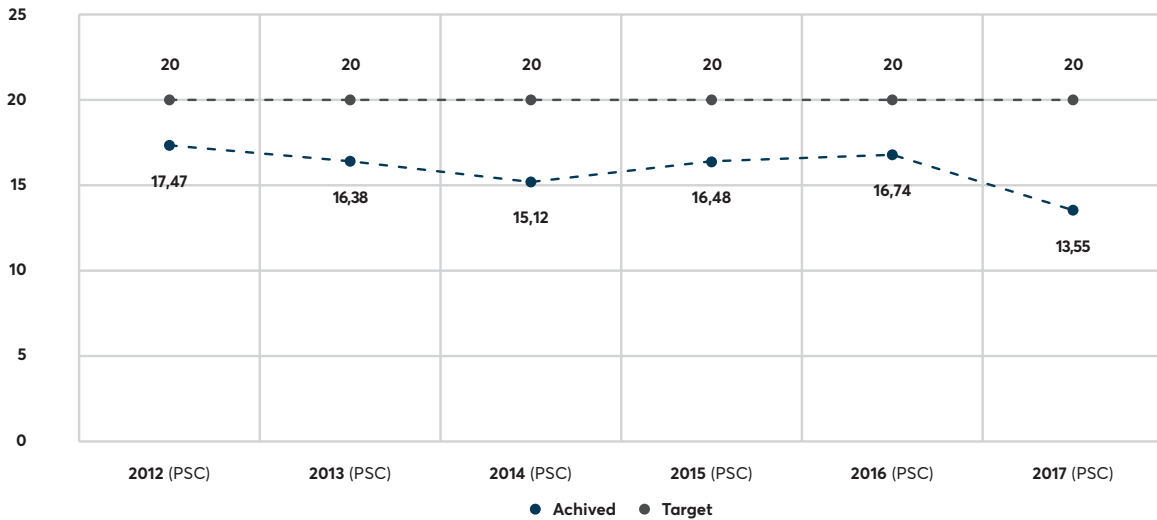
Table 5.4 Highlights the 2017 APSC Enterprise and Supplier Development and weightings set for enterprises in the Property Sector

ENTERPRISE AND SUPPLIER DEVELOPMENT (39 POINTS)			
CATEGORY	MEASUREMENT INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Preferential Procurement	B-BBEE Procurement Spend from all Empowering Suppliers based on the B-BBEE procurement Recognition Levels as a percentage of a Total measured Procurement Spend	10	60%
	B-BBEE Procurement Spend from Empowering Suppliers that are at least 51% black owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	15	15%
Supplier Development	Annual value of all Supplier Development Contributions made by the Measured Entity as a percentage of the target	5	1% of NPAT
Enterprise Development	Annual value of Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of the target	5	1% of NPAT

Table 5.1 Preferential Procurement targets and weightings set by the 2012 PSC for Generic Enterprises

### 5.5 GENERIC PREFERENTIAL PROCUREMENT SCORE TREND

The Figure 5.1 below shows how the property sector has performed against the target from 2012 to 2017



The figure 5.1 above shows how the property sector has performed overtime against the set target. The target is 20 points in the 2012 PSC for Preferential Procurement.

The highest performance under 2012 PSC was an average percentage of 87.35% at 17.47 out of 20 points in 2012, while the lowest performance was in 2017 has declined to an average percentage of 67.75% at 13.55 out of 20.

### 5.6 GENERIC PREFERENTIAL PROCUREMENT ACTUALS

The figure 5.2 below shows the average performance of 2012 PSC for Generic enterprises

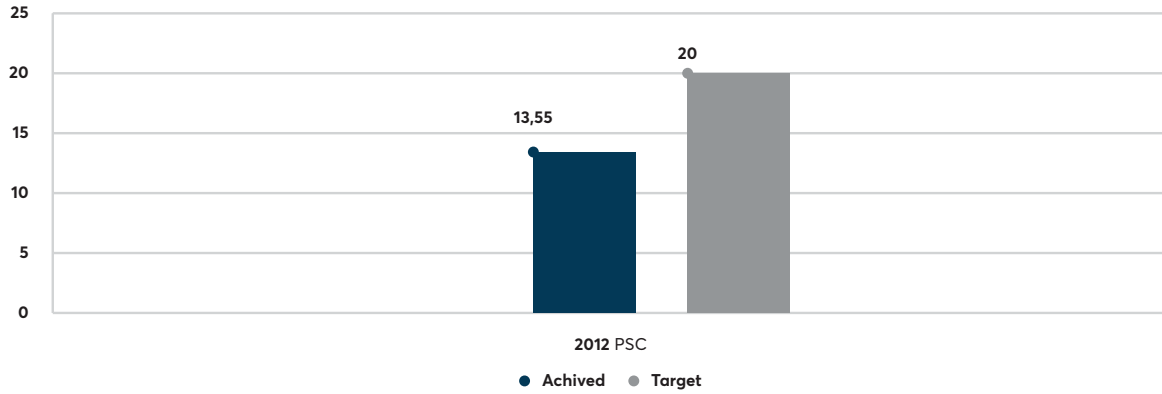


Figure 5.2 above shows the performance of the property sector under Preferential Procurement under 2012 PSC. Sampled companies: Achieved a total of 13.55 out of 20 Making the achievement on Preferential Procurement 67.75% which is reasonable effort but still lower than the set target.

### 5.7 SEGMENT PERFORMANCE OF PREFERENTIAL PROCUREMENT

The figure 5.3 below shows the average performance of 2012 PSC by segment

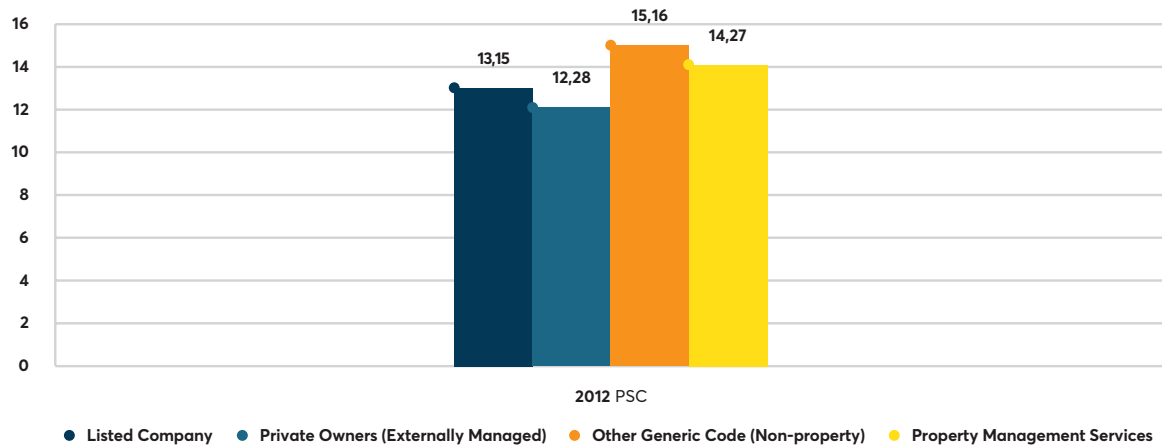


Figure 5.3 above shows the performance of the sector by segment for 2012 PSC. Other Generic (Non- Property) showed good efforts although still less than the target at 15.61 points out of 20 points which makes it an average percentage of 78%. Private Owners had a very poor performance of 12.28 points out of 20 which is 61% against target.

