



ECDC PROPERTY MODERNIZATION STRATEGY STAKEHOLDER PRESENTATION

19 JULY 2021

PROPERTY MODERNIZATION STRATEGY

The ECDC has a property portfolio with an estimated value of approximately R1,3 billion. This portfolio is concentrated in the Mthatha, Butterworth, Buffalo City and Komani areas. It consists of commercial, industrial, and residential property together with tracks of vacant land.

The ECDC has developed a Property Modernization Strategy including the disposal of non-core assets and leveraging private sector funding through triple net lease arrangements.

Strategy Pillars

The strategy is underpinned by 3 strategic pillars including:

1. *Rationalizing the property portfolio to improve productivity,*
2. *Transforming it to improve efficiency*
3. *Investment in it for future growth.*



Rationalize for Productivity

- a) Under this pillar the ECDC will conduct an extensive review of property portfolio holding and identify, core strategic assets and non-core assets.
- b) The ECDC has already identified residential property as well as specific vacant land as non-strategic assets.
- c) *A process of disposal will be executed and carefully managed to ensure optimal value accretion to ECDC from non-core assets.*
- d) The disposal of non-strategic assets may take 24 months for proceeds to be fully realized, depending on market responsiveness.

Transform for Efficiency

- a) Under this strategy proceeds from disposal of non-strategic assets together with shareholder capital contributions will be used to fund the modernization of ECDC property portfolio.
- b) *Commercial JVs with private sector investors in commercial building that required significant capital investment will be conclude through a public participation process.*
- c) Re-modelling and renovation of industrial parks will fall under this pillar of strategy, already work is being done in Vulindlela Heights, a Master plan for Dimbaza was approved and work in underway and a Master plan for Ibika Industria in Butterworth is being developed.
- d) Development of vacant strategic commercial and industrial land will be undertaken under this pillar of our strategy.

Investing for Growth

- a) *Under this pillar ECDC will be looking for new industrial infrastructure in which to co-invest with other capital providers.*
- b) The consideration of ECDC developing a Commercial Campus for government in Bhisho and other centers of public service requiring office space will fall under this category. This part of the strategy will ensure long term financial sustainability of the ECDC.

DISPOSAL AND EOI PROGRAM



- The disposal program will focus on small vacant land plots and residential properties valued at R111,131 million (see following slides)
- 75 vacant plots under 2000m² to be auctioned in 8 phases commencing in July 2021
- 27 residential stand alone units to be sold via first right of refusal / estate agent panel or public auction in first phase with further phases to follow
- 90 residential stand alone units to be sold via first right of refusal / estate agent panel or public auction after sub division process is completed in Butterworth
- The Expression of Interest (EOI) program will offer commercial and industrial properties worth R161,902 million to the market for long term triple net lease opportunities.
- 7 strategic commercial properties intended to be advertised on 29 July 2021 as phase 1 of EOI (Clanleigh Flats Komani, Erf 1477 vacant land Mdantsane, Development House office block Mthatha, Transido office block Elliot St Mthatha, Hillcrest vacant land Mthatha, Mdantsane Mall & Coffee Bay Hotel)
- 10 strategic properties intended to be advertised on 1 April 2022 as phase 2 of EOI (see following slides)

No.	Activity	Region	No.	Value estimate	Target Date	Comments
1	<u>Vacant Land Disposal (under 2000m²)</u>					
	<i>Phase 1 - Pilot</i>	Mthatha	15	R 7 036 000	16-Jul-21	In progress
	<i>Phase 2</i>	Mthatha / Butterworth	30	R 2 400 000	30-Sep-21	Dependant on outcomes of phase 1
	<i>Phase 3</i>	Mthatha / Butterworth	30	R 2 400 000	30-Nov-21	Dependant on outcomes of phase 2
	<i>Phase 4 (multiple region specific phases)</i>	All regions	TBD	TBD	01-Feb-22	Dependant on outcomes of phase 3
	<i>Phase 5</i>	Mthatha / Butterworth	20	R 4 475 907	01-Apr-22	Dependant on outcomes of phase 4
	<i>Phase 6</i>	Mthatha / Butterworth	20	R 4 475 907	01-Jul-22	Dependant on outcomes of phase 5
	<i>Phase 7</i>	Mthatha / Butterworth	20	R 4 475 907	01-Oct-22	Dependant on outcomes of phase 6
	<i>Phase 8</i>	Mthatha / Butterworth	26	R 5 818 679	01-Feb-22	Dependant on outcomes of phase 7
		Sub totals	75	R 11 836 000		
2	<u>Residential Property Disposal</u>					
	<i>Phase 1</i>					
	Owl and Falcon streets subdivision	Mthatha	19	R 14 035 000	30-Jun-21	Release to Estate agents 30 Jun - 6 to 9 months conveyancing turnaround
	Properties with deceased tenants	Mthatha / Peddie / Butterworth	8	R 5 460 000	30-Aug-21	Released after Pilot if successful
	<i>Phase 2</i>					
	Fresh rounds of potential sales - Estate Agent / Auction	All regions	TBD	TBD	30-Sep-21	Data analysis and audit of DOS critical
	<i>Phase 3</i>					
	On-going sell-off estimates	All regions	TBD	R 21 300 000	Ongoing	
		Sub totals	27	R 40 795 000		
3	<u>Sub-divisions Disposal</u>					
	Dispose of sub divided property	Butterworth	90	R 58 500 000	Jun-23	Finalize sub-division 18 months, sales and conveyancing 6 to 12 months
		Sub totals	90	R 58 500 000		
		Disposal Totals	192	R 111 131 000		
4	<u>Triple Net Leases EOI</u>					
	<i>Phase 1</i>	Mthatha / Queenstown / Coffee Bay / BCM	7	R 137 544 000	05-Jul-21	Release for EOI
	Clanleigh Flats, Erf 1477 Mdantsane, Development House, Progress Elliot, Hillcrest vacant land, Mdantsane Mall & Coffee Bay Hotel					
	<i>Phase 2</i>	Mthatha / Butterworth / BCM	11	R 24 358 500	01-Apr-22	2nd round EOI
	Remaining 11 Provincial Investment Conference properties					
	<i>Phase 3</i>	All regions	TBD	TBD	01-Apr-23	3rd round EOI
	Other strategic properties for long term lease programme					
		Sub totals	18	R 161 902 500		
		Expression of Interest Totals	18	R 161 902 500		
		Combined Total		R 273 033 500		

DISPOSAL PROCESS



ECDC Property Policy:

- Sec 7.4.1 Residential property to be offered to tenants in good standing on first right of refusal basis and at fair market value
- Sec 7.4.3 Residential property where refusal of first right of refusal is declined or for tenants in arrears to be sold at fair market value via auction of estate agent panel
- Sec 7.4.3 Vacant land under 2000m² to be sold at fair market value via auction of estate agent panel
- Sec 7.4.4 If required, commercial / industrial property to be sold via public action only and at fair market value
- Disposals to commence in once engagement with DEDEAT and Provincial Treasury is concluded in July 2021
- Disposals to be advertised in Daily Dispatch, EP Herald, social media including the ECDC website
- Auctions will be held online and on site (COVID restrictions permitting)

EXPRESSION OF INTEREST PROCESS

- Phase 1 public expression of interest process is intended to be advertised on 29 July 2021
- Tender period of 3 months closing on 29 October 2021
- 10 to 30 year leases being offered on selected commercial / industrial properties in exchange for recapitalization on a triple net lease basis
- Triple net lease approach presented to provincial treasury with response to be able to proceed on 5 September 2018
- Triple Net Lease – ECDC engages developer who will recapitalise property, secure tenants and assume o&m of property for duration of lease on a long term rental basis
- Comparing differences between lease terms accounted for by risk adjusting and using the accepted capital budgeting techniques for comparing investments with unequal lives – the Equivalent Annual Annuity Approach (EAA).
- A full business plan with concept and improvements / refurbishments, market and economic outlook analysis of proposal along with a supporting full financial analysis (income statement, balance sheet and cash flow) for entire period of the lease required.
- Administrative compliance - Standard administrative compliance, along with other standard tax compliance, etc also required
- functionality & risk assessment – varying levels of functionality dependent on property value and development possibilities to allow access to all levels of the market
- financial assessment – NPV cashflow with discounting for different periods, Highest EAA desired provided minimum EAA attained
- Triple Net Lease is a strategic sourcing arrangement and must be conducted on a best value for money proposition methodology

EXPRESSION OF INTEREST DETAILS DISTRICT / METRO MUNICIPALITIES



No.	District	Extent	Market value
2	Amatole	14.2699 H	R 12 287 500
6	Buffalo City	27.0153 H	R 7 424 000
8	OR Tambo	31.7281 H	R 119 904 000
1	Chris Hani	00.2613 H	R 3 800 000
17	Total	73.1528 H	R 143 415 500

