

Released in
2017



PROPERTY
SECTOR
CHARTER
COUNCIL



**2015/2016 STATE OF TRANSFORMATION
REPORT FOR THE SOUTH AFRICAN PROPERTY
SECTOR**

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Corporate Profile

The Property Sector Charter Council (PSCC) was established to represent all stakeholders in the property sector. The PSCC is mandated to:

- constitute an executive structure with adequate capacity;
- oversee and monitor the Property Sector Code (PSC);
- issue guidance notes on the interpretation and application of the PSC;
- prepare an annual report on progress in implementing the PSC; and
- liaise with and report to all relevant stakeholders on transformation of the sector.

Purpose of the Property Sector Charter Council

- Enhance transformation using Property Sector unique knowledge and characteristics to deepen meaningful participation of the Previously Disadvantaged Individuals (PDI) in the main stream of the South Africa's economy;
- To actively promote transformed, vibrant and globally competitive Property Sector that reflects the demographics of South Africa & contributes to the establishment of an equitable society:
 - ❖ To add value to the sector by providing the much needed guidance towards transformation
 - ❖ To assist the stakeholders of the Property Sector on their transformation journey as outlined in the Property Sector code
 - ❖ To breath life into the PCC process
- Develop Property Sector specific interventions empowered to act with executive authority in providing necessary guidance on sector specific matters affecting B-BBEE to entities within sector;
- Evaluate and monitor transformation progress in line with the gazetted PSC;
- Solicits progress & performance reports from the private sector & government on PSC obligations – 8 elements in the codes; and
- Reporting of transformation progress of the Property Sector to various governs structures.



Objectives of the Property Sector Code



The PSC aims to promote the objectives contained in section 2 of the Broad-Based Black Economic Empowerment (BBBEE) Act 53 of 2003 as these relate to the Property Sector and in particular, but without limitation:

- Unlock obstacles to property ownership and participation in the property market by black people;
- Achieve a substantial change in the racial and gender composition of ownership, control and management and enhance the participation of black people, including black women and designated groups in the Property Sector;
- Facilitate the accessibility of finance for property ownership and property development;
- Promote employment equity in the Property Sector and encourage diverse organisational cultures;
- Contribute towards increased investment in the Skills Development and training of existing and new black professionals, particularly women;
- Increase the pool of intellectual capital amongst black people, particularly women, in the sector by focusing on attracting new entrants and developing appropriate curricula;
- Promote economic transformation in the Property Sector in order to enable meaningful participation of black people including women;
- Increase the procurement of goods and services from BBBEE suppliers;
- Promote property development and investment in under-resourced areas which enhances basic infrastructure, encourages investment and supports micro and small enterprises;
- Enhance entrepreneurial development and increase the number and expertise of BBBEE firms and Small Medium and Micro Enterprises (SMMEs) providing services and products to the sector;
- Encourage good corporate citizenship amongst enterprises in the sector, including participation in corporate social investment projects and adherence to triple bottom line accountability;
- Promote investment in the property sector and contribute to growth of the sector and SA economy at large; and
- Enhance uniformity and consistency in the application of the principles contained in the PSC.



Governance

Property Sector Charter Council Members

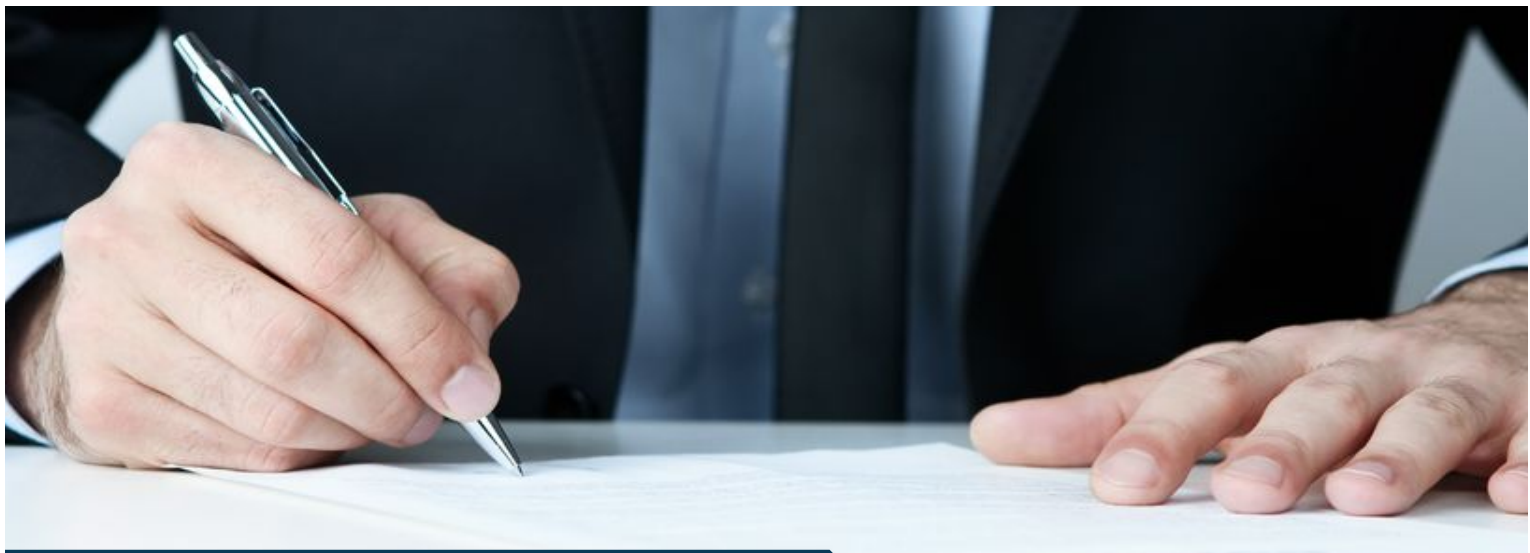
The PSCC members are categorised into two (2) major categories namely:

- Social partners
- Trade partners

Social partners engage with property from a social welfare perspective, whilst the Trade partners engage with property from an economic perspective.

This report provides the state of transformation when the PSCC members at the time were as indicated in table (i) below.

Category	Member
Social Partners	National Economic Development and Labour Council (NEDLAC)
Government	Department of Public Works (DPW) Service Sector Education and Training Authority (SSETA) Public Investment Corporation (PIC)
Regulators	Estate Agency Affairs Board (EAAB) SA council of Property Valuers Profession (SACPVP)
Trade Partners	SA property Owners Association (SAPOA) Property Loan Stock Association (PLSA) Association of Property Unit Trusts (APUTS) SA Council of Shopping Centres (SACSC) SA Facility Managers Association (SAFMA) SA institute of Black Property Practitioners (SAIBPP) Women Property Network (WPN) National Association Youth Empowered Council (NAYEC) National Association of Managing Agents (NAMA) Black Property Valuers Association (BPVA) Association of Women in Property (AWIP) South African Black Technical Association of (SABTACO) Real Estate Investment Trust (REITS) Services Skills Education Training Authority (SSETA)
Estate Agents	SA Forum for Real Estate (SAFRE) National Property Forum (NPF) Institute of Estate Agents of SA (IEASA) Real Estate Business Owners of SA (REBOSA)



EXECUTIVE SUMMARY

Property and Real Estate is one of the sectors that we have in the South African economy. Property plays a critical part at an individual level, business and other areas. At an individual level, it is a basic necessity (for shelter) as defined in the Maslow's needs of hierarchy. It is entrusted with fulfilling the right to shelter of every South African. At a business level, it is defined as a basic requirement. Property is also a considered a wealth creator globally including.

In South Africa, the property market size is R5.8 trillion and contributes significantly to Growth Domestic Product (GDP) (2015 PSCC study). The Property Sector is also expected to redress the historical imbalances, injustices, inequalities, disparities, unfairness and unequal distribution of properties and wealth caused by Apartheid. Despite significant progress since the establishment of a democratic government in 1994, the South African society, including the Property Sector, remains characterised by racially based income and other socio-economic inequalities. This is not only unjust but also inhibits South Africa's ability to achieve its full economic potential.

The sector is expected to ensure that ownership, control and participation in the Property Sector and property enterprises conform to the demographics of South Africa. Although there has been some effort and some positive improvements albeit at a slow pace, black people, black women and people with disabilities, in particular, are still under-represented in the Property Sector.



The transformation performance of the Property Sector is measured consists of eight (8) elements, namely:



- Ownership
- Management Control
- Employment Equity
- Skills Development
- Preferential Control
- Enterprise Development
- Socio-Economic Development
- Economic Development

The above elements are measured against set targets with a particular given target.

The state of transformation for the Property Sector under all elements is indicated in figure (i).

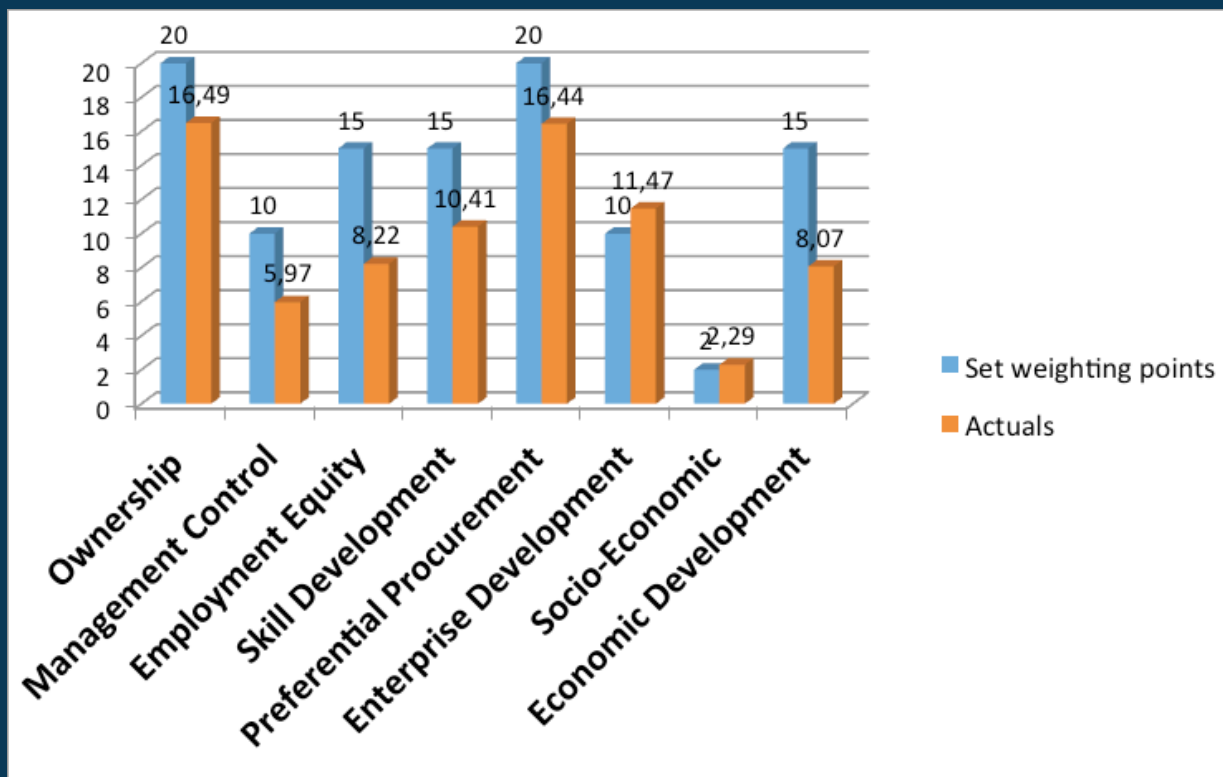


Figure (i): Property Sector actual transformation in 2015





In summary:

- **Overall Excellent performance against targeted weighting is:**
 - Enterprise Development – 115%
 - Socio-Economic Development – 115%
- **Still below target but good performance**
 - Ownership – 82%
 - Preferential Procurement – 82%
- **More focus required**
 - Skill Development – 69%
 - Management Control – 60%
 - Employment Equity – 55%
 - Economic Development – 54%

It is highly recommended that the Property Sector put more effort and focus in addressing all elements that are under target but more efforts are required to address Skills Development, Management Control, Employment Equity and Economic Development.

Following the status of transformation of the Property Sector, the sector needs to devise intervention strategies/plans and programmes to achieve set targets in all the elements as gazetted in the PSC.

We are seeing an increased number of enterprises that are submitting their scorecards, against the sampled enterprises, but we acknowledge that we started at a very low base. There is still a need for many more enterprises, and ultimately all sampled enterprises to submit, and submit more promptly, upon request.

KEY FINDINGS

The property sector commits itself to the implementation of a Transformation Charter within the property sector. These are the main findings of the overall report:

Sampling

A total number of 72 companies were sampled, though it's a small number, it is reflective of the industry outlook. There are few large companies that hold a high market value and as a result dominate the Property sector. In the property sector, direct property ownership and participation is dominated by institutional investors, large private owners, collective investment schemes, listed property entities and Government.

Industry Performance

- The Property Sector continues to make reasonable efforts towards transformation albeit not at a sufficient pace. However, it is worth noting that various industries that make up the property sector (as defined in the Property Sector Code scope), suggest varying level of commitment towards the implementation of transformation exist.
- The commercial sector is making reasonable progress whereas the residential industry based on the very limited number of BBBEE certificates submitted is showing lesser progress. Moreover it would seem from the study that, the public based on the limited submissions, it is not taking the active lead that it is expected to take in furthering transformation agenda.

Property Sector BBBEE Recognition Level

The Property Sector average recognition is Level 4, which is a reasonable level based on the previous BBBEE scorecard. But this data must be interpreted with care as it is important to be reminded that the adjusted BBBEE recognition level will bring down to the Average Property Sector to Level 6.

Performance in Employment Equity, Management Control and Skills Development

Whilst there has been significant performance against our set targets in Enterprise Development and Socio-Economic Development reasonable efforts seem to have been made in the category Preferential Procurement and Ownership elements. Yet there are three interrelated aspects where the Property sector is underperformed which includes– Employment Equity, Management Control and Skills Development. It is also not a surprise that the underperformance of these elements come as a “package” considering that they are interrelated.