## 5.8 PERFORMANCE OF SUB-ELEMENTS UNDER PREFERENTIAL PROCUREMENT

Table 5.4 below shows performance of Preferential Procurement sub-elements for generic enterprises

SUB-ELEMENTS	2012 PSC		2017 APSC	
	Target	Actuals	Target	Actuals
BBBEE procurement spend	70%	91%	80%	90%
Procurement spend with QSE and EME	15%	17%	N/A	N/A
Procurement spend with QSE	N/A	N/A	15%	4%
Procurement spend with EME	N/A	N/A	15%	5%
Procurement spend with 51 black owned	12%	19%	40%	6%
Procurement spend with 30 black women	8%	5%	12%	2%
Procurement spend with property services that are black owned enterprises	40%	0.7%	40%	6%
Procurement Spend With at least 51% black designated Companies	N/A	N/A	2%	0.6%

Table 5.4 Performance of Preferential Procurement Sub-Elements for Generic Enterprises

The above shows the performance of Preferential Procurement for generic enterprises.

2012 PSC has shown super effort- way above targets in many sub-elements:

- Procurement spend from all suppliers with BBBEE recognition level at 130.00% against target.
- Procurement spend of QSEs or EMEs based on BBBEE procurement recognition level at 113.33% against target
- Procurement spend with 51% black owned at 158.33% against target
- Procurement spend with 30 black women at 62.50% against target
- Procurement spend with property services that are black owned enterprises at poor performance of 1.75 % against target

2017 APSC has shown super effort- way above target on one element:

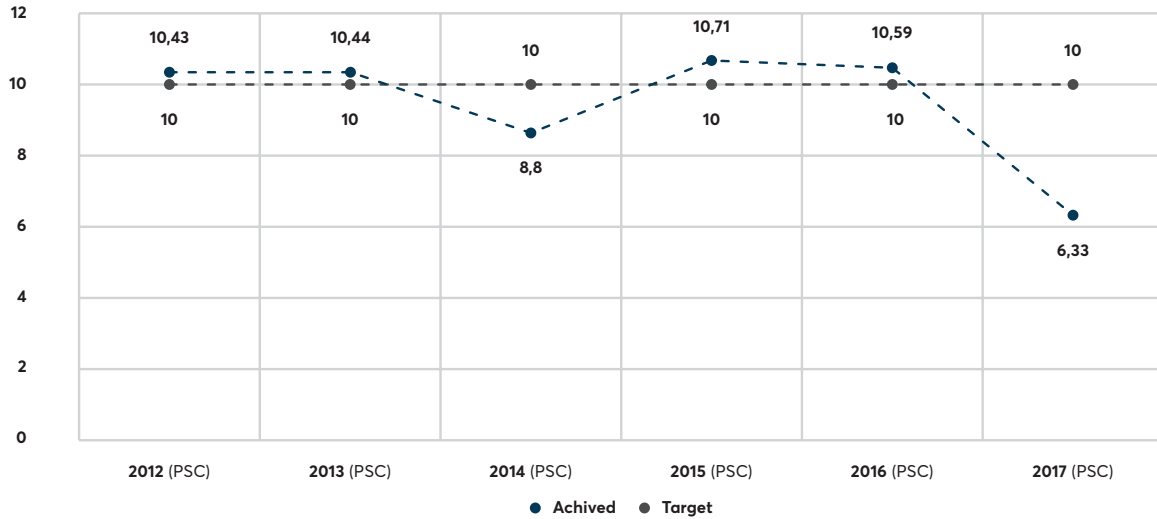
- Procurement spend from all suppliers with BBBEE recognition level at 112.5% against target.

All other Target had poor performance against target:

- Procurement spend of QSEs based on BBBEE procurement recognition level at 26.6% against target
- Procurement spend of EMEs based on BBBEE procurement recognition level at 33.33% against target
- Procurement spend with 51% black owned at 15.00% against target
- Procurement spend with 30 black women at 16.66% against target
- Procurement spend with property services that are black owned enterprises at 15 % against target
- Procurement Spend With at least 51% black designated Companies at 30%

### 5.9 GENERIC ENTERPRISE DEVELOPMENT SCORE TREND

The Figure 5.4 below shows how the property sector has performed against the target from 2012 to 2017



The figure 5.4 above shows how the property sector has performed overtime against the set target. The target is 10 points in the 2012 PSC for Enterprise Development.

The highest performance was in 2015 with an average percentage of 107% at 10.71 out of 10 points, while the lowest performance was in 2017 with an average percentage of 63% at 6.33 out of 10.

### 5.10 GENERIC ENTERPRISE DEVELOPMENT ACTUALS

The figure 5.5 below shows the average performance of 2012 PSC for Generic enterprises

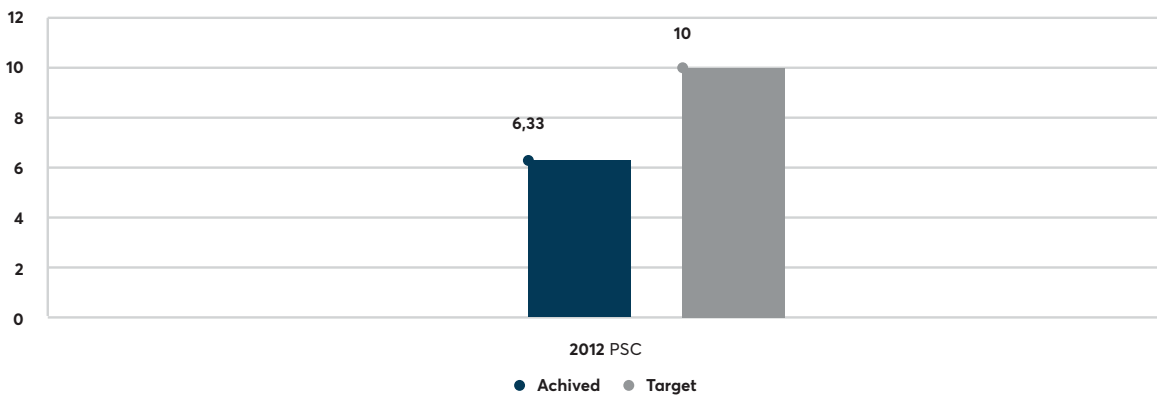


Figure 5.5 above shows the performance of the property sector under Enterprise Development under 2012 PSC. Sampled companies: achieved a total of 6.33 out of 10 making the achievement on Enterprise Development 63% which is good effort but still lower than the set target.

