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Paarl Hamlet: First Draft Urban Design Framework

—

26 September 2019

aurecon

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Document Control						
Report title	De Poort – First Draf Urban Design Framework					
Document code	TBD	**Project Number**	505665			
Client	Drakenstein Municipality					
Client contact	Louis Schlechter	**Client reference**				
Rev	**Date**	**Revision details/status**	**Author**	**Reviewer**	**Verifier (if required)**	**Approver**
1	26/09/2019		Carlu van Wyk	Harry van der Berg	N/A	A-aishah Modack
2	02/10/2019		Carlu van Wyk	Harry van der Berg	N/A	A-aishah Modack

Current Revision	2

CONTENTS

1 Urban and Landscape Design Framework 5

1.1 Introduction 5

1.2 Urban Design Elements 6

1.3 Landscape Elements 7

1.4 Urban Design Principles 8

1.5 Landscape Design Principles 10

1.6 Contextual analysis and Asset Map 12

1.7 Landscape Context and Green Network Potential 14

1.8 The History of Paarl and De Poort 18

1.9 Opportunities and Identified Key Projects 22

1.10 Conceptual Overall Framework 23

1.11 Landscape Conceptual Masterplan 24

1.12 Local Precinct Framework 25

1.12.1 Urban Form and Land Use Principles 25

1.12.2 Urban Space and Landscape Principles 27

1.13 A Vision for De Poort 28

1.14 Urban Space and Landscape Vision 36

1.15 Proposed Stages of De Poort 39

2 Economic & Market Considerations for the De Poort Urban Design Framework 44

2.1 Background to the Economic & Market Considerations . 44

2.2 Market Analysis 45

2.2.1 Market Trends – Macro Economy 45

2.3 Market Trends – Micro economy (Drakenstein Market Analysis) 50

2.3.1 Drakenstein Property Market 53

2.4 Business Model Options for the De Poort Site 59

2.4.1 The Role of the Municipality as a Risk Mitigator 59

2.4.2 Business Case per Stage of the Urban Design 61

LIST OF FIGURES

Figure 1: Study area from Paarl mountain 5
Figure 2: Station Square 6
Figure 3: Paarl mountain. 6
Figure 4: Landscape Patterns. 7
Figure 5: Opportunities for community gathering space at De Poort 8
Figure 6: Negative and dead edges to be remedied. 8
Figure 7: Clift Granite, one of the longstanding products of Paarl 8
Figure 8: Station Square, the opportunity for inclusive urban space 9
Figure 9: Study area grain 9
Figure 10: The life between buildings 11
Figure 11: Active positive edges and view corridors 12
Figure 12: Natural resources 12
Figure 13: Asset map 13
Figure 14: Landscape context 14
Figure 15: Landscape context section 14
Figure 16: Green network existing 15
Figure 17: Green network potential 15
Figure 18: Landscape precedent 16
Figure 19: Landscape precedent 17
Figure 20: A broad timeline for Paarl 18
Figure 21: De Poort local historical traces. 19
Figure 22: Historic green network 20
Figure 23: Historic green network patterns 21
Figure 24: Key projects 22
Figure 25: Conceptual overall framework 23
Figures 26: Landscape concepts 24
Figure 27: Phased approach illustration 25
Figure 28: De Poort Precinct UDF 26
Figure 29: Existing trees 27
Figure 30: Hard landscaping strategy 27
Figure 31: Storm water strategy 27
Figure 32; Tree infill strategy 27
Figure 33: Green screening and infill strategy 27
Figure 34: Composite map 27
Figure 35-42: De Poort, a vision 28
Figure 36: De Poort, a vision Cont 29
Figure 37: De Poort, a vision Cont 30
Figure 38: De Poort, a vision Cont 31
Figure 39: De Poort, a vision Cont. 32
Figure 40: De Poort, a vision Cont. 33
Figure 41: De Poort, a vision Cont. 34
Figure 42: De Poort, a vision Cont. 35
Figure 43: Station precinct 36
Figure 44: Station precinct; pedestrian space 37
Figure 45: Market square 37
Figure 46: Station precinct; public realm 37
Figure 47: Market square storm water concepts 37
Figure 48: Stone Pine Market concepts 38
Figure 49: Proposed stages; existing 39
Figure 51: Stage 2 41
Figure 52: Stage 3 42
Figure 54: Top Factors in Success of Public Development Projects 44
Figure 55: Economic and Market Analysis Methodology 45
Figure 56: Trending Sub-sectors of the Global Property Market 46
Figure 57: Residential and Non-Residential Sectors 47
Figure 58:Relationship between growth in service and office demand 47
Figure 59: Non-Residential Building Activity 49
Figure 60: Housing Price Index 49
Figure 61: Nominal GDP Values for the Drakenstein Region 50
Figure 62: Drakenstein Population Pyramid 51
Figure 63: Education Level 51
Figure 64: SWOT Analysis of Drakenstein Economic Growth Strategy 53
Figure 65: Sectional Title vs Freehold Schemes 57
Figure 66: Risk versus Value for the Development of Public Land 60
Figure 67: Phases of the Development Project 61

LIST OF TABLES

Table 1: Economic Forecast *47*
Table 2: Drakenstein GDP Performance per sector 2005-2016 ..... *50*
Table 3: Tourist Data for the Cape Winelands *51*
Table 4: Average Household Income Paarl *52*
Table 5: Drakenstein Priority Sectors *53*
Table 6: Office Buildings Completed (m2) *54*
Table 7: Office Market Details in the Region *54*
Table 8: Industrial and Warehousing Buildings Completed (m2) *55*
Table 9: Retail Buildings completed (m2) 2007 – 2017 ..... *55*
Table 10: Shop Rentals in Paarl *56*
Table 11: Shop Rentals in Shopping Malls *56*
Table 12: Drakenstein Residential Dwellings Completed 2012-2017 ..... *56*
Table 13: Drakenstein Residential Building Plans Passed 2012-2017 ..... *57*
Table 14: Rentals (Apartments and Residences) in the De Poort Area *58*
Table 15: Rentals (Apartments and Residences) in the De Poort Area *58*
Table 16: Sales in the De Poort Area *58*
Table 17: Total area of Proposed Development of De Poort *59*
Table 18: The Various Business Cases for Development of Land *60*
Table 19: The Various Business Cases for Development of Land Cont *60*
Table 20: The Stages and Phases of the De Poort Project *63*

1 Urban and Landscape Design Framework

1.1 Introduction

De Poort study area is situated at the entrance of Paarl where Main road is accessed from the N1 leading toward the CBD of Paarl. It is characterised by a set of unique and special land uses, features and history. It was originally frequented by the migrating Gorachouquas, who called the mountain with the granite outcrops, Skilpadberg. Later in 1689 some of the first European farms were established. Laborie and Picardie attest to this.

The study area is currently lined with the Wellington to Cape Town rail line on the east, residential estates, manor houses and vineyards in the foreground of Paarl mountain on the west, the N1 on the south and the town of Paarl towards the north. The southern portions are populated with established residential estates on the grounds of the former outspan called the 'Renbaan'. The De Poort site formed part of this and is currently underutilised as a multifunctional open space with Jukskei courts, a museum and some workshops. The urban area towards the north is an interesting mix of light industry, creative spaces, Victorian residential buildings and adaptively reused buildings.

The area has a strong localised, bespoke character and is prone to urban infill and re-use. The smaller east west roads also provide impressive vistas to the surrounding mountains and agricultural landscape. De Poort and surrounds has the opportunity to become a gateway and introduction to the unique offerings of Paarl as a tourist destination as well as the ability to become a well-integrated meeting space with opportunities and recreational activities for the local community.

Figure 1: Study area from Paarl mountain (2019).

