

Joburg Targets Black and Female Investors

More than R1,7-billion has been invested in property refurbishments and construction in the inner city since Johannesburg launched a drive to regenerate the area in October 2004.

To complement this, the City is calling on black economic empowerment (BEE) and female investors to take advantage of the inner city's bright economic climate and participate in its efforts to reverse the negative economic trend that characterised the area during the 1990s.

Speaking at an urban development zone (UDZ) seminar attended by business people on Wednesday, 4 April, the acting executive director in Joburg's Department of Economic Development, Jason Ngobeni, said the revitalisation of the inner city was a key City priority.

"To demonstrate this commitment and dedication, the executive mayor has re-prioritised this important region and has directed the office of the City manager to organise the Inner City Summit.

"The purpose of the summit is to mobilise inner city stakeholders towards a focussed and inclusive agenda for the regeneration of Joburg's inner city through a consultative process which commenced last year and engages all the stakeholders, and through robust discussions to formulate an all-binding charter."

Tax Incentive

Joburg is driving the economic regeneration through implementing the UDZ tax incentive scheme. Under the incentive, tax-paying investors within the designated UDZ area are allowed to deduct from taxable income their entire investment in refurbishing their property over a period of five years, at the rate of 20 percent. For new property developments, the deduction amounts to 20 percent in the first year and five percent a year for the next 16 years.

Presenting a detailed explanation of the tax incentive, Lebo Ramaleboli, the acting programme manager charged with spearheading the inner city rejuvenation programme, said the initial legislation had been amended to include tax deductions for investors that developed or purchased renovated buildings in South Africa's inner cities as well for those interested in buying new buildings or parts of buildings.

"For purchasers of refurbished buildings or parts of renovated buildings, 30 percent of the purchase price is deemed the cost for depreciation under the UDZ legislation. For purchasers of newly constructed buildings or parts of such buildings, 55 percent of the purchase price is deemed the cost for the UDZ purposes," Ramaleboli said.

"This represents significant savings to the potential investor and the City of Joburg is optimistic that this will serve as a major investment incentive."

She said the tax incentive gave investors in the inner city greater control over their bottom line and overall business success, which in turn allowed Johannesburg to deliver on its rejuvenation mandate, allowing investors from various backgrounds to take part.

"The inner city has witnessed the implementation of 130 projects since the UDZ [was set up] and we hope to receive more investment from BEE and female investors. Currently only 2 percent of the R1,7-billion invested in the inner city comes from BEE investors."

Joburg is supported in its plans by the Johannesburg Development Agency (JDA), the Johannesburg Property Company, the Metro Trading Company and the Johannesburg Fresh Produce Market.

Following the launch of the UDZ in 2005, promotional events in 2006 and 2007 had significantly contributed to the attraction of more than 100 investors and building owners, Ngobeni said.

"We hope that this investment trend will continue and that we will see the emergence of investment opportunities as South African and foreign direct investment flows into the heart of the City of Gold to help transform our city into a world-class African city by 2030."

BEE and Female Investors

Ngobeni said this time the City was targeting "a very special constituency" – BEE and female investors. The UDZ tax incentive gave BEE investors "a once-in-a-lifetime opportunity to get a slice of Africa's greatest city".

"We consider it our duty to facilitate this economic transformation process and share the spoils of economic growth among all South Africans, specifically located in Accelerated and Shared Growth Initiative for South Africa (Asgisa) and Growth and Development Strategy objectives."

An online UDZ property database has been set up for those interested in investing in property in the inner city. The aim of the database is to provide property information to interested investors and prospective tenants in the inner city, Newtown and Braamfontein.

The database shows all available property, ownership, condition and improvement value of all properties in the area. It will be extended to include the entire UDZ and improved to support the property industry and promote investment in all parts of the city on an equitable basis.

Yael Horowitz, the manager of planning and strategy at the JDA, encouraged all investors to take the opportunity to invest in the inner city.

"The potential for investors lies in the east of the inner city, where property values are still cheap. Property values in other parts of the inner city are fast rising with Braamfontein recording rental rates of R60 per square metre, almost equivalent to Sandton," she said.