- I. **Employment Equity:** the achieved scores in transformation of middle and senior management is extremely low against set targets. Hence it is unlikely that significant progress is being made to bring black individuals into the role of executive directors or executive management under Management Control. There is evidence that reporting Enterprises in the property sector have not adequately addressed Employment Equity. This continues to lead to an under-representation of black people and black women in all levels of management.
- II. **Management Control-** It would seem that significant achievement has been made in the appointment of black independent non-executive Directors in the sector. However often their participation does not translate in significant and influential decision making. This is due to the voting rights targets being lower than expected. The property sector continues to be characterised by under-representation of black people and black women in particular in executive management and in certain companies which includes board level participation. Thus, race and gender inequality, particularly of black people and black women remains of major concern in the property sector and needs to be effectively and substantially addressed urgently.
- III. **Skills Development-** the spend by companies on black people on Skills development training is easier to achieve if the targets under Employment Equity and Management Control are achieved. The difficulty in achieving Skills Development target is the consequence of the poor performance found in Employment Equity and Management Control

Skills Development

- The impact of the lack of skills development presently being implemented is that the the present transformation scenario will be perpetuated. It is critical that enterprises in the property sector should adequately invest in skills development . This should be done in collaboration with academic institutions in order to build a curriculum that meets the needs of current and future needs..
- The impact of under-performance in Skills Development being implemented is that the industry will suffers now and continue to do so in the future because there are not enough Black skilled people and women to take over. Enterprises in the property sector need to adequately invest in Skills Development and work together with academic institutions to build a curriculum that would meet the needs of current and future trending needs.



Performance of Enterprise Development and Socio-Economic Development

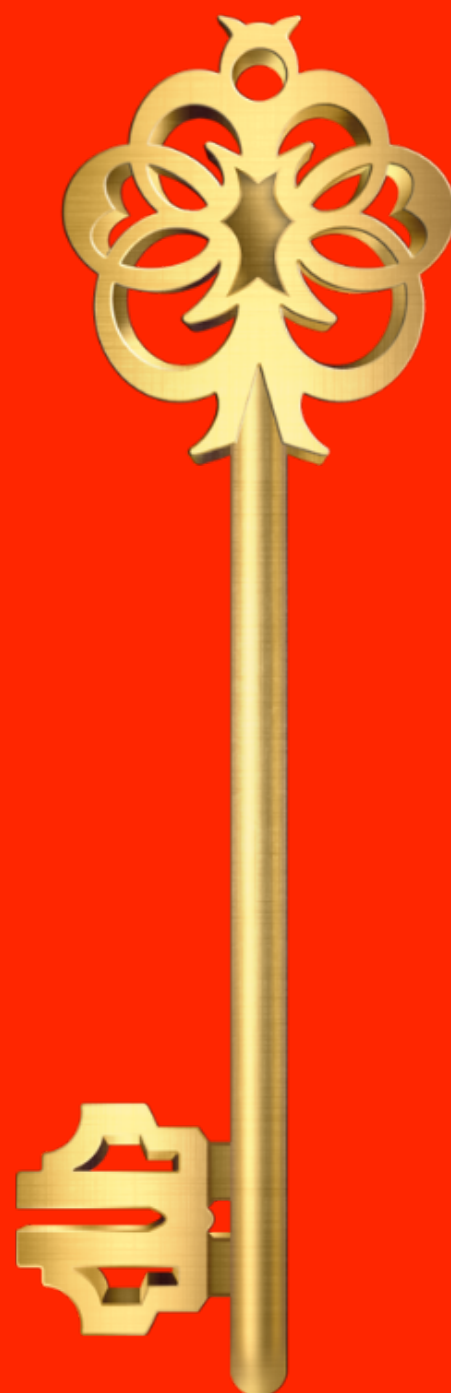
There was considerable achievement against targets in Enterprise Development and Socio-Economic development. Going forward it is important that this achievement leads to creation and growth of sustainable enterprises in the sector..

Performance of Economic Development

Economic Development has not performed well against the set targets, however we are aware of some reasonable efforts undertaken by majority of the larger companies particularly in the development of retail shopping centres in townships and in some rural areas. The lack of performance in this area could mean that our target is not sufficiently targeted at the poorest areas of the country (completely under resourced areas) . It would seem that businesses are targeting investment opportunities at areas with relatively high income - we hope the future direction will lead the sector in the areas where development are needed the most.

Lessons learnt

Based on the the lessons learnt so far - the Property Sector Code has now been gazetted as the **AMENDED PROPERTY SECTOR CODE (Gazette 40910)** - June 2017. It addresses some of the gaps and aligns other legislation and policies to ensure that transformation in the Property Sector continues at the required pace



ACKNOWLEDGEMENTS

Despite all the challenges experienced in transforming the Property Sector, we would like to thank and appreciate all people that made this work possible and more importantly companies that submitted their scorecards for analysis. It is certainly clear from this exercise that there are companies and enterprises that understand the importance of economic transformation of the Property Sector.

In the PSCC, we recognise and acknowledge the importance of transformation and understanding the state of transformation in the Property Sector is a critical milestone towards desired end status.

We acknowledge and appreciate the support we unequivocally receive from all our associations and organisations, including Board and Council members and a specific gratitude to the Research Committee who provides an oversight role on all research report including this: **2015-2016 State of Transformation Report for the Property Sector**.

Finally, progress is attributed to the hard work of all PSCC personnel.



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GLOSSARY OF ACRONYMS

BBBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
EE	Employment Equity
ED	Enterprise Development
EME	Exempted Micro-Enterprises
GDP	Growth Domestic Product
NPAT	Net Profit After Tax
PDI	Previously Disadvantaged Individuals
PP	Preferential Procurement
PSC	Property Sector Code
PSCC	Property Sector Charter Council
QSE	Qualifying Small Enterprises
SD	Skills Development
SED	Socio-Economic Development
SETA	Sector Education and Training Authority
SMMEs	Small Medium and Micro Enterprises





RESEARCH METHODOLOGY

This research was quantitative in nature and a BBEE scorecard was used to collect data from South African Property Sector enterprises. A purposive sampling technique was used as enterprises were sampled based on the value of their contribution towards the Property Sector.

In this study, the Property Sector was segmented into Three (3) main industries namely:

- Commercial Industry
- Residential Industry
- Professional

The sector was segmented further under the above-mentioned industries to look as follows:

- Commercial Industry
 - property owners;
 - property management services
- Residential Industry
 - real estate
- Professional
 - Valuer

Purposive sampling was done after the Property Sector was scoped, segmented and having conducted an estimated value assessment per segment. Seventy two (72) enterprises were sampled from the Property Sector segments as per table (ii).



INDUSTRY	SEGMENTS	TYPE OF COMPANY	TOTAL SAMPLED	Value of Sampled Segments	% Value of sampled entities per segment
Commercial Property	Property Owners	Listed Property Owners	45	R680B	90%
		Unit Trust Owners			
		Institutional Owners			
		Private Owners			
		Public Sector			
	Property Management Services	Assets Management	12	R25B	75%
		Property Brokers			
		Property Management			
		Facility management			
		Public Sector			
Residential Property	Real Estate	Estate Agencies	10	R10B	80%
		Managing Agents	2	R8B	80%
Professionals	Professionals	Valuers	3	R0.8B	70%
			72	R724B	Over 75% of value

Table (ii): Number of enterprises sampled per segment



All the sampled enterprises were requested to submit their BBBEE certificate and the back-end report to PSCC. Data was collected over a period of ten (10) months in 2016. The analysis is done using the eight (8) transformation elements as per the PSC. The documents (BBBEE certificate and the back-end report) received from enterprises were captured for analysis purposes. The report analyses is based on a total sum of all collected BBBEE certificates and back-end report for all enterprises measured against indicators with set targets. This analyses is also be clustered into key property clusters such as Listed Property Sector, Property Institutions and Property Services. .

Eight (8) steps were followed during this project:

Step 1: Scope the Property Sector

Step 2: Segmenting the Property Sector

Step 3: Conduct estimated value assessment per segment

Step 4: Identifying the significant players per segment and their value contribution

Step 5: Sample using value contribution per company

Step 6: Collection of scorecard data of the sampled companies

Step 7: Analysis of data

Step 8: Report generation



Sector Overview

The Property Sector Research

PSCC realised the importance of doing research study in order to comprehensively understand the sector, be able to interpret the transformation performance of the sector and create a consolidated body of knowledge, which fosters a consistent and coherent understanding of the Property Sector.

The first study of the Property Sector, which was done in 2012, concluded that the South African property market size was R4.9 trillion. The major contributor to the total value of the Property Sector was the residential property that was valued at R3.0 trillion. Non-residential (commercial) property was valued at R780 billion, while public property and zoned urban land were valued at R570 billion and R520 billion, respectively. Figure (ii) shows the size of the South African Property Sector as per 2012 study.

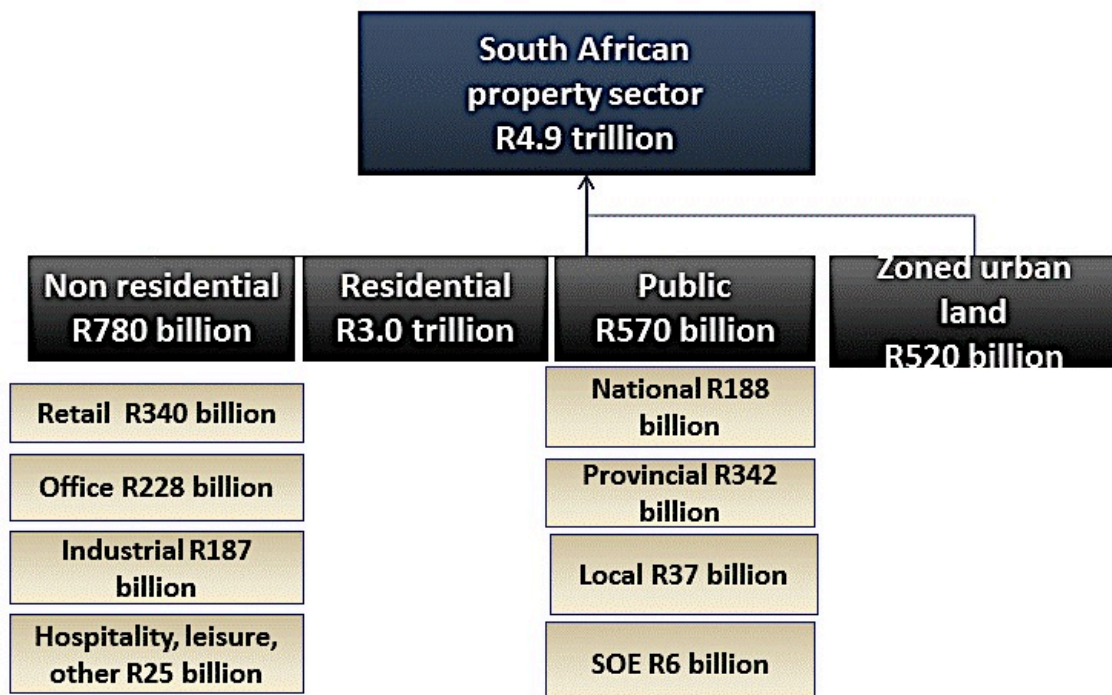


Figure (ii): The size of the South African property sector in 2012

The same study, which was done in 2012, was repeated in 2015. The latter found that the market size of the Property Sector had grown to R5.8 trillion. Residential remained the greatest contributor to the total value of the Property Sector market size and it was valued at R3.9 trillion. Commercial properties were valued at R1.3 trillion, while public properties and zoned urban land were valued at R237 billion and R520 billion, respectively. Figure (iii) indicates the size of the Property Sector as per 2015 study. It is important to note that although the value of the property industry is R5.8 Trillion, it is not the entire amount that translate into transactions. For Example, some of the commercial property are owned used business building where a company owns the building for use of its primary business (e.g Banks own lots of buildings for the primary use of financial services). Again, it is extremely a small amount from the 6.1 million houses with R3.9 Trillion value in the residential property that are for sale, where an estate agent makes anything between 3%-7% commission based on the value of the house.

We estimate that an annual transaction is at about One (1) Trillion Rand. with 80% of the transactions done under commercial, 10% under Public Sector, 2% and 1.5% done under residential and zoned Land respectively.

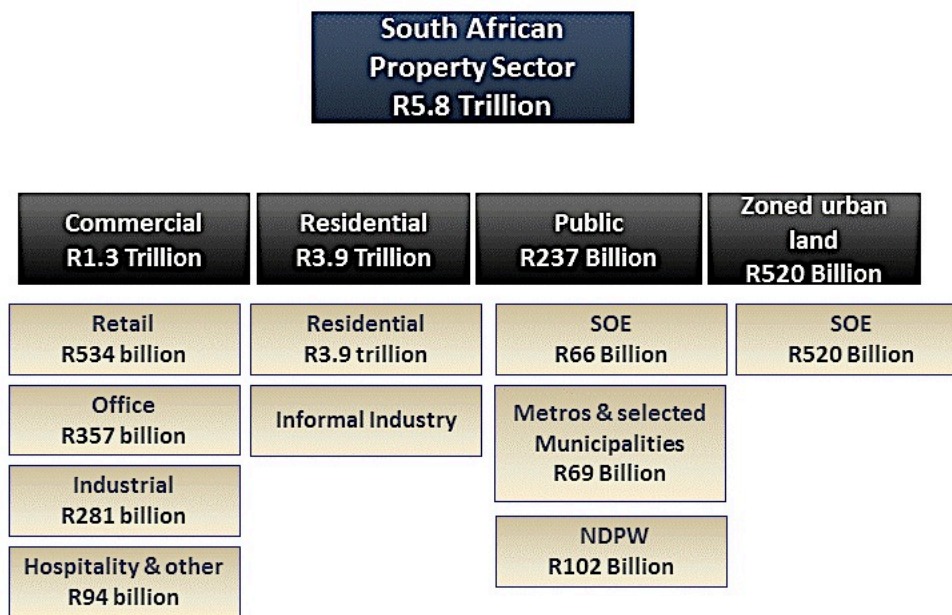
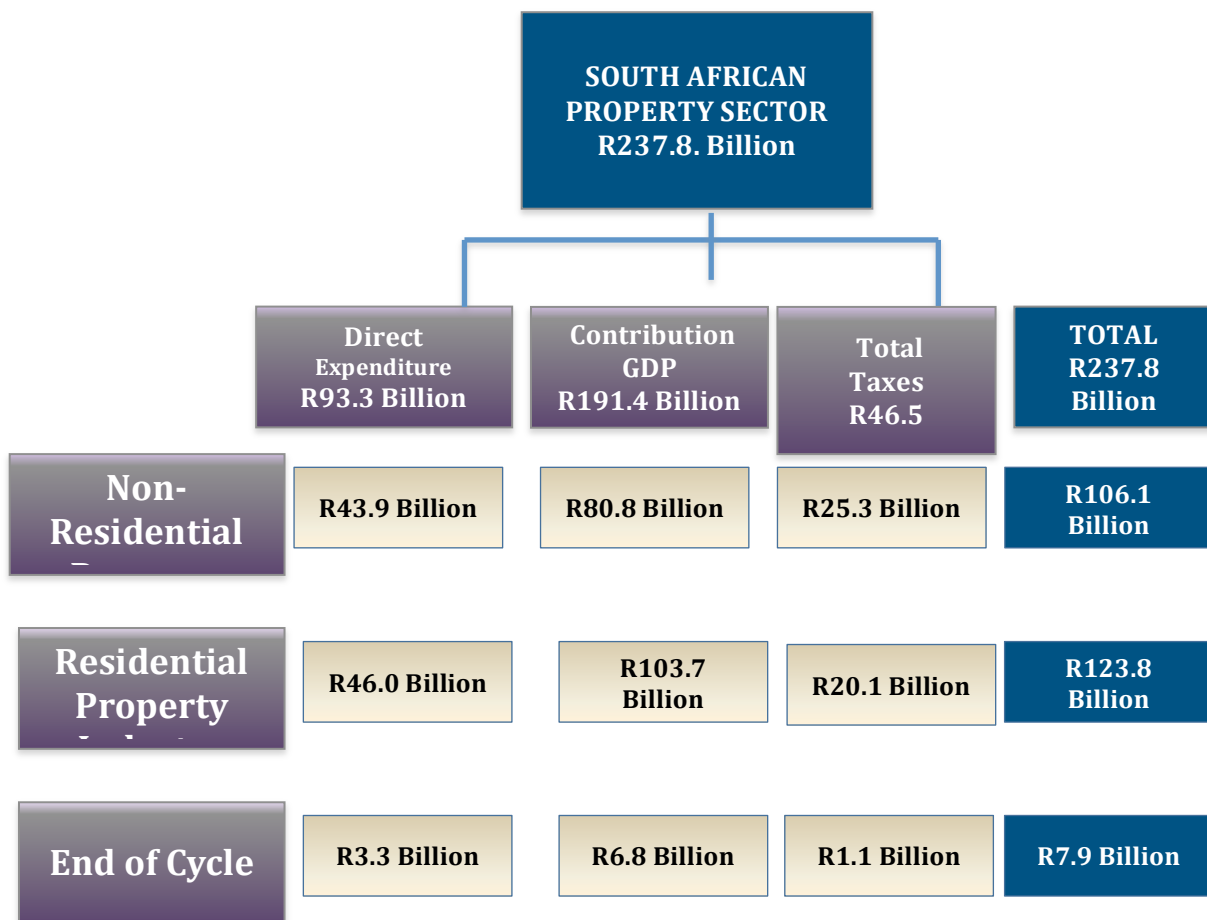