1.2 Urban Design Elements

High level Urban Design elements were identified to guide proposals and inform decision making during the process.

a. Permeability

The ability to move through easily and safely can promote the wellbeing of an area greatly. A good number of walkable routes and walkways enable social interaction and a defensible, well used environment.

b. Grid and form

The study area is bordered by the strong Main road route on the western side with the strong rail line movement route on the eastern side. This is linked by unconventional and interesting side streets. These streets are often at a slight angle and in some instances curved, offering interesting and great frontage opportunities. These side streets are of a more intimate scale than the main routes.

c. Height

The area is mostly of a low scale with mostly 2/3 storey buildings. These buildings react sensitively towards the low scale heritage houses and other buildings. The scale also allows for views and vistas to the exceptional surrounding landscape. Accent buildings and the scale of infill development should be carefully considered.

d. Scale and grain

The study area has a distinctive and dynamic structure with small grained built form interspersed with larger light industrial structures. The industrial use of the area is clearly evident and this with the smaller scale outlets and resources provide great infill and adaptive re-use opportunities.

e. Anchor destinations

Anchors currently consist mostly of the 2 supermarkets and function mostly as car orientated spaces. The Station, another strong anchor and considerable opportunity, is located in a good position and on the study area side of the rail line. This illustrates the need for a defined central anchoring space which could be the De Poort site as it is in a great location and it could be a catalytic economic orientation space and entrance to Paarl.

f. View corridors

The area sits within an incredibly picturesque mountainous area with a long-standing agricultural history. The side streets specifically allow for these view corridors through to the mountains in the background and the vineyards and orchards in the foreground. These vistas are not only on the western side where the agricultural landscape protrudes into the urban grain but surround the town. This should be utilised as a distinguishing and strong identifying opportunity for Paarl.

Figure 2: Station Square (2019).

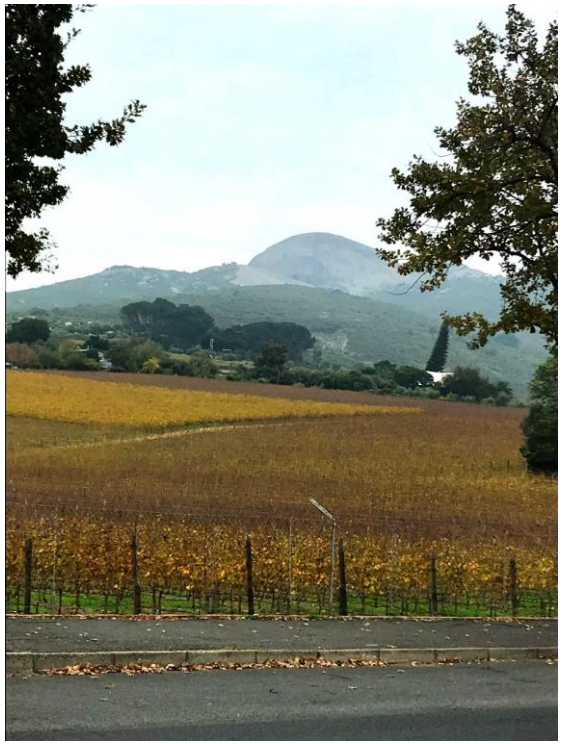


Figure 3: Paarl mountain.

1.3 Landscape Elements

Several landscape patterns and landscape elements were identified during the status quo report which are indicative of the cultural landscape of the precinct and the De Poort site. These can be built upon and further developed to provide a clear identity and relationship to the broader context.

a. Agricultural patterns

The existing cultivated lands directly adjacent to the western edge of the site form a strong pattern and they contribute to the agricultural identity of Paarl. The development of the station precinct is juxtaposed to these patterns and views along the side streets, both the foreground and background of these prominent patterns, further accentuate this.

b. Tree Lines and Avenues

In addition to the agricultural patterns the landscape is further typified by the treelines acting as windbreaks and existing tree avenues. Trees are often used to indicate routes and paths, create connections between spaces and provide focal points in the landscape. This is no different for the precinct and site. The avenues have been implemented and form part of a very early historical landscape where routes were accentuated through tree planting and spaces created through planting of clusters of trees as is the case at the De Poort site where the clusters of stone pines influence the spatial quality of the open space.

c. Materials

The direct context and reference to the visible manifestation of the underlying geology is crucial to the overall identity of the precinct and is an element that should be further developed.

Figure 4: Landscape Patterns.

1.4 Urban Design Principles

a. Identity and the history of Paarl

Paarl and specifically the De Poort precincts showcase a broad and diverse history of the area. Many unique features have been identified as opportunities and elements to advance and develop.

- Protect and celebrate the unique and spectacular adjacent natural and agricultural setting;
- Protect the vistas and views;
- Respect and support the built heritage;
- Support adaptive re-use;
- Respect the scale of the precinct.

b. Inclusive urban space

A great need for community gathering spaces and a holistic identity for the precinct was identified. This precinct already has a lot of valuable components and could become a real diverse, interesting and lively space for Paarl.

- Promote good pedestrian connectivity;
- Encourage wide sidewalks with spill-out space;
- Promote coherent and specific material use on the urban surfaces;
- Promote good visibility into and onto urban spaces;
- Enhance lighting for safety.

c. Defensible urban realm and permeable urban edges

Future development and use can greatly enhance and promote walkability and the safety of the users. This should be promoted as a key principle. Good public urban spaces need an active or positive response from the adjacent structures:

- Identify and promote active edges especially along Main Road, the Station precinct and the connecting route towards De Poort;
- Promote positive edges along all the east west connectors between Tabak Street and Main road;
- Promote promenades and protruding shading structures onto the public realm.

Figure 6: Negative and dead edges to be remedied.

Figure 7: Clift Granite, one of the longstanding unique products of Paarl.

Figure 5: Opportunities for community gathering space at De Poort.

d. Manage and improve the existing realm

The area has great opportunities to establish itself as a unique destination, not only for tourists but also for the people of Paarl. Future development and use should promote and benefit this vision as a whole.

The existing precinct is saturated with many good and positive responding frontages onto the urban realm. The few neighbourhood supermarkets however do not react positively to the surrounding opportunities and resources. Larger carparks, large setbacks from the Main road route and dead edges are problematic and negative. The area also already has interesting and diverse land uses (such as the long-standing Clift Granite, furniture manufacturers, handmade sweets, baby clothes and shared workspaces). These uses need to be protected and supported to enhance the custom-made products they provide. Residential or tourist accommodation can also greatly enhance the use and defensibility of the area outside business hours.

- Improve and activate the response from the supermarkets onto Main road and the side streets. These are active uses and need to contribute to the street. This could be mediated by opening shops/shopfronts onto the roads and screening parking lots with boundary commercial buildings. Allow for visibility corridors towards the shop's entrances;
- Allow for a mix of uses and promote start-ups and small business;
- Promote residential uses on the higher floors of buildings and as infill.

e. Invest in the public realm

Various vehicles to promote and enhance the public realm, municipal investment as well as private investment need to be explored. The investment into the infrastructure of the area will mitigate the risk for future developers and attract good partners.

f. View corridors

Various viewing corridors have been identified and need to be protected and kept clear. These include, but are not limited to:

- The approach to the Laborie farmstead along Louw, as well as the view corridor towards the Klein Drakenstein Mountains in the other direction;
- Towards the station down Station Street;
- Along Harford towards the vineyard and mountain;
- Along Clift towards the Klein Drakenstein Mountains;
- Vistas towards the Paarl rocks and the Afrikaanse Taalmonument from De Poort.

Figure 8: Station Square, the opportunity for inclusive urban space with distant vistas.

g. Grain and form

The permeable structure of the road network as well as the dynamic grain should be protected. Large consolidations need to be carefully assessed to protect the smaller grain and form of the old residential entities.

h. Scale

The scale of future business entities within the study area should be carefully assessed to not work against the character, uniqueness and the natural beauty that surrounds it.

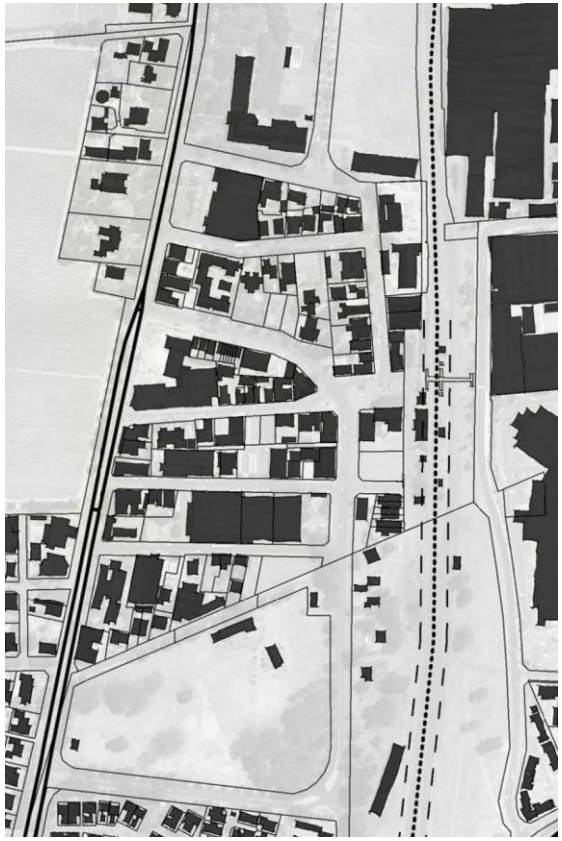


Figure 9: Study area grain. Light industrial with small residential and a good legible street block structure.

