

CASE STUDIES

TUHF'S BUSINESS MODEL, ITS BUSINESS PRACTICES AND STANDARDS OF GOVERNANCE ENCOURAGE, FACILITATE AND FOSTER ENTREPRENEURSHIP, MEANINGFUL AND TRULY BROAD-BASED BLACK ECONOMIC EMPOWERMENT, INVESTMENT IN SOCIALLY VALUABLE INFRASTRUCTURE AND JOB CREATION.





ACQUIRING A TASTE FOR AFFORDABLE RENTAL DEVELOPMENT

For most of its long history, Rosettenville, south of the Johannesburg CBD, has been the first port of call for tens of thousands of Portuguese-speaking migrants seeking new lives in the City of Gold.

To this day, Rosettenville retains a distinctly Portuguese flavour – a flavour now known around the world thanks to the worldwide fast food phenomenon, Nando’s, the peri-peri chicken chain of restaurants that first opened in this suburb in 1987.

Whereas Rosettenville has traditionally been a white working class area, the demographic changes that have swept Johannesburg in recent decades have left their imprint on this southern suburb with new migrants from across South Africa and the continent continuously arriving and wanting to live there.

Accommodation in the area is mostly low density – a mix of free-standing and semi-detached houses and smaller, low-rise apartment blocks – and today the demand for accommodation easily outstrips supply. Rosettenville’s attractiveness to individuals and families has to do with the area’s easy access to the city centre and the fact that it remains much less crowded than many of the suburbs that surround the CBD, particularly to its north and east.

In future Rosettenville is likely to become even more attractive to low-income residents with the City of Johannesburg’s 2040 long-term planning envisaging it being densified and developed for mixed use including retail, commercial and residential. Improved rail and bus access will further enhance the area’s desirability.

Recently, architect Jason Berchowitz has come to appreciate Rosettenville’s appeal to low-income would-be tenants and its potential for urban renewal. Berchowitz, whose practice is based in Glenhazel, explains that a good friend of his recently asked whether he would be interested in buying two small properties that had just been auctioned. The friend had bought the two double-storey properties, on Garden St, consisting of eight large one-bedroom units, at the auction but then realised that they did not fit in with his, by then, very substantial portfolio of larger low-income rental accommodation.

Berchowitz was no stranger to the inner city low-income rental market, having consulted with a number of clients (his friend included) on several renovations, some of them consisting of just a handful of units and some of literally hundreds of flats. When his friend asked whether he would be interested in buying the two properties, Berchowitz realised that this could be just the investment he had been looking for and agreed to pay a combined R1.5 million.

“What we’re doing with our properties will have a knock-on effect.”

By mid-2014 Berchowitz had invested a further R1.8 million in renovations and in adding four units at the rear of each property. With other costs (including legal and transfer fees and duties) of some R200,000, the architect and now property developer was invested in Rosettenville to the tune of some R3.5 million.