Figure (iii): The size of the South African property sector in 2015

The Property Sector contributes highly to wealth creation, skills development and economic growth (EAAB Annual Report, 2013/2014; EAAB Annual Report, 2012/2013). Using the 2012 report with R4.9 trillion, the Property Sector significantly contributed a total of R238 Billion Economic Impact – made up of namely:

- R191 billion to the Growth Domestic Product (GDP)
- R93 Billion direct expenses
- R46 Billion tax contribution

The Property Sector contribute about 4%-5% to the GDP of South African. Figure (iv) indicates contribution of the Property Sector to the South African economy.



Note: All cost

Figure (iv): Contribution of the property sector to the South African economy



The Property Sector Code

The PSC was developed and gazetted in 2012 under section 9.1 using eight (8) scorecard elements. Each element has weighting points, which indicate the importance of the element against the entire total scorecard points. The points are awarded based on what the measured entity achieved against the set target. These elements, with their weightings, are indicated in table (iii).

ELEMENT	WEIGHTING POINTS
Ownership	20
Management control	10
Employment equity	15
Skills development	15
Preferential procurement	20
Enterprise development	10
Socio-economic development	2
Economic development	15
TOTAL	107

Figure (iii): PSC transformation scorecard elements and weighting points

The total weighting of all eight elements is one hundred and seven (107) points. The chapters that follow are aimed at reporting on the sector's performance on each of these elements.

The Property Sector Charter Council (PSCC) is the custodian of the PSC. All its participating members (associations and organisations) who have constituencies that are responsible for implementing it developed the PSC.

The PSCC remained a transparent organisation throughout process of developing the Charter leading to the final gazette of the Property Sector Code (PSC). From the very beginning, the PSCC committed itself through its representatives members that signed the Property Charter that they commit to a process that is consultative, inclusive, representative, participative and stakeholder driven. And to-date PSCC have stuck with that commitment.

All enterprises in different segments within the property sector must comply with the PSC. The PSC applies to all enterprises scoped under the following:

- **Commercial Property Industry**
 - Office Property Industry
 - Industrial Property industry
 - Retail Property Industry
 - Leisure Property Industry
 - **Residential Property Industry**
 - Houses
 - Freehold
 - Lease
 - Community schemes
 - Flats, Clusters, Town Houses etc.
 - **Zoned land**
- Including other Property value chain areas in Property Sector (but not limited to):
- Property Development
 - Property Ownership
 - Property Services
 - Property Management
 - Facility Management
 - Broking
 - Estate Agents
 - Professionals
 - Property Valuation
 - Regulators (in Property Sector)
 - Organs of state



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Property sector segments

The participants that made submissions were classified under one or more of the eleven (11) segments, namely:

- asset management;
- estate agents (including residential only);
- other generic codes (non-property);
- property broker;
- property loan stock;
- property loan stock (internal management);
- property management services;
- property owner;
- property sector general (property owners);
- property unit trust; and
- unlisted public mandate collective investment schemes.

PSC Certificate and Generic Codes of Good Practice

Under this analysis, the enterprises that made their submission reported under either the generic codes, or the PSC.

Entities such as institutions that have property unit submitted the Code of Good Practice BBBEE certificate mainly because they have multiple scorecards. All other participant submitted PSC Certificate and back-end report.

YEAR OF MEASUREMENT

This is a 2015 report.

2015 is the Measurement Year, which is defined as the year the certificate was issued.

Every BBBEE Certificate has a shelf life of 12 months from the date of issue. Moreover, all the certificate issued in 2015 expires sometime in 2016

Number of scorecards submitted for the year 2015

There was a total of 48 BBEE certificate and back-end scorecard report that were submitted. This is a total of 67% (48/72) submission of the targeted sampled companies.

56% (40) of the submitted certificates and scorecard were generic whilst 11% (8) were QSE certificates and scorecards.

The highest submission of certificated and scorecard was the Property Management Services at 83% against targeted sample followed by the Property Owners at 73%.

Although the sample size of Managing Agents was small (3), nothing was received from any of the targeted managing agents companies. 40% of targeted Estate agencies submitted QSE Scorecard but majority of the submissions are from franchise branches rather than Franchisor.

For the year 2015, only nine (9) segments submitted their scorecards, namely:

- asset management;
- other generic codes (non-property);
- property loan stock;
- property loan stock (internal management);
- property management services;
- property owner;
- property sector general (property owners);
- property unit trust; and
- unlisted public mandate collective investment schemes.

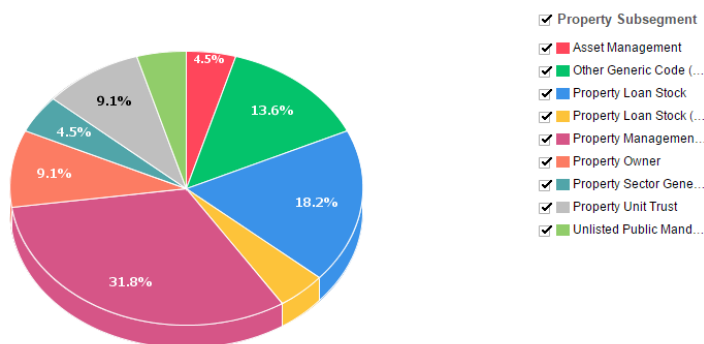


Figure (v): Percentage number of scorecards per segment

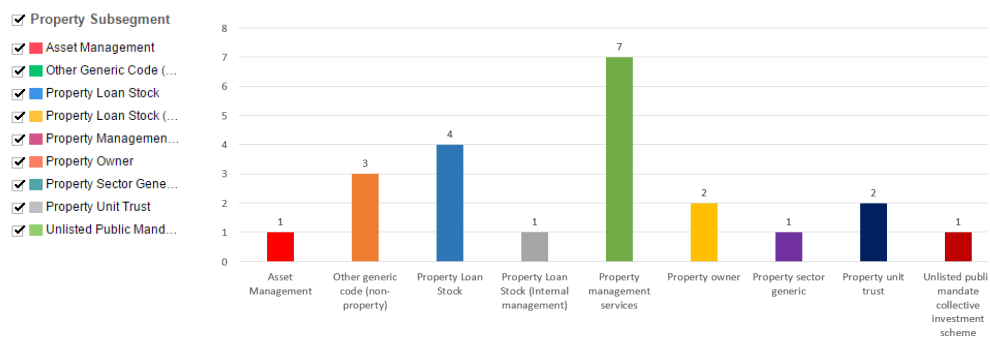


Figure (vi): Number of scorecards per year per segment

Property Sector Recognition BEE level for the year 2015

From the submitted their scorecards the following analysis is extracted:

- 31.8% of the total were on BEE level two (2),
- 27.3% of the total were on BEE level three (3),
- 18.2% of the total were on BEE level four (4),
- 18.2% of the total were on BEE level five (5),
- 4.5% was on BEE level one (1).

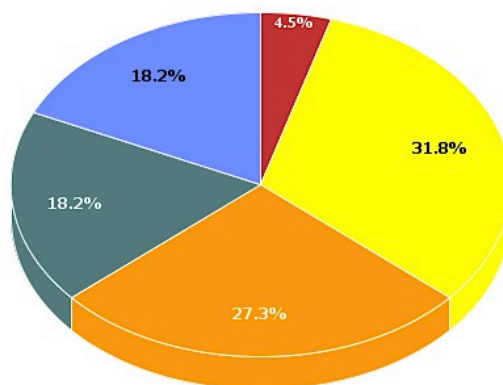


Figure (vii): Recognition BEE Level for the year 2015

This above analysis is based on the following recognition scorecard

BBEE Contributor Status	Current Qualification
Level One	≥100 points
Level Two	≥85 but <100 points
Level Three	≥75 but <85 points
Level Four	≥65 but <75 points
Level Five	≥55 but <65 points
Level Six	≥45 but <55 points
Level Seven	≥40 but <45 points
Level Eight	≥30 but <40 points
Non-Compliant	<30 points

Table 1A: BBBEE Recognition level

Average BEE level for the year 2015

There were 8 QSE BBBEE certificates:

- Three (3) enterprises were level 2
- Three (3) enterprises were level 3
- Two (2) enterprises were level 8

Four (4) of these QSE scorecards are estate agencies. Two (2) are property Management Services and Two (2) is Property Ownership.

The average generic BBBEE level for the year 2015 was 4. Figure (viii) indicates the average BEE level per segment.

The average BEE level for the year 2015 was 4

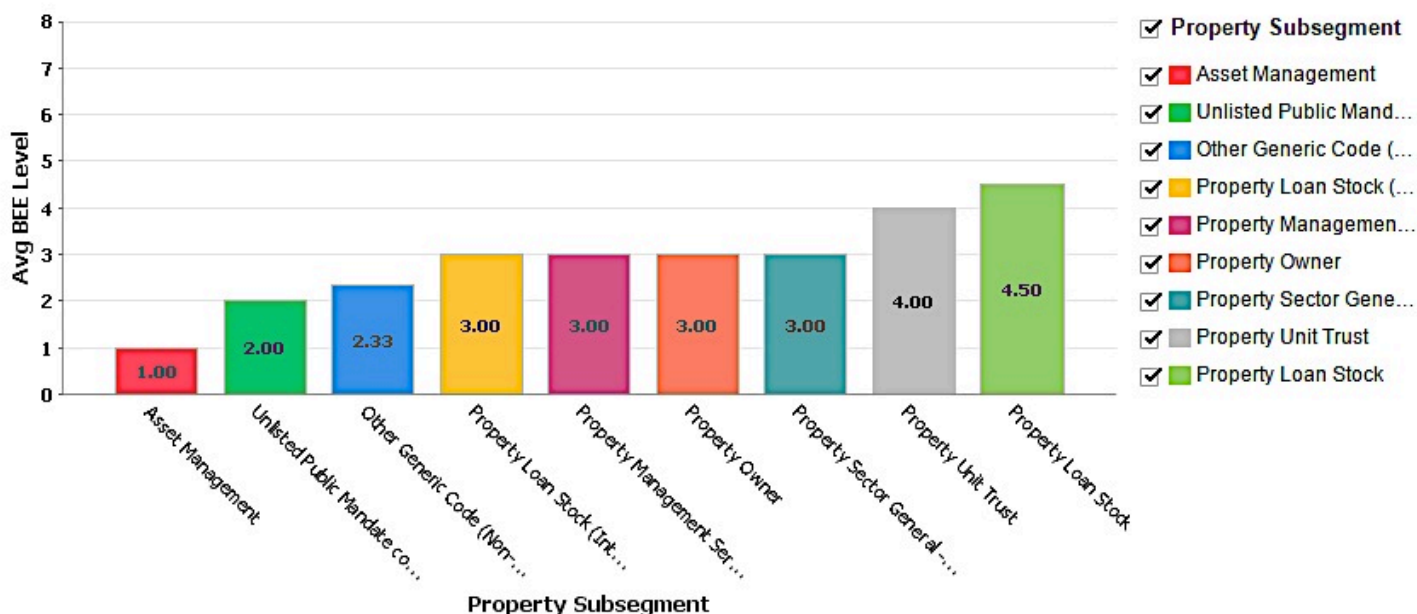


Figure (viii): Average BEE Level per segment

Complex structure

Where an enterprise is exempt from an indicator in the scorecard because of the nature of its trade, it will calculate its overall performance based on total maximum points minus the weighting allocated to the indicator from which it is exempt. For example any enterprise that does not do development, thus will not be able to make investments in property related developments will be exempt from performing under that category of the scorecard, and consequently scored out of commensurately less. This is illustrated on the table (1) below.

Each tick represents an indicator of the scorecard that an enterprise needs to comply with.

