

State of Transformation Report for the Property Sector **launched**

According to the Property Sector Charter Council's (PSCC) recently launched *2015-2016 State of Transformation Report for the Property Sector*, the South African property sector is making reasonable efforts towards transformation, but it needs to pick up the pace.



CEO of the Property Sector Charter Council Portia Tau-Sekati

The launch coincided with the gazetting of the long-awaited Amended Property Sector Code (June 2017 Gazette no. 40910) on Friday, 9 June.

The PSCC's research shows that the commitment to transformation varies across the sector. The commercial property sector leads the progress in transformation. On the other hand, the residential property sector is lagging behind, with a very limited number of BBBEE certificates submitted. What's more, the report shows the public sector isn't taking the active lead in transformation that is expected of it to further the transformation agenda, based on its limited submissions.

Inclusive participation

CEO of the Property Sector Charter Council Portia Tau-Sekati says the mandate of the PSCC is to drive the sector's transformation and ensure that everyone plays a part and makes their contribution. She notes: "Inclusive participation is necessary for economic growth that includes all previously disadvantaged individuals and secures their meaningful participation in the mainstream economy."

All in all, the property sector achieved an average BBBEE recognition of Level 4.

“This is reasonable based on the previous scorecard. However, the sector will have to work harder to retain Level 4 based on the new BBBEE recognition scores,” points out Tau-Sekati.

She adds: “The Amended Property Sector Code applies the lessons learned on the sector’s transformation journey so far, including the findings of the latest research. It addresses some of the previous gaps and aligns other legislation and policies to ensure that transformation in the property sector continues at the required pace.”

Measuring the transformation of the industry, PSCC’s new research sampled 72 companies, covering the large companies that dominate the sector. This includes institutional investors, large private property owners, collective investment schemes, listed property entities and government.

The sector’s transformation, under the former Property Sector Code, is measured on eight points. The PSCC’s research reveals performance as follows:

Overall excellent performance against targeted weighting:

- Enterprise Development: 115%
- Social-Economic Development: 115%

Still below target, but reasonable performance:

- Ownership: 82%
- Preferential Procurement: 82%

More focus required:

- Skills Development: 69%
- Management Control: 60%
- Employment Equity: 55%
- Economic Development: 54%

Tau-Sekati reports: “Management Control, Employment Equity and Skills Development are interrelated, so it is unsurprising that the underperformance of the three elements comes as a package. It is difficult to achieve one of these three key imperatives without another.” This trio of low performers shows an under-representation of black people and black women in all levels of management, including real board participation.

Highlighting the interconnection of the three elements, she adds: “You need to have black people and women in management and invest their talent to achieve skills development targets. By the same token, you need to invest in skills management to achieve your targets for talented black management in the future. ”

Investing in skills development

The lack of performance in skills development, as it stands now, will perpetuate the present transformation scenario. “It is critical that enterprises in the property sector adequately invest in skills development,” stresses Tau-Sekati. She highlights that there are pockets of excellence in the reporting companies, but this has not translated to success at sectoral level.

“The sector needs to promote skills development at a sectoral level rather than on a company level. This needs to be done in collaboration with academic institutions to build a curriculum that meets current and future needs,” she advises.

While Economic Development is the lowest scoring element against its set targets, there are some bright lights as a result of reasonable efforts undertaken by most of the sector’s larger companies. “Developing shopping centres in townships and some rural areas is a leading example,” comments Tau-Sekati.

Tau-Sekati concludes: “While it makes business sense that the property sector targets investment opportunities at areas with relatively high income, we hope the future direction will lead the sector to match this with a portion of investment into the poorest areas, those that are completely under-resourced, and where development is needed the most.”

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