1.5 Landscape Design Principles

The Urban Design Principles can be further supported by clear Landscape Design Principles. The principles can inform both spatial organisation and detail design.

a. Cohesive Identity

The identity and sense of place is a complex combination of spatial organisation and application of materials that relate to the context and recognise the existing landscape patterns. The following are key elements to be developed:

- The use of a palette of material choices to indicate pedestrian routes and crossings;
- The use of local granite as part of the detailing of hard landscaping elements and paving elements;
- The planting of tree avenues and focal trees as a reference to the broader landscape and agricultural patterns;
- Use of "a family" of hard landscaping elements (signage, lighting, bins, benches etc.) to identify the precinct.

b. Legibility and Hierarchy

Legibility, as with identity in the precinct, can be enhanced through application of materials and definition of spaces and movement routes. The notion of route, edge, line, focal-point, identification and orientation are important elements which can be manifested through the use of landscape elements. The implementation of these elements increases the legibility of routes and spaces in the precinct and the site of De Poort.

- Line, route, edge – These can be created through the use of tree planting, creating focal points of orientation;
- The use of materials can denote hierarchy of spaces and provide the needed legibility on the landscape of the connection of these spaces;
- Definition of Station Square with paving material;
- Definition of intersections with paving material;
- Establishing a hierarchy of street through tree planting and paving;
- Multi-functional use of hard landscaping elements, i.e. low walls as seating etc.

c. Storm-water and Environmental management

The traditional management storm-water has been a heavy engineered solution of sub-terrain piping and largely "invisible "services solutions. The daylighting of the essential services such as storm-water managements is not only cheaper but can significantly add to the overall identity and sense of place. The added benefit of managing storm-water at the source has the potential to improve water quality and reduce water velocity prior to discharge into the main rivers and streams. The downstream benefit is one of the added benefits of applying the SUDS system as a Landscape Principle.

- Use of swales and open storm-water channels where water can be aerated, and velocity reduced;
- Recharge of valuable water into the ground-water through permeable surfacing solutions;
- Using all the above-mentioned principles as a driver of the overall design and spatial organisation.

d. Greening

Street and precinct greening are essential in accentuating spatial elements. These can effectively be implemented with the added benefit of creating a positive micro-climate and enhancing positive urban spaces.

- Street tree planting where services allow, with consistent use of species and similar size trees which can give a seasonal quality and interest;
- Define spaces with tree planting as edge definition;
- Create focal interest with clustering of trees or single focal trees;
- A comprehensive tree management plan to replace mature trees with suitable indigenous species.

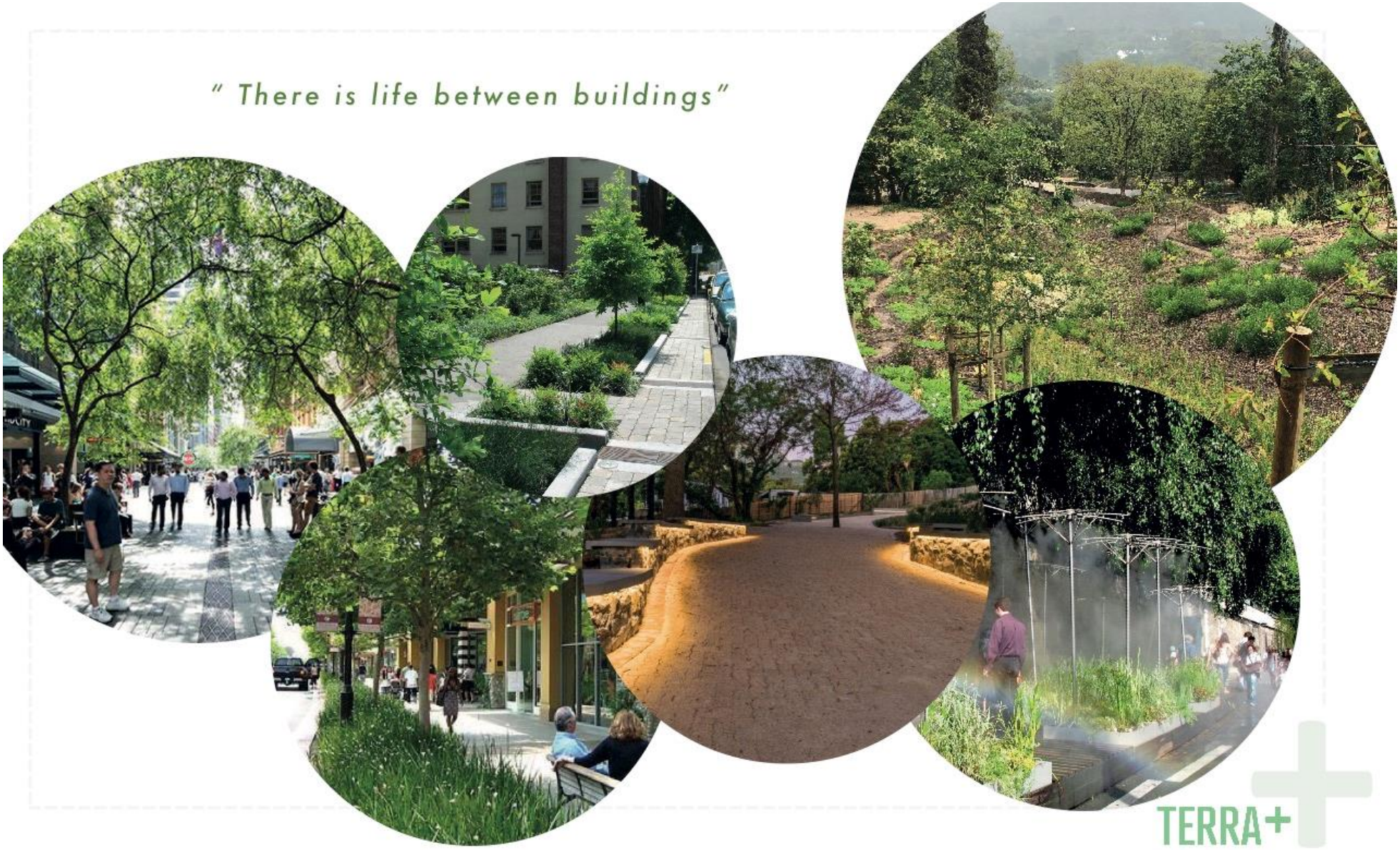


Figure 10: The life between buildings

1.6 Contextual analysis and Asset Map

A large-scale **contextual analysis** was submitted as part of the Status Quo report. It dealt with, among others, the physical and spatial context, from an urban design perspective. These maps included a high-level analysis of the following urban design informants:

- Mobility and core;
- High level biodiversity;
- Built heritage resource patterns;
- Study area context;
- Grain and built form;
- Active positive edges and view corridors; and
- Natural edges.

The above is unpacked through the various maps and their associated observations (refer to the Status Quo report for the detail maps). Various forms and elements were identified such as;

- Strong and positive edges mostly throughout the built blocks;
- Lost edges on the Main road side of the shopping centres;
- Negative and dead edges along the sides of the shopping centres and some of the industrial buildings;
- Strong and positive corners in the forecourt of the station;
- View corridors from most cross streets towards the foreground agricultural landscape and the background mountainous landscape;
- View corridor along Station street to the abovementioned landscape on the east and to the monument on the west.

This concluded into an overall asset map which identifies the main themes that emerged from the Urban Design analysis.