COMPLEX STRUCTURE TABLE

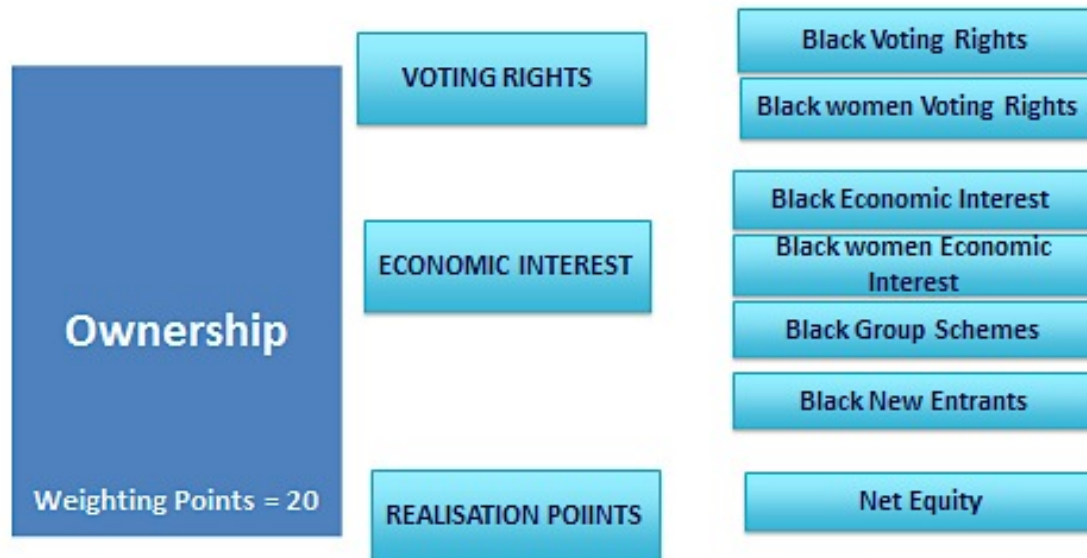
	APUTS Property Unit Trust/ REITS	PLSA Property Loans Stock	Asset Management	Property Owners/REIT S External Management	Property Managers Services	Internal Management with PLSA/REITS	Unlisted Public Mandated Collective Investment	Estate Agents
Ownership	√	√	√	√	√	√	√	√
Management Control	√	√	√	√	√	√	√	√
Employment Equity	X	X	√	X	√	√	√	√
Skill Development	X	X	√	X	√	√	√	√
Enterprise & supplier Development	√	√	√	√	√	√	√	√
Socio- Economic Development	X	√	√	√	√	√	√	√
Economic Development	√	√	X	√	X	√	√	X

Figure (viii): Average BEE Level per segment



CHAPTER 1:

OWNERSHIP



This chapter reports about the ownership of enterprises in the property sector.

1.1 DEFINITION OF OWNERSHIP

Ownership measures the effective ownership of enterprises by black people. Ownership recognises and measures the entitlement of black people to the voting rights and economic interest associated with equity holding. Voting rights afford the rights to determine strategic and operational policies of an enterprise, while economic interests result in the rebuilding and accumulation of wealth by black people.

1.2 OWNERSHIP IN THE PROPERTY SECTOR CODE

Under the PSC, there are two (2) ownership scorecards, namely:

- property owning companies and
- all other companies.

The core business of property owning companies is buying and owning property and increasing their portfolio and assets.

1.4 PURPOSE OF OWNERSHIP IN THE PSC

In line with the Constitution and BBBEE Act, the PSC aims to redress the inequalities in ownership of enterprises in the Property Sector. It does so by requiring enterprises that operate within the Property Sector to commit, and annually report on their performance towards set ownership targets in the PSC.

1.3 OWNERSHIP CHALLENGES

Ownership of enterprises by black people, particularly black women is limited in the Property Sector. Majority of the enterprises in the Property Sector are largely owned by white people.

1.5 OWNERSHIP TARGETS AND WEIGHTINGS

Each Property Sector enterprise commits to achieve the following targets within five years:

- at least 25% economic interest by black people;
- at least 25% plus one (1) vote exercisable by people in the enterprise;
- at least 10% ownership and economic interest by black women and 10% votes exercisable by black women in the enterprise; and
- at least 2.5% participation in ownership and economic interest held by broad-based ownership schemes and/or designated groups.



Table 1.1 highlights the ownership targets and weightings set by the PSC for enterprises in the property sector.

OWNERSHIP (20 points)					
Category	Indicators	Weightings		Target	
		Property owning companies	All other companies	Property owning companies	All other companies
Voting rights	Exercising voting rights in the enterprise in the hands of black people	5	3	25% plus 1 vote	25% plus 1 vote
	Exercising voting rights in the enterprise in the hands of black women	2	2	10%	10%
Economic interest	Economic interest of black people	5	4	25%	25%
	Economic interest of black women	2	2	10%	10%
	Economic interest of black designated group, participants in employee ownership schemes, beneficiaries of Broad based ownership schemes, and participants in cooperatives	1	1	2.5%	2.5%
Realisation points	Ownership fulfilment	1	1	No restriction for property owning companies	
	Net equity value	4	7	The schedule below applies to property owning companies: Year 1 - 3% Year 2 - 7% Year 3 - 10% Year 4 - 15% Year 5 - 19% Year 6 - 24% Year 7 - 30% Year 8 - 36% Year 9 - 43% Year 10 - 50% All other companies comply with the codes of good practice schedule.	

Table 2.1: Ownership targets and weightings

1.6 ACTUAL OWNERSHIP

The average total achieved ownership weighting score for the year 2015 achieved 16.21, against 20 points. This makes the achievement of ownership at 81.2%.

The average total ownership is the sum total of the following scores:

- average black voting rights score;
- average black women voting rights score;
- average net equity interest score;
- average black economic interest score;
- average black women economic interest score;
- average group and schemes economic interest score; and
- the average black new entrants score.

1.6.1 Segment Performance of Ownership

Property Sector generic achieved the highest ownership weighting score of 20.08, which was higher than the set weighting while property loan stock had the lowest ownership weighting score of 11.12, which was lower than the set weighting. Figure 1.1 depicts the average total ownership score per segment.

The listed Property Sector is made up of companies classified under Property Loan Stock, Property Loan stock (internally management), Property Unit Trust.

- **The Property Loan Stock (internal management):** achieved 17.08 points, which is 85% against set weighting target.
- **Property Unit trust:** achieved 13.69 points, which is 68% against set weighting target.
- **Property Loan stock:** achieved 11.12 points, which is 5.6% against set weighting target.

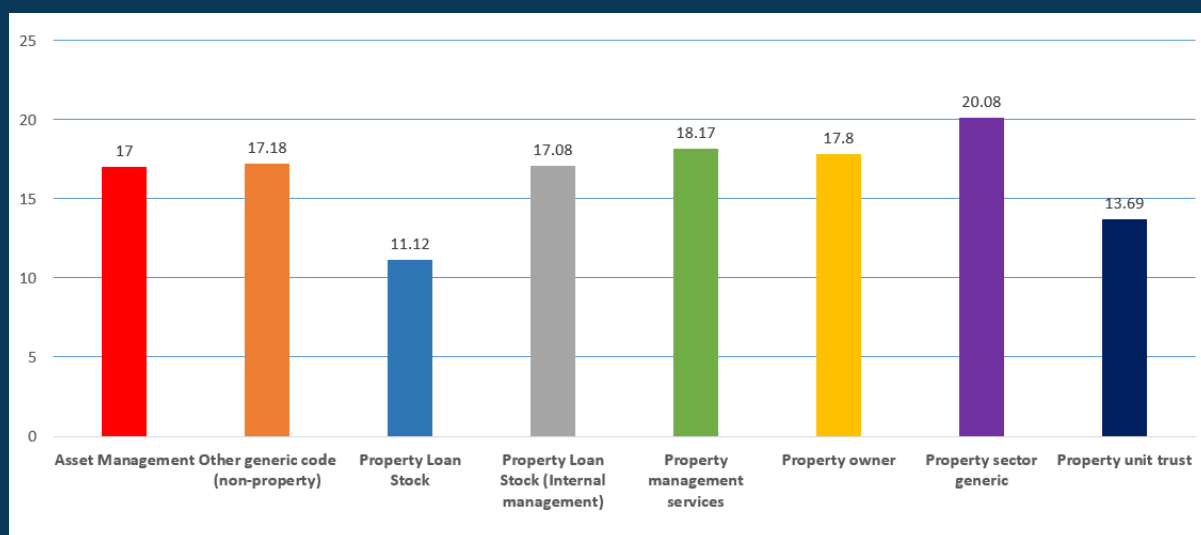


Figure 1.1: Average total ownership score per segment

1.6.3 Property Management services

Property management services achieved 18.17 points, which is 91% against set weighting target.

1.6.4 Property Owners (not listed)

Institutions achieved 20.08 points, which is 100% on target with set weighting target.

1.6.5 Institutions

Private Property owners that are not listed achieved 17.8 points, which is 89% against set weighting target.

1.7 PERFORMANCE OF SUB-ELEMENTS UNDER OWNERSHIP

1.7.1 Black Voting Rights

The average black voting rights score achieved for the year 2015 was 36.79%, against the set target of 25.1%. This was higher than the set targets.

1.7.2 Black Women Voting Rights

The average black women voting rights score achieved for the year 2015 was 12.15%, against set target of 10%. This was higher than the set targets.

1.7.3 Economic Interest

The average net equity interest score achieved for the year 2015 was 25%, and it was higher than the set target.

1.7.4 Black Economic Interest

The average black economic interest score achieved for the year 2015 was 35.62%, and it was higher than the set target of 25%.

1.7.5 Black Women Economic Interest

The average black women economic interest score achieved for the year 2015 was 11.71%, and it was a higher than the set target of 10%.

1.7.6 Group and Schemes Economic Interest

The average group schemes economic interest score achieved for the year 2015 was 10.48% and it was higher than the set target of 2.5%.

1.7.7 Black New Entrants

The average black new entrants score achieved for the year 2015 was 9.35%, and it was slightly lower than the set target of 10%.

1.8 SUMMARY

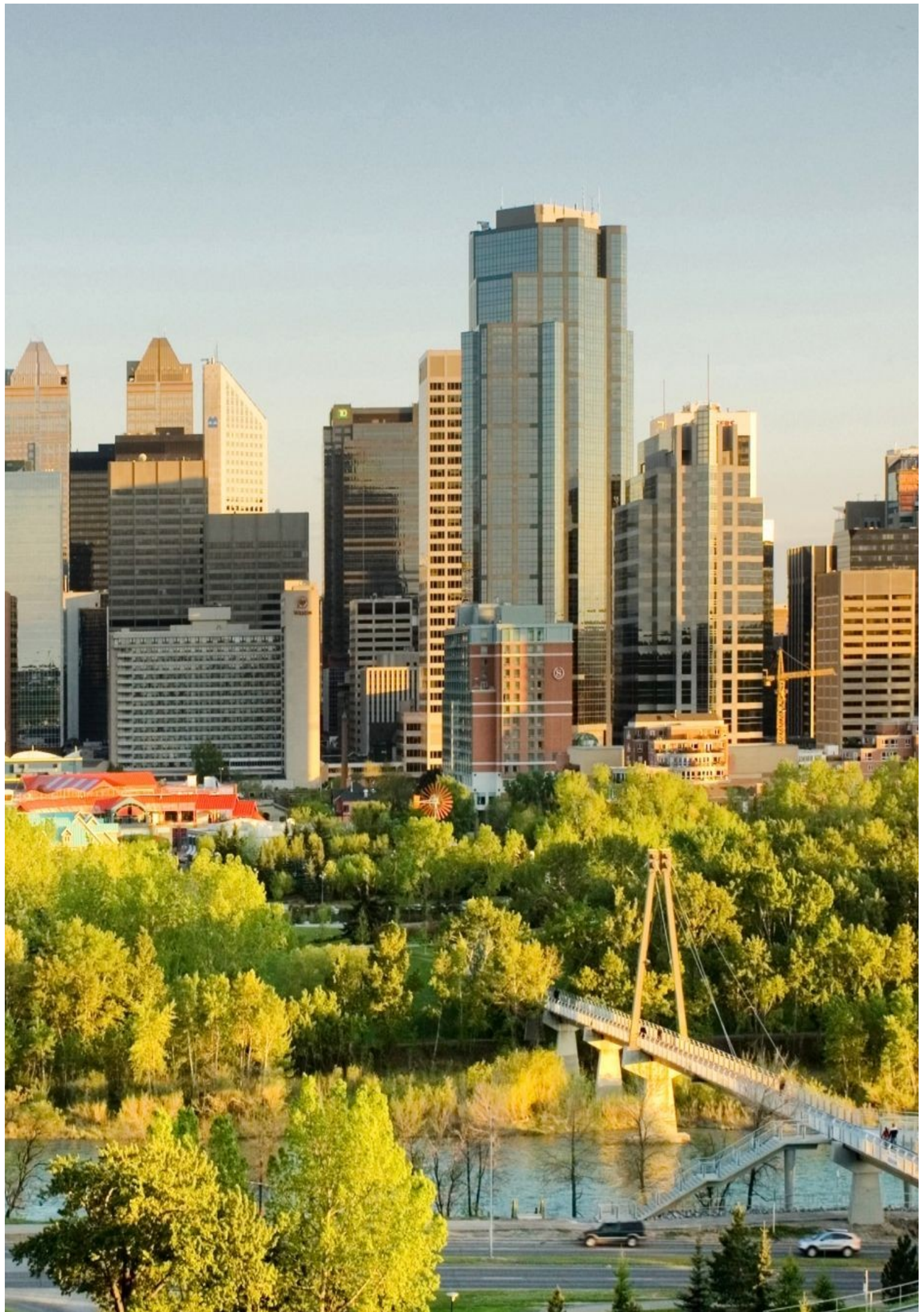
Ownership achieved a lower score than the set target. This could be due to the sub-elements black new entrants, which was lower than the set targets. However, the sub-elements voting rights, economic interest, black women voting rights, black economic interest, black women economic interest and group and schemes exceeded the set targets.

1.9 RECOMMENDATIONS

The Sector should be encouraged to increase the commitment in attracting and absorbing new black entrants in the ownership deal whilst finding favourable funding models that would suitably help improve the net equity points by meeting the targets as per the relevant schedule.