### 5.11 GENERIC ENTERPRISE DEVELOPMENT PERFORMANCE BY SEGMENT

The figure 5.6 below shows the average performance of 2012 PSC by segment

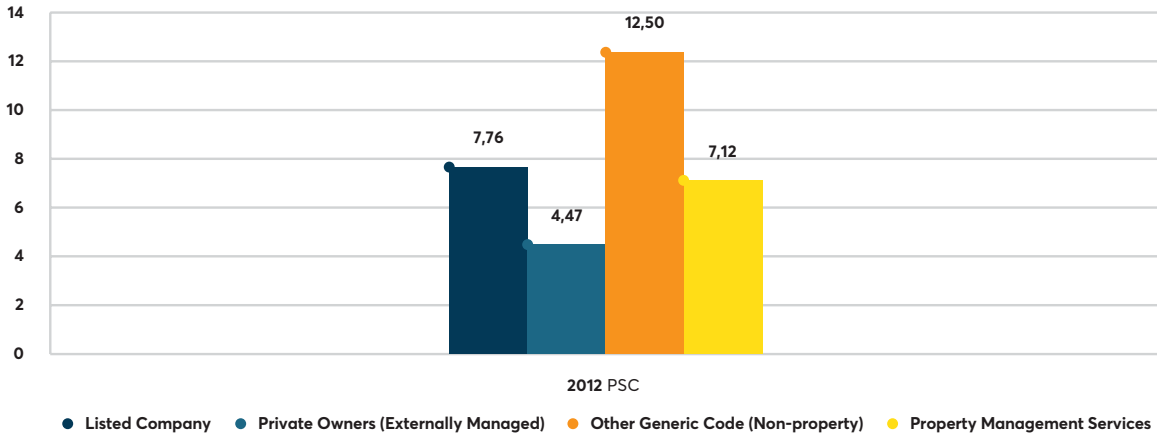


Figure 5.6 above shows the performance of the sector by segment for 2012 PSC. Other Generic (Non- Property) showed excellent performance with 12.50 points out of 10 points which makes it an average percentage of 125%. Private Owners had a very poor performance of 4.47 points out of 10 which is 44.70% against target.

### 5.12 PERFORMANCE OF SUB-ELEMENTS UNDER ENTERPRISE DEVELOPMENT

Table 5.5 below shows Performance of Enterprise Development sub-elements for Generic entities

SUB-ELEMENTS	2012 PSC		2017 APSC	
	Target	Actuals	Target	Actuals
Enterprise Development Contributions	3% NPAT	3.53%	1% NPAT	2.57%

Table 5.4 Performance of Preferential Procurement Sub-Elements for Generic Enterprises

Sampled have performed very good under enterprise and development with the achieved percentages of 118% for 2012 PSC and 257% for 2017 APSC.



### 5.13 ENTERPRISE AND SUPPLIER DEVELOPMENT ACTUALS (2017 APSC)

The figure 5.7 below shows the average performance of 2017 APSC for Generic enterprises

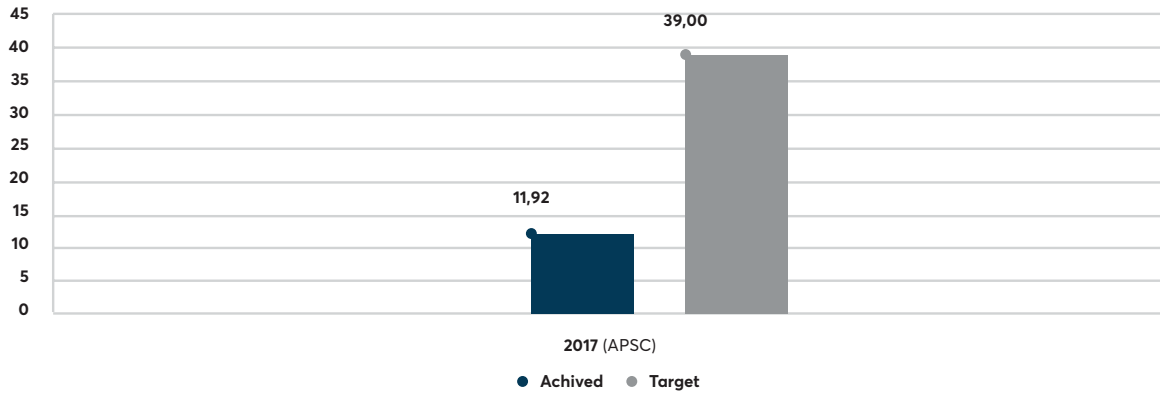


Figure 5.7 above shows the total performance of the property sector under Enterprise and Supplier Development under 2017 APSC. Sampled companies measured under 2017 APSC: achieved a total of 11.92 out of 39 Making the achievement on Enterprise and Supplier 30% which is extremely low.

### 5.14 SEGMENT PERFORMANCE OF ENTERPRISE AND SUPPLIER DEVELOPMENT

The figure 5.8 below shows the average performance of 2017 APSC by segment

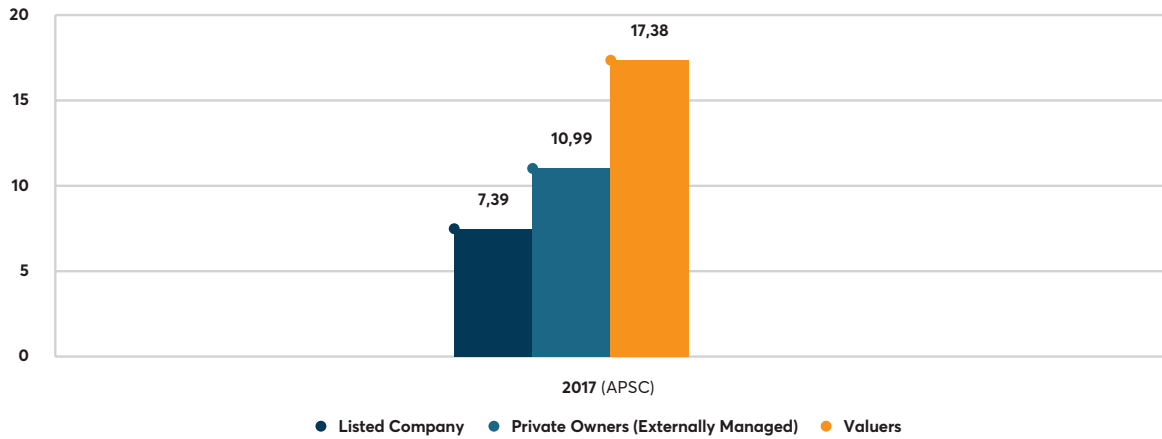


Figure 5.8 above shows the performance of the sector by segment for 2017 APSC. Valuers had the highest achievement at 17.38 points out of 39 points which makes it an average percentage of 44.56%. The listed companies had a lowest performance of 7.39 points out of 39 which is 18.95% against target.