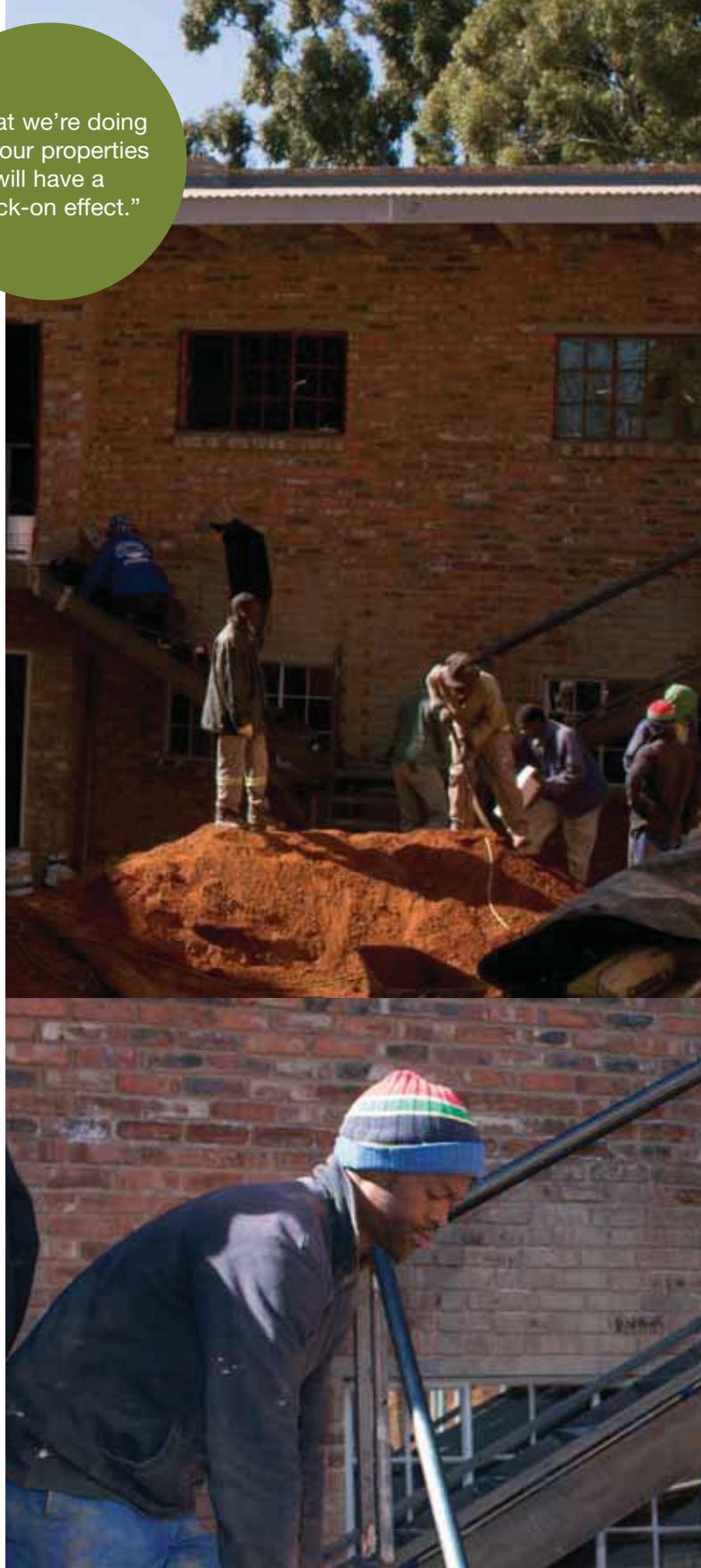
The face brick properties were in a reasonably good condition and refurbishment mostly consisted of upgrading the interiors, painting and installing new kitchenettes and fittings. The new build apartments have cost some R4,000/m². Building and renovations have been carried out by contractors Chargeprop with six employees permanently on site and as many as 20 workers, including subcontractors working at any one time.

The 24 units will be leased as two-bedroom apartments of 45m² for rentals of R3,300 per month.

Another selling point for Trilby Court and Caroline Court will be the fact that Berchowitz has invested R150,000 in a 50,000-litre heat-pump hot-water system which he predicts will mean water heating bills that will be just 20% of conventional electricity costs. Once let, the properties will be managed by a locally-based agent.

Berchowitz, who has three young sons, says his first foray into property development represents an investment in his family’s future, an opportunity to earn annuity income when he one day retires and stops earning a fee-based professional income. But he stresses that his investment probably won’t be assured unless he and his team do their bit to uplift not only Garden St but the area around it. “What we’re doing with our properties will have a knock-on effect,” says Berchowitz. “We also hope to buy nearby properties, do them up and create decent living spaces for our tenants, and create, property by property, a greater and greater positive knock-on effect in the community of Rosettenville.”

Explaining that he turned to TUHF because other banks saw only the negative in suburbs like Rosettenville “and nothing of the positive”, Berchowitz says there is a huge and growing demand for accommodation in the area. “Right now Rosettenville is a pretty good place to live; bit by bit, people like us are going to make it a great place to live.”



