

# PROGRAMME PERFORMANCE PROPERTY MANAGEMENT AND DEVELOPMENT



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### **AIM**

The programme aims to anticipate and satisfy customer needs by ensuring availability of suitable industrial and commercial premises for investors throughout the Eastern Cape, and disposing of residential units, in a manner that maximises returns for the Corporation's property portfolio.

### **STRATEGIC GOALS**

- Realise a gross return of 11% and 10% of asset value with respect to commercial and residential property respectively.
- Reduce maintenance and recovery costs.
- Maximise rental recovery.
- Improve harvesting and extraction of economic benefits due to ECDC from its investment in properties.
- Liquidate R180m of residential property at fair value by 2011.
- Increase development properties value by R135 000 by 2011.

# PROGRAMME PERFORMANCE

## PROPERTY MANAGEMENT AND DEVELOPMENT

### 1. OUTPUTS AND SERVICE DELIVERY TRENDS

#### 1.1 Performance for 2008/09

Measurable objectives	Performance measure	Planned performance (actual)	Actual performance (actual)	Deviation %	Reason for deviation
To maximise rental received	Rental received R'million	43,5	42,3	-3	Moratorium on evictions had an adverse effect on rental collections.
Increase collection on outstanding rentals	Arrears collected	20%	19%	-1	Moratorium on evictions had an adverse effect on arrears collections.
To convert residential properties to tenants in good standing	Value of property sales R'million	54	14,7	-73	Moratorium on evictions, land claims and tenants with high rental arrears.
Increase proceeds on new developments	Value of property sales R'million	6	0	-100	Identified developments were delayed due to land claims and related negotiations.
Investment in new property development	Value of opportunities identified R'million	20	41	100	Feasibility studies on the Hillcrest sites were part of a larger integrated development study conducted in the KSD Municipality area. Development is also planned for Southernwood, Hillcoombe and an additional building next to the ECDC Headquarters.
To spend 10% of rental income collected on maintenance	Obtain good value for property R'million	4,3	14,16	229	Condition and age of our buildings result in increased maintenance costs. In addition, fire/storm damages to three commercial/industrial properties resulted in large excess payments and provisions of R5,5 million alone.
Increase rate of occupancy by 10%	Number of units occupied	10%	0	-100	Occupancy remained unchanged. There is lack of demand for space in Butterworth, Dimbaza and Ezilbeleni.
Reduction of operational costs by 15%	Reduce rates and taxes	15%	0	-100	Negotiations with municipalities progressing but transfers not yet effected.

#### 1.2 Trends in performance 2005/06 to 2008/09

Measurable objective	Performance measure	2005/06 (actual)	2006/07 (actual)	2007/08 (actual)	2008/09 (actual)	Compound annual growth %	Reason for deviation
To increase rental collection from 60% to 95% by 2009/10	Rental received R'million	46,9	48,9	34,7	42,3	-3	Moratorium on evictions had an adverse effect on rentals received.
Increase collection on outstanding rentals	Arrears collected R'million	N/A	N/A	15,4	12,9	-16	Moratorium on evictions had an adverse effect on arrears collected.
To convert residential properties to tenants in good standing	Value of property sales R'million	13	23	18	14,7	4	Moratorium on evictions had an adverse effect on property sales.
Maintain ECDC properties	Obtain good value for property R'million	3,8	5,8	5,9	14,16	55	Condition and age of our property portfolio; also 3 severe natural disasters (fire/storm damage).
Increase rate of occupancy by 5%	No of units occupied R'million	N/A	N/A	N/A	0	0	Unchanged.

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## 2. BUDGET

Programme	Budget R 'million	Actual R 'million	Deviation %	Reason for deviation
Overhead expenditure	58,8	55,8	-5	The moratorium on evictions had an adverse effect on rental collections. This has been off-set by post year end collection improvement which has seen a need to release a large provision for doubtful debts.

## 3. CHALLENGES IN 2008/09

- Moratorium on evictions.
- National Credit Regulations (NCR) and downturn in economy affected volume of sales due to clients' inability to secure funds to buy houses and liquidate their debts.
- Legislative requirements to secure evictions delayed processes.
- Vandalised state of most premises costly to reinstate.
- Constant under-valuing of properties by valuers; it is time-consuming to then obtain second opinions.
- Sales not proceeding as expected due to NCR requirements and ongoing price disputes by clients.
- Delays in disposal of residential properties results in less funding to be reinvested into new property development initiatives.
- Land claims disputes.

## 4. ACHIEVEMENTS IN 2008/09

- Blacklisting of long outstanding debtors has been successfully implemented.
- Negotiations with municipalities to take over Transido Properties progressing positively.
- Asset/tenant verification exercise commenced; to be completed by end May 09.