17 ECDC PROPERTIES FOR TRIPLE NET LEASES EOI

SITE ADDRESS	REGION
1. ERF 1477, MDANTSANE R NU14, JIBA ROAD	AMATHOLE
2. ERF 117 & 118, CNR SUTHERLAND & MADEIRA STREETS, MTHATHA	OR TAMBO
2. ERF 117 & 118, CNR SUTHERLAND & MADEIRA STREETS, MTHATHA	OR TAMBO
3. ERF 140, CORNER YORK AND ELLIOT STREETS, MTHATHA	OR TAMBO
4. ERF 2481, 22 ALOE STREET, FORT GALE, MTHATHA	OR TAMBO
5. ERF 70, CNR ELLIOT & STANFORD TERRACE, MTHATHA	OR TAMBO
6. ERF 7457, 4 GREY STREET, KOMANI	KOMANI
7. HILLCREST, MTHATHA	OR TAMBO
8. ERF 149, FLAGSTAFF	OR TAMBO
9. ERF 166, LUSIKISIKI	OR TAMBO
10. ERF 4027, DR SEBE DRIVE, DIMBAZA	KING WILLIAMS TOWN
11. ERF 4020, CNR EDGE & CANAL STREET, DIMBAZA	KING WILLIAMS TOWN
12. ERF 3969, CANAL STREET, DIMBAZA	KING WILLIAMS TOWN
13. ERF 3982, NINTH STREET, DIMBAZA	KING WILLIAMS TOWN
14. ERF 3991, EIGHTH STREET, DIMBAZA	KING WILLIAMS TOWN
15. EXT 24, BUTTERWORTH, CLUSTER 1	AMATHOLE
16. EXT 24, BUTTERWORTH, CLUSTER 2	AMATHOLE
17. MAIN ACCESS ROAD, COFFEE BAY	OR TAMBO

LARGE VACANT LAND SITES FOR DEVELOPMENT

- ECDC has 17 properties proposed for EOI development
- 3 of these properties are large tracts of urban development land in the Mthatha (Hillcrest) and Butterworth (Ext 24 clusters 1&2)
- Sites per these 3 Development area's as follows:

Development site	# of erven
7. HILLCREST, MTHATHA	409
15. EXT 24, BUTTERWORTH, CLUSTER 1	132
16. EXT 24, BUTTERWORTH, CLUSTER 2	109

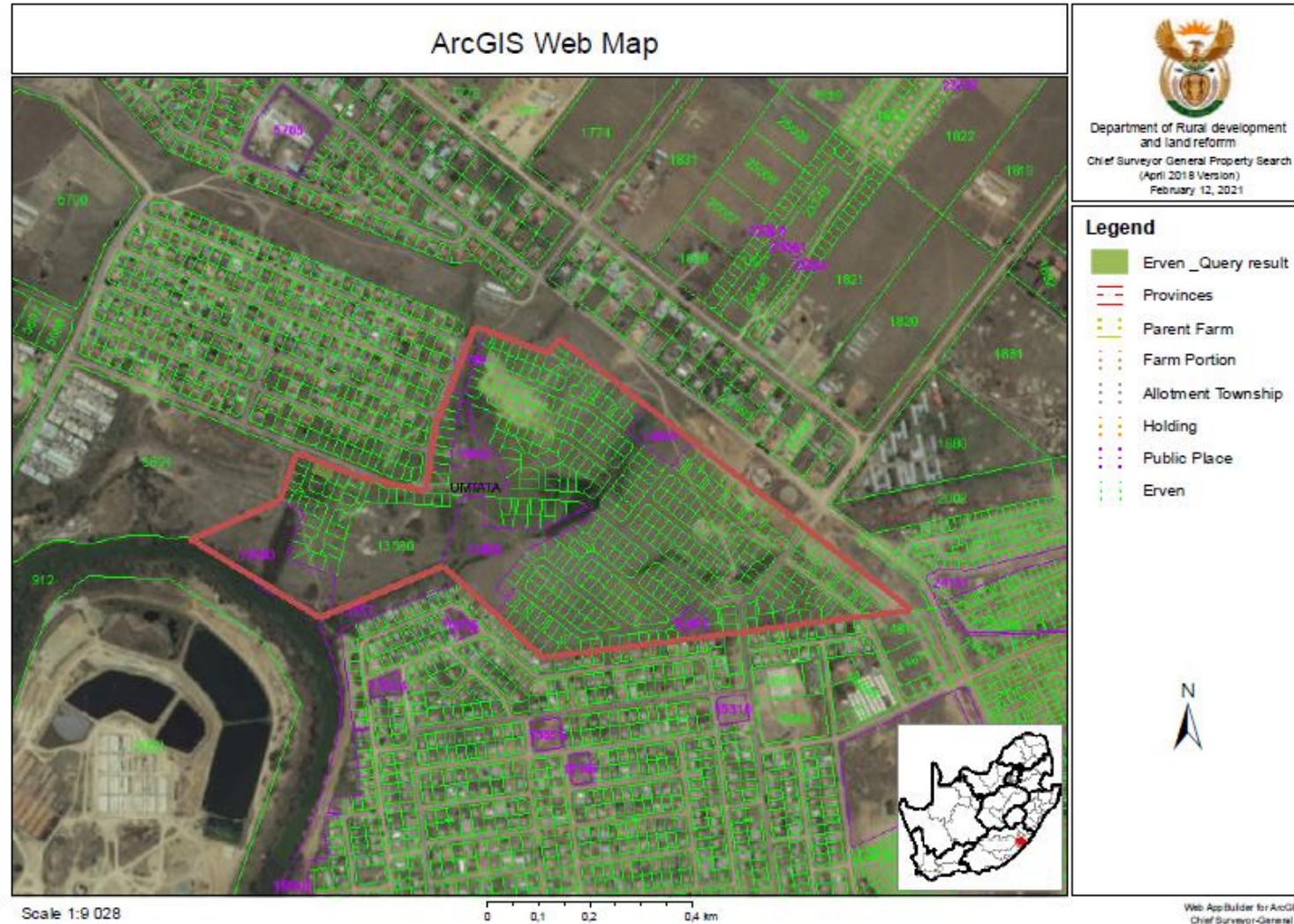
- Sites have been surveyed and sub-divided,
- Sites are packaged as one development site each and will not be packaged into smaller clusters.
- Sites are zoned as residential but could be rezoned by developer to suit market demands.

Phase 1- Hillcrest Development Mthatha

7. HILLCREST VACANT LAND DEVELOPMENT SITE UMTATA

LANDUSE	Vacant land
POTENTIAL LANDUSE	Lifestyle accomodation / Retirement village / Retail shopping centre
EXTENT	25.4885 H
DEED OF TRANSFER	G116/1991
REGISTERED OWNER	EASTERN CAPE DEVELOPMENT CORP
LOCATION	Gently sloped erven, scenic views of Mthatha, located near all amenities, near BT Ngebs shopping centre. Undeveloped land, requires road and services infrastructure.
NOTES	Property under-utilised. No current leases in place.
PROPOSALS	Triple net lease for revenue generation

Phase 1- Hillcrest Development Mthatha



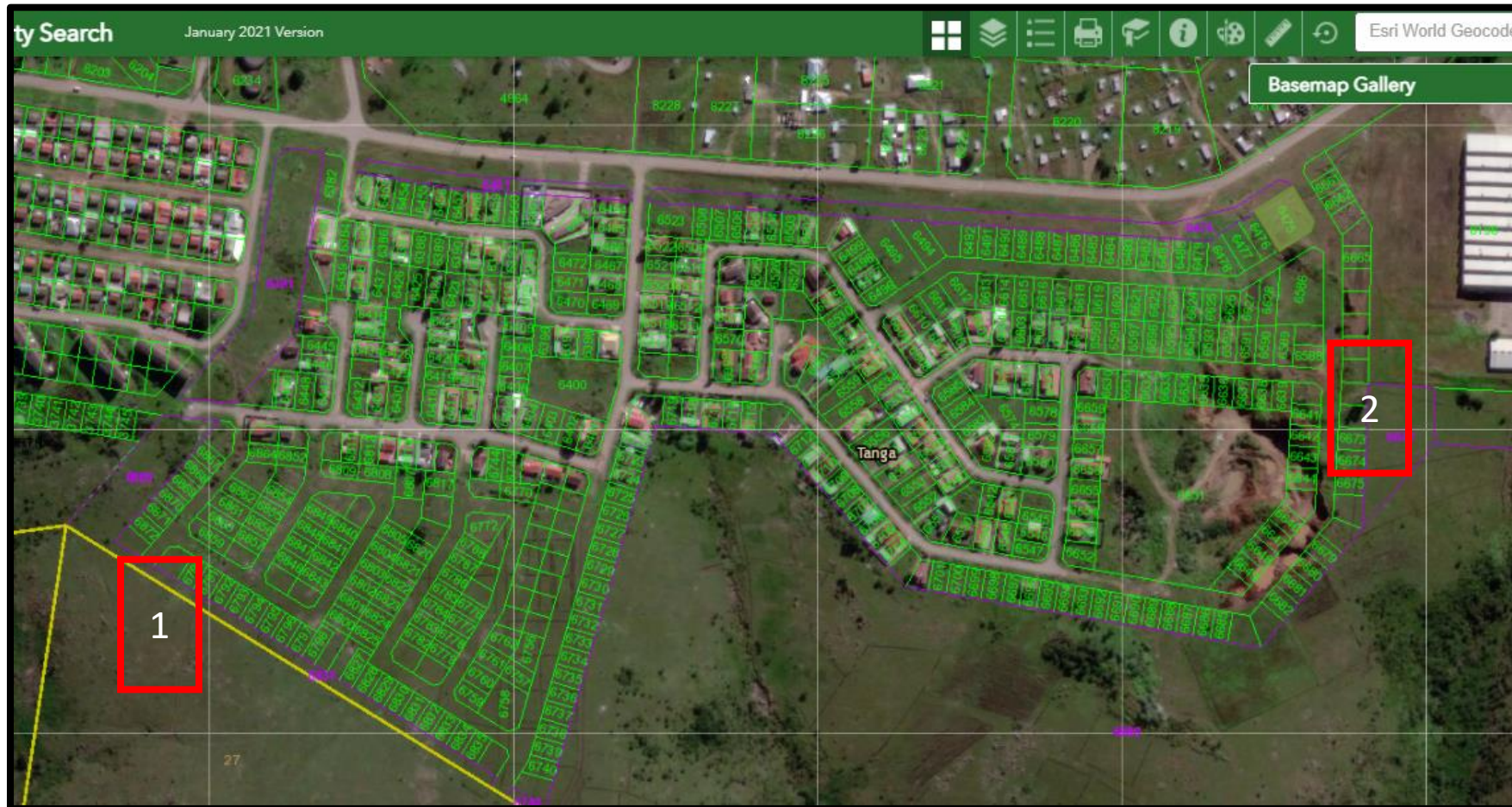
Phase 2 - Ext 24 Development Cluster 1, Butterworth

