



Black Association of Commercial Property Owners

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Introduction

- The Black Association of Commercial Property Owners (“BACPO”) was formed in line with President Jacob Zuma’s recent call, in September 2011, for Black Businesses to better organize themselves and articulate their vision and create sustainable Black owned and managed industrialists.
- The association was formed on the principles of unifying, articulating and driving ownership transformation issues in the property industry
- Recently there has been a foray of negative publicity and perception around Black peoples participation and conduct in the commercial property industry
- These perceptions and beliefs further marginalize Black people’s role and participation in the Property Industry as a whole;
- This has the effect of stalling and detracts progress of real ownership transformation of property assets to Black people in South Africa;



The South African property industry size by market capitalization is estimated to be worth between R850 billion and R1.2 trillion in 2011, however, Black people’s direct ownership is less than R10 billion or 0.001%.

Founders of BACPO

The founding members of BACPO are well established Black owned and managed property businesses built from the ground up by Black entrepreneurs

- The founding members include;
 - Motseng Property Investments
 - Manaka Property Group
 - Billion Group
 - ENCHA Properties
 - Masingita Property Group
 - SHM Property Group
 - Nthwese Properties



The founding members have over 70 years of combined property experience in the various industry segments

BACPO Mission

- **Vision**

- To be the optimum Black voice for sustainable ownership transformation in the commercial property industry

- **Goals and Strategies**

- Drive actual tangible ownership transformation
- Increase the number of Black landlords that own and operate their properties
- Lobby, educate, advise and engage with South African Government on property transformation issues,
- Lobby, educate , advise and engage with Financial Institutions on property finance and on creating capacity for existing and new black landlord's in the industry
- Engage various other property industry stakeholders and general public on property transformation issues
- Work closely with SAIBPP and complement one another, BACPO champions ownership transformation mandate
- BACPO to be come the authoritative voice within SAPOA on behalf of SAIBPP on ownership transformation

Rationale

- Negative media commentary, and general public perception, on Government leases and role of Black landlord's has hurt the image of black participants in the sector and, hence, the credibility and viability of their efforts
- The current mindset that Black landlords and government are corrupt in their actions and practices must be challenged and corrected
- The outright ignorance of government policy on BEE and transformation in the property sector must be remedied
- Established players in the industry continue to undermine transformation laws in the government lease portfolio segment
- The need to articulate, promote and assist government in the implementation of their policies with the Government lease portfolio must be addressed directly
- The need to protect and develop the availability of funding for Black landlords must be brought to the forefront;
- The significance of these challenges for Black people, transformation and economic freedom is:
 - Property is the foundation for wealth creation in all countries;
 - Ownership of property is the foundation and the only tool for control and influence in the property industry;
 - This control by Blacks can be achieved without the assistance of established participants or share based schemes (Blacks owning share based minority positions in established companies);
 - Banks are ready to fund property transactions with long term leases at 100%;
 - Owners of properties decide on the property value chain, Black owners shall equate to creation of Black supply value chain;
 - True transformation comes from owning assets and influencing economic opportunity in the value chain
 - Direct property ownership transactions are direct asset based versus share schemes (minority stakes)
 - *Current spend on state leases at national level at R2.4 billion per year, only 5% is spent on Black landlords*

Property industry overview and transformation

South African property industry is one of the least transformed industries in the economy:

- South African property; market capitalization is estimated to be worth between **R850 billion and R1.2 trillion** in 2011
- However, Black people's direct ownership is less than **R10 billion or 0.001%**.
- The South African listed commercial property sector by market capitalization is approximately **R140 billion**
- Blacks companies (ownership) account for approximately **3% or R4.2 billion** of this R140 billion

South African Government Leased Portfolio

- The South African government 's national leased portfolio (excluding provincial government and municipalities) is comprised of 3,735 leases costing the national government in annual lease payment circa R2.4 billion (DPW 2010 annual report), with an average rental per square meter amounting to R398.00.
- Of this leased portfolio less than 5% (or 186 out of the total 3,735 leases) is currently being leased from previously disadvantage landlords or BBBEE participants; and,
- Of the R2.4 billion annual spent by DPW on private leases, less than R120 million is spent on BBBEE landlords as envisioned by DPW's own policy and targets.
- These figures are more glaring when one looks at all government; national, provincial and municipalities, where total government spent on private leases is estimated around between R5.5bn and R8bn.



The South African government accounts for more than 70% of the SA property industry (est.R900 billion ,2009), thus is well positioned to play a pivotal role in the transformation of the industry

South African Government and BACPO

- BACPO's aims to work with Government to unleash locked value within the commercial property value chain that will create jobs and wealth for the South African Economy
- BACPO and Government can grow the overall SA property pie by creating new Black owners in the property sector
- Government is the largest player and owner of property in South Africa, thus well suited to aide, influence and effect real transformation in the sector
- Property ownership transformation will provide effective ownership of real assets by Black owners and thus economically empower (give control) all, especially Women, Youth and other broad based communities
- Commercial property sector is lagging behind other sectors in ownership transformation
- BACPO and Government can work together to unlock opportunities for Black Property owners in line with government's own published targets
- BACPO and Government to work together to ensure delivery, credibility/integrity of government leases is protected and restored



BACPO believes in working alongside government to ensure real and effective ownership transformation in the property industry

Contacts

BACPO officers and members shall enforce corporate governance principles and shall direct the Associations' goals and strategies

The founding committee of BACPO is;

<u>Role</u>	<u>Name</u>	<u>Company</u>
➤ Chairman,	Mr. Joe Mathebula	Manaka Property Group
➤ Deputy Chairman,	Mr. Mike Nkuna	Masingita Property Group
➤ Secretary,	Mr. Bruce Zungu	Motseng Property Group

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Q&A