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URBAN VISION

Most big developers aren't prepared to risk a large-scale investment in the Joburg CBD. But some haven't given up on the dream of restoring the inner city to its former glory

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For a decade now, there's been hype around people coming together to restore inner-city Joburg to its former glory. While the Covid-19 pandemic has slowed such plans, it hasn't put paid to them – and it may even improve the prospects for development of the city's CBD.

Back in the early 1990s, the inner city was largely left to decay after corporates moved their headquarters, and their capital, to more salubrious parts of the greater metro. Yet even as swathes of the city fell into disrepair, there were pockets of activity – the revitalisation of Gandhi Square in 1999, for example, and the on-off upgrading of Newtown.

Then, ahead of the 2010 Soccer World Cup, districts such as Maboneng began to open up, looking to attract young professionals in the manner of upper-middle-class nodes in New York and Berlin.

Banks, meanwhile, developed the areas around their offices to improve security and make the surrounds attractive to their employees.

Altogether, billions have been spent over the past decade to rejuvenate the inner city and house its 250,000-strong population.

For example, Propertuity, the now defunct company behind Maboneng, invested more than R2bn – an amount that's been all but matched by the Divercity Urban Property Fund. And the investments of the Affordable Housing Co, listed group Octodec Investments and the Johannesburg Housing Co (JHC) together account for R2bn-R3bn over the past decade.

Then there are the smaller developments, funded with the help of the Trust for Urban Housing Finance (TUHF). The company – with a loan book of R3.9bn – has financed about 39,000 residential units since its inception in 2004.

On the whole, though, when it comes to the inner city, developers are reticent to back the kind of large-scale projects that are going up elsewhere in the metro. Only a few large commercial developments have come online in the inner city in recent years, says TUHF CEO Paul Jackson. These include the JHC's Brickfields residential development in Newtown, Atterbury's Newtown Junction shopping mall, and Maboneng.

And, says Jackson, there are even fewer currently in development. "We aren't at a stage where large developers who made millions in suburban areas are prepared to give the inner city a go."

In part, that's because developers believe the inner city, plagued by crime and neglected by local authorities, is simply too big an investment risk. But it's also because the feasibility of inner-

What it means:
Despite security and service delivery issues, Joburg's inner city still has much to recommend it

city housing projects depends on the development of small, compact apartments – and that's not something with much of a precedent in the metro.

One developer that stands out on this count is Divercity, which invests exclusively in the inner city and focuses on quality, affordable housing projects, says CEO Carel Kleynhans.

Notable assets in the Divercity portfolio include the Turbine Hall in Newtown, which houses AngloGold Ashanti and a section of the office of the Gauteng premier, and Talis House in Marshalltown, home to the Gauteng education department.

Divercity also has a R1.7bn property development pipeline, including three primary projects that are 65% weighted towards "affordable residential offerings", says Kleynhans. These are Jewel City, the redevelopment of Absa's Towers Main as a mixed-use precinct, and a new residential build in Maboneng.

All had broken ground prior to Covid-19 hitting SA's shores, and all are now up and running again, following the move to level 3 of the lockdown.

Jewel City, the flagship development,



Jewel City: The R1.2bn mixed-use precinct will include 2,700 apartments on completion



123RF/bentley

incorporates buildings that were used in Joburg’s early diamond and minerals trade. The mixed-use precinct, expected to be worth R1.2bn on completion, is set to span six city blocks. A large component of that is residential – 2,700 apartments in total.

Of the 1,200 apartments in the first phase of the development, 1,000 are already occupied. “After the first ones came online in January, we were overwhelmed with interest, renting at over 400 units a month in February,” says Kleynhans.

Significantly, more than 70% of these tenants are new to the inner city. And, despite the economic downturn brought on by Covid-19, rental collections have remained consistently good. Across Divercity’s buildings, collection rates stand at more than 90%, says Kleynhans.

“Covid hasn’t stopped people from moving into the inner city,” he says, “and it hasn’t stopped people from investing in it.”

In fact, it may herald renewed interest in downtown Joburg.

