

2010 FIFA World Cup – Opportunities and pitfalls

Gary Bailey – Soccer Expert

The 2010 FIFA World Cup South Africa has become the driver for infrastructural change within our country, the upgrading of Eskom, the announcement of new and upgraded airports and lots more. Leading up to 2010, the government has committed to an infrastructural investment of R410 billion and during 2010, visitors will spend over R10 billion in just 4 weeks. This event is about more than four weeks of soccer, it is also about the impact that it will have on all business sectors, pre- and post the event. No sectors will be more influenced than that of the property and construction industries.

Plenty of opportunities will arise for both sectors, which will lead to significant profits to be made – if, however, a conservative and sensible approach is taken. Consider the projected billions that will be spent on upgrading, improving and creating new infrastructures leading up to 2010 on projects such as the Gautrain and five magnificent stadiums being built in major cities around South Africa – all signs that construction is definitely experiencing a boom. Even after 2010, Coega will be fully underway, the mining industry should continue showing growth.

Construction companies will do well to look north of our borders for new opportunities. Africa is on the move and all the skills and resources that would have been up-scaled to 2010, can be put to further good use. In addition, with MATCH, the official accommodation arm of FIFA, requiring 55,000 beds for the World Cup and currently only occupying 25,000, there is also a great need for more accommodation. However, most of it will come from new B&B's so it might not be wise to build on the basis of a four week boom in visitors. In fact, many will come onto the market from poorer areas, for the African experience provided, and these will be likely to take up any post 2010 boom in tourism.

Commercially, office rentals are also likely to show good growth as multi-nationals move in to prepare for 2010, and many might stay afterwards. From a private property point of view, house rentals should be strong as many senior construction managers and also FIFA personnel are likely to need upmarket homes to rent for a few years. Foreign visitors will fall in love with our coastal cities such as Port Elizabeth and invest in holiday homes.

The upcoming 2010 will offer amazing possibilities for all the citizens of South Africa and will allow us to leave a legacy for our children.

John Chapman – Rabie Property Group

South Africa is in the midst of a fixed investment boom due to accelerating economic growth. The greatest challenge for the property and construction sectors in the build-up to the 2010 FIFA World Cup therefore will be managing the existing constraints within the industry particularly in terms of materials and skilled labour shortages, which have been strongly evident during the recent residential property boom and the current widespread upturn in the commercial property sector.

Government has made a serious commitment of billions of Rands in new infrastructure projects including port upgrades and Gautrain which will put further pressure on limited resources. This will inevitably have a knock-on effect in terms of building costs and provide increased challenges with regard to programming and quality issues as well as municipal approvals and clearances.

However, on the positive side, in the run up to 2010 South Africa will enjoy a huge amount of free marketing and exposure which can be expected to boost tourism to the country during the World Cup and in the years preceding and following it. This augurs well for the country's leisure property sector as well as the residential property market with increasing numbers of foreigners buying prime South African property.

The commercial property market should also benefit from the international showcasing of South Africa and this could be encouraging for global companies seeking a base to do business on this continent.

To ease the severe skills shortage facing the country, the government is attempting to attract skilled foreigners and South African expatriates in large numbers. This could also have a positive impact on the middle- to high-end residential property sector. Many of these skilled people may well succumb to the South African lifestyle and elect to stay on after their contracts expire which, in turn, will help retain the built-up capacity in the industry which will be required to meet the Government's long-term infrastructure programmes that will extend way beyond 2010.

Wolf Cesman – Madison Property Fund Managers

The financial benefits to South Africa during the period from the date the 2010 FIFA World Cup was awarded until years beyond the event will be significant, yet difficult to quantify. Media coverage has and will expose South Africa to the world with the consequential benefits of incalculable tourist spend.

One would have expected that South Africa has sufficient stadia to host the 2010 FIFA World Cup, some of which may have required increase in capacity and all of which may have undergone moderate modifications to meet Fifa specifications. For whatever reason, several elaborate new stadia, which may not have been necessary, are being developed, the cost of which, together with the cost of upgrades to existing stadia, in aggregate totalling approximately R10 billion, will be funded by the South African Government.

Expenditure of this magnitude, ancillary capital expenditure, the general increase in infrastructural investment in South Africa have collectively placed severe strain on the capacity of the South African contracting and engineering sectors. In the process it would appear that the element of competition has been diminished with the resultant increase in costs arising from extraordinary rate of profit margin for the contractors. In economic terminology demand exceeds supply, which will put pressure on the resources of the limited number of sizeable contractors and sub-contractors, yet increase their profits during the next few years.

Co-ordination and co-operation of the highest degree will be required between the professionals, contractors, sub-contractors, local authority and the 2010 FIFA World Cup Local Organising Committee to ensure timeous delivery, on budget and within specification of each stadium.

The sceptics have little faith in the ability of South Africa to deliver.

I have no doubt that all the facilities required to host 2010 FIFA World Cup in South Africa will be completed on target to facilitate an extremely successful event.

Graeme Smith – MDS Architects

The opportunities presented by 2010 FIFA World Cup are compelling for the construction sector. Add to this the government's commitment to infrastructure spending, and it is easy to see why the construction industry has not been this buoyant for decades – it was in recession for much of the 1980s and 1990s. Now that it has caught up with the global infrastructure boom, engineers and artisans are in short supply.

There are two cautionary tales, however. First, we should remember that just because the demand is there, it does not mean that all players in the industry will be skilled or experienced enough to take advantage of it. We should select our partners wisely and remember that there is no substitute for experience in designing and building the scale of projects required for 2010.

This is also true for the retail and commercial property developments that are on the rise as the residential property cools slightly. More and more developers are finding that the negotiated route, rather than the tender process, allows them to select the right partners and establish a better bargaining position.

Second, it is no secret that there is a dire lack of skilled resources in the country. The residential property boom has hijacked lots of construction resources. Sadly, the skills and material shortage currently experienced will probably worsen leading up to 2010 as road upgrades and maintenance, along with other infrastructure projects, get underway.

Additional challenges also put a dampener on our ability to deliver, such as the disturbing power blackouts being experienced in the country.

The answer lies in training, despite the fact that this is a long-term solution. In a climate in which just about every project we design and build is being fast-tracked, we need to re-focus on the fundamentals of good quality.

South Africa is increasingly seen as a country with a more stable future. When we overcome the few challenges facing us as we move towards the awesome opportunities of 2010, the construction and property sectors will take their rightful place as key drivers of this stability.