### 5.15 PERFORMANCE OF SUB-ELEMENTS UNDER SUPPLIER DEVELOPMENT

Table 5.6 below shows Performance of Supplier Development sub-elements for generic enterprises

SUB-ELEMENTS	2017 APSC	
	Target	Actuals
Supplier Development Supplier Development Contributions	2% of NPAT	2.50%

Companies that were measured under 2017 APSC were being rated under supplier development for the first time, however they have performed extremely good as they have managed to exceed the target with an achievement of 125.00%.

### 5.16 QSE ENTERPRISE AND SUPPLIER DEVELOPMENT ACTUALS

The figure 5.9 below shows the average performance of 2017 APSC for QSE enterprises

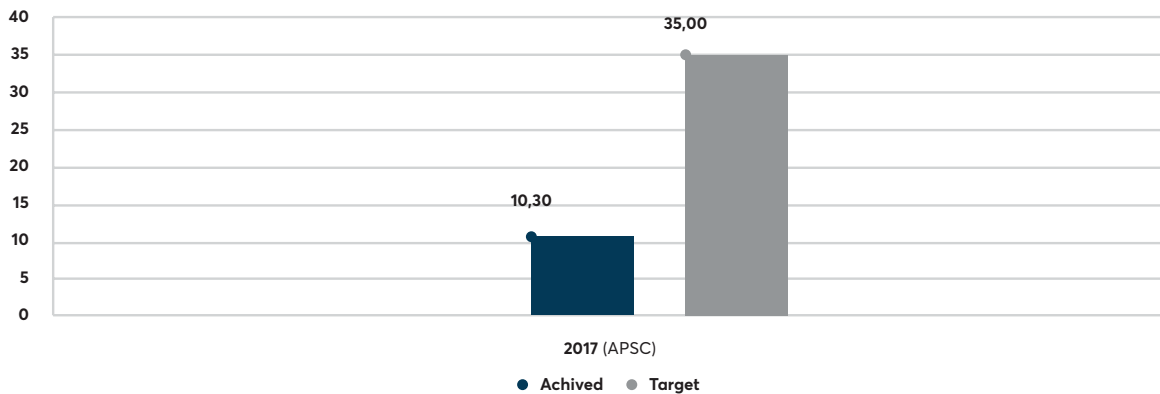


Figure 5.9 above shows the performance of the Property Sector under Enterprise and Supplier Development for QSE enterprises under 2017 APSC. Measured companies under 2017 APSC: Achieved a total of 10.3 out of 35 making the achievement on Enterprise and Supplier 29.43% which is extremely low.



### 5.17 SEGMENT PERFORMANCE OF ENTERPRISE AND SUPPLIER DEVELOPMENT

The figure 5.10 below shows the average performance of 2017 APSC by segment

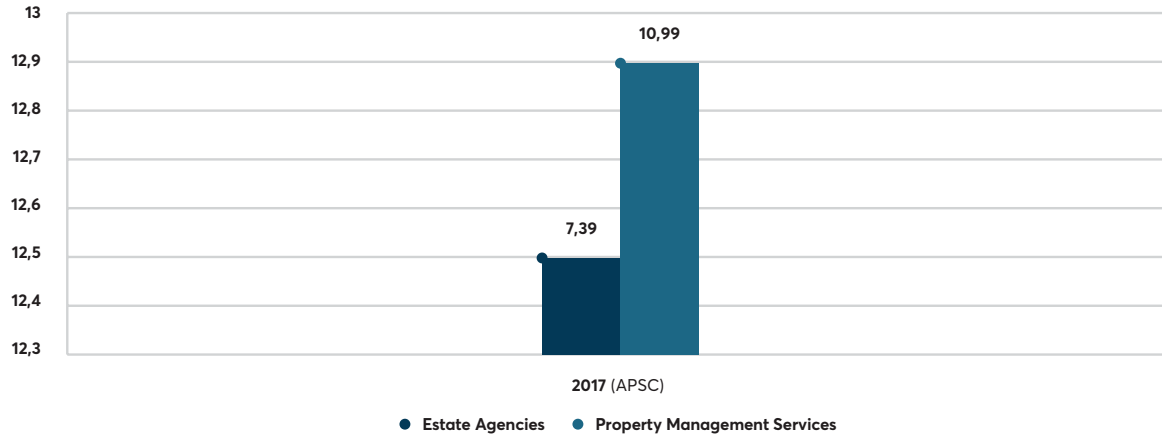


Figure 5.10 above shows the performance of the sector by segment for 2017 APSC. The performance of both Property Management Services and Estate Agencies achieved of 37% and 36% against target, respectively.

### 5.15 PERFORMANCE OF SUB-ELEMENTS UNDER SUPPLIER DEVELOPMENT

Table 5.6 below shows Performance of Supplier Development sub-elements for generic enterprises

SUB-ELEMENTS	2017 APSC	
	Target	Actuals
B-BBEE Procurement Spend	60%	38%
Procurement Spend With at least 51% black owned companies	15%	7%
<b>Supplier Development</b>		
Supplier Development Contributions	1% of NPAT	0%
<b>Enterprise Development</b>		
Enterprise Development Contributions	1% of NPAT	0.01%

Table 5.4 Performance of Preferential Procurement Sub-Elements for Generic Enterprises

The table above shows that QSE's measured entities has also underperformed under all sub-elements of Enterprise Development.

### 5.19 SUMMARY

#### Preferential Procurement

- Preferential Procurement dropped to the lowest in the 2017 PSC analysis at 67.75% coming down from a good effort at 87.35% in 2012. With reasonable efforts from the institutions and property management services and poor performance from property owners.
- Companies that reported under 2012 PSC over achieved above targets in all sub-elements of procurement except for procurement spend with property services that are black owned (level 1-3). This same performance dropped for companies that reported under 2017 APSC.

#### Supplier Development

- There was a good spend under 2017 APSC 125% and 257.00% against target. However as a sector we are unable to track and see the positive impact in the sector.

#### Enterprise Development

- Enterprise Development dropped to the lowest in

the 2017 PSC analysis at 63.30% coming down from a peak of 107% in 2015.