“The preference of most residential developers is to sell off-plan and get out, if possible, rather than to own rental stock long term,” says Kleynhans. “Now that demand for freestanding houses and sectional-title units has collapsed, given the pandemic and a weak economy, people are starting to look at where you can build commercially viable rental stock – and the inner city fits the bill.”

Not that he’s sugar-coating matters. “The inner city is still in a precarious place – as it has been for the best part of the past 30 years,” he says. “Safety and service delivery remain issues throughout large parts of the inner city, yet there are areas that are much better – like the areas around the banks and developments like Jewel City, where urban management is done properly.”

One of the stumbling blocks for revitalisation of the city, however, is a lack of interest in office space.

“There is very little demand for inner-city office buildings from the private sector, and I don’t believe this will change much in the

foreseeable future. The inner city’s chance to regenerate itself therefore relies heavily on government remaining committed to it by keeping its office buildings here, and being an attractive place for people to live,” says Kleynhans.

That, in turn, requires not only security and basic service delivery, he says, but also amenities such as parks, schools, clinics, restaurants and retail outlets.

Zoning and regulatory challenges mean not all of these are likely to keep pace with any growth in residential housing stock. For example, Joburg City Parks senior manager Ipeleng Dube says her department has no plans, or budget, to develop new parks in the inner city (unused public space is not zoned for parks). Instead, she says, the focus is to “upgrade what we have”.

For now, that’s a plan to spruce up Joubert Park.

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Paul Jackson

It also looks unlikely that there will be a bump in public schools to lure residents downtown. Stefan van Niekerk, a strategic urban planner for the city, says responsibility for public schools falls to the provincial education department – and “the current minimum standards and spatial configuration requirements by the department actually make public school delivery in the inner-city context virtually impossible”.

Van Niekerk says “outdated and completely irrelevant” standards stipulate that a primary school, for example, needs at least 4ha of dedicated land and must have large sporting fields. “In the inner city ... that size land simply doesn’t exist.”

However, he says, private school models, such as Spark, have more flexibility. “Because they are not bound by these standards, they can actually utilise mixed-use buildings in the inner city. In fact, it has pretty much become their model – they occupy unused buildings and retrofit for purpose.”

And, Van Niekerk says, other improvement projects are once again taking form now that the hard lockdown has eased – including “libraries, sporting facilities, road and sidewalk upgrades, parks, community centres and health facilities”.

In many ways, Joburg’s inner city should simply be too big to fail.

“First, it’s there – along with all of the infrastructure underneath it,” says Kleynhans. “Just replicating that infrastructure elsewhere is a near fiscal impossibility. For a government that can hardly afford upkeep of basic infrastructure, letting a huge chunk of it go to waste ... is grossly negligent.”

Then there’s trade. Given its size and centrality, the inner city is a major commercial hub, not just for Gauteng, but for Southern Africa.

Research by development planner Tanya Zack estimates that the annual trade from foreigners buying goods in the CBD, for sale in Mozambique, Zimbabwe, Malawi, Lesotho, Swaziland and Zambia, was more than double the turnover of Sandton City in 2017.

Informal estimates based on bus passenger numbers and spending reported in Zack’s survey suggest cross-border shoppers account for more than R10bn in spending in the CBD in a year. In contrast, recent figures for Sandton City show average sales at R7.1bn for the whole of 2019.

In addition to this, “there are loads of small businesses in the inner city that employ a huge number of lower-skilled people – exactly the kind of businesses we need”, Kleynhans says.

And, of course, the CBD holds great cultural and historic value – many of SA’s banks and mining houses have their roots in the inner city.

There’s also the matter of scale – Kleynhans believes there is zoned and serviced land that could accommodate yet another 250,000 inner-city residents.

“This is land for housing development that requires far less investment by government to get it serviced than building greenfields vanity ‘mega projects,’” he says.

“The Joburg CBD has excellent urban form and lends itself towards the creation of a much more walkable, people-friendly urban environment,” says Kleynhans. “That’s not something that can be said for Sandton or, God forbid, Midrand.” ✕

