

Social drivers affect South African property

Last week Prof Francois Viruly of Viruly Consulting gave his opinion on the impact of economic drivers on SA's property market, this week he explores how social drivers affect it.

This brings to the fore the question of whether we are going to see more high or low-income areas in townships," he says.

Viruly says that many years ago he confidently divided people into those associated with commercial property and those associated with residential property. "Increasingly these markets are getting closer and closer. The Melrose Arches of this world are examples of where these components are integrating.

"The next issue we have to ask ourselves is how will we start with this in townships? Are we going to move into the next frontier which is going to see townships with swimming pools and more amenities? I believe that we will see a middle class in the township environment and I wouldn't be surprised if we move into that particular direction, i.e. a complex with a swimming pool."

When it comes to Johannesburg's CBD, Viruly feels that the conversion of offices into residential accommodation is very interesting. "I see that the first buildings in Braamfontein have been imploded," he says.

"We reached the stage where we can go beyond the renovation of buildings because residential values are high enough. We can say that maybe the whole building can come down. We haven't seen this in the past, so financial viabilities are starting to work.

"The only thing I think we should be worried about in the property market is the conversion of an office node into a residential node. This is because residential nodes need social infrastructure such as schools, police stations and parks. So care must be taken in the future when it comes to turning an office node into a residential node without that infrastructure.

"Local government must effectively come to the party if that market is going to work. My view is that much of the Selby area should be imploded and it should go the Malaysia high-rise housing route. All the Selby stuff should come down and it should go residential. We are really looking at putting people into residential areas closer to their work and that does great things for the office sector as well.

"When it comes to the commercial sector you may have heard the term inclusionary housing. There has been much debate about inclusive residential developments where a certain percentage of the development is set aside for affordable housing."

Viruly says the same kind of thinking can be applied to commercial developments. "Inclusionary commercial development is the next step. Some developers would say you cannot have a shopping centre with street traders outside.

"But take the Mall of Rosebank as an example. Traders outside the shopping centre are not new. But I would imagine that if they sold milk or clothing, for example, the game would change," he says.

"The question that arises is how does your street trader move up the commercial ladder in South Africa and how can we assure that those from the bottom of the ladder are not excluded from trading areas in South Africa.

"The Mall of Rosebank, which created space for an African crafts market, is a good example of that. The mall also provides a rooftop market every Sunday, which gives smaller traders an opportunity to showcase their wares.

"Many shopping centres do it on Sundays with rooftop markets. There have been shopping centres that have initiated projects which allow small traders to operate out of kiosks, which also permits them to eventually move into a more formal store in the shopping centre.

"Looking ahead, we may well see ourselves in a scenario where those markets are going to work together.

"Effectively the retail property sector could play a pivotal role in encouraging inclusive commercial development.

"South Africa's malls have really been ahead of the game in terms of providing a place for the small trader."

Viruly goes on to explain that the property market works in two ways.

It follows the direction from town planning to services to building to occupation or vice versa. "If we fail in the route from town planning down to servicing, you can be sure that in a developing country it's going to follow the other direction, which starts with occupation and then building and then getting highly ticked off because no one is servicing the building and then taking care of town planning," he says.

"What I'm saying is that our failure in the property market to go down the town planning route means that the way things are going to work is that residential and commercial street traders will start by occupying the pavement. Here we have to be very careful about how we play the property market as we go ahead.