15. EXT 24 PROPERTY DEVELOPMENT (CLUSTER 1) BUTTERWORTH	
LANDUSE	Vacant land
POTENTIAL LANDUSE	Lifestyle accomodation / Old age home / Retail shopping centre
EXTENT	6.1613 H
DEED OF TRANSFER	T444/1993
REGISTERED OWNER	EASTERN CAPE DEVELOPMENT CORP
LOCATION	Located in the undeveloped section adjacent to Vuli Valley
NOTES	Property under-utilised. No current leases in place. Requires roads and services infrastructure.
PROPOSALS	Triple net lease for revenue generation

Phase 2 - Ext 24 Development Cluster 2, Butterworth

16. EXT 24 PROPERTY DEVELOPMENT (CLUSTER 2) BUTTERWORTH	
LANDUSE	Vacant land
POTENTIAL LANDUSE	Lifestyle accomodation / Old age home / Retail shopping centre
EXTENT	8.1086 H
DEED OF TRANSFER	T444/1993
REGISTERED OWNER	EASTERN CAPE DEVELOPMENT CORP
LOCATION	Located in the undeveloped section adjacent to Vuli Valley
NOTES	Property under-utilised. No current leases in place. Requires roads and services infrastructure.
PROPOSALS	Triple net lease for revenue generation

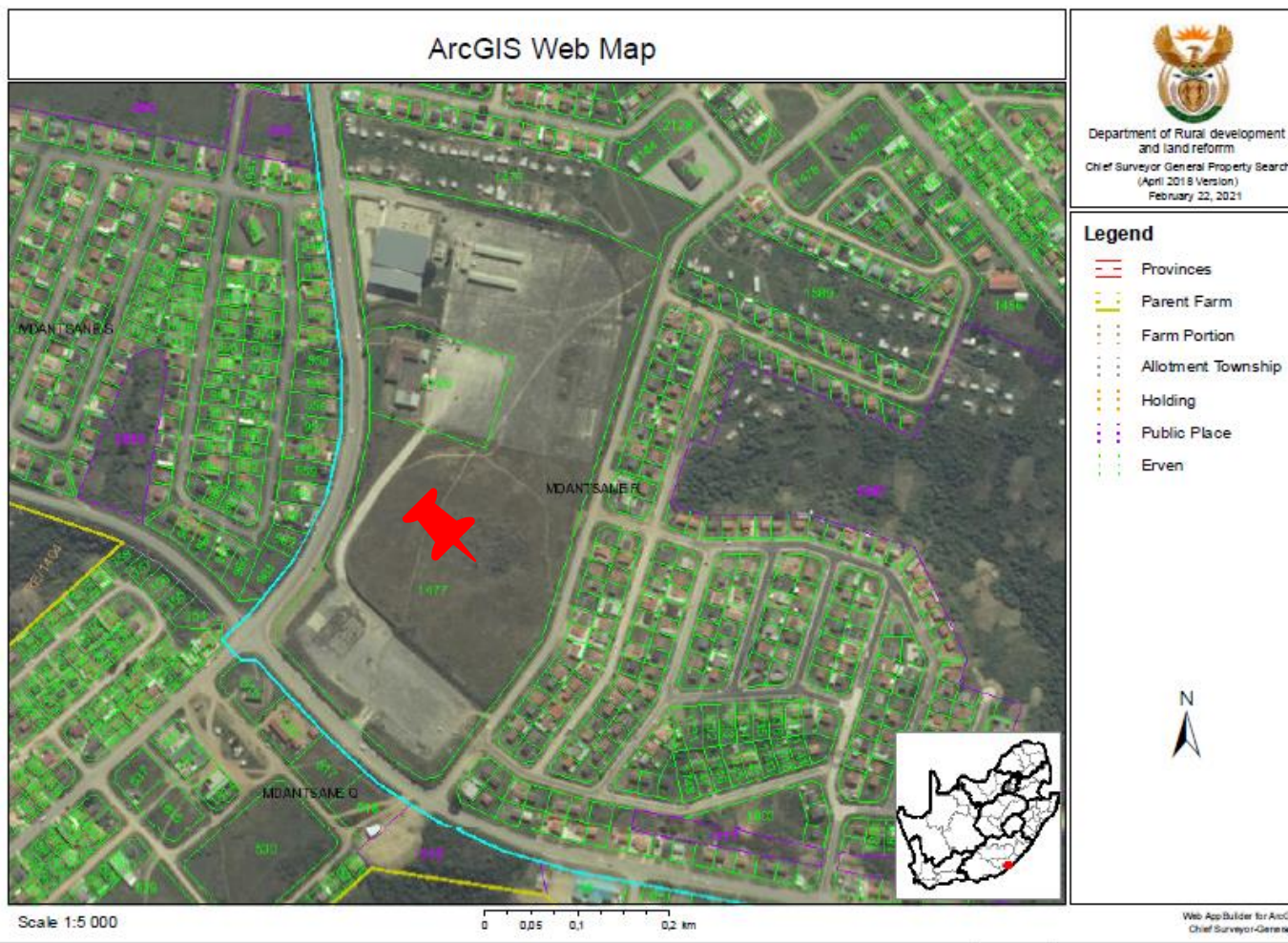
Phase 2 - Ext 24 Development Cluster 1 & 2, Butterworth



PHASE 1 - ERF 1477 MDANTSANE R

1. ERF 1477, MDANTSANE R NU14, JIBA ROAD	
LANDUSE	Vacant site
POTENTIAL LANDUSE	Retail shopping centre
EXTENT	10.7951 H
DEED OF TRANSFER	TG16720/1998
REGISTERED OWNER	EASTERN CAPE DEVELOPMENT CORP
LOCATION	Strategically located NU14 Jiba Road, Mdantsane R
NOTES	The property is situated in Mdantsane R. The stand is level to slightly sloping and has all municipal services installed. The surrounding area comprise of dwellings and Inyibiba police station. Property under-utilised. Will require some sub-division processes as improvements on site are state owned under leasehold and are excluded. Land size will thus be reduced accordingly per stated above.
PROPOSALS	Triple net lease for revenue generation