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Jason Berchowitz





KEEPING IT IN THE FAMILY

It was Sizakele Majola's mother who got her into the inner city low-cost accommodation business.

"My mom had a project that was financed by TUHF," she explains. "But she didn't drive, so I would drive her to events hosted by TUHF. And, of course, while I was there, I listened to what was going on and what was being said. And now I am a TUHF client myself."

In 2013 Majola identified an opportunity – a small apartment building in the heart of Hillbrow, on the corner of Banket and Kapteijn streets. The building, Minfield Flats, had been virtually hijacked and was in a dreadful condition, rubbish filling its passages and exposed live electrical cables posing a real danger to those living there.

Buying the building was the relatively easy part of Majola's first venture into low-income rental accommodation; turning the building around, fixing it up and making it a sustainable investment would be much harder. "That is why TUHF was so important to me," says the City of Johannesburg emergency services professional. "TUHF was realistic; they helped me to plan what the building would cost to renovate, what all the other expenses would be and what cash flow I could expect." (Majola paid R1.8 million for Minfield Flats and budgeted R650,000 to renovate it.)

TUHF also advised the new property entrepreneur on the processes involved in having the building vacated so that the builders and renovators could move in. Working through the Housing Tribunal an eviction order was obtained and executed. By July 2014 the once dilapidated Minfield Flats had been transformed; 29 smart new units (including three small ground-floor spaza shops) had been carved out of the once decaying property; a fire escape meeting SABS standards and access control had been installed and tenants had already moved in, paying R1,300 and R2,500 for the 12m² and 18m² studio flats.

Immaculate Painters & Renovations had just a month in which to transform Minfield. As project manager Mandla Radebe explained, the work included getting rid of a passage that ran from the front of the building to the rear and that served no real purpose other than to provide dark recesses that undermined the building's security. The space claimed from the passage was used to enlarge the apartments while the builders also installed communal sinks and shelves and bathrooms for each group of four flats.

To illustrate what a terrible state Minfield was in at the time that he and his crew of 15 came on site, Radebe mentions that some 2.4 tons of rubbish was removed from the passages. (Rubble removed from Minfield during the month-long renovation filled ten truckloads.)

Apart from 15 Immaculate employees, more than a dozen sub-contractors were on site at any one time, carrying out electrical work, plumbing, carpentry, tiling and welding, each sub-contractor employing four to six people on the job, according to Radebe.

From July 2014 Minfield Flats has employed three full-time staff – a security person, a cleaner and a caretaker. The three small spaza shops are leased by informal traders for R3,500 per month, their presence boosting security and creating a welcome measure of economic activity.

The new owner is proud of the impact her hard work and investment are having on a small corner of teeming Hillbrow. “This is one of the hardest places in the city in which to do business,” Majola says. “But you can make money if you manage and control the place properly, and make sure that your tenants feel they are living in a good, secure place and that they are being well looked after.

“TUHF have looked after me exceptionally well – especially [CEO] Paul Jackson and [loan officer] Rekwele Mmatli – and I intend to look after my building and my tenants just as well.”

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Sizakele Majola





WINNING BACK JEPPESTOWN

PROPERTY developer Dawie Swart has big plans for what is today a run-down part of Jeppestown, Johannesburg.

Swart's plans go beyond buying blocks of flats, fixing them up and turning them into decent accommodation. Instead he talks about creating "a neighbourhood", turning "a dead area" into a community in which people will want to live, shop, work, socialise and raise their families.

In the property business since he was 19 years old, Swart bought his first building in Jeppestown in 2005. Financed by TUHF, the building was subsequently hijacked but Swart was determined to make his investment (and Jeppestown) work and he fought tooth and nail until eventually he won back control of the property.