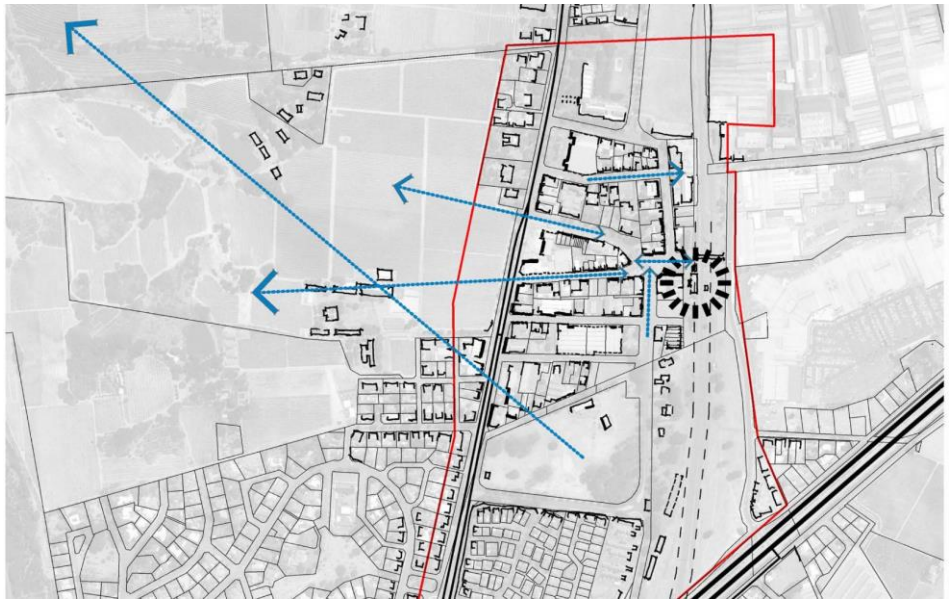


Figure 11: Active positive edges and view corridors

Figure 12: Natural resources

Asset Map

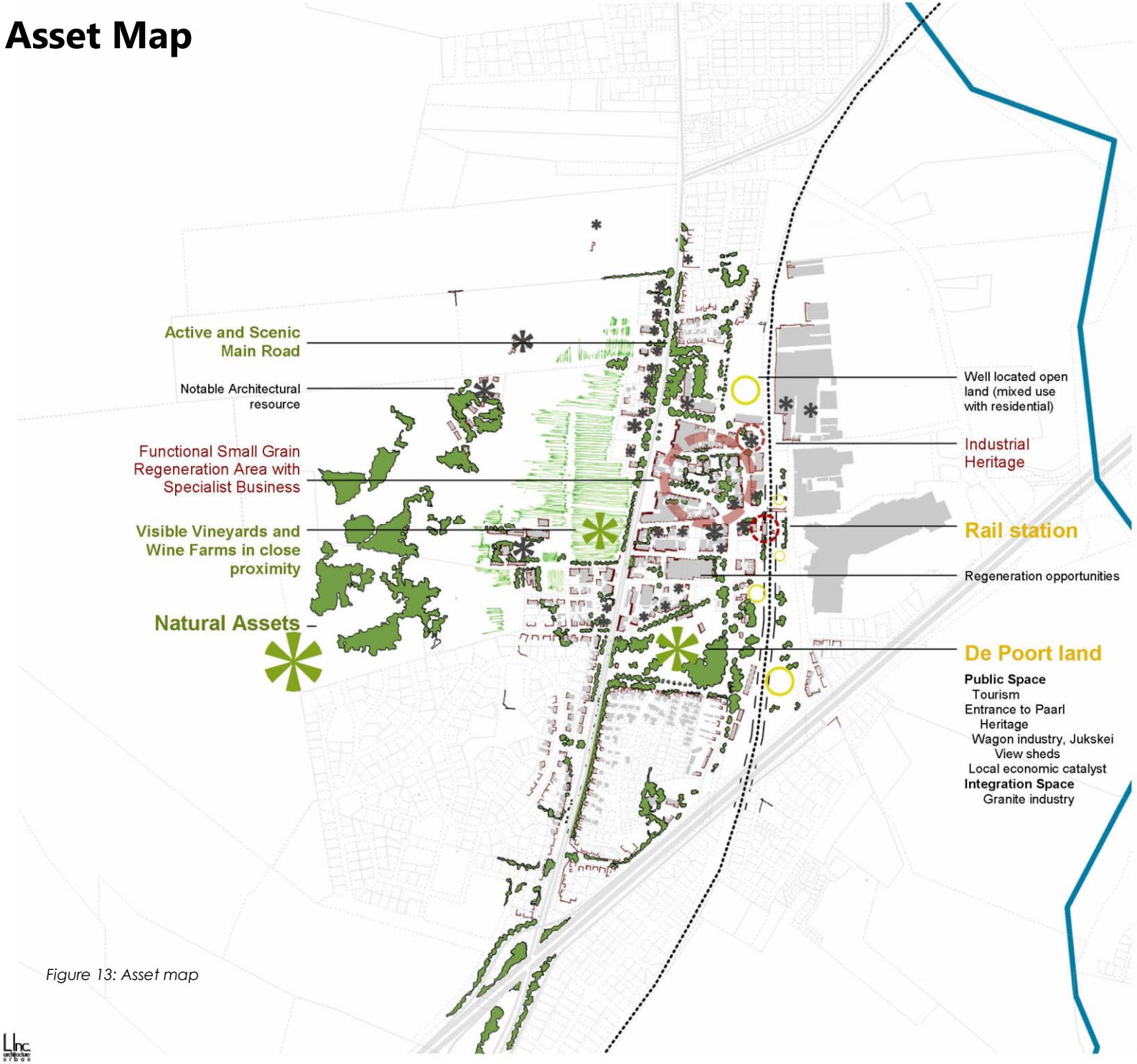


Figure 13: Asset map

Asset map

EMERGING THEMES

Agriculture:
Visible and scenic vineyards in the foreground. Local wine farms and other create opportunities.

Hand Made:
Fine grain specialist industry.
Industrial Heritage.

Cultural Landscape:
Vistas, foreground = agriculture.
Background = unique and picturesque mountains and granite boulders.

Tourism:
Portal/entrance to experiencing the unique character and people of Paarl.

Geology:
Unique geological features that gave Paarl its name and supported a successful and longstanding industry.

Connectivity:
Proximity to assets, heritage resources, visible agriculture and natural resources. Linear routes on the one side and the
Station and Railway on the other, with crossing intimate streets and routes.

Public Space:
De Poort and other is used and owned by the people of Paarl as a gathering space.

0 100 200 500

N W E S

1.7 Landscape Context and Green Network Potential

The development of the precinct and the De Poort site was largely a linear progression in an agricultural context, consequently there is an ingress of agricultural pattern in the urban form. This is clearly visible in fig 14 where there is a pinch point to the north of the precinct and an edge along the western portion of the site where the agricultural patterns are directly against the urban development. The position of the site within the broader valley has directly influenced the sense of place with the presence of the dominant mountain ranges on either side of the precinct and site and the visual connection to these landforms.

Recognition of these contextual influences provides important clues as to the appropriate response and future greening of the precinct and De Poort site. Re-instating the historic tree lines and avenues where possible and
introducing new tree planting to enforce the spatial attributes as part of the Green Network Potential. This is described in Fig 16 and Fig. 17

Further development of spaces can be explored in both the precinct and De Poort site where the spatial qualities can be enforced or defined. The use of greening to identify and create spaces is one of the key Landscape Design Principles.