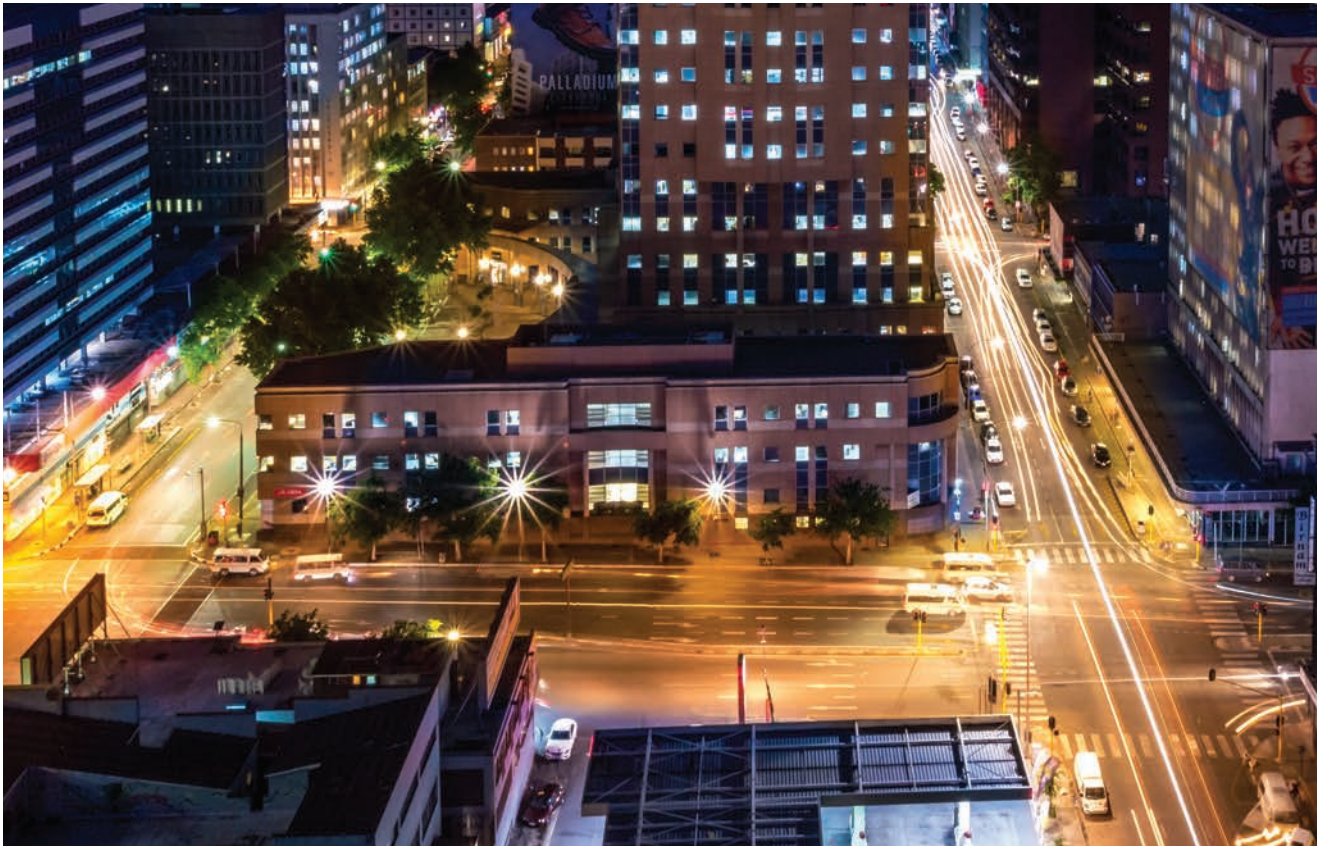
- There was a good spend under in both 2012 PSC and 2017 APSC 117.67% and 257.00% against target. However there are not enough companies spending. The major spend were institutions.

#### Enterprise and Supplier Development

- For entities that were measured under the 2017 Enterprise and Supplier Development, there has been a poor performance for generic enterprises at 30.56% (11.92 points) against target of 39 points.
- For QSEs that were measured under the 2017 Enterprise and Supplier Development, there has been another poor performance at 29.42 (10.3 points) against target of 35 points.

### 5.20 CONCLUSION

After the consolidation to the 3 element Preferential Procurement, Supplier Development and Enterprise Development into one element called Enterprise and Supplier Development the 2017 APSC – the property sector need to put more renewed energy in these sub-elements.



# 6

## SOCIO-ECONOMIC DEVELOPMENT

2012 PSC



2017 APSC



### 6.1 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 which promote access to the economy for black people.

### 6.2 SOCIO-ECONOMIC DEVELOPMENT

The SA property sector has shown great commitment towards effective implementation of Socio-Economic Development initiatives.

### 6.3 PURPOSE OF SOCIO-ECONOMIC DEVELOPMENT IN THE PROPERTY SECTOR

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

### 6.4 SOCIO-ECONOMIC DEVELOPMENT TARGETS AND WEIGHTINGS

Each property sector enterprise commits to achieving the following targets:

- Both 2012 PSC and 2017 APSC remains the same and there are no changes in these elements.
- 2012 PSC and 2017 APSC - generic measured enterprise
- 1% of net profit after tax (NPAT) of average annual value of all Socio-Economic Development contributions made by the measured entity.



Table 6.1 Socio-Economic Development targets and weightings set by the 2012 PSC and 2017 APSC for generic enterprises

SOCIO-ECONOMIC DEVELOPMENT (2 POINTS)			
CATEGORY	MEASUREMENT INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Socio-Economic Development contribution	The value of all socio-economic development contributions made by the measured entity as a percentage of the target	2	1% of NPAT



#### 2017 APSC QSE

- 1% of net profit after tax (NPAT) of the average annual value of all Socio-Economic Development contributions made by a measured entity as a percentage of the target.

Table 6.2 Socio-Economic Development targets and weightings set by the 2017 APSC for QSE enterprises

SOCIO-ECONOMIC DEVELOPMENT (2 POINTS)			
CATEGORY	MEASUREMENT INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Socio-Economic Development contribution	Annual value of all Socio-Economic Development contributions made by the measured entity as a percentage of the target	2	1% of NPAT