Most recently Swart bought 28 Betty Street, a four-storey building that was once a clothing factory and that he and his partners are now converting into 84 flats; 60 two-bedroom (38m² – 42m²) and 24 one-bedroom (25m² – 28m²) apartments. As well as transforming the interior of the building, builders are adding another floor to the property. On the ground floor Swart is putting in quality retail space and he sees Betty Street, which is literally down the road from the Jeppe Police Station, being turned into a one-way with cobbled paving. "We're going to create a quality living area, where people will want to live, where they'll feel invested in their neighbourhood. It'll be a bit like the Maboneng Precinct [closer to the Johannesburg CBD]," he says. Rents at Betty Street will be a reasonable R2,800 for one-bedroom units and R3,500 for two-bedroom units.

Swart will be heavily invested in the neighbourhood he envisages creating out of an area where, despite its proximity to a large police station, people have been afraid to venture at night – his company, Salt City, will eventually have 260 low-income units in Jeppestown, all financed by TUHF. And his investment is considerable. Swart bought 28 Betty Street in 2013 for R5.25 million but renovating the property and equipping it for its new residential use will cost double that amount. In total the entrepreneur expects to spend R40 million on renovations at his Jeppestown portfolio, at an approximate cost of R100,000 per apartment.

Being carried out at cost by Swart's partners, Inkanyeli Projects, the 28 Betty Street renovation began in April 2014 and was scheduled to be completed by the time of the builders' year-end holidays, ready to welcome new residents in January 2015.

Once fully let, 28 Betty Street will employ 14 people full-time: nine security and five management, maintenance and cleaning staff. This is apart from part-time employment that will be created. For eight months in 2014 some 70 people would have worked full-time on 28 Betty Street.



“A building doesn’t exist in isolation from its surroundings.”

Swart’s vision for “his” part of Jeppestown will not only secure his and his partners’ investment, it will have the effect of winning back another part of inner city Johannesburg from decades of neglect, crime and grime. “A building doesn’t exist in isolation from its surroundings,” says Swart. “If you want a building to work, the area around it has to work; people want to feel part of a community. And when they feel that they are part of a community, they will help you to look after the area. It’s a very satisfying feeling knowing that we’re not just doing up a few buildings but that we’re uplifting a whole part of Joburg.”

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Dawie Swart





NEW "YORK HOUSE" TO BREATHE LIFE INTO CBD

In the very heart of downtown Johannesburg, for decades York House was home to dozens of companies and hundreds of their office staff.