PHASE 1 - ERF 1477 MDANTSANE R

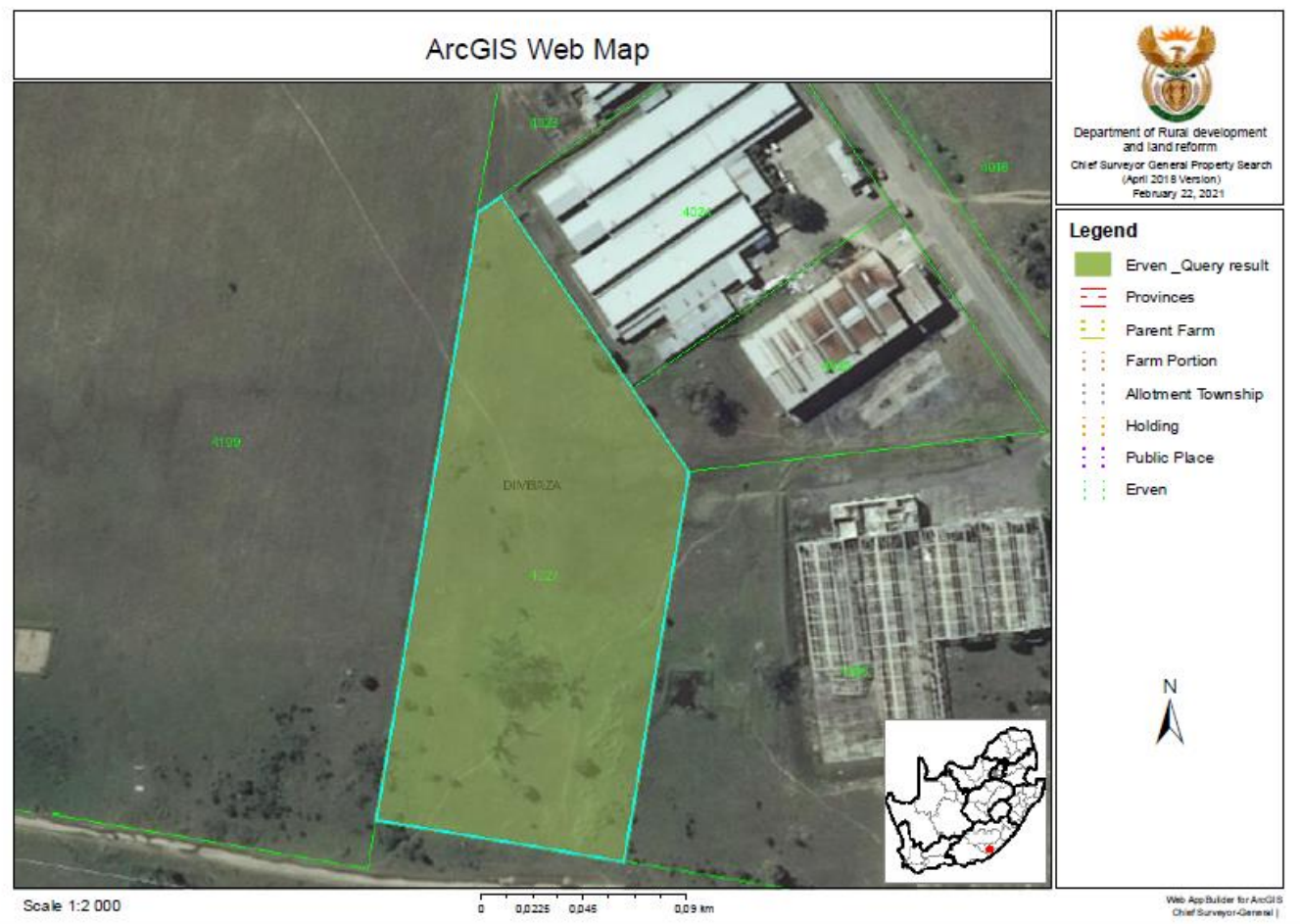


PHASE 2 - ERF 4027, DIMBAZA

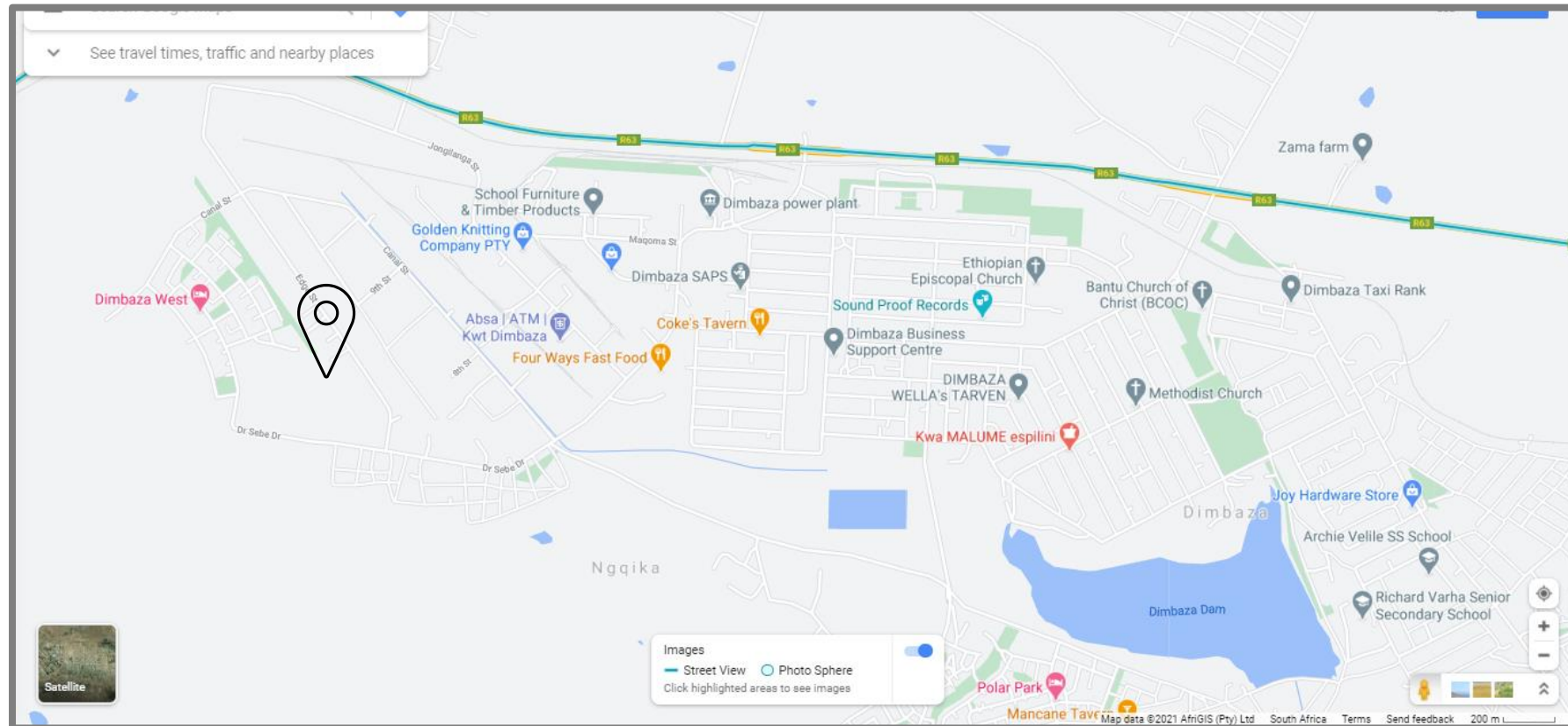
10. ERF 4027, DR SEBE DRIVE, DIMBAZA, KWT

LANDUSE	Vacant land
POTENTIAL LANDUSE	Industrial
EXTENT	1.7925 H
DEED OF TRANSFER	T634A/1989-CS
REGISTERED OWNER	EASTERN CAPE DEVELOPMENT CORP
LOCATION	Located in the new undeveloped section of the Dimbaza industrial hub - refer attached map for location perspective
NOTES	Property under-utilised. No current leases in place.
PROPOSALS	Triple net lease for revenue generation