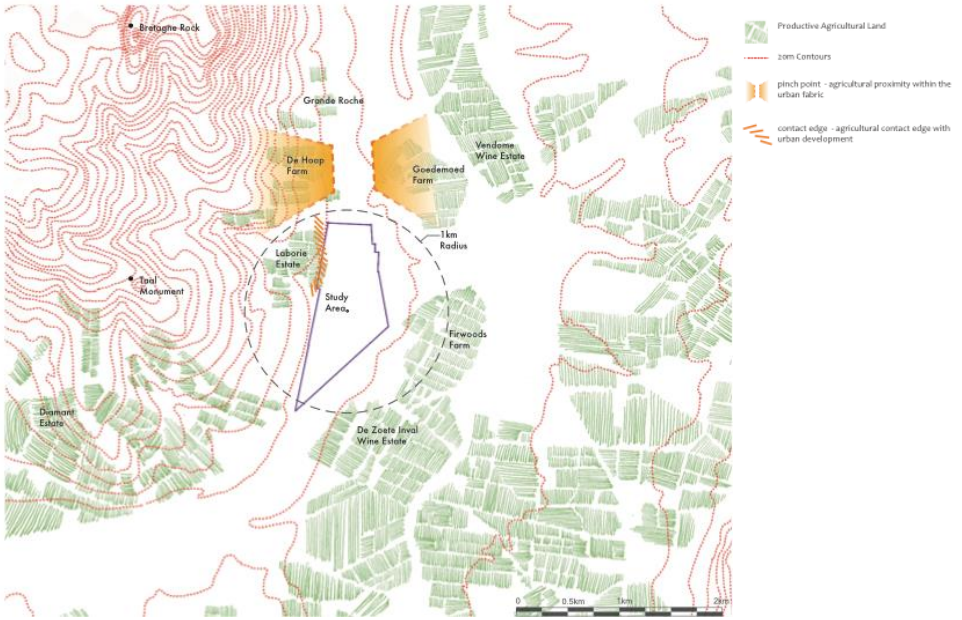


Figure 14: Landscape context

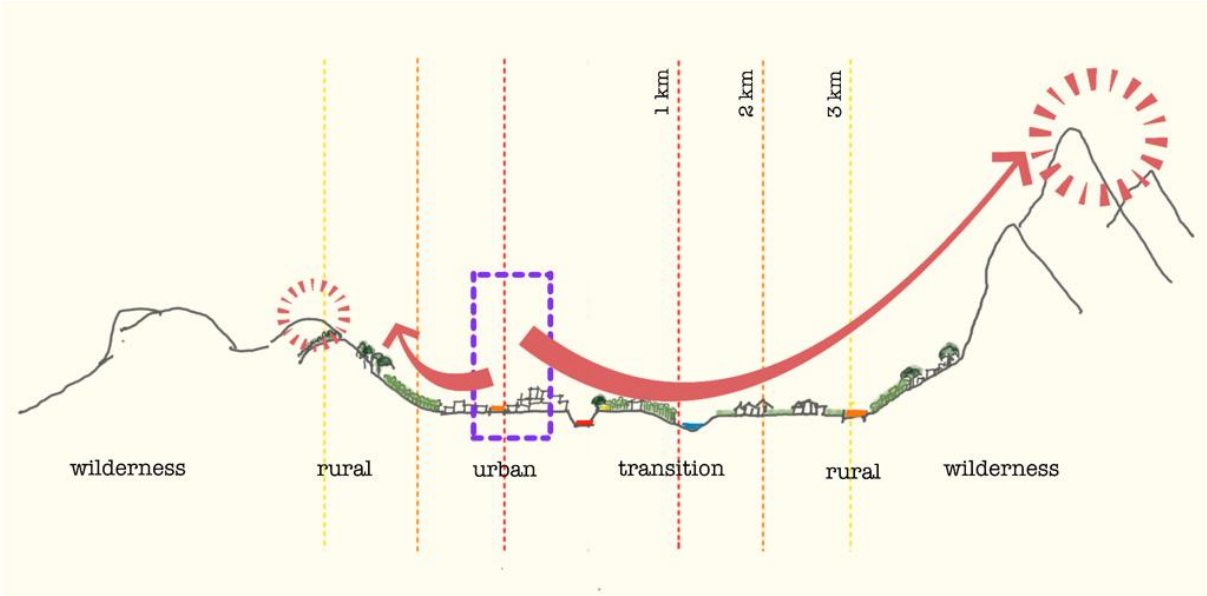
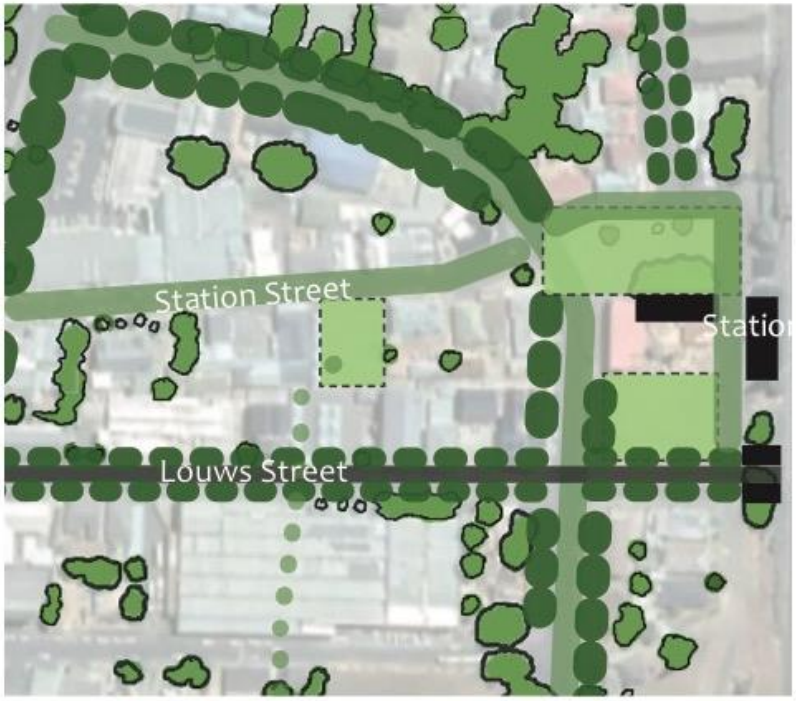


Figure 15: Landscape context section

Figure 16: Green network existing

Figure 17: Green network potential



STREET AS PUBLIC SPACE

- Connection of nodes and spaces
- Integrate the environmental and ecological functions
- Variation of space and activities
- Recognise existing patterns of the landscape

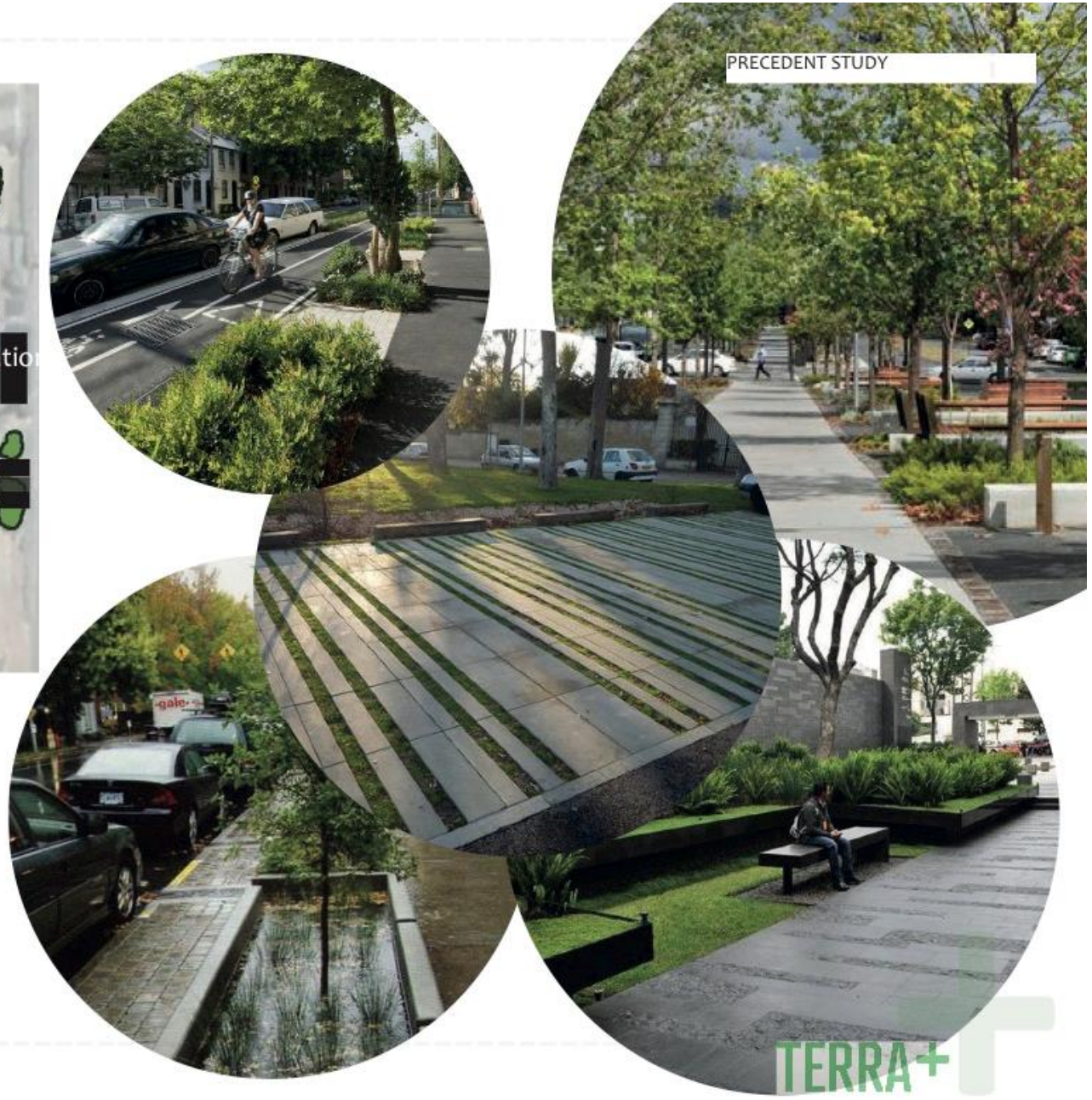


Figure 18: Landscape precedent

PARK AND PUBLIC SPACE

- Integrated space
- Tells a story - Interactive Narrative
- Variation of space and activities
- Integration to the broader site context

Figure 19: Landscape precedent

De Poort Local historical traces

1.8 The History of Paarl and De Poort

Paarl and De Poort has a rich and layered history and great opportunities exist to explore and highlight this in not only De Poort but the precinct as a whole. This could be a part of Paarl's unique offering to its community and tourists.