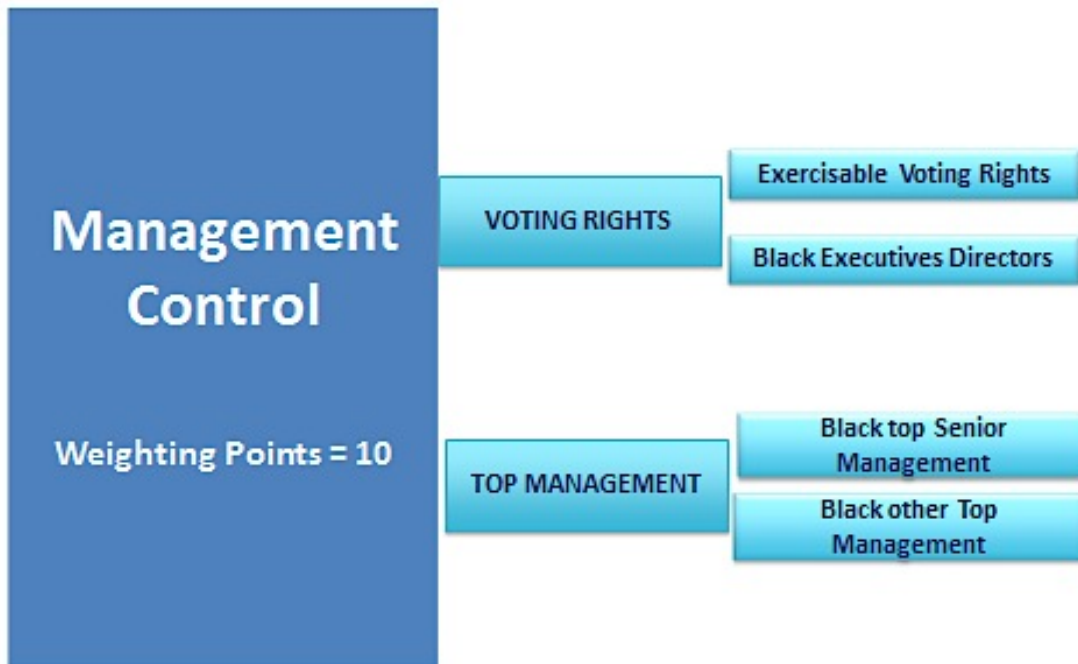
It is very clear that PSCC has to find effective means to unlock obstacles to property ownership and participation and find feasible accessibility of finance for property ownership and property development in the property market by black people.





CHAPTER 2:

MANAGEMENT CONTROL



This chapter reports about the management control by black people and black women in the property sector.

2.1 DEFINITION OF MANAGEMENT CONTROL

Management control measures the effective control of economic activities and resources of enterprises by black people. This involves the power to determine policies as well as the direction of economic activities and resources. Management control is exercised through the governing bodies of an enterprise and is normally measured at board of directors (or equivalent) and executive management (or highest equivalent).

2.2 MANAGEMENT CONTROL CHALLENGES

The Property Sector is characterised by under-representation of black people and black women at board level and executive management. Thus, race and gender inequality, particularly black people and black women is still a major concern in the Property Sector and needs to be effectively and substantially addressed urgently.

2.3 PURPOSE OF MANAGEMENT CONTROL IN THE PSC

To redress these challenges, the PSC requires enterprises in the Property Sector to commit to achieve management control set targets.

2.4 MANAGEMENT CONTROL TARGETS AND WEIGHTINGS

Each Property Sector enterprise commits to achieve the following targets:

- 50% of voting rights by black people in board levels using adjusted recognition for gender;
- 50% black executive directors using adjusted recognition for gender;
- 40% black top senior management level using adjusted recognition for gender; and
- 40% black other top management level using adjusted recognition for gender.

Table 2.1 highlights management control targets and weightings set by the PSC for enterprises in the Property Sector.

MANAGEMENT CONTROL (10 points)			
Category	Indicators	Weightings	Compliance targets
Board participation	Exercisable voting rights of black board members using adjusted recognition for gender	3	50%
	Black executive directors using adjusted recognition for gender	2	50%
Top management	Black top senior management using adjusted recognition for gender	3	40%
	Black other top management using adjusted recognition for gender	2	40%
Bonus	Black independent non-executive board member	1	40%

Table 3.1: Management control targets and weightings

2.5 ACTUAL MANAGEMENT CONTROL

The average total management control weighting score achieved for 2015 was 5.79, and it was lower than the set weighting of 10 and the set weighting with 1 bonus point making it total of 11. This makes the achievement of Management Control at 58%. This score is a sum total of the following scores:

- average black voting rights score;
- average black women voting rights score;
- average black executive directors score;
- average black top management score;
- average black other top management score; and
- average black independent non-executive directors score.

2.5.1 Segment performance of Management Control

The unlisted public mandate collective investment schemes segment had the highest weighting score of 9.17 and it was lower than the set weighting of 10 while property loan stock had the lowest weighting score of 3.08 and it was lower than the set weighting of 10. Figure 2.1 depicts the average management control per segment.

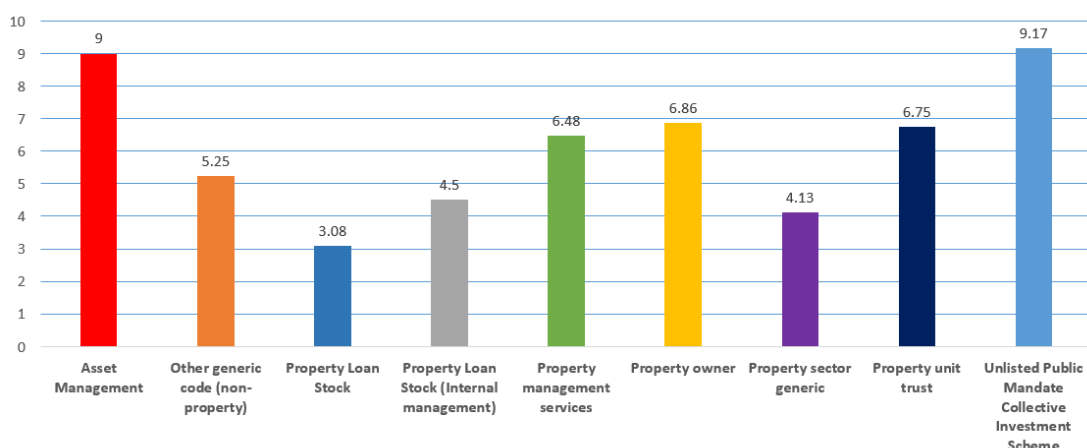


Figure 2.1: Average management control per segment

2.5.2 Listed Segment Performance

The listed Property Sector is made up of companies classified under Property Loan Stock, Property Loan stock (internally management), Property Unit Trust.

- **The Property Loan Stock (internal management):** achieved 4.5 points, which is 45% against set weighting target.
- **Property Unit trust:** achieved 6.75 points, which is 67% against set weighting targets.
- **Property Loan stock:** achieved 3.08 points, which is 30% against set weighting targets.

2.5.3 Property Management Services

Property management services achieved 6.48 points, which is 65% against set weighting target.

2.5.4 Institutions

Institutions achieved 5.25 points, which is 52% against set weighting targets.

2.5.5 Property Owners (not listed)

Private Property owners that are not listed achieved 6.86 points, which is 69% against set weighting target.

2.6 PERFORMANCE OF SUB-ELEMENTS UNDER MANAGEMENT CONTROL

2.6.1 Black Voting Rights

The average black voting rights score for the year 2015 achieved was 36.79%, and it was lower than the set target of 50%.

2.6.2 Black Executive Directors

The average black executive directors' score for the year 2015 was 21.17%, and it was extremely lower against the set target of 50%.

2.6.3 Black Senior Top Management

The average black senior top management score for the year 2015 achieved was 21.33%, and it was lower than the set target of 40%.

2.6.4 Black Other Top Management

The average black other top management score for the year 2015 achieved was 10.69%, and it was extremely low against set target of 40%.

2.6.5 Black Independent Non-Executive Directors

The average black independent non-executive directors' score for the year 2015 achieved was 47.69%, against set target of 40%.

2.8 SUMMARY

The score for management control is lower than the set target. All its sub-elements, namely voting rights, black executive directors, and black senior top management, and black other top management had scores much lower than the set target. However, the sub-element black independent non-executive directors was above set target.

Whilst there seem to be reasonable achievement (47%) of black independent non-executive directors against set target of 40%, they seem not to have enough voting rights.

2.9 RECOMMENDATIONS

Property Sector needs to give Management Control some serious attention. The Property Sector should put strategies in place to help enterprises to fully commit and develop plans that will enable them to achieve set targets in Management Control particularly on Black Executive Directors, Black Senior Top management and Black Top Other Management and with emphasis to Black female appointments.

Enterprises should be encouraged to employ black people and create mobility growth path route for them towards Senior and executive management levels.

It is critical that ultimately the entities achieve a substantial change in the racial and gender composition in management control and enhance the participation of black people including black women in both Executive and Non-Executive position with full decision making powers in those entities and ultimately in the property sector;





CHAPTER 3:

EMPLOYMENT EQUITY



This chapter reports about Employment Equity within enterprises in the property sector.

3.1 DEFINITION OF EMPLOYMENT EQUITY

Employment equity is defined as “means to promote equal opportunity and fair treatment in employment through the elimination of unfair discrimination and the implementation of affirmative action measures to redress the disadvantages in employment experienced by designated groups, in order to ensure their equitable representation in all occupational categories and levels of the workforce (Employment Equity Act of 1998).” Employment equity measures initiatives intended at achieving equity in the workplace, under the Employment Equity Act of 1998, using mechanisms that promote equal opportunity and fair treatment in employment through the elimination of unfair discrimination, and by implementing affirmative action measures to redress the disadvantages in employment experienced by black people, in order to ensure their equitable representation in all occupational categories and levels in the workplace.

3.2 EMPLOYMENT EQUITY CHALLENGES

Enterprises in the Property Sector have not adequately addressed employment equity. This has led to the under-representation of black people and black women, respectively. The under-representation is also evident in different levels of management within various enterprises.

3.3 THE PURPOSE OF EMPLOYMENT EQUITY IN THE PSC

It is the objective of the PSC to promote Employment Equity by requiring enterprises to commit and report their performance towards set targets. The PSC requires enterprises to promote a non-racial, non-sexist and gender sensitive environment, eradicate inequalities and disparity through implementation of transformation programmes, and accommodate employees with disabilities.

3.4 EMPLOYMENT EQUITY TARGETS AND WEIGHTINGS

Each Property Sector enterprise commits to achieve the following targets within five (5) years:

- 3% black disabled employees;
- 60% black senior management employees;
- 75% black employees in middle management;
- 80% black employees in junior management as a percentage of all employees using the adjusted recognition for gender;
- 50% black practitioners as a percentage of all practitioners using the adjusted recognition for gender;
- 35% black people in management as a percentage of total management using the adjusted recognition for gender; and
- 18% black women as a percentage of total management.

There are two (2) Employment Equity scorecard in the Property Sector Code, namely,

- Employment Equity excluding estate agents,
- Employment Equity for estate agents.

The reason there are two (2) Employment Equity scorecards is the business management structure of the estate agencies. Valuers and Brokers- it is normally very lean and does not have various tiers and levels of management.



Table 3.1 highlights the employment equity targets and weightings set by the PSC for enterprises

Table 4.1: Employment Equity targets and weightings (Excluding Estate Agents)

EMPLOYMENT EQUITY (15 Points)			
Category	Indicators	Weightings	Compliance target
Disabled	Black disabled employees as a percentage of all employees using the adjusted recognition for gender	2	3%
Senior management	Black senior management employees as a percentage of all employees using the adjusted recognition for gender	5	60%
Middle management	Black employees in middle management as a percentage of all employees using the adjusted recognition for gender	4	75%
Junior management	Black employees in junior management as a percentage of all employees using the adjusted recognition for gender	4	80%
Bonus points	Bonus points for exceeding targets in each category (senior=1, middle=1 and junior=1)	3	

Table 5.1: Employment Equity targets and weightings for Estate Agents

Property broker/estate agents	Black practitioners as a % of all practitioners using the adjusted recognition for gender	7	75%
	Black people in management as a % of total management	7	50%
	Black women as a % of total management	1	15%
Bonus points	Black practitioners as a % of all practitioners using the adjusted recognition for gender	1	80%
	Black people in management as a % of total management	1	60%
	Black women as a % of total management	1	20%

3.5 ACTUAL EMPLOYMENT EQUITY EXCLUDING ESTATE AGENTS

The average total employment equity excluding estate agents weighting score for the year 2015 achieved was 8.23, and it was lower than the set weighting target points of 15 and including 3 bonus points totalling 18 weighting points. This makes the achievement of Employment Equity at 54.9%. The total Employment Equity excluding estate agents is a sum total of the following scores:

- average sector black senior management score;
- average sector black middle management score;
- average sector black junior management score; and
- average sector disabled management score.

3.5.1 Segment Performance of Employment Equity (Excluding Estate Agents)

The asset management segment had the highest weighting score of 13.01, while Property Sector generic had the lowest weighting score of 4.13 and was lower against set weighting score of 15.

Figure 3.1 depicts the employment equity score per segment, respectively.

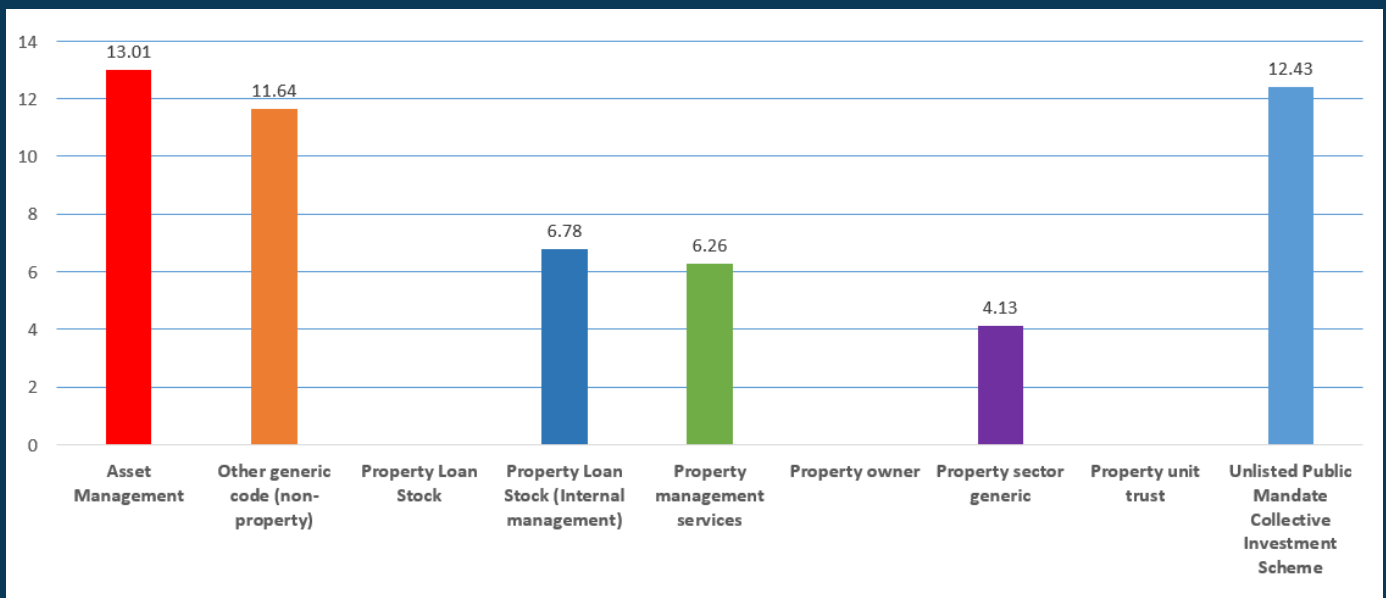


Figure 3.1: Average employment equity score per segment excluding estate agents

3.5.2 Listed Segment Performance

The listed Property Sector with Employment Equity is only is made up companies, Property Loan stock (internally management).