PHASE 2 - ERF 4027, DIMBAZA



PHASE 2 - ERF 4027, DIMBAZA

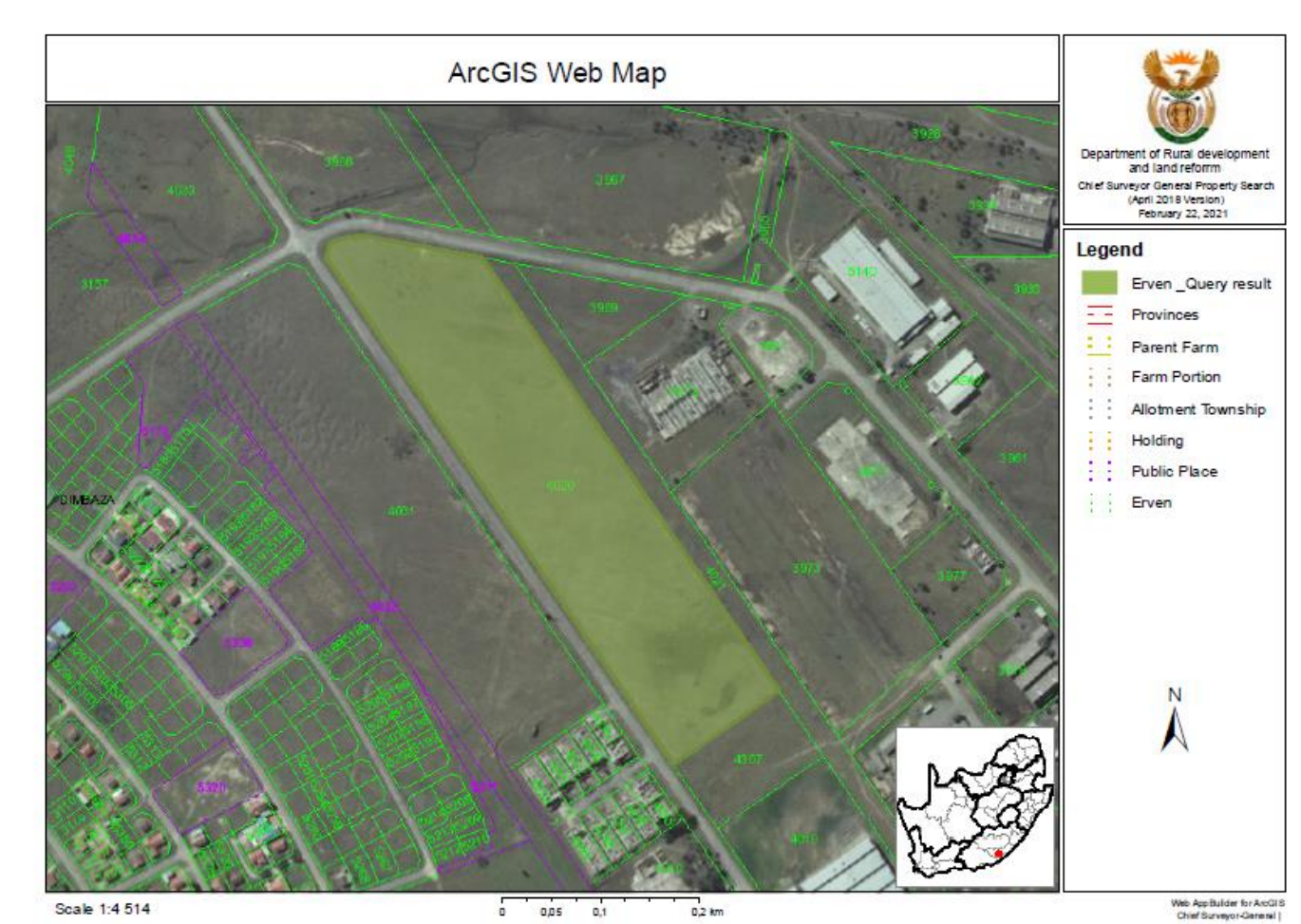


PHASE 2 - ERF 4020, DIMBAZA

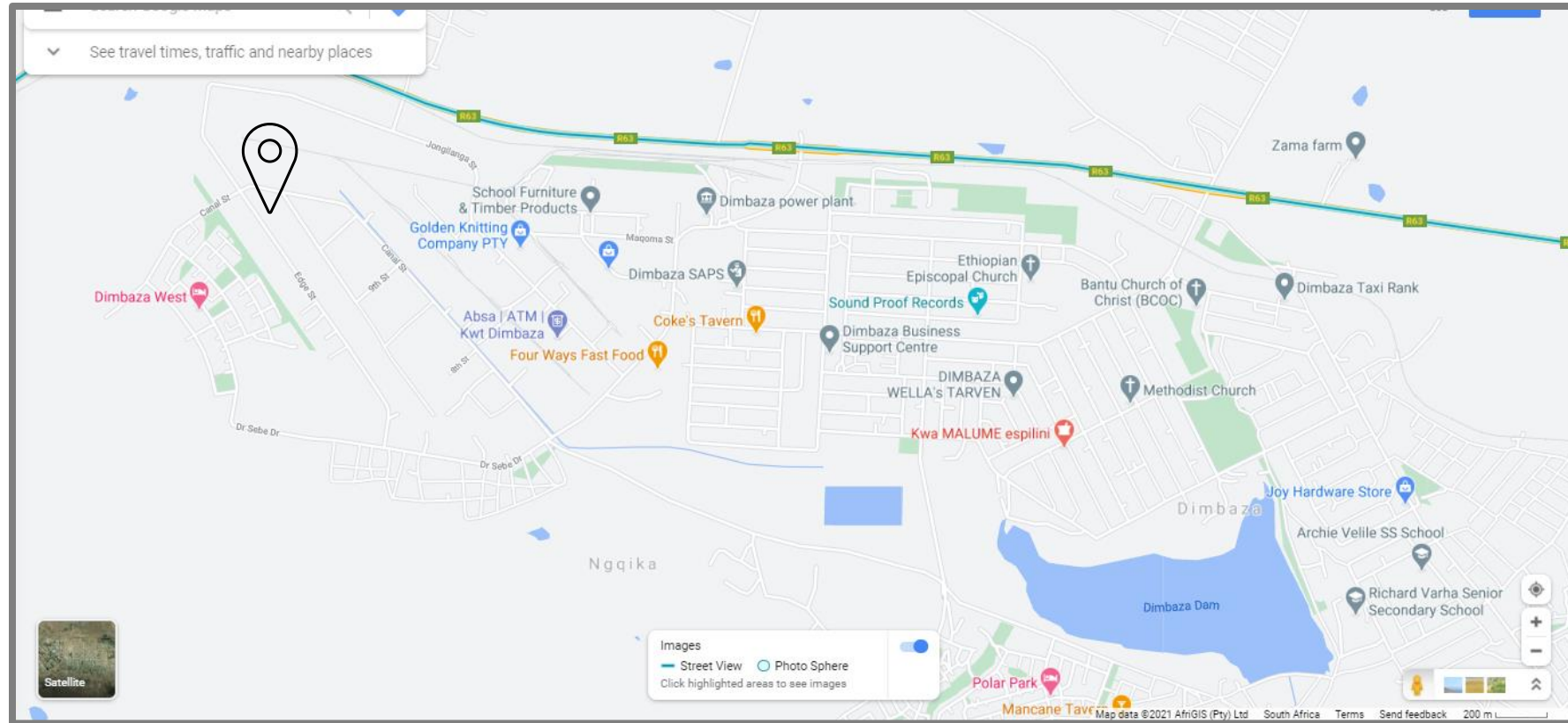
11. ERF 4020, CNR EDGE & CANAL STREET, DIMBAZA, KWT

LANDUSE	Vacant land
POTENTIAL LANDUSE	Industrial
EXTENT	6.2306 H
DEED OF TRANSFER	T634A/1989-CS
REGISTERED OWNER	EASTERN CAPE DEVELOPMENT CORP
LOCATION	Located in the new undeveloped section of the Dimbaza industrial hub - refer attached map for location perspective
NOTES	Property under-utilised. No current leases in place.
PROPOSALS	Triple net lease for revenue generation

PHASE 2 - ERF 4020, DIMBAZA



PHASE 2 - ERF 4020, DIMBAZA



PHASE 2 - ERF 3969, DIMBAZA

12. ERF 3969, CANAL STREET, DIMBAZA, KWT

LANDUSE	Vacant land
POTENTIAL LANDUSE	Industrial
EXTENT	5.563H
DEED OF TRANSFER	T634A/1989-CS
REGISTERED OWNER	EASTERN CAPE DEVELOPMENT CORP
LOCATION	Located in the new undeveloped section of the Dimbaza industrial hub - refer attached map for location perspective
NOTES	Property under-utilised. No current leases in place.
PROPOSALS	Triple net lease for revenue generation

ArcGIS Web Map

Department of Rural Development and Land Reform
Chief Surveyor General Property Search
(April 2018 Version)
February 22, 2021

Legend

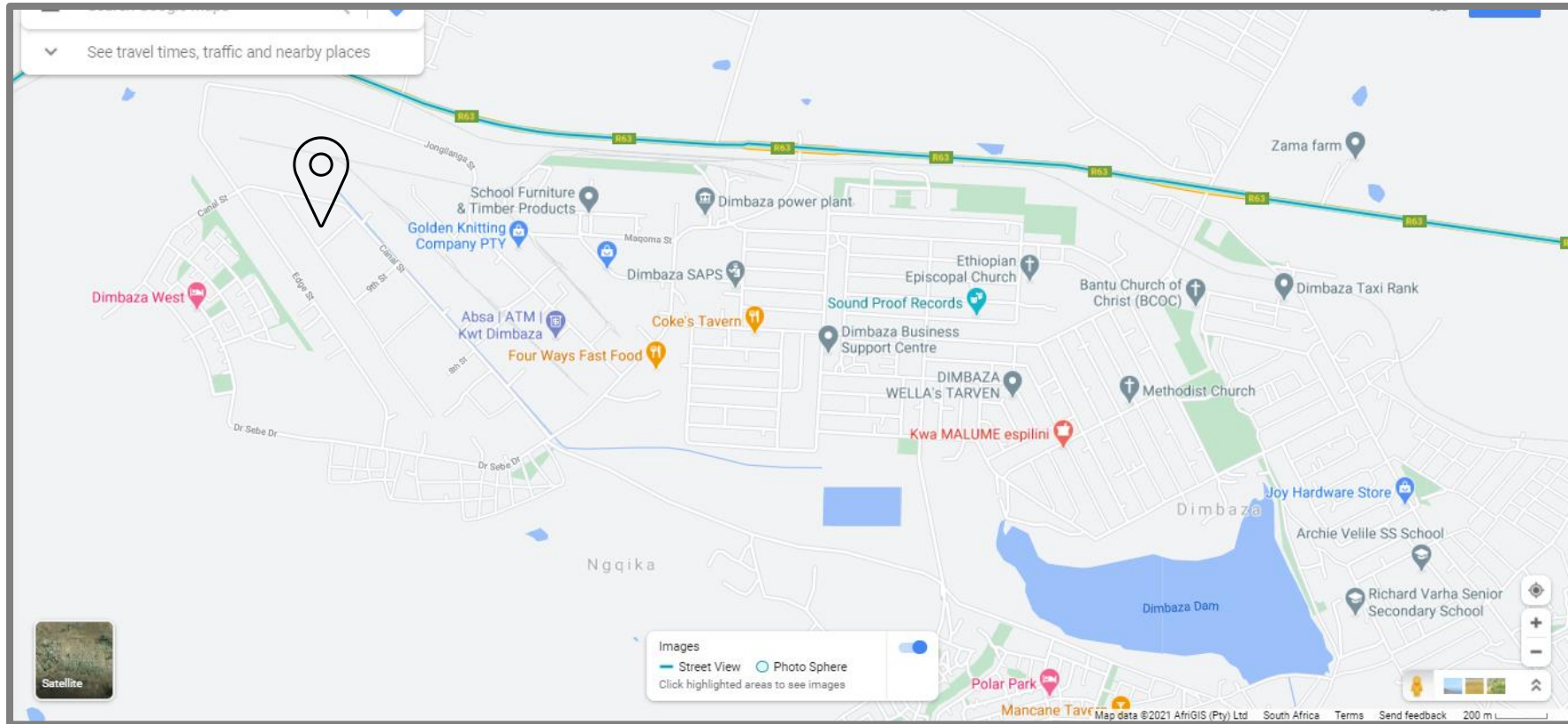
- Erven _Query result
- Provinces
- Parent Farm
- Farm Portion
- Allotment Township
- Holding
- Public Place
- Erven

Scale 1:2 257

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Web App Builder for ArcGIS
Chief Surveyor-General |

