

11-point plan to rebuild economy, property sector post Covid-19

By [Vuyiswa Mutshekwane](#)

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The recent announcement of the Moody's downgrade comes at a time when the economy is already under extreme pressure due to the Covid-19 lockdown. Many key industries have been ground to a halt with devastating consequences for mostly poor, marginalised communities and informal traders. Many emerging landlords, small business owners, contractors and commission-based earners who operate in the property sector are facing an uncertain and bleak future.



Vuyiswa Mutshekwane, CEO of the South African Institute of Black Property Practitioners (SAIBPP)

We cannot underestimate the challenge facing the world and our country right now and as such, the South African Institute of Black Property Practitioners (SAIBPP) commends the South African government for the urgent and pro-active steps taken towards arresting this invisible enemy that has already claimed the lives of thousands worldwide.



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Failure to transform SA economy

This situation does, however, lay bare the impact of the failure of policymakers to transform the South African economy and the lackadaisical approach to implementing key structural reforms that would; reduce income inequality, provide adequate housing and social infrastructure, and undo apartheid spatial planning. The recent events will compound when the country is affected later in the year by an economic recession with current growth projected to shrink by a further 4-6%, inevitably widening the chasm between the haves and the have-nots.

South Africans in general, however, more specifically, the majority of black Africans, will be worst affected and the already-vulnerable black and township businesses will inadvertently bear the brunt of these events and the history of policy failures. This will compound the struggles already faced by black businesses, such as poor access to funding, lack of market access and discriminatory lending practices, etc.



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Impact on the property sector

The property sector is one of the highest contributors to GDP, directly and indirectly, through related services and employs millions who will undoubtedly be negatively impacted by the pending economic downturn. SAIBPP president Tholo Makhaola says: "It will not be business-as-usual, this is definitely a wake-up call for certain segments of the industry like the office market, which are bound to be negatively impacted with the increased shift to remote work and various technology platforms."

Black practitioners (including developers, agents and brokers, managing agents, property managers and facilities managers, property valuers, bond originators and those related to the industry such as contractors and professionals from the built environment) who still suffer from minority participation in the industry will be hardest hit. Black property owners within the commercial sector will be watched with keen interest. However Makhaola's message to black practitioners is that "this is not the time to wallow in self-pity, there is still lots of room for those who are willing to explore new opportunities".



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Structural transformation

To avoid a repeat of economic policy missteps of the past, which have only served to widen inequality and stifle meaningful transformation, we must accept that long-term sustainable growth cannot be achieved without a deliberate drive to transform the economic structure of the country. Structural transformation targeted at designing an economic future that includes all South Africans and in equal measure benefits black people and black business at all levels of the value chain.

To that end, SAIBPP calls for the following urgent interventions to be implemented to catalyse economic development and assist with the post-lockdown recovery of the property sector:

SAIBPP 11-point plan to catalyse economic development and drive the post-lockdown economic recovery

1. Treasury must authorise a post-lockdown stimulus package that begins to aggressively redirect at least 10% of government spending towards housing and infrastructure development, a further 5% towards information systems, knowledge sectors and the growing pool of professionals. In partnership with industry, resources must be pooled to support the struggling retail sector and commercial landlords must provide rent relief to those tenants who were prohibited from trading during the lockdown period, as well as to small, medium and micro-enterprises (SMME) tenants.

2. The South African Reserve Bank (SARB) must support economic recovery through further reduction in the repo rate by a further 200 basis points. This will go a long way to stimulating the housing market which has been decimated by the lockdown and will remain subdued during the forthcoming recession period. This will also catalyse domestic investment. The commercial banking sector must also be investigated for uncompetitive conduct that has for years encouraged a collusive response to interrelated charges by not directly competing on retail lending rates.

3. Save limited fiscal resources by consolidating all public and private housing grants, housing finance agencies, government housing subsidies and guarantees schemes, which are currently uncoordinated and each autonomously too small to make a meaningful difference. Create a single federated housing finance agency that would fast-track the delivery of affordable and social housing, prioritise support for black developers, contractors and service providers. This will also enable government to grow the number of construction professionals who in future will be available to service government and the private sector for infrastructure development and building maintenance, to minimise on imported skills.

4. Local municipalities to give temporary relief to deserving property owners to permit for household fiscal recovery during the immediate months post-lockdown period. All local government for the long term must commit to prioritising processing the outstanding backlog of development approvals to catalyse land development and fast-track the delivery of housing and essential infrastructure.

5. Government departments to clear all backlog in the payment of service providers and settle all overdue invoices within 60 working days of post-lockdown to protect vulnerable SMMEs. The public to receive regular (weekly) feedback similar or close to Covid-19 briefings. Prioritise majority businesses in the sector that are most vulnerable to cash-flow shortages.

6. A socio-economic national compact for the private sector to be compelled through tax penalties to procure local goods and services, and adhere to procuring from black-owned SMMEs. The property sector targets agreed to within the property charter must be enforced through compulsory annual financial reporting. Government cannot be expected to solely shoulder the burden of supporting SMMEs when large private companies dominate key industries and prohibit access to market.

7. For a limited period, use some of the already pooled funds, through the Estate Agency Affairs Board (EAAB) and National Housing Finance Corporation (NHFC) etc., to provide income support to commission earners and contract workers within the property sector. This includes real estate agents and brokers who are not eligible for UIF and only earn months after a transaction is concluded.



Sellers, be ready to capitalise on pent-up demand post-lockdown

Samuel Seeff 14 Apr 2020



8. Prioritise the release of spectrum to lower the costs of data. This will be even more important with the increased reliance on digital communication and digital media. Connectivity will be the new social divider that further widens inequality if the majority of our people are excluded from access to the internet.

9. Government must move to the use of digital technology and online platforms to facilitate ease of service delivery to citizens and enable ease of doing business. There have already been some successes with the average time to register a company being reduced significantly over the last few years. However, it can still take anything from six months to more than two years to process a rezoning application.

10. Government must urgently prioritise township development and assist in unlocking the economic potential of township areas. However, all development in township areas should be to the ultimate benefit of the local community as opposed to simply extracting benefit from townships through retail sales without meaningfully empowering the very same communities or contributing to transformation.

11. Public transport subsidies must be implemented that cater for the majority of commuters and urgently do away with outdated apartheid style subsidy models.

ABOUT THE AUTHOR

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