- **The Property Loan Stock (internal management):** achieved 6.78 points, which is 45% against set weighting target.

3.5.3 Property Management Services

Property management services achieved 6.26 points, which is 42% against set weighting target.

3.5.4 Institutions

Institutions achieved 11.64 points, which is 78% against set weighting targets.

3.6 PERFORMANCE OF SUB-ELEMENTS UNDER EMPLOYMENT EQUITY

3.6.1 Black Senior Management

The average black senior management score for the year 2015 was 21.51%, and it was lower than the set target of 60%.

3.6.2 Black Middle Management

The average black middle management score for the year 2015 achieved was 35.37%, and it was lower than the set target of 75%.

3.6.3 Black Junior Management

The average black junior management score for the year 2015 achieved was 36.44%, and it was lower than the set target of 80%.

3.6.4 Black Disabled

The average black disabled score for the year 2015 achieved was 12.94%, and it was extremely higher than the target of 3%.



3.7 EMPLOYMENT EQUITY OF ESTATE AGENTS

No scorecards were submitted for the year 2015 by estate agents on Employment Equity as part of our reporting system.

3.8 SUMMARY

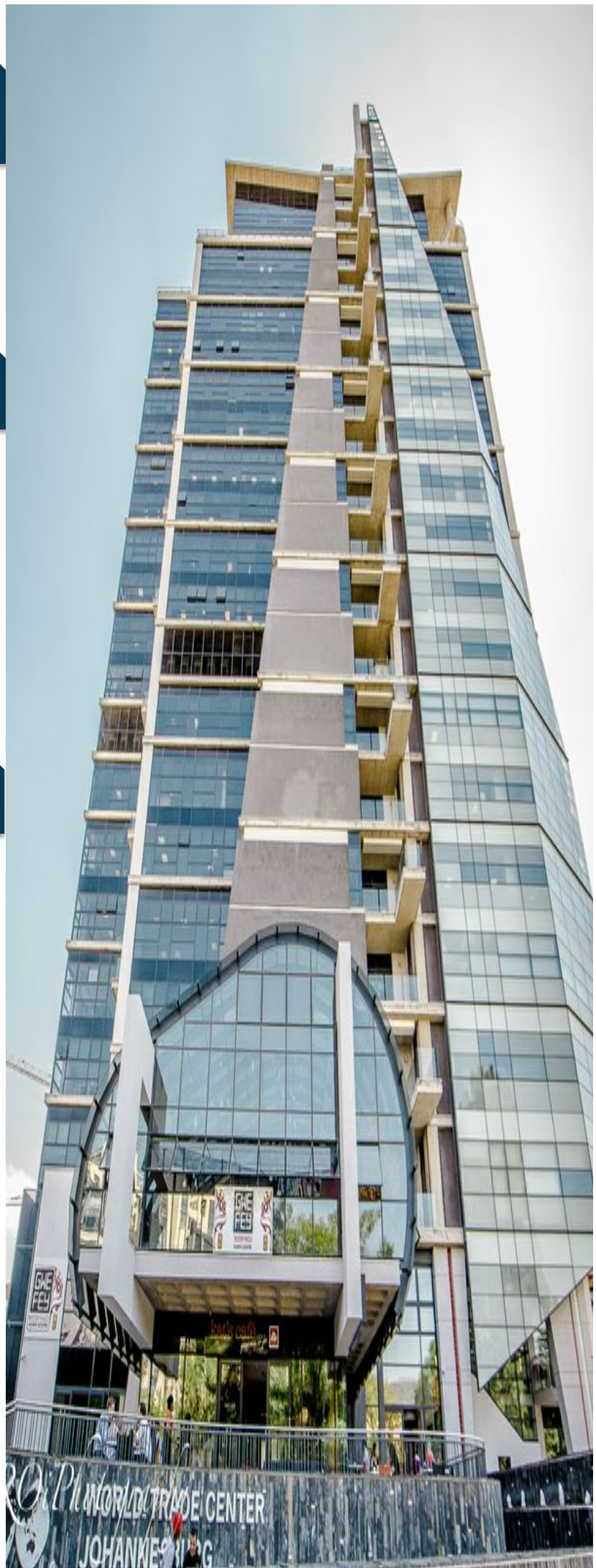
Only two (2) segments submitted their scorecards, namely, the property loan stock (internal management) and property management services. All Employment Equity score achieved were less than the set targets. Only the sub-element black disabled had a score that was higher than the set target.

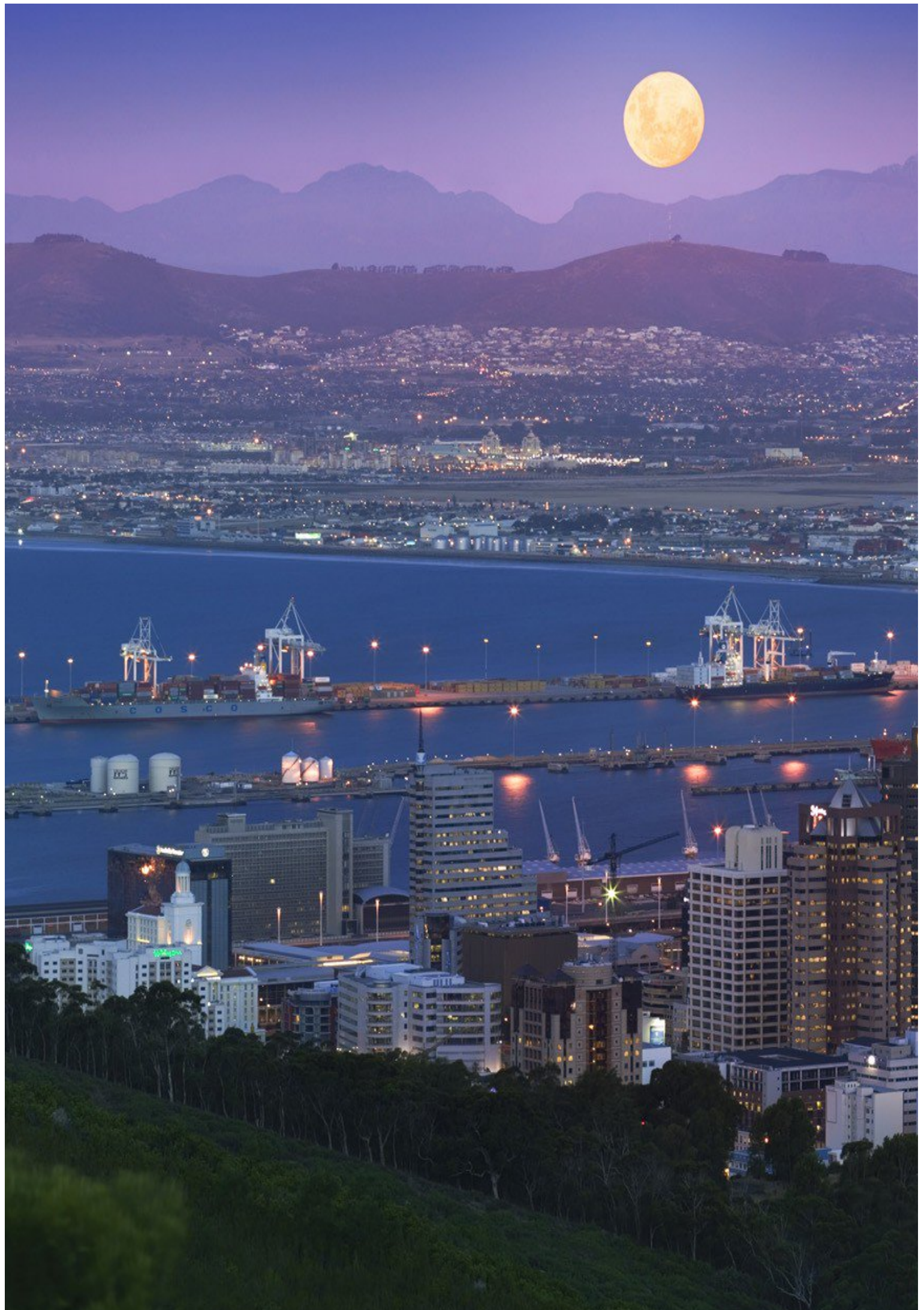
3.9 RECOMMENDATIONS

Enterprises should be encouraged to develop strategic Employment Equity plans that will enable the measured entities to achieve the Employment Equity set targets. The plan must focus on all levels of management, namely Senior, Middle and Junior Management, although there is a much bigger gap to close for Middle and Senior Management.

Enterprises should be encouraged to employ and increase the pool of intellectual capital black people and in particular black women and create mobility growth path route for them towards middle and senior management levels and ultimately executive directors.

It is clear that the sector needs to promote the effective advancement of employment equity and encourage diverse organisational cultures.





CHAPTER 4:

SKILLS DEVELOPMENT



This chapter reports about skills development within enterprises in the property sector.

4.1 DEFINITION OF SKILLS DEVELOPMENT

Skills development measures the extent to which enterprises implement measures that are aimed at developing the core technical skills and competencies of black employees in order to perform their duties as property practitioners or management of enterprises, and subsequently develop the economy of the country. Skills development is defined as “the transfer or gaining of technical knowledge, related skills, values and attitudes in order to develop proficiency and to develop a person’s natural aptitudes and other abilities to improve his/her capabilities as a worker. Training, which generally takes place outside formal educational institutions, is, more often than not, directed towards the needs of a specific employer or group of employers. Skills development spend refers to the direct cost, excluding peripheral costs, incurred by a company for accredited or sector acknowledged training and development including costs related to learnerships and bursaries and excluding the skills levy as per the Skills Development legislation (Property Sector Code).”

4.2 SKILLS DEVELOPMENT CHALLENGES

Enterprises in the Property Sector are not adequately investing in skills development. Consequently, the Property Sector is characterised by limited levels of workplace development and continuing educational programmes. Moreover, there are limited accredited curricula and training programmes related to the property profession.



4.3 PURPOSE OF SKILLS DEVELOPMENT IN THE PSC



In response to the challenges, the PSCC develops programmes in partnership with the Sector Education and Training Authority (SETA), Estate Agency Affairs Board (EAAB), any sector regulatory body, government and academic institutions aimed at outlining key actions to address the backlog in structured skills development for the Property Sector. Moreover, the PSC requires enterprises to implement internships for qualified individuals who will work under the supervision of qualified property practitioners, recognise prior learning and promote continuous professional development. The PSC requires enterprises to commit and annually report on skills development, particularly of black people.

4.4 SKILLS DEVELOPMENT DESCRIPTION AND TARGETS

Each Property Sector enterprise commits to achieve the following targets:

- 3% of skills development expenditure of learning programmes, specified in the learning matrix for black employees as a percentage of leviabale amount using the adjustable recognition for gender, in addition to the skills development levy;
- 5% of black employees participating in leadership or category B, C, D programme as a percentage of total employees using the adjustable recognition for gender; and
- 0.3% skills development expenditure on learning programme, specified in the learning matrix for black employees with disabilities as a percentage of leviabale amount using the adjustable recognition for gender

Table 4.1 highlights the skills development targets and weights set by the PSC for enterprises in the property sector.

Table 6.1: Skills development targets and weightings

SKILLS DEVELOPMENT (15 points)		
Indicators	Weightings	Compliance target
Skills development expenditure of learning programmes, specified in the learning matrix for black employees as a percentage of leviabale amount using the adjustable recognition for gender, in addition to the skills development levy	6	3%
Skills development expenditure on learning programme, specified in the learning matrix for black employees with disabilities as a percentage of leviabale amount using the adjustable recognition for gender	3	0.3%
Number of black employees participating in leadership or category B, C, D programme as a percentage of total employees using the adjustable recognition for gender	6	5%

4.5 ACTUAL SKILLS DEVELOPMENT

The average total skills development weighting score for the year 2015 achieved was 10.42, and it was lower than the set weighting of 15. This makes the achievement of Skills Development at 69.5%. The average total skills development is the sum total of the following scores:

- average black skills development spending score;
- average black disabled skills development spending score; and
- average sector learnership score.

4.5.1 Segment Performance of Skills Development

Property management services segment had the highest weighting score of 12.20, which was lower than the set weighting of 15 while asset management had the lowest weighting score of 8.54 and lower than the set weighting. Figure 4.1 indicates the average skills development weighting score per segment.



4.5.2 Listed Segment Performance

The listed Property Sector with Employment Equity is only made up of companies, under Property Loan stock (internally management).

- However, no record was captured under this area.

4.5.3 Property Management Services

Property management services achieved 12.20 points, which is 81% against set weighting target.

4.5.4 Institutions

Institutions achieved 11 points, which is 73% on target with set weighting targets



4.6 PERFORMANCE OF SUB-ELEMENTS UNDER SKILLS DEVELOPMENT

4.6.1 Black Skills Development Spending

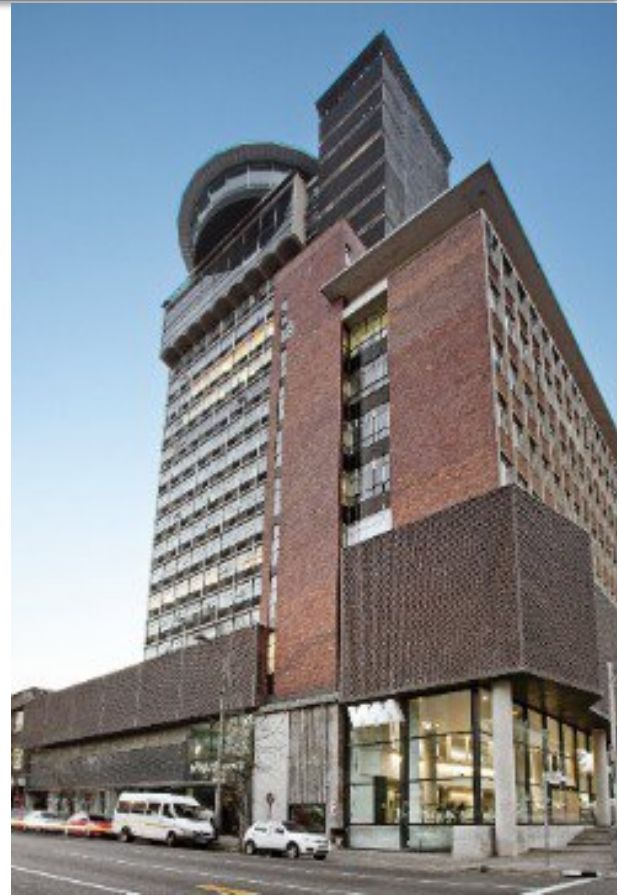
The scores for the year 2015 are 6.52% and 8.47%, respectively, and they were higher than the set target of 3%.