### 6.5 GENERIC SOCIO-ECONOMIC DEVELOPMENT SCORE TREND SINCE 2012 PSC TO 2017 APSC

Figure 6.1: Overall Socio-Economic Development performance trend

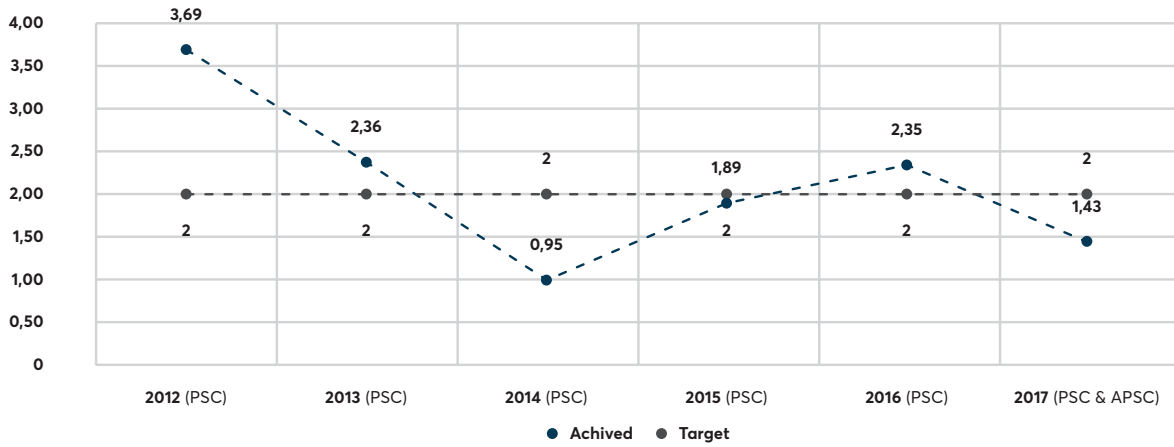


Figure 6.1 above shows how the property sector has performed overtime against the set target. The target weighting is 2 points under both 2012 PSC and 2017 APSC for Socio-Economic Development.

The highest performance was in 2012, with an average percentage of 184.50% at 3.69 out of 2 points, while the lowest performance was in 2014, with an average percentage of 47.50% at 0.95 out of 2 points.

### 6.6 GENERIC SOCIO-ECONOMIC DEVELOPMENT ACTUALS

Figure 6.2: Overall generic Socio-Economic Development performance

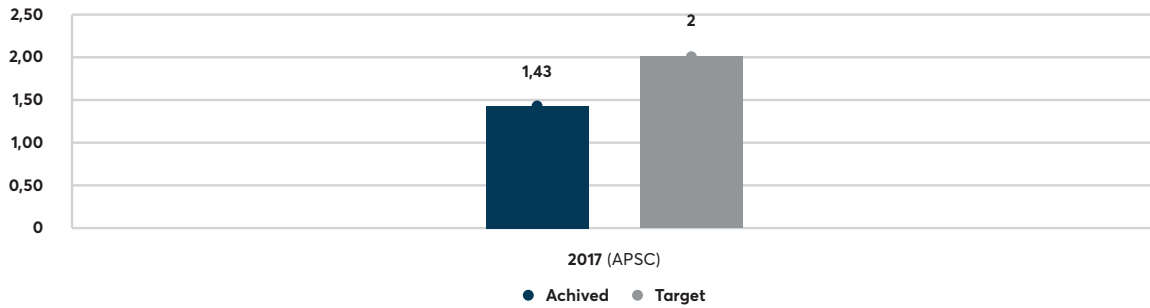


Figure 6.2 above shows the performance of the property sector Socio-Economic Development for both 2012 PSC and 2017 APSC. Measured companies achieved a total of 1.43 out of 2 weighting points, making the achievement on Socio-Economic Development 68%, which is lower than the set target.

### 6.6.1 Segment Performance Of Socio-Economic Development

Figure 6.3: Average generic Socio-Economic Development performance by segment

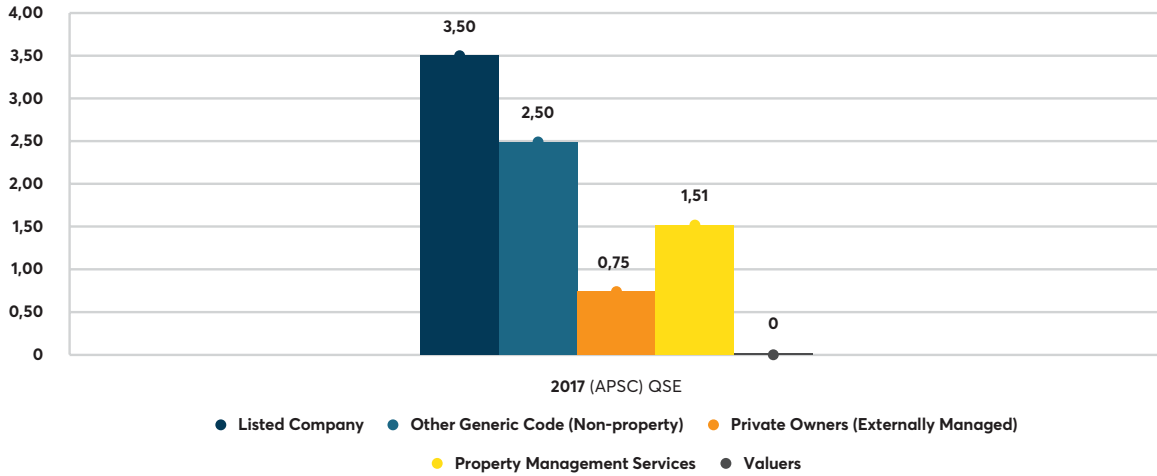


Figure 6.3 above shows the performance of the sector by segment for 2012 PSC and 2017 APSC per segment. Listed companies showed excellent performance with 3.50 out of 2 weighting points, which makes it an average percentage of 175%. With poor performance of private owners of 0.75 points out of 2 weighting points, which is 37.5% against target.

### 6.7 PERFORMANCE OF GENERIC SUB-ELEMENTS UNDER SOCIO-ECONOMIC DEVELOPMENT

Table 6.3 Performance of Socio-Economic Development sub-elements for generic enterprises

SUB-ELEMENTS	2017 APSC	
	Target	Actuals
Annual value of Socio-Economic Development contributions	1%	0.81%

The annual contribution for Socio-Economic Development shows a drop from the previous 2018 performance to spending only 0.81% of their NPAT vs 1% target resulting in 71.5% performance against total weighting points.



Figure 6.4 Overall QSE Socio-Economic Development performance

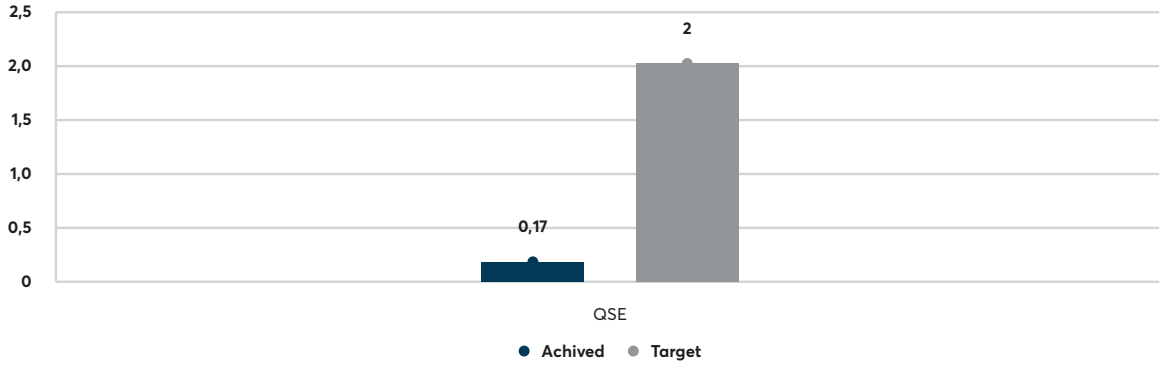


Figure 6.4 above, shows the performance of the property sector Socio-Economic Development under 2017 APSC QSE enterprises. Measured entities achieved a total of 0.17 points out of total of 2 weighting points, making the poor performance achievement in Socio-Economic Development at 8.5% against total weighting points.