PHASE 2 - ERF 3969, DIMBAZA

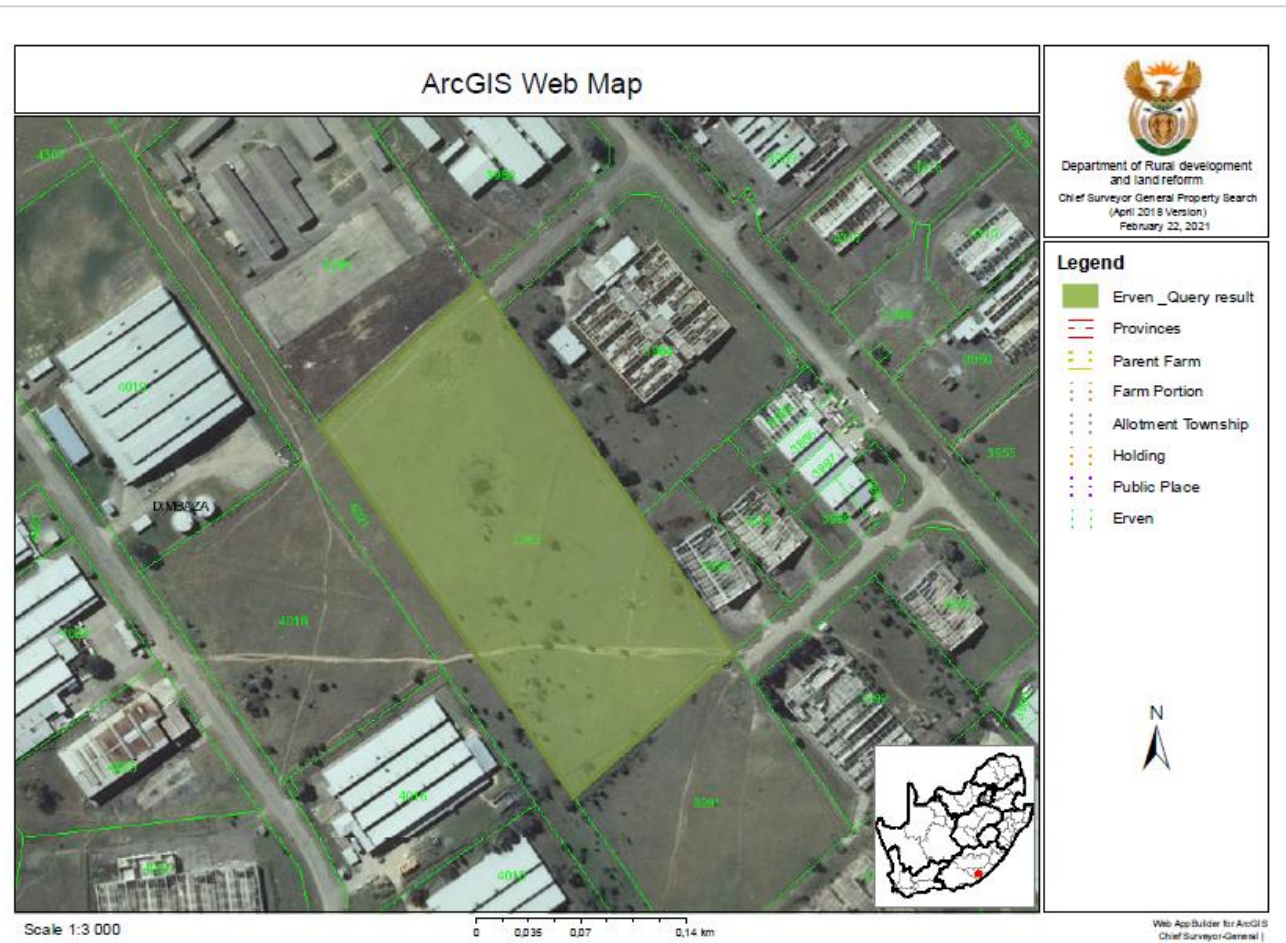


PHASE 2 - ERF 3982, DIMBAZA

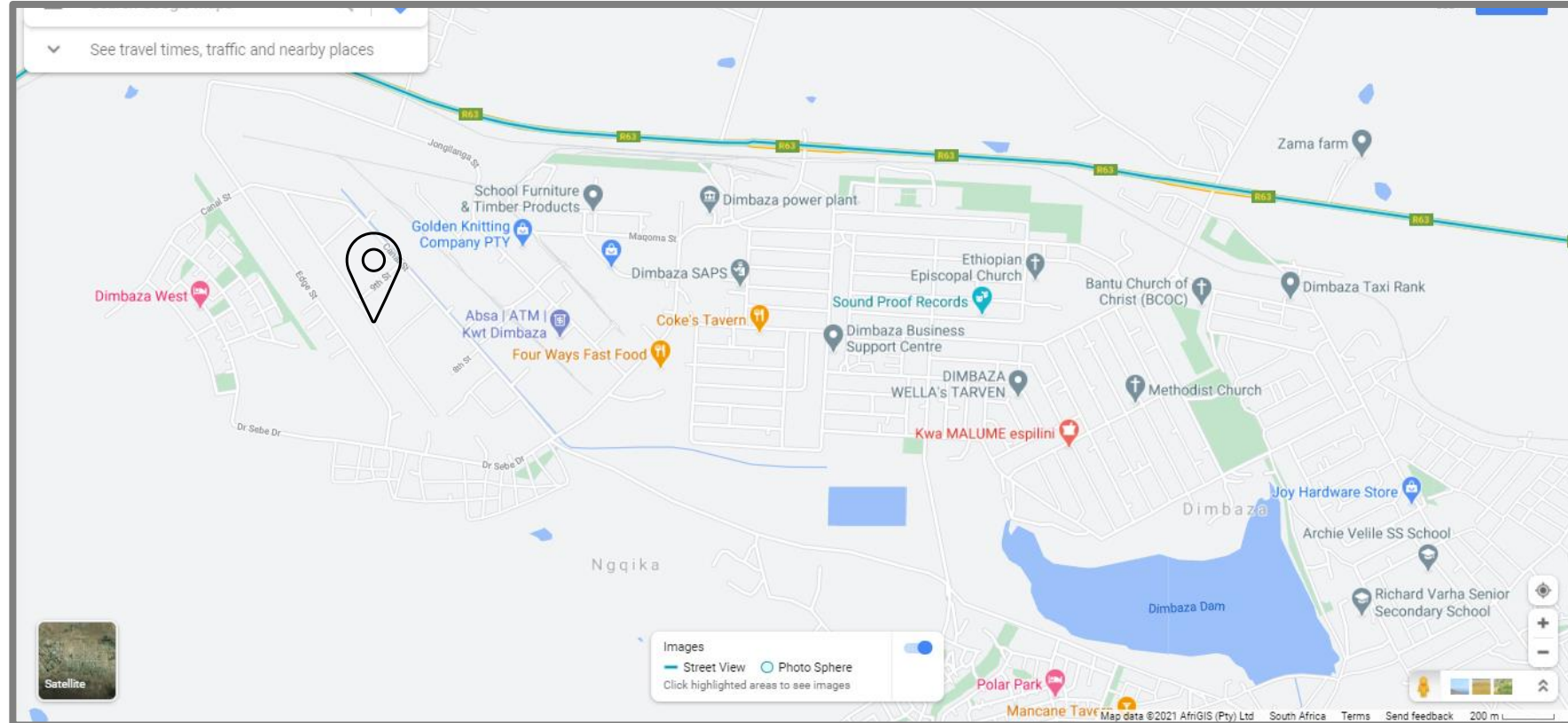
13. ERF 3982, NINTH STREET, DIMBAZA, KWT

LANDUSE	Vacant land
POTENTIAL LANDUSE	Industrial
EXTENT	3.0161 H
DEED OF TRANSFER	T634A/1989-CS
REGISTERED OWNER	EASTERN CAPE DEVELOPMENT CORP
LOCATION	Located in the previously developed section of the Dimbaza industrial hub - refer attached map for location perspective
NOTES	Property under-utilised. No current leases in place.
PROPOSALS	Triple net lease for revenue generation