4.6.2 Disabled Black Skills Development Spending

The average disabled black skills development score for the year 2015 achieved was 10.15%, and it was higher than the set target of 0.30%.

4.6.3 Number of Black Learners

The average number of black learners (including category B, C and D) for the year 2015 achieved was 16.28%, and it was much higher than the set target of 5%.



4.7 SUMMARY

Although all the scores for the sub-elements were higher than the set target, the skills development score was moderately lower than the set target.

4.8 RECOMMENDATIONS

Skills Development is one of the critical elements for now but also has an impact on the future outlook in transformation performance of the sector. Skills Development ensures that any effort put in transformation now can be sustainable because there is enough intellectual pool capital amongst black people and black women that are qualified to do the work. Enterprises should be encouraged to spend more on skills development of black people and not forgetting people living with disability. The Property Sector must work together with academic institutions to build a curriculum that would meet the needs of current and future trending needs.

Learnerships have become important to address the unemployment in our country by ensuring that people are employable and organisations are highly encouraged to do recognised learnership training in line with the learner matrix.

Lack of addressing Skills Development comprehensively in an integrated and holistic manner will negatively impact enterprises and ultimately the entire property sector. Address skills development in a manner that accelerates the advancement of black people (especially black women and black employees with disabilities) with increased investment in the skills development and training of new entrants.



CHAPTER 5:

PREFERENTIAL PROCUREMENT



This chapter reports on preferential procurement by enterprises in the property sector.

5.1 DEFINITION OF PREFERENTIAL

Preferential procurement measures the extent to which enterprises buy goods and services from suppliers with strong BBBEE procurement recognition levels. It is designed to widen market access for entities, in order to integrate them into the mainstream of the economy. It encourages and facilitates the adoption of BBBEE by aligning business imperatives to BBBEE. Preferential procurement creates economic empowerment benefits indirectly but meaningfully, as it multiplies the effects of private and public sector interventions to promote BBBEE.

5.2 PREFERENTIAL PROCUREMENT CHALLENGES

There has been some reasonable effort in spending on black people and black women suppliers in the Property Sector but more has to be done at a much faster pace. The majority of the enterprises still procure from non-black owned suppliers and some with no BBBEE recognition.

5.3 PURPOSE OF PREFERENTIAL PROCUREMENT IN PROPERTY SECTOR CODE

In line with the Constitution of South Africa and BBBEE Act, the PSC aims to increase procurement of goods and services from BBBEE suppliers by requiring enterprises to commit to preferential procurement set targets. For generic companies to also promote and grow small and medium property services companies, which would help, grow SMMEs and drive job creation too.

5.4 PREFERENTIAL PROCUREMENT TARGETS AND WEIGHTINGS

Each Property Sector enterprise commits to achieve the following targets:

- spend 70% of procurement on BBBEE enterprises
- spend 20% of their procurement on:
 - 50% black owned and
 - 30% black women owned suppliers;
- spend 15% on Qualifying Small Enterprises (QSE) or Exempted Micro-Enterprises (EME); and
- 40% procurement spend on property service enterprises with a BBBEE status of Level One to Four; (1-4), Enterprises must implement preferential procurement policies that promote procurement spending on BBBEE enterprises and small and micro enterprises.



Table 5.1 summarises the indicators and weightings for preferential procurement.

Table 7.1: Preferential procurement targets and weightings

PROCUREMENT(20 points)		
Indicators	Weightings	Compliance Target
Procurement from BBBEE suppliers	10	70%
BBBEE procurement spend from QSE or EME	2	15%
BBBEE procurement from 50% black owned (3 out of 5 points) and 30% black owned (2 out of 5 points)	5	20% (12%) (8%)
% of procurement spend with black owned enterprises (Level 1-4) as a percentage of total property services spend	3	40%

5.5 ACTUAL PREFERENTIAL PROCUREMENT

The average total preferential procurement weighting score for the year 2015 achieved was 16.52, and it was lower than the set weighting of 20. This makes the achievement of ownership at 82.6%. The average total weighting preferential procurement is the sum total of the following scores:

- average sector BBBEE recognised spending score;
- average QSE and EME spending score;
- average sector black owned suppliers score from;
 - Majority black owned suppliers and
 - average sector black women owned suppliers score.
- Average black owned enterprises that are level 1-4 in total property services.

5.5.1 Segment Performance of Preferential Procurement

The property loan stock (internal management) had the highest weighting score of 19.86, which was lower than the set weighting of 20 while property owner had the lowest weighting score of 13.39 and lower than the set weighting. Figure 5.1 indicates the average preferential procurement weighting score per segment.

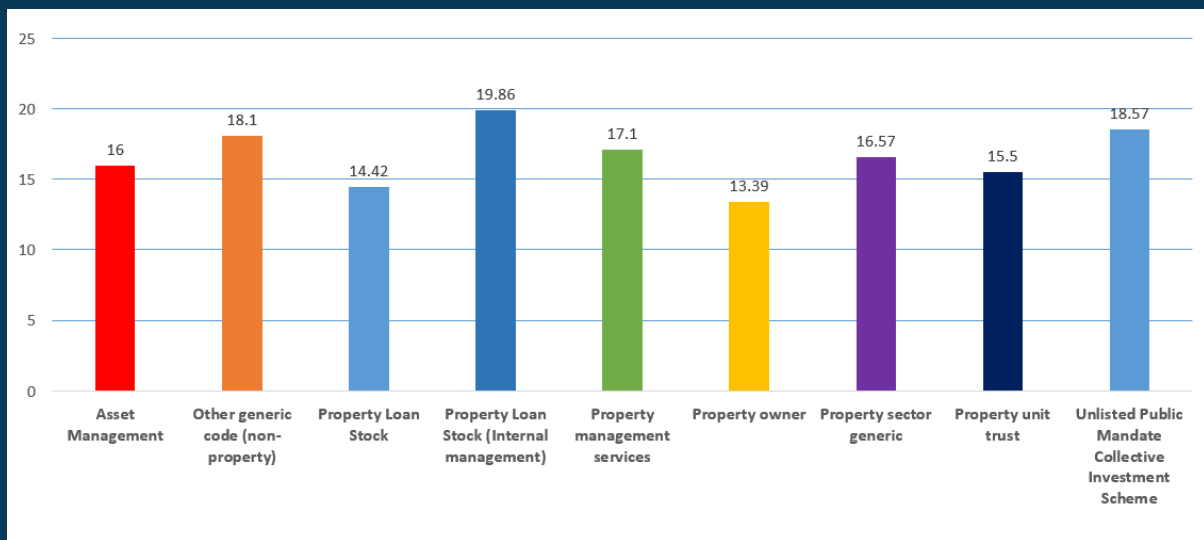


Figure 5.1: Average preferential procurement weighting score per segment

5.5.2 Listed segment performance

The listed Property Sector is made up of companies classified under Property Loan Stock, Property Loan stock (internally management), Property Unit Trust.

- **The Property Loan Stock (internal management):** achieved 19.86 points, which is 99% against set weighting target.
- **Property Unit trust:** achieved 15.5 points, which is 78% against set weighting target.
- **Property Loan stock:** achieved 14.42 points, which is 72% against set weighting target.

5.5.3 Property Management services

Property management services achieved 17.1 points, which is 84% against set weighting target.

5.5.4 Institutions

Institutions achieved 18.1 points, which is 91% on target with set weighting targets.

5.6 PERFORMANCE OF SUB-ELEMENTS UNDER PREFERENTIAL PROCUREMENT

5.6.1 Sector BEE Recognised Spending

The scores for the year 2015 were, 12.25% and 81.94%, respectively. The score for average sector BBEE recognised spending including non-PSCs was lower than the set target of 70% whereas the score for PSCs only was higher than the set target.

5.6.2 Sector QSE and EME Spending

The average sector QSE and EME spending score for the year 2015 achieved was 18.30%, and it was higher than the target of 15%.

5.6.3 Sector Black Owned Suppliers

The average sector black owned supplier score for the year 2015 achieved was 16.61%, and it was higher than the set target of 12%.

5.6.4 Sector Black Women Owned Suppliers

The average sector black owned suppliers score for the year 2015 achieved was 11.79%, and it was higher than the set target of 8%.

5.7 SUMMARY

The sub-element sector BEE recognised spending had sub-score that was lower than the set target, namely, average sector BEE recognised spending including non-PSCs. The other sub-score of sector BEE recognised spending was higher than the set target, namely, PSCs only. All other sub-elements had scores that were higher than the set targets.

5.8 RECOMMENDATIONS

Property segments should be encouraged to commit more to preferential procurement. Strategies should be put in place to ensure that increase BBBEE supplier enterprises comply with the set targets. Enterprises are encouraged to have procurement policies that enhance entrepreneurial development and increase the number of BBBEE firms and SMMEs providing services and products to the sector whilst promoting sustainable growth of such firms;





CHAPTER 6:

ENTERPRISE DEVELOPMENT



This chapter reports on the property sector's enterprise development.

6.1 DEFINITION OF ENTERPRISE DEVELOPMENT

Enterprise development refers to the monetary and non-monetary support to develop and foster new or existing small and micro enterprises with a BBBEE status level of One (1) to Four (4) (PSC). It measures the extent to which enterprises carry out and accelerate the development of the operational and financial capacity of entrepreneurial enterprises who contribute towards broad-based BEE and the sustainability of such enterprises. The primary beneficiaries of enterprise development should be the small and medium enterprises owned and controlled by black people. The measures range from direct financial assistance to non-monetary support provided to entrepreneurial enterprises in order to transform the Property Sector.

6.2 ENTERPRISE DEVELOPMENT CHALLENGES

The Property Sector is characterised by limited support in enterprise development support and lack of promotion for growth of sustainable enterprises.

6.3 PURPOSE OF THE ENTERPRISE DEVELOPMENT IN THE PSC

To redress the challenge, the Property Sector should commit to invest, support, facilitate, and foster new and existing small and micro enterprises with Level One (1) to Level Four (4) BBBEE status. The Property Sector should implement enterprise development programmes.

6.4 ENTERPRISE DEVELOPMENT TARGETS AND WEIGHTINGS

Each Property Sector enterprise commits to achieve the following targets within five (5) years:

3% of the net profit after tax. Table 6.1 summarises the targets and weightings for enterprise development.

:

Table 6.1: Enterprise development targets and weightings

ENTERPRISE DEVELOPMENT (15 points)		
Indicators	Weightings	Compliance Target
Value of all Enterprise Development contributions and sector specific programmes made by the measured entity as a percentage of the target	5	3% of NPAT



6.5 ACTUAL ENTERPRISE DEVELOPMENT

The average enterprise development weighting score for the year 2015 achieved was 10.96, and it was higher than the set weighting of 10. This makes the achievement of Enterprise Development at 109.6%.

6.5.1 Segment Performance of Enterprise Development

Asset management had the highest weighting score of 15, which was higher than the set weighting of 10 while property loan stock, property loan stock (internal management), property owner, property sector generic and unlisted public mandate collective investment scheme had lowest weighting score of 10 but equal to the set weighting. Figure 6.1 indicates the average enterprise development scores per segment.

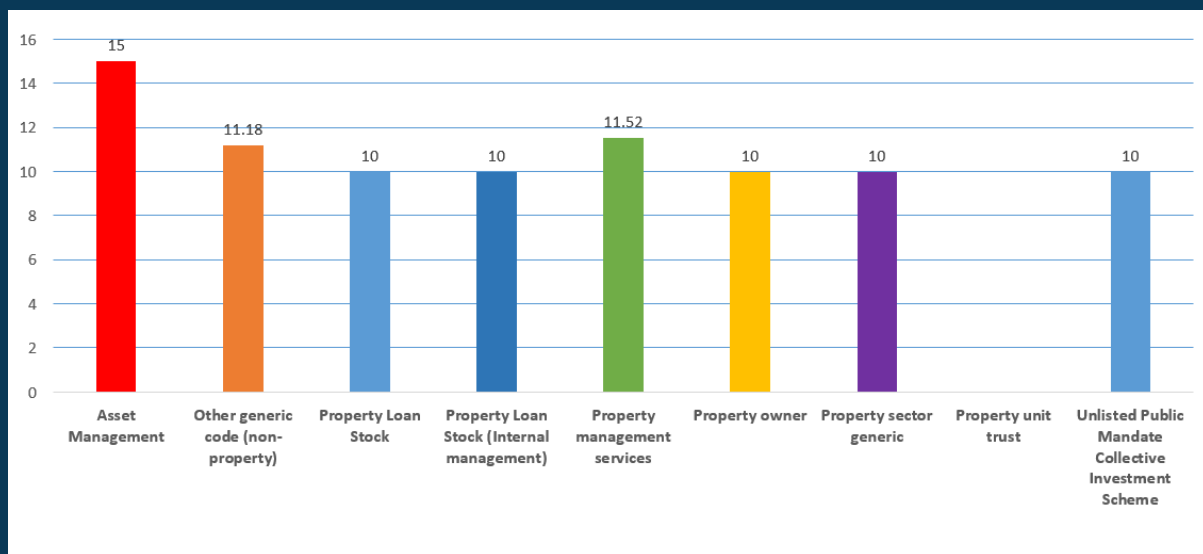


Figure 6.1: Average enterprise development weighting score per segment

6.5.2 Listed Segment Performance

The listed Property Sector is made up companies classified under Property Loan Stock, Property Loan stock (internally management), Property Unit Trust.

- **The Property Loan Stock (internal management):** achieved 10 points, which is 100% against set weighting target.
- **Property Unit trust:** no data under this category.
- **Property Loan stock:** achieved 10 points, which is 100% against set weighting target.

6.5.3 Property Management Services

Property management services achieved 11.52 points, which is 115% against set weighting target.

6.5.4 Institutions

Institutions achieved 11.08 points, which is 112% on target with set weighting targets.

6.6 PERFORMANCE OF SUB-ELEMENTS UNDER ENTERPRISE DEVELOPMENT

6.6.1 Sector Enterprise Development Contributions

The average sector enterprise development contribution score for the year 2015 achieved was 22.71%, and it was higher than the set target of 3%.