### 6.8 PERFORMANCE OF SUB-ELEMENTS UNDER SOCIO-ECONOMIC DEVELOPMENT

Table 6.5 Performance of Socio-Economic Development sub-elements for QSE enterprises

SUB-ELEMENTS	2017 APSC	
	Target	Actuals
Annual value of Socio-Economic Development contributions	1%	0.08%

The annual contributions of QSE entities under Socio-Economic Development is very disappointing, as it came in far from the target.

### 6.9 SUMMARY

The property sector performance under Socio-Economic Development dropped to 1.42 points, achieving 71.5% against a set 10 weighting points.

### 6.10 RECOMMENDATIONS

The property sector revised back this drop against

the target and improved its commitment towards Socio-Economic Development. As the property sector, we need to 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 also need to promote investment in and contribute to growth of the sector.



# 7

## ECONOMIC DEVELOPMENT

2012 PSC



Disposal of Assets to Black owned companies (level 1-3)

Development Investment in Under-Resourced areas

2017 APSC



Development in Under resourced areas

Contribution Towards Economic Development

## 7.1 DEFINITION OF ECONOMIC DEVELOPMENT

Economic Development measures the extend of development investment and contribution towards under-resourced areas as a percentage of total annual investment.

## 7.2 ECONOMIC DEVELOPMENT CHALLENGES

Some areas in our country still lacks investment and property development in under-resourced areas. This in turn leads to service inequality and limited trade of properties in these areas.

## 7.3 PURPOSE OF ECONOMIC DEVELOPMENT IN THE PROPERTY SECTOR CODE

In response to the challenges, property sector is encouraged to stimulate development in under-resourced areas in those areas of our country where

development is needed the most.

## 7.4 ECONOMIC DEVELOPMENT TARGETS AND WEIGHTINGS

This elements is only applicable to segments in the property sector that do development.

Each relevant property sector enterprise commits to achieve the following targets:

### 7.4.1 2012 PSC - generic measured entities

- 10% of economic development in under-resourced areas; and
- Enterprises are required to commit 35% value of property disposals to Level 1-3 B-BBEE enterprises that are black owned.



Table 7.1 Highlights the 201 2PSC Generic entities - Economic Development targets and weightings

ECONOMIC DEVELOPMENT (15 POINTS)			
CATEGORY	MEASUREMENT INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Disposal of assests	Disposal of assets to B-BBEE enterprise (Level 1-3) as a % of total asset disposal (private) which are black owned	8	35%
Development in Under-resourced areas	Development investment in under-resourced areas as a % of total annual investment	7	10%

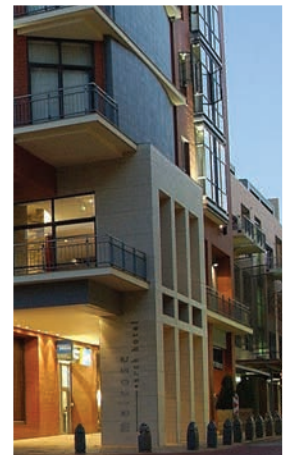


Table 7.2 Highlights the 2017 APSC Generic entities - Economic Development targets and weightings entities.

ECONOMIC DEVELOPMENT (5 POINTS)			
CATEGORY	MEASUREMENT INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Development Investment in under resourced areas	Economic development investment in under-resourced areas as a % of total annual investment	3	10%
Economic Development Contribution	ontribution towards any economic development programme as a % of total annual investment activities.	2	5%

#### 7.4.2 2017 APSC - Generic measured entities

- 10% of new property development in under-resourced areas; and
- 5% of Contribution towards any economic development programme.

7.4.3 2017 APSC - QSE Measured Entities

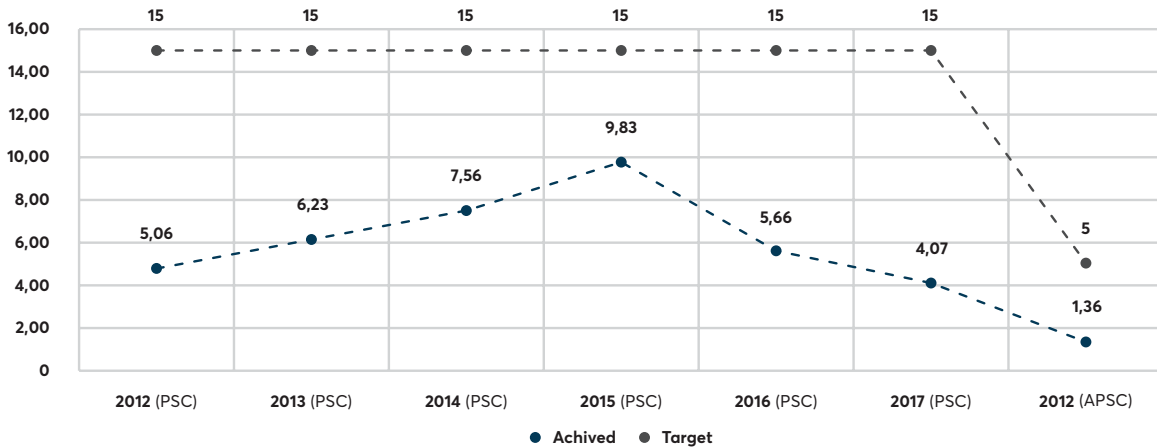
- 10% of new property development in under-resourced areas

Table 7.3 Highlights the 2012 PSC Generic entities - Economic Development targets and weightings

ECONOMIC DEVELOPMENT (4 POINTS)			
CATEGORY	MEASUREMENT INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Development Investment in Under-resourced areas	Economic Development Investment in under-resourced areas as a % of total annual investment	4	10%

7.5 GENERIC ECONOMIC DEVELOPMENT SCORE TREND SINCE 2012 PSC TO 2017 APSC

The Figure 7.1 below shows how the property sector has performed against the target from 2012 to 2017



The figure 7.1 above shows how the property sector has performed overtime against the set target. The target was total weighting of 15 points under 2012 PSC, due to the changes from two (2) sub-elements and total weighting points was reduced to one (1) sub-elements under 2017 APSC to total weighting points of 5.