PHASE 2 - ERF 3982, DIMBAZA



PHASE 2 - ERF 3982, DIMBAZA

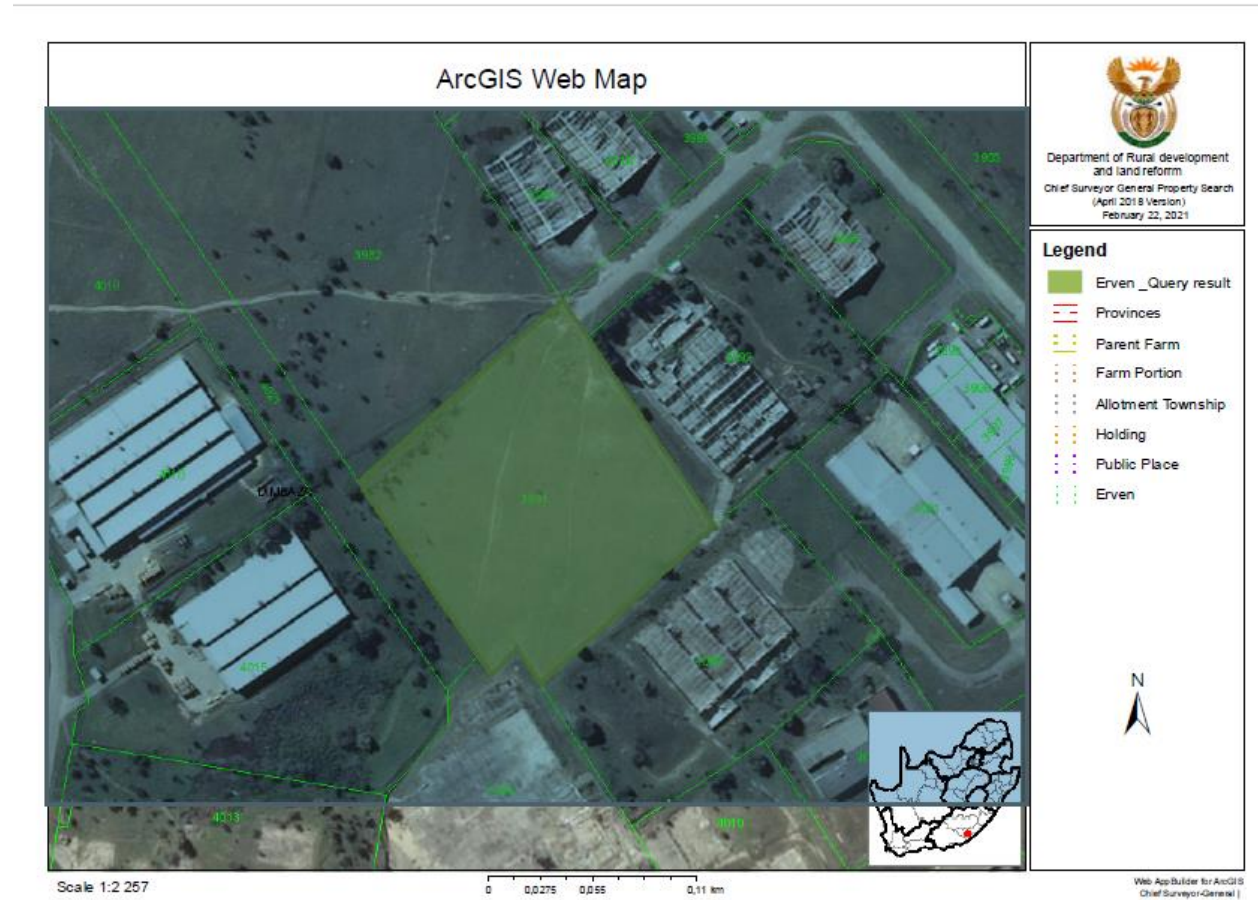


PHASE 2 - ERF 3991, DIMBAZA

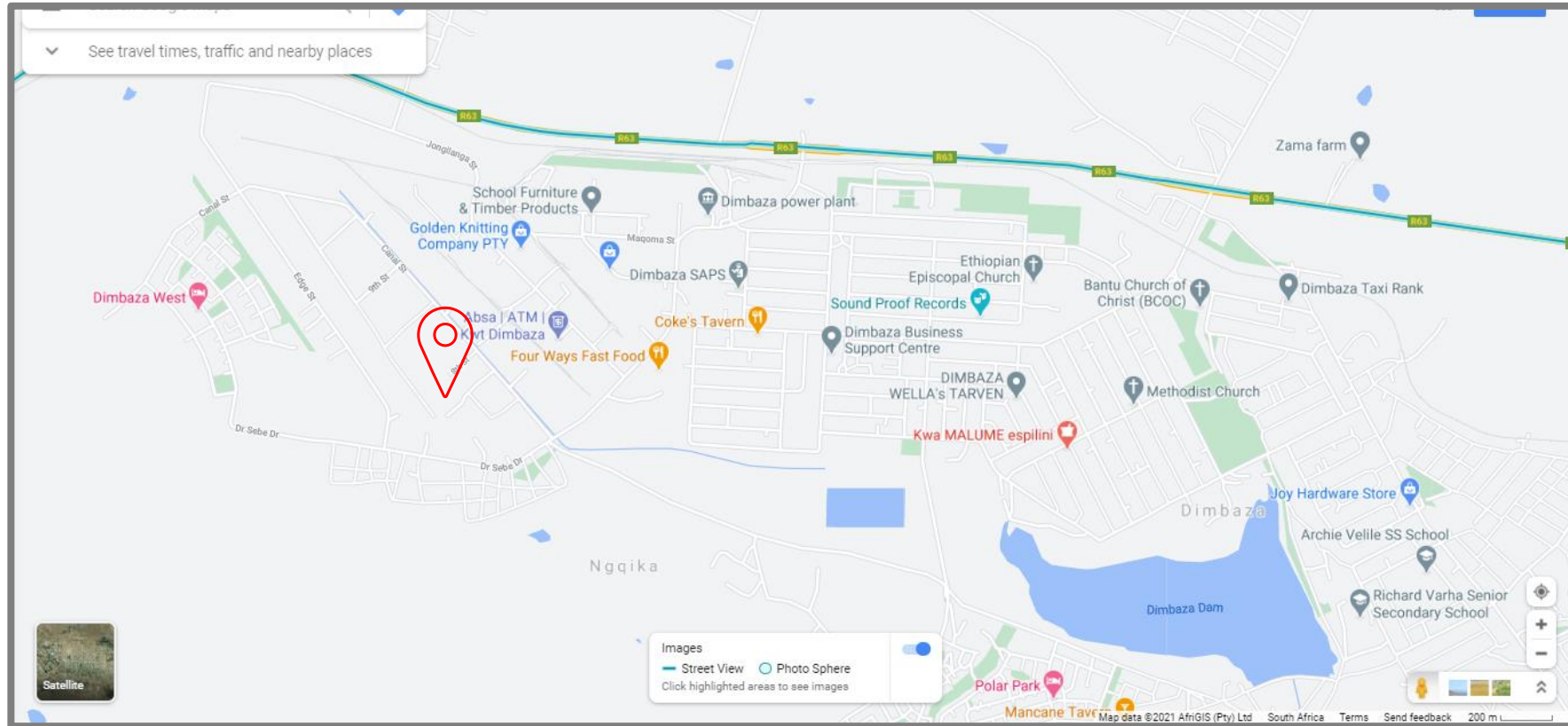
14. ERF 3991, EIGHTH STREET, DIMBAZA, KWT

LANDUSE	Vacant land
POTENTIAL LANDUSE	Industrial
EXTENT	1.4105 H
DEED OF TRANSFER	T634A/1989-CS
REGISTERED OWNER	EASTERN CAPE DEVELOPMENT CORP
LOCATION	Located in the previously developed section of the Dimbaza industrial hub - refer attached map for location perspective
NOTES	Property under-utilised. No current leases in place.
PROPOSALS	Triple net lease for revenue generation

PHASE 2 - ERF 3991, DIMBAZA



PHASE 2 - ERF 3991, DIMBAZA



PHASE 1 - ERF 117 & 118, MTHATHA

2. ERF 117 & 118, CNR SUTHERLAND & MADEIRA STREETS,

LANDUSE	Commercial retail / hotel
POTENTIAL LANDUSE	Commercial retail / hotel / parking facilities
EXTENT	1371 SQM
DEED OF TRANSFER	T950/2018
REGISTERED OWNER	EASTERN CAPE DEVELOPMENT CORP
LOCATION	Strategically located corner of Sutherland and Madeira streets in a high footprint CBD zone of Mthatha. Prime business / retail / commercial area.
NOTES	Property under-utilised. No long-term leases in place. Will require eviction processes. Unregistered consolidation erf 4734, will require registration.
PROPOSALS	Triple net lease for revenue generation

PHASE 1 - ERF 117 & 118, MTHATHA



PHASE 1 - ERF 117 & 118, MTHATHA



PHASE 1 - ERF 140, MTHATHA

3. ERF 140, CORNER YORK AND ELLIOT STREETS, UMTATA	
LANDUSE	Commercial office
POTENTIAL LANDUSE	Commercial offices, parking facilities
EXTENT	1405 SQM
DEED OF TRANSFER	T30265/1973
REGISTERED OWNER	EASTERN CAPE DEVELOPMENT CORP
LOCATION	Strategically located corner of York and Elliot Roads, in a high footprint CBD zone of Mthatha.
NOTES	Property under-utilised. Few occupants all under month-to-month leases.
PROPOSALS	Triple net lease for revenue generation

