

# INTRODUCTION TO PROPERTY DEVELOPMENT

## ENTREPRENEUR EMPOWERMENT PROPERTY FUND

Date: 12th February 2015

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GAUTENG PARTNERSHIP FUND

LEVERAGING **AFFORDABLE** HOUSING FINANCE



# CONTENT

1. What is Property Development?
2. Site Identification and Acquisition
3. Appointment of Professionals
4. Viability Study
5. Project and Construction Management
6. Property Management
7. Challenges to Property Developments

# Entrepreneur's Perspective

- It is process of improving the usefulness of land or building through the development of facilities that meet social, commercial and infrastructural needs;
- Turning dreams into reality;
- Property is said to be at the heart of real wealth and power;
- “Its tangible, its solid, its beautiful, its artistic, I just love property” **Donald Trump**

# Architect's Perspective.

- Shaping the built environment for commercial gain
- Finding the delicate balance between good design and the commercial imperative
- Architecture arouses sentiments in man. The architect's task is to make those sentiments become a reality
- “All architects want to leave beyond their death”

# Town Planner's Perspective

- Delivery and management of places for people to live, work, shop and play.





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Gauteng Partnership Fund  
Leveraging Affordable Housing Finance





- **Determine Macro Economic Indicators:**

- **Economic Outlook**
- **Trends and Cycles**
- **Inflationary impact**
- **Interest Rate**
- **Where is the growth potential**



- **Determine Micro Economic Indicators:**
  - **Population numbers and growth projections**
  - **Socio- economic and demographic profiles**
  - **Residential Property Market**
  - **Competitor Analysis**

- **Determine your Site:**

- **Location**

- **Exposure**

- **Existing and Planned Infrastructure**

- **Public Amenities and facilities**

- **Accessibility and public transport Rea Via Route, Taxi**

# SITE IDENTIFICATION AND ACQUISITION

- **Check Title Deed** – Restrictive of title, Zoning, Servitudes, Heritage, environmental
- **Conditions of Township Establishment-** Bulk contributions, Local authority; Ensure they can deliver, Electricity, Utility company
- **Timelines** – Rezoning application, Eskom Supply of Electricity
- **Geotechnical Investigation** -EIA, Dolomitic conditions

# SITE IDENTIFICATION AND ACQUISITION

- Acquisition of Site

- **Sale Agreement** – must be painfully precise, environmental
- **Transfer of Property** – has effect on project cashflow
- **Conclusion of Sale Agreement**– after all visibility studies complete, analysed and reviewed



# VIABILITY STUDY

- **Land Acquisition**

- **Purchase Price of land or building** – opportunity cost per unit should not be more than R60 000
- **Town Planning Costs** – Application, Local authority negotiations, appeals, EIA
- **Soil Conditions**

# VIABILITY STUDY

- **First Year Net Yield**

## Add

- **Gross Rental Income**
- **Parking Income**
- **Retail Income**
- **Operating cost recoveries**

## Less

- **Operating Costs**
- **Vacancy Provision**
- **Bad Debts**

**= First Year Net Income**

- **1<sup>st</sup> Year Net Income/ Capital Cost = First Year Net Yield**

# PROJECT AND CONSTRUCTION MANAGEMENT

- Project management
- Appointment of professional team.
- Negotiate price with contractor or call for proposals.
  - Fixed or variable
- Manage drawdowns
- Practical completion and occupation certificate

# PROPERTY MANAGEMENT

Property management is the day to day management of the building:

- Function can be outsourced or performed in-house
- Property management involves:
  - Leasing of the premises;
  - Tenant selection and management;
  - Collection of rentals;
  - Payment of all property related expenses;
  - Accounting and reporting of the financials of the property
  - Vacancy and bad debt management;
  - Appointment of contractors i.e. cleaning, security, lifts etc.



# CHALLENGES TO PROPERTY DEVELOPMENTS

## Sustainable development:

- Eskom power crisis;
- Green building;

## Infrastructure:

- Electricity
- Roads,
- Planning approval process
- Public transport

## Empowerment:

- 18 years of democracy the property ownership has not fundamentally changed

## Lack of Funding:

- Banks are not lending in this market;
- Lack of equity contribution

# CURRENT PROJECTS



- Location : Jeppestown
- No of Units: 32
- Total cost : R9.5million



- Location: Bertrams
- No of Units: 31
- Total cost: R10.3million



- Location: Hillbrow
- No of Units: 50units
- Total cost : 13.8million

# CURRENT PROJECTS



- Location: Troyeville
- No of Units: 36
- Total cost: R11.5million



- Location: Glen Marais ,Kempton Park
- No of Units: 42
- Total cost: R15million



- Location: Primrose Hill
- No of Units: 30
- Total cost : R12.7million

## ***“Leveraging Affordable Housing Finance”***