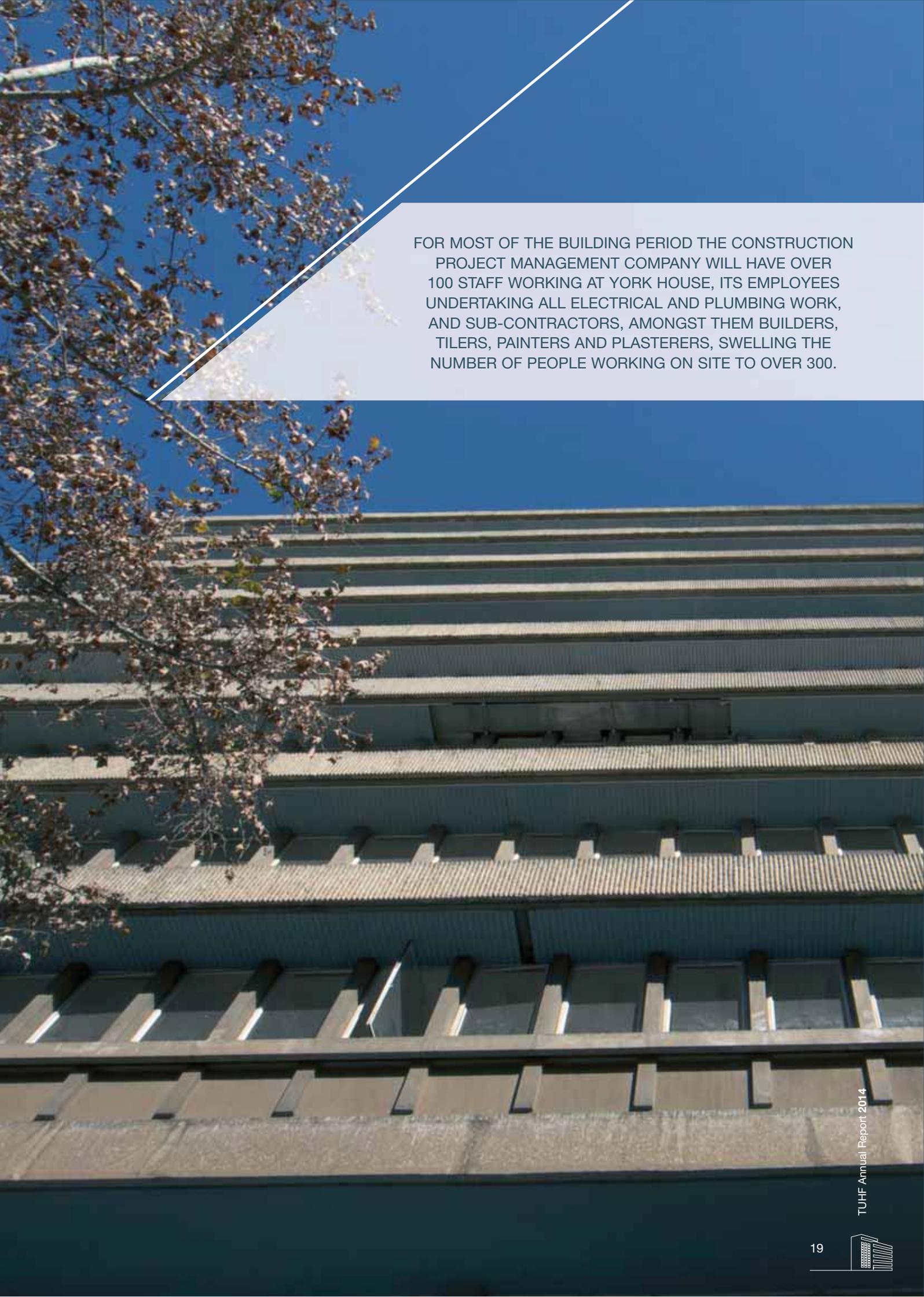
But when the area went into decline, demand for office space in the CBD went with it and for years York House, near the corner of Pritchard and Rissik streets, stood derelict. More recently, its interior fixtures, including most of the electrical wiring, were stolen and the vacant building stood as a forlorn monument to more prosperous times.

Now York House is being reborn, its interior gutted and reconfigured to provide upmarket but affordable family accommodation. The new York House, which will be ready for occupation in early 2015, will offer over 200 units, all with bathrooms and kitchens, for rentals ranging between R2,500 and R4,500. Contractors will be on site for eight months, undertaking a massive 15,000m² refit that will cost in excess of R20 million.

For most of the building period the construction project management company will have over 100 staff working at York House, its employees undertaking all electrical and plumbing work, and sub-contractors, amongst them builders, tilers, painters and plasterers, swelling the number of people working on site to over 300. While turning York House into desirable accommodation with all modern amenities, an additional two floors will be added, taking the property's two wings to 11 storeys each.

York House is located just a block from the Johannesburg City Hall (which houses the Gauteng Provincial Legislature) and a well-established shopping centre. It is no more than two blocks from one of the inner city's best-loved open spaces, Beyers Naude Square, and is a short stroll from the newly-renovated Central Library, one of Johannesburg's most priceless cultural assets. In time the property will have direct access to an adjoining property which the same owners are also turning into apartments, bringing to approximately 1,000 the number of people who will call that stretch of Pritchard Street home – while 100 people will go to work there every day.



A photograph of a modern building facade with a grid of windows and a tree in the foreground. The building has a repetitive pattern of windows and concrete elements. The sky is blue, and the tree has some autumn-colored leaves.

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