Figure 20: A broad timeline for Paarl

"Consequently, we should explore the history of heritage, not starting at an arbitrary date like 1882, but by producing a context-rich account of heritage as a process or a human condition rather than as a single movement or personal project."
(Harvey 2001, 320)

F.S Smit & Co is one of South Africa's oldest cooperage's. (https://www.paarlon-line.com/did-you-know/)

The first church registers for Drakenstein were written in French (De Bosdari 1964).

Arabic Afrikaans - Abu Bakr Effendi was exposed to the Kurdish 'Ulama' which often played a role in being linguistic intermediaries between the Arabic, Persian and Turkish speakers and he in reaction to the need of this community produced some of the first writing in the Afrikaans dialect (in Arabic script)13 for the use in Muslim religious practice (Bruinessen 2000). Afrikaans was already being used in Muslim schooling as early as 1869 (Barnard 1992, 82).

Afrikaans is seen as a living language. Dutch is the lexifier with influences from **Portuguese, Khoi, Malay, German, French, Nguni languages, Sotho, English and Arabic**. (Taalmonument booklet)

The area around Wellington is known as 'Wamakersvallei'.

Goringhaiqua and Goringhaicona, as also the Gorachouqua were seen as one people. (Mansell 2018)

550 Million years ago

The Granite formations on Paarl mountain were formed. The surrounding masses were eroded over millions of years to expose 3 granite forms. The migrating Gorachouquas called it Skilpad-berg (Turtle mountain). (Oberholster 1972)

1657

Gabbema travels to the area to trade for meat. He calls the mountain 'Diamandt en Peerlberg'. (Oberholster 1972)

1687

Paarl is the third oldest European settlement in South Africa. Land was allocated to 23 families, the first 5 in 1689. (Le Roux and Le Roux, Drakensteinse Heemkring)

1716

The first Drakenstein French church is in ruins and is re-placed by a congregation in Paarl (De Bosdari 1964)

The area attracts the interest of geologists, like Francis Masson in 1772. The mountain is also noted as an area with exceptional fauna and flora. **Charles Darwin** specifically visited the area in 1836. (Oberholster 1972)

1836

1863

The first railway line in the Cape from Cape Town to Wellington was operational. (Picton-Seymour 1989)

1875

The 'Genootskap vir Regte Afri-kaners' is established in the home of Gideon Malherbe.

1880

De Poort (known as De Oude Ren-baan) forms part of two large Outspans on the West bank of the river (O Donughue). These out-spans were used as camp for the outlying farmers to come to com-munion and for shopping. For some this would be a journey of 2-3 weeks by Ox-wagon. (De Bos-dari 1964).

1880-1908

The railline was relocated and the Old Race Course Outspan is subdi-vided in 4 portions (O Donughue).

1925

Modern Afrikaans was recog-nized as one of the official languages of the country in 1925 (van Wijk 2014). The 2011 sensus states that **86,81% of the population in Paarl speak Afrikaans** as their first lan-guage.

1928_Jan Phillips (from a wagon makers family) finances the Jan Phillips bergpad. (Oberholster 1972)

1928

1975

The 'Afrikaanse Taalmonu-ment' was opened.

De Poort Local historical traces

The De Poort site and its local precinct shows various vista's tree lines and traces of events through the last century. These are highlighted in this map.

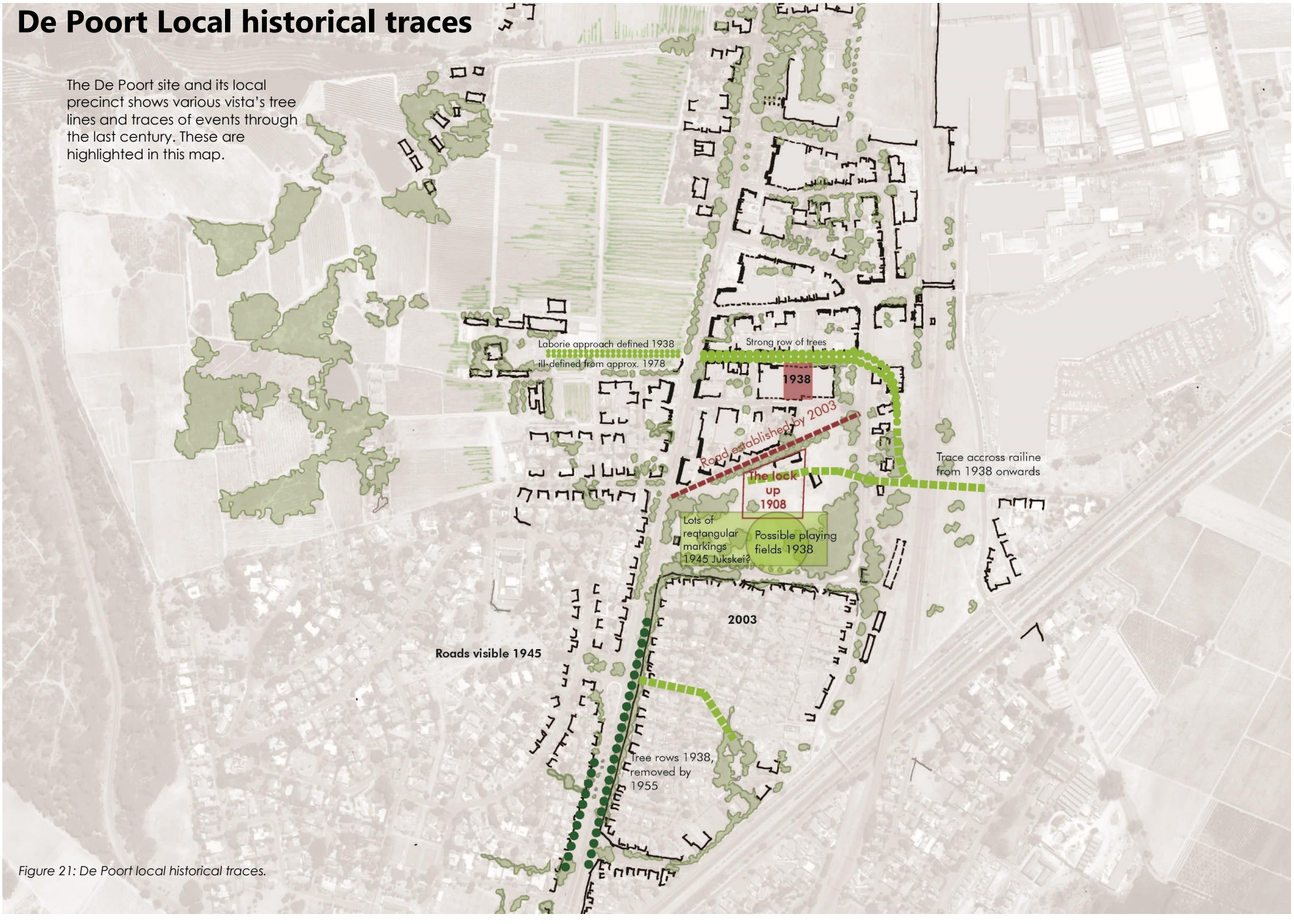
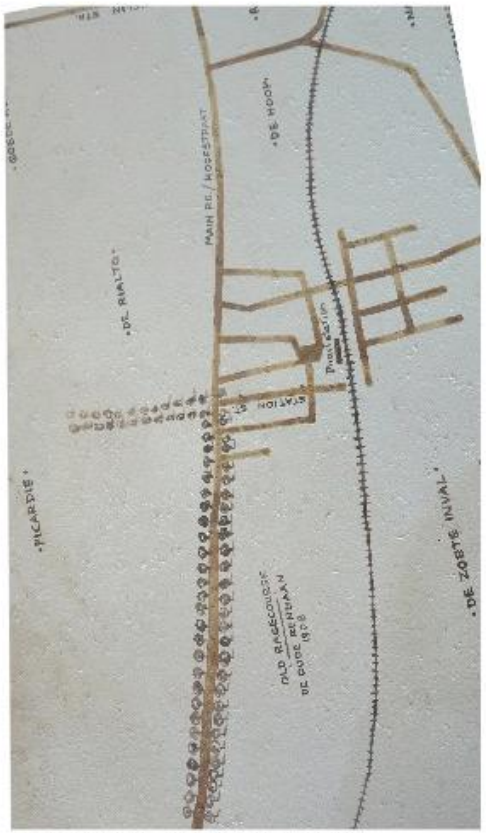


Figure 21: De Poort local historical traces.