The performance was showing an improving trend under the 2012 PSC, in 2015 when to the highest achievement of 65.53% was recorded at 9.83 points out of 15 points.

The performance dropped drastically from 2016 as the measured entities achieved less than previous year.

With the changes in 2017 APSC property sector recorded a poor performance of 27.20% at 1.36 points out of 5 weighting points.

### 7.6 GENERIC ECONOMIC DEVELOPMENT ACTUALS

The figure 7.2 below shows the average performance of 2012 PSC and 2017 APSC for generic entities.

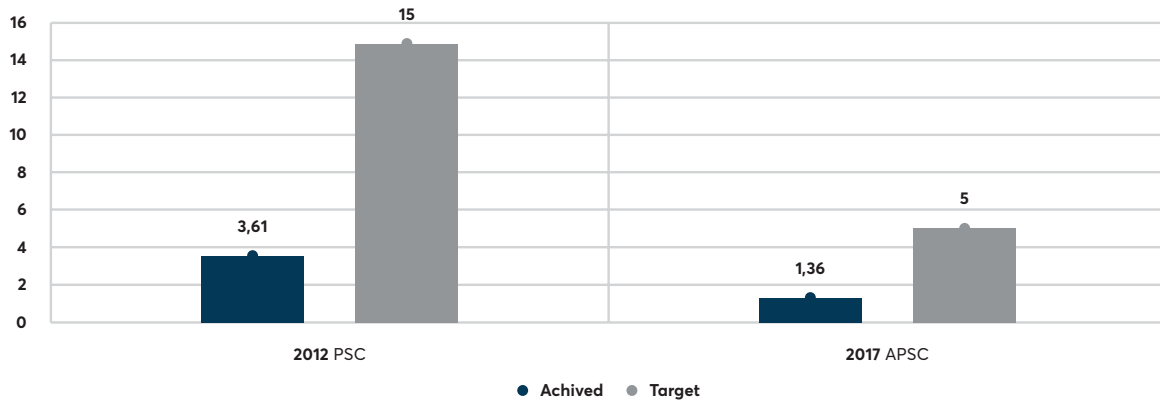


Figure 7.2 above shows the performance of the property sector under Economic Development for both 2012 PSC and 2017 APSC. Companies measured under 2012 PSC: achieved a total of 3.61 out of 15 making the achievement on Economic Development 24.06%, While companies measured under 2017 APSC: Achieved a total of 1.36 out of 5 making the achievement on Economic Development 27.20%.

#### 7.6.1 Generic Economic Development Performance by Segments

The figure 7.3 below shows the average performance of 2012 PSC and 2017 APSC by segment.

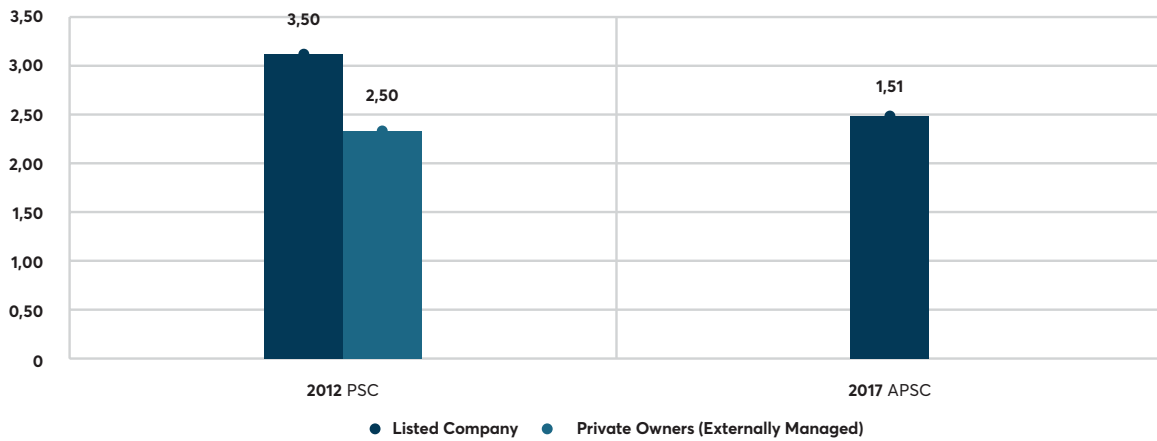


Figure 7.3 looks at the performance of the sector under Economic Development by segment for both 2012 PSC and 2017 APSC. Under the 2012 PSC Private Owners performed better with 3.13 points which is 20.87% compared to listed companies with 2.33 points which is 15.53% however both segments are still far from the target of 15 points.

Under 2017 APSC, listed companies has managed to achieve 50.00% as they achieved 2.50 weighting points out of a total of 5 weighting points.

## 7.7 PERFORMANCE OF GENERIC SUB-ELEMENTS UNDER ECONOMIC DEVELOPMENT

SUB-ELEMENTS	2012 PSC		2017 APSC	
	Target	Actuals	Target	Actuals
Disposal of assets	35%	0%	N\A	N\A
Investment in under resourced areas	10%	32%	10%	11%
Contribution towards economic development	N\A	N\A	5%	0%

The above table shows the performance of development investment in under resourced areas with great performance against sub-elements targets for both 2012 PSC and 2017 APSC.

Under 2012 PSC has shown poor performance in the sub-element of under disposable of assets at 0%, whilst the development investment in under-resourced areas shown outstanding performance at 320% against target.

Under 2017 APSC, the sub-element of development investment in under-resourced areas continued to show outstanding at 110% against targets.

## 7.8 SUMMARY

Economic Development started well and was picking nicely over the years from 2012 until the we started experiencing a drop in developments in the year 2016.

### Generic Enterprises

Economic Development achieved under the 2012 PSC (3.61 point) 24.0% lower than the set target of 15 points and under the 2017 APSC (1.36) 26.20% lower than the settarget of 5 points.

There has been mixed performance in Economic Development is across all sub-elements particularly for the 2017 APSC.

Investment in under-resourced areas:

- 2012 PSC- has shown outstanding performance at 320% against target of 10%.
- 2017 APSC - the sub-element of development investment in under-resourced areas continued to show outstanding at 110% against targets.

### Disposal of Assets

- This element only included under Economic Development in the 2012 PSC.
- There has been no take up on this sub-element of under disposable of assets at 0%,

## 7.9 RECOMMENDATION

Property Owners and REITs must be encourage to dispose assets to BBBEE enterprise in order to increase property ownership by Black people and to continue to invest in under resourced areas.

As the Property Sector we need to promote property development and Investment in under resourced areas which enhances basic infrastructure.



# PROPERTY SECTOR CHARTER COUNCIL

## THANK YOU

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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