6.7 SUMMARY

There has been excellent achievement against target

6.7 RECOMMENDATIONS

Property segments should be encouraged and supported to improve on their commitment and the real achievements towards enterprise development with emphasis to creating sustainable enterprises.





CHAPTER 7:

SOCIO-ECONOMIC DEVELOPMENT

Socio-Economic
Development

Weighting points= 2

Socio-Economic Development
Contribution

This chapter reports on the property sector's socio-economic development.

7.1 DEFINITION OF SOCIO-ECONOMIC DEVELOPMENT

Socio-economic development measures the extent to which enterprises carry out initiatives that contribute towards socio-economic development or sector specific initiatives that promote access to the economy for black people.

7.2 SOCIO-ECONOMIC DEVELOPMENT IN PROPERTY SECTOR

The South African Property Sector has shown great character and commitment towards effective implementation of economic development initiatives.

7.3 PURPOSE OF SOCIO-ECONOMIC DEVELOPMENT IN PSC

The Property Sector enterprises are required to commit their resources to initiate and contribute to socio-economic development projects that benefit blacks. These socio-economic development projects should be monitored and evaluated to measure the impact. Enterprises are encouraged to form partnerships with private sector organisations in and outside of the Property Sector to improve socio-economic development.

7.4 SOCIO-ECONOMIC DEVELOPMENT TARGETS AND WEIGHTINGS

Each Property Sector enterprise commits to achieve the following targets within five (5) years:

- 1% of Net Profit After Tax (NPAT) of average annual value of all socio-economic development contributions made by the measured entity as percentage of the target.

Table 7.1 summarises the indicators, targets and weightings for socio-economic development.

SOCIO-ECONOMIC DEVELOPMENT (2 points)

Indicators	Weightings	Compliance Target
Average annual value of all socio-economic development contributions made by the measured entity as a percentage of the target	2	1%

Table 7.1: socio-economic development targets and weightings

7.5 ACTUAL SOCIO-ECONOMIC DEVELOPMENT

The average socio-economic development weighting score for the year 2015 was 2.16%, and it was higher than the set weighting of 2. This makes the achievement of Socio-Economic Development at 108%.

7.5.1 Segment Performance of Socio-Economic Development

Asset management had the highest weighting score of 3, which was higher than the set weighting of 2 while property owner had lowest weighting score of 0.75 and lower than the set weighting. Figure 7.1 indicates the average socio-economic development weighting score per segment.

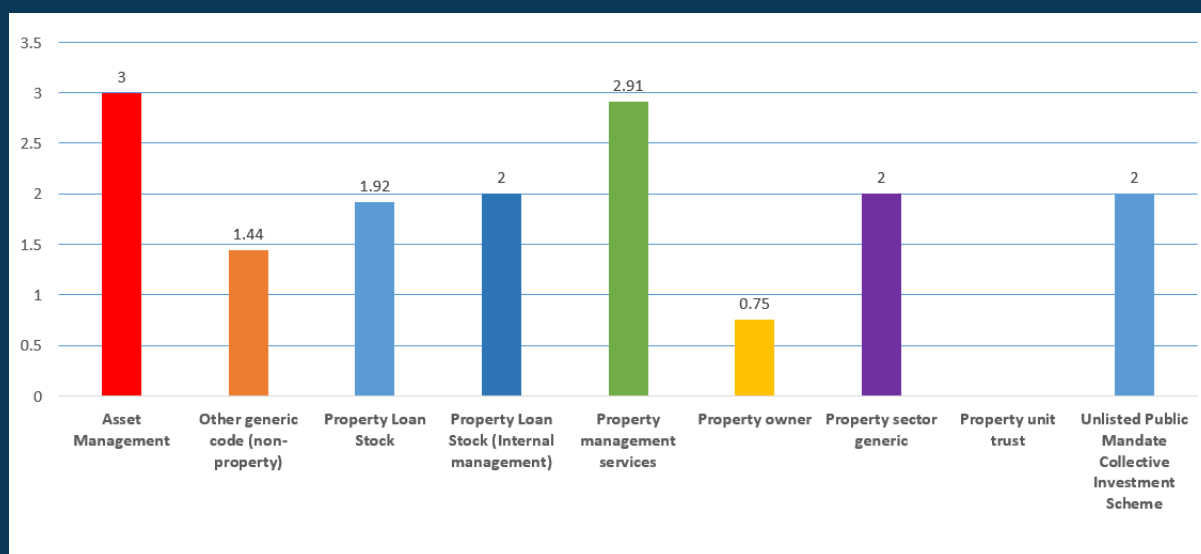


Figure 7.1: Average total socio-economic development weighting score per segment

7.5.2 Listed Segment Performance

The listed Property Sector is made up companies classified under Property Loan Stock, Property Loan stock (internally management), Property Unit Trust.

- **The Property Loan Stock (internal management):** achieved 2 points, which is 100% against set weighting target.
- **Property Unit trust:** As per their Legislation, they are not allowed to SED.
- **Property Loan stock:** achieved 1.92 points, which is 96% against set weighting target

7.5.3 Property Management Services

Property management services achieved 2.91 points, which is 146% against set weighting target.

7.5.4 Institutions

Institutions achieved 1.44 points, which is 72% against set weighting targets.

7.6 PERFORMANCE OF SUB-ELEMENTS UNDER SOCIO-ECONOMIC DEVELOPMENT

7.6.1 Sector Socio-Economic Development Contributions

The average socio-economic development contributions score for the year 2015 achieved was 11.18%, and it was higher than the set target of 1%.

7.7 SUMMARY

Property Sector has shown excellent performance in socio-economic development.

7.8 RECOMMENDATIONS

The property sector performed well against target and must continue to improve their commitment. As the Property Sector we need encourage good corporate citizenship amongst enterprises in the sector, including participation in corporate social investment projects and adherence to triple bottom line accountability.

As a sector we need to promote investment in and contribute to growth of the sector;





CHAPTER 8:

ECONOMIC DEVELOPMENT



This chapter reports on the performance of Property Sector enterprises in their pursuit to achieve set economic development targets.

8.1 DEFINITION OF ECONOMIC DEVELOPMENT

Economic development measures the disposal of assets to BBBEE enterprises as a percentage of the total asset disposal (private) which are black owned and the development investment in under-resourced areas as a percentage of total annual investment.

8.2 ECONOMIC DEVELOPMENT CHALLENGES

The Property Sector lacks investment and property development in under-resourced areas. This in turn leads to service inequality and limited trade of properties in these areas.

8.3 PURPOSE OF ECONOMIC DEVELOPMENT IN THE PSC

In response to the challenges, enterprises in the Property Sector are, therefore, required to develop properties and infrastructure in under-resourced areas.

8.4 ECONOMIC DEVELOPMENT TARGETS AND WEIGHTINGS

Each Property Sector enterprise commits to achieve the following targets within five (5) years:

- 10% of new property development in under-resourced areas over a five (5) year period; and
- Enterprises are required to commit 35% of property disposals to Level One (1) up to Level Three (3) BBBEE enterprises that are black owned over a five (5) year period.

Table 8.1 summarises the targets and weightings for economic development.

ECONOMIC DEVELOPMENT (15 points)		
Indicators	Weightings	5 Year Target
Disposal of assets to BBBEE enterprise (Level 1-3) as a % of total asset disposal (private) which are black owned	8	35%
Development Investment in under-resourced areas as a % of total annual investment	7	10%

Table 8.1: Economic development targets and weightings

8.5 ACTUAL ECONOMIC DEVELOPMENT

The average economic development weighting score for the year 2015 achieved was 8.84, and it was lower than the set weighting of 15. This makes the achievement of Economic Development at 59%. The average economic development score is the sum total of two (2) indicators, namely,

- the average sector disposal of assets and average sector
- investment in under resourced areas.

8.5.1 Segment Performance of Economic Development

Property loan stock (internal management) had the highest weighting score of 15, which was equal to set weighting of 15 while other generic code (non-property) had the lowest weighting score of 7 and lower than the set weighting. Figure 8.1 indicate the average total economic development weighting score per segment.

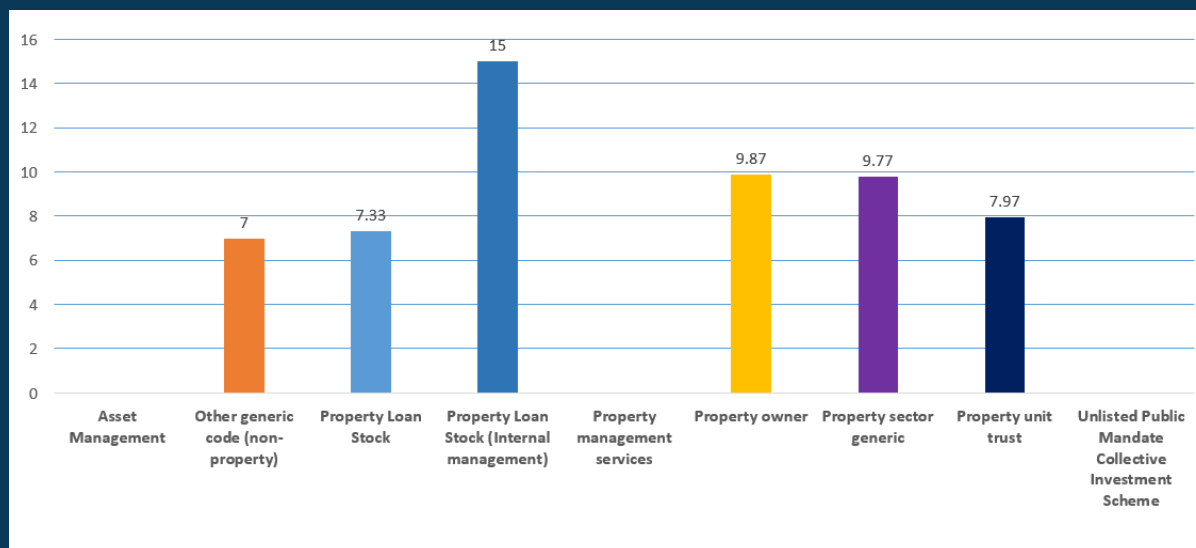


Figure 8.1: Average total economic development weighting score per segment

8.5.2 Listed Segment Performance

The listed Property Sector is made up companies classified under Property Loan Stock, Property Loan stock (internally management), Property Unit Trust.

- **The Property Loan Stock (internal management):** achieved 15 points, which is 100% against set weighting target.
- **Property Unit trust:** achieved 7.97 points, which is 53% against set weighting target.
- **Property Loan stock:** achieved 7.33 points which is 49% against set weighting target

8.5.3 Property Management Services

Property management services do not participant in development and neither do they dispose property.

8.5.4 Institutions

Institutions achieved 7 points, which is 47% against set weighting targets.

8.6 PERFORMANCE OF SUB-ELEMENTS UNDER ECONOMIC DEVELOPMENT

8.6.1 Average Sector Disposal of Assets

The average sector disposal of assets' score for the year 2015 achieved was 23.82%, and it was lower than the set target of 35%.

8.6.2 Average Sector Investment in Under Resourced Areas

The average sector investment in under resourced areas score for the year 2015 achieved was 36.88%, and it was higher than the set target of 10%.

8.7 SUMMARY

The score for the sub-element, average sector disposal of assets, was lower than the set target. However, the score for the sub-element, average sector investment in under resourced areas, was higher than the set target.

8.8 RECOMMENDATIONS

All segments should be encouraged to submit their scorecards for economic development. Segments should be encouraged to dispose assets to BBBEE enterprises in order to increase property ownership by black people and to continue to invest in under resourced areas. As Property sector we need to promote property development and investment in under-resourced areas which enhances basic infrastructure, encourage enterprises.





CHAPTER 9:

OVERVIEW OF THE GENERAL INTERVENTION PLAN TO ADDRESSING CHALLENGES OF PROPERTY SECTOR

The Property Sector Charter Council aims to promote the objectives of the BBBEE Act as these relate to the property sector and, in particular, but without limitation:

- Enhance **uniformity and consistency in the application of the principles contained in the code.**
- Promote economic transformation in the property sector in order to enable **meaningful participation of black people including women, the youth, people with disabilities and other designated groups;**
- **Unlock obstacles to property ownership and participation** in the property market by black people;
- Find possible means to unlock where feasible **accessibility of finance for property ownership and property development;**
- Achieve a substantial change in the **racial and gender composition of ownership, control and management and enhance the participation of black people (including black women) and designated groups** in the property sector;
- Promote the effective **advancement of employment equity** in the property sector and **encourage diverse organisational cultures;**
- Address **skills development** in a manner that accelerates the **advancement of black people (especially black women and black employees with disabilities) with increased investment in the skills development and training of new entrants;**
- Increase the **pool of intellectual capital amongst black people, particularly black women, in the sector by focusing on attracting new entrants and developing appropriate curricula;**
- Enhance **entrepreneurial development and increase the number of BBBEE enterprises and SMMEs providing services and products to the sector** whilst promoting sustainable growth of such firms;
- Increase the **procurement of goods and services from BBBEE suppliers;**
- Encourage **good corporate citizenship amongst enterprises in the sector, including participation in corporate social investment projects and adherence to triple bottom line accountability;**
- **Promote investment** in and contribute to **growth of the sector;**
- Promote property development and **investment in under-resourced areas which enhances basic infrastructure,** encourage investment and supports micro and small enterprises;

CHAPTER 10:

FROM HERE WHERE TO?

10.1 Qualitative Study

This report is based on quantitative submission of the BBBEE scorecards. We will be following this report with a qualitative segment forum session – where each segment in the property sector e.g Listed entities, Property Services, Estate Agents etc can hopefully qualify their performance under each element and propose intervention plan to close the gap between the achieved and set targets.

10.2 Intervention Plan

PSCC 2018 programme will be mainly driven by the intervention plan developed based on the above report that factors all considerations.

10.3 Final Recommendations

Final recommendations will be carefully drafted based on comprehensive analysis of both quantitative and qualitative report. And will be released as part of the final in 2018.







PROPERTY SECTOR CHARTER COUNCIL

THANK YOU MESSAGE

Property Sector Charter Council (PSCC) would like to express its sincere appreciation to all the companies that responded to our request for information to conduct this imperative research as we enter a new phase with the revised Property Sector Code.

The Research Committee for their time and intellectual efforts selflessly; their dedication, willingness and commitment to this project and the property sector in general remain undoubted and the value that they have put into this project remains unmatched.

We want to thank everyone who has made a contribution to this research, directly or indirectly, big and small. We value your input and contributions and hope you are able to continue to enhance this research through feedback and responses in your various roles.

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