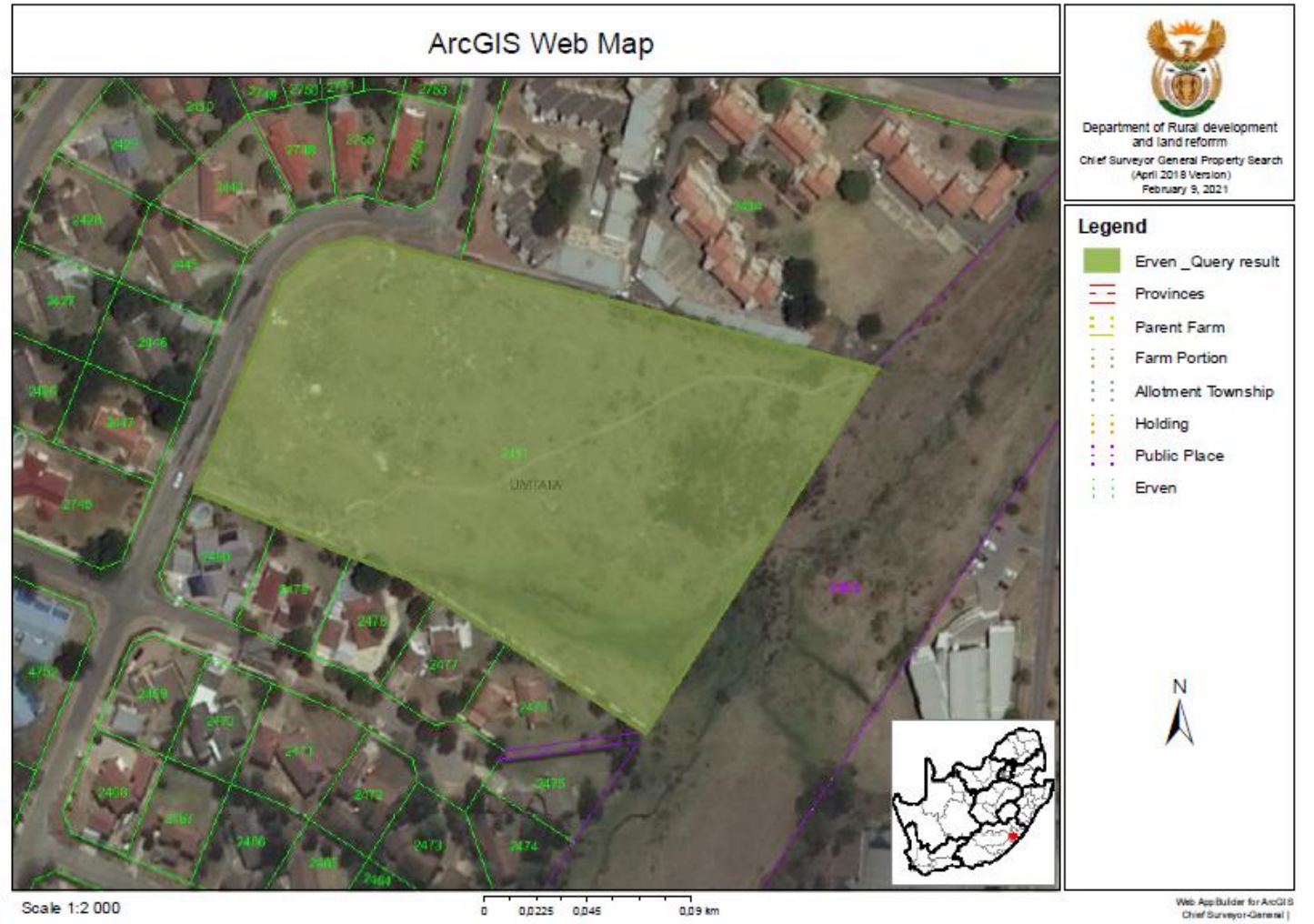
PHASE 1 - ERF 140, MTHATHA



PHASE 2 - ERF 2481, MTHATHA

4. ERF 2481, 22 ALOE STREET, FORT GALE, UMTATA	
LANDUSE	Vacant land
POTENTIAL LANDUSE	Medical facilities, medical hostel, etc.
EXTENT	2.5767 H
DEED OF TRANSFER	T2084/2003
REGISTERED OWNER	EASTERN CAPE DEVELOPMENT CORP
LOCATION	Strategically located at the bottom of Aloe street, Fort Gale, and is a large tract of vacant land between the Nelson Mandela Academic Hospital and the suburb of Fort Gale. High demand development land with large return potential.
NOTES	Property under-utilised. No leases in place
PROPOSALS	Triple net lease for revenue generation

PHASE 2 - ERF 2481, MTHATHA



PHASE 2 - ERF 2481, MTHATHA



PHASE 1 - ERF 70, MTHATHA

5. ERF 70, CNR ELLIOT & STANFORD TERRACE, UMTATA	
LANDUSE	Commercial / Retail
POTENTIAL LANDUSE	Shopping centre, offices
EXTENT	3093 SQM
DEED OF TRANSFER	T978/2017
REGISTERED OWNER	EASTERN CAPE DEVELOPMENT CORP
LOCATION	Strategically located corner of Elliot & Progress Streets, in a high footprint CBD zone of Mthatha.
NOTES	Property under-utilised. No current valid leases, however may require eviction processes
PROPOSALS	Triple net lease for revenue generation

PHASE 1 - ERF 70, MTHATHA



PHASE 1 - ERF 70, MTHATHA



PHASE 2 - ERF 149, FLAGSTAFF

8. ERF 149, FLAGSTAFF	
LANDUSE	Industrial buildings
POTENTIAL LANDUSE	Retail warehousing / Hardware etc.
EXTENT	1.0080 H
DEED OF TRANSFER	T13626/1974
REGISTERED OWNER	EASTERN CAPE DEVELOPMENT CORP
LOCATION	Located strategically off the main R61 as you enter Flagstaff from the Mthatha side, located near a retail shopping centre.
NOTES	Property under-utilised. Lease in place, expires 31 Oct 2023.
PROPOSALS	Triple net lease for revenue generation

PHASE 2 - ERF 149, FLAGSTAFF



PHASE 2 - ERF 166, LUSIKISIKI

9. ERF 166, LUSIKISIKI	
LANDUSE	Industrial buildings
POTENTIAL LANDUSE	Retail shopping centre
EXTENT	1.0002 H
DEED OF TRANSFER	T13625/1974
REGISTERED OWNER	EASTERN CAPE DEVELOPMENT CORP
LOCATION	Located strategically off the main R61 as you enter Lusikisiki from the Mthatha side, located near a retail shopping centre, Total garage and Shoprite.
NOTES	Property under-utilised. Lease in place, expires 31 Oct 2027.
PROPOSALS	Triple net lease for revenue generation

PHASE 1 - ERF 11, COFFEE BAY

17. ERF 11, COFFEE BAY	
LANDUSE	Hotel
POTENTIAL LANDUSE	Boutique Hotel / Lodge
EXTENT	9707 SQM
DEED OF TRANSFER	POA FROM DRDLR
REGISTERED OWNER	DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM
LOCATION	Located along the main access road to Coffee Bay.
NOTES	Property under-utilised. No current leases in place. Hotel closed
PROPOSALS	Triple net lease for revenue generation

PHASE 1 - 17 ERF 11, COFFEE BAY



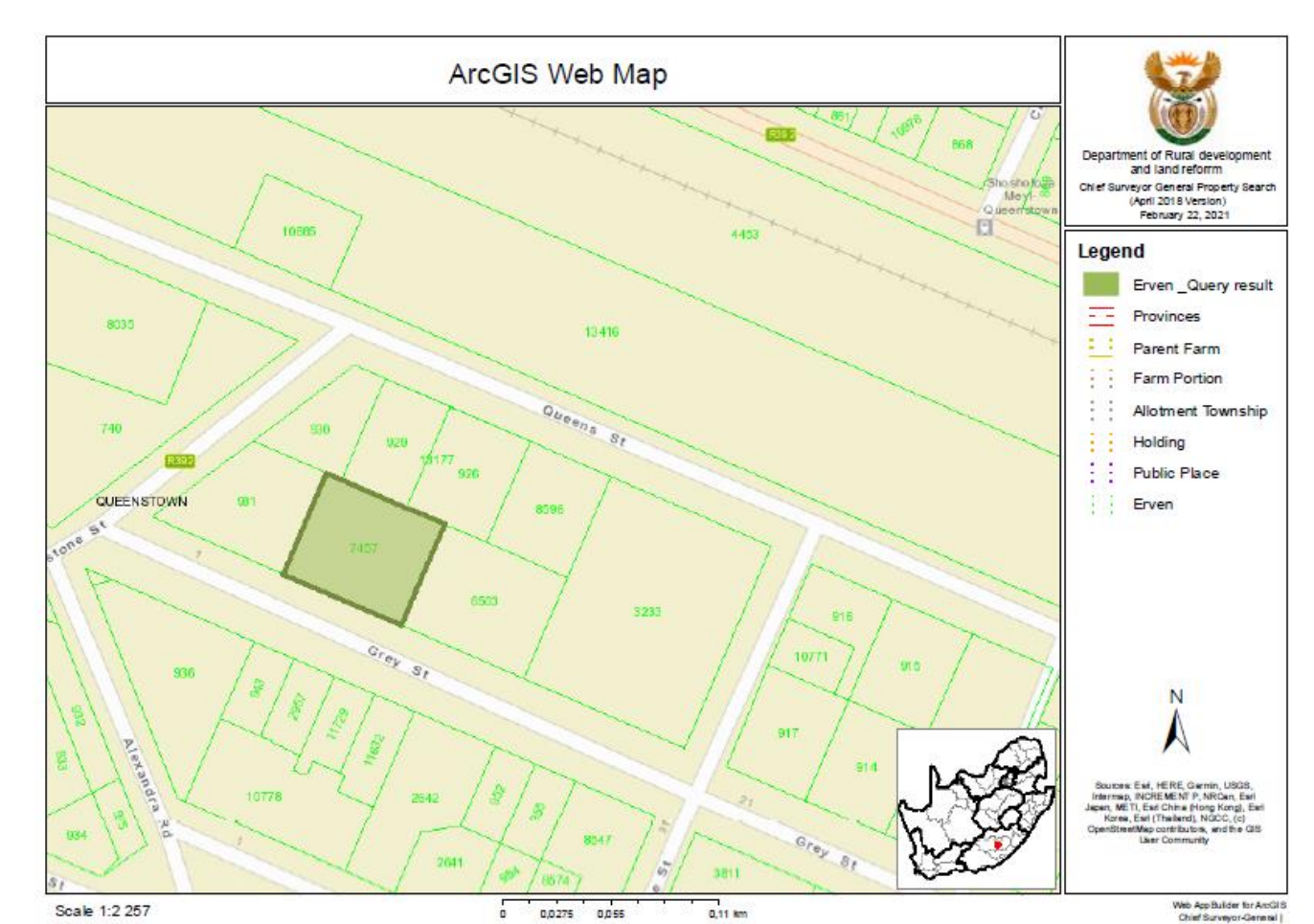
PHASE 1 - 6 ERF 7457, KOMANI

6. ERF 7457, 4 GREY STREET, QUEENSTOWN	
LANDUSE	Residential flats complex
POTENTIAL LANDUSE	Lifestyle accomodation / Student accomodation
EXTENT	2613 SQM
DEED OF TRANSFER	T68308/1993CTN
REGISTERED OWNER	EASTERN CAPE DEVELOPMENT CORP
LOCATION	Centrally located in Queenstown, across the road from lodging establishments, as well as various commercial professional offices.
NOTES	Property under-utilised. No current valid leases, however may require eviction processes
PROPOSALS	Triple net lease for revenue generation

PHASE 1 - ERF 7457, KOMANI



PHASE 1 - ERF 7457, KOMANI



Way Forward

- The ECDC has a clear program to proceed with disposal of non-core assets including vacant land parcels under 2000m² and residential properties
- The EOI program is to proceed over the next two years to leverage private sector funding for the recapitalisation of selected strategic properties
- The ECDC understands that the necessary approval to proceed with these programs are in place
- The private sector stakeholders are encouraged to participate in these processes going forward



THANK YOU

