

Good city governance enhances home values

 By [Ronald Ennik](#)

14 Feb 2017

It is a global real estate fact that well-managed cities that are clean, relatively crime-free, with solid infrastructure and reliable service delivery, invariably protect – and grow– home values within their municipal boundaries.



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Cape Town, which has for some time been the top performing large-metro residential property market, is currently a prime example.

Johannesburg will soon be no exception – provided its new administration continues to walk the talk of its leader, Mayor Herman Mashaba. And, judging from progress so far, South Africa's financial and commercial capital is doing exactly that.

Whether or not Mashaba is cast in the mould of iconic crime- and grime-busting Rudi Giuliani, who famously transformed a run-down New York City during his 1994 to 2001 term of office as mayor, remains to be seen.

Under-valuation of property

In the meantime, it is encouraging to note that, in its first few months of tenure, the Mashaba-led administration has reportedly uncovered collusion with property owners on fraudulent property under-valuations that have so far cost the city – and, indirectly, its ratepayers – R40m in loss of revenue.

Also promising is Mashaba's launch of a forensic investigation into City Power tenders reportedly worth billions of rand, and his determination to ferret out and charge corrupt officials.

The new administration has already detected almost 1,000 fraudulent transactions at Johannesburg licensing centres, which together amount to a loss of revenue of close to R15m. Another blow for ratepayers!

Meanwhile, the first 100 charges against administrative staff for defrauding the city have reportedly been laid. In addition, more and more council officials are being suspended in the wake of forensic reports of fraud, collusion, maladministration and corruption linked to payments of contracts – also at the expense of ratepayers.

As an owner and marketer of Johannesburg residential real estate, I cannot help noticing, and rejoicing in, the uptick there has clearly been in service delivery since the new administration moved in.

The real challenge

While understandably nowhere near perfect at this stage, it is nevertheless clear that parks are cleaner; refuse collection is more efficient; queues at municipal offices are shorter; and service is more friendly. But these are superficial factors.

The real challenge is how the new city administration will address a R170bn funding gap on capital infrastructure that it has inherited. What a wonderful opportunity this presents for private sector capital to be channelled into redevelopment of a cleaned-up CBD – provided the returns are worth it.

If it happens, the inner city – currently largely the domain of vagrants, squatters and slumlords – "will turn into a construction site within months", Mayor Mashaba said recently.

The effect on residential property prices on neighbourhoods close to the city, and in greater Johannesburg suburbia, will be immense.

ABOUT RONALD ENNIK

Ronald Ennik is the founder and CEO of Ennik Estates.

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