De Poort Museum - 'Copied from map by Charles Pritchard (Surveyor) of Paarl, 1907/1912

De Poort Museum - Photo of the possible 1907 pine avenue along Main Road

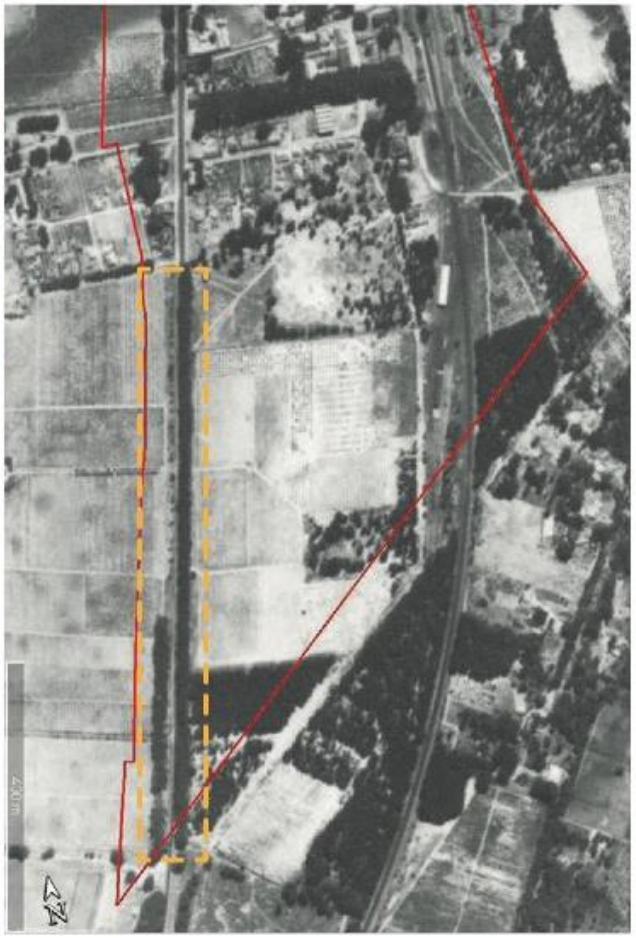


Figure 23: Historic green network

1938 Aerial Photo
(Ref. status quo report)

1. Early growth of De Poort Pines
2. Mature tree avenue along Louws Street
3. Pine Avenue Exists along Main Road
4. Clear line of street trees along the northern end of Main Road

1945 Aerial Photo
(Ref. status quo report)

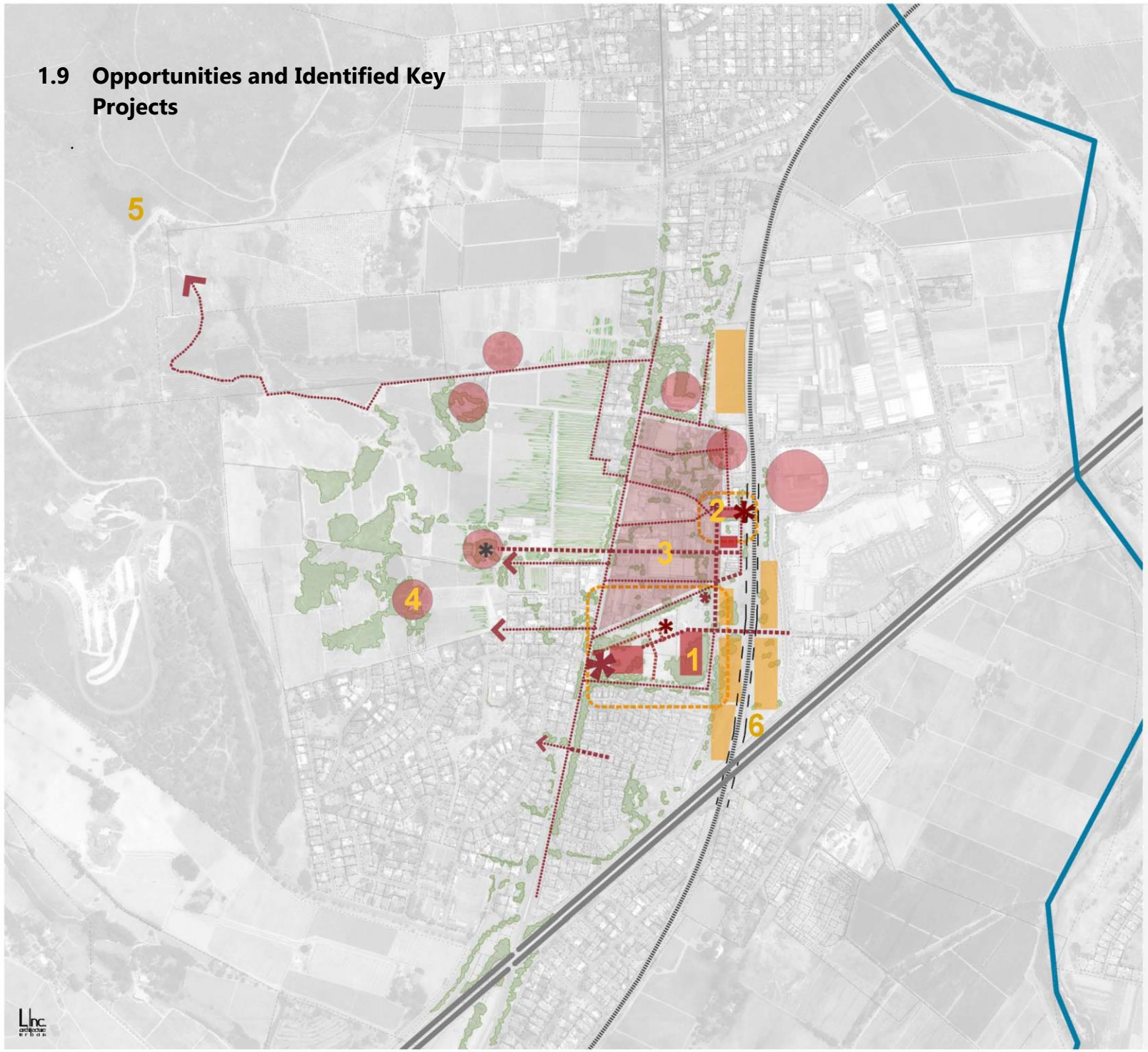
1. Increased growth of De Poort Pines
2. Tree avenue along Louws Street removed
3. Pine Avenue along Main Road reduced on southern end
4. Street trees along the northern end of Main Road still exists

1955 Aerial Photo
(Ref. status quo report)

1. More mature growth of De Poort Pines
2. Tree avenue along Louws Street not replaced
3. Pine Avenue along Main Road removed
4. Street trees along the northern end of Main Road becomes scattered

Figure 24: Historic green network patterns

1.9 Opportunities and Identified Key Projects



LEGEND

- Strong connections
- Foreground building/ Focal point

Key projects and interventions:

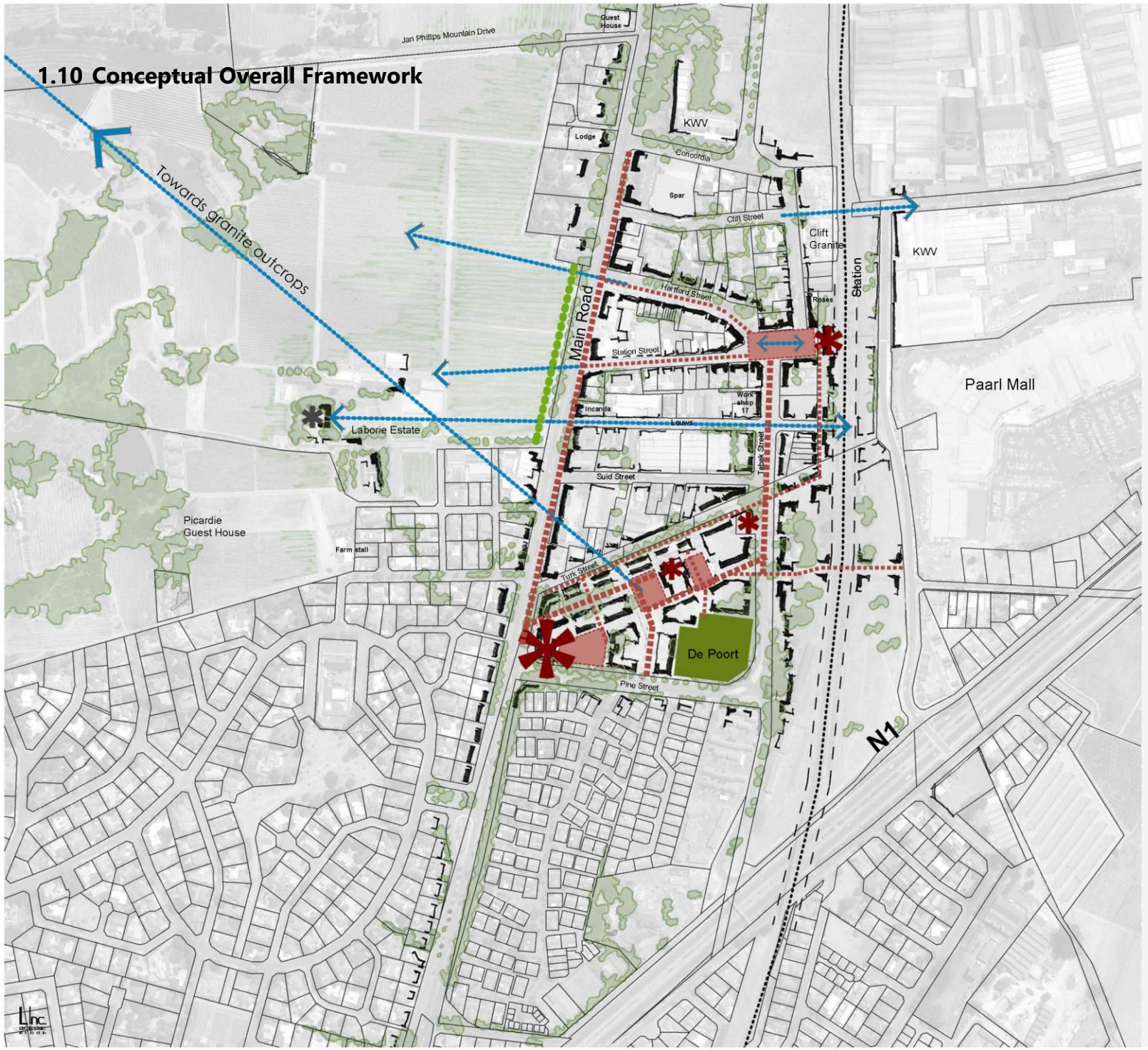
1. De Poort
2. The Station precinct
3. Enabling the infill area to the north of De Poort to keep on growing into a unique business and creative area with a strong residential component.
4. Harvesting the localised heritage and industry as a product unique to Paarl, and presenting that as a tourist attraction
5. Creating a GOOD network and connecting routes towards the unique local nature area, the scenic agricultural resources and other.
6. Identify opportunities for housing, retirement and other.

Figure 25: Key projects

0 100 200 500

N W E S

1.10 Conceptual Overall Framework



LEGEND

- Building edges
- Strong active edges
- Strong active routes
- Protect view corridors
- Foreground building/ Focal point
- Protect agricultural edges (and other mature trees)

Urban Design Framework

Various key urban framework principles are highlighted in the accompanying map. These are seen as key spatial principles to guide future interventions and development.

Figure 26: Conceptual overall framework

0 50 100 200 300

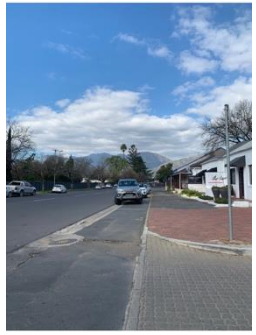
N E S W

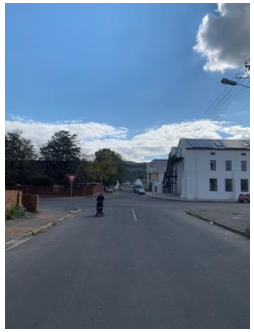
1.11 Landscape Conceptual Masterplan

The development of the Landscape Framework plan is informed by the influences and principles as described in 1.3 and 1.5. These principles were then applied to the direct contextual informants and historical patterns and so developed as a cohesive Landscape Concept for the precinct. The salient points behind this concept are one of connectivity (visual and physical), legibility and cohesive identity and sense of place for the precinct.

The notion of hierarchy and streetscape were further explored as support to the principles of legibility and positive streetscape. The comfort of the pedestrian and positive urban spaces can be facilitated through the use of material change and defined pedestrian friendly spaces as described in the illustrative perspectives.

Figures 27: Landscape concepts





1.12 Local Precinct Framework

The following principles have been identified for the local De Poort precinct and is illustrated in the maps on the following pages.

1.12.1 Urban Form and Land Use Principles

- Enhance and utilise the unique local history and narrative of De Poort and Paarl in the precinct. This is done by acknowledging the local scenic context, harnessing the local artistries and physical reference to the local story. Urban space can be appropriately named to for instance reference the sports that was played, and buildings could suggest the context such as Skilpadberg (Paarlberg);
- Protect and harness the viewsheds to the picturesque local context;
- Distinguish between foreground/focal buildings (such as the tourism office and station forecourt building) and background buildings. This will ensure legibility and create a known identity for the precinct;
- Ensure good connectivity throughout the precinct for firstly pedestrians but also vehicular movement. Pedestrian links and routes should be well defined and recognisable;
- Enhance the intermodal opportunities that exist in terms of the station (trains) taxi's and busses;
- Promote active (business) frontages on specifically the pedestrian linkages;
- Encourage positive overlooking frontages on the other linking routes. This will encourage non-vehicular movement and increase the defensibility of the urban realm;
- Encourage residential units and overnight accommodation for tourists to increase the 24/7 use of the area. This could be catalytic for creating a lively environment, not only during the day, but at night time as well;
- Protect and encourage specific and localised land uses to promote and stimulate the production of the unique products of Paarl;
- Encourage affordable accommodation opportunities along the rail line and in identified pockets;
- Promote De Poort as a quality urban space for the community and tourists. This space should be multifunctional, well connected in terms of smart technology and offer a wide range of experiences;
- Ensure that the area develop with an appropriate scale to the precinct but also support varied heights and forms;
- Protect the fine-grained nature of the area and be cautious of overly large land consolidations.

Figure 28: Phased approach illustration

De Poort Precinct UDF

Figure 29: De Poort Precinct UDF

1.12.2 Urban Space and Landscape Principles

Hard-landscaping – Use of materials to denote hierarchy in the open space system and to define spaces and their uses. Manage vehicular traffic and pedestrian dominance.

Green infill strategy – Further define public spaces with green planting and hedging. These can be utilised as screening and wind protection and to accommodate existing tree roots.

Storm-water strategy – Storm-water to be integrated in the hard-landscaping design and form part of space making and space definition. All open spaces to be permeable material to further alleviate and infiltrate storm-water run-off and deal with storm-water at the source.

New tree planting – Trees to be planted to have the following spatial functions:

- Avenues to accentuate space and route into the site;
- Clusters of trees as a long-term view on replacing the existing trees;
- Shade trees for parking and seating areas in public spaces and to reduce the scale of buildings.

Figure 30: Existing trees

Figure 31: Hard landscaping strategy

Figure 32: Storm water strategy

Figure 33; Tree infill strategy

Figure 34: Green screening and infill strategy

Figure 35: Composite map

1.13 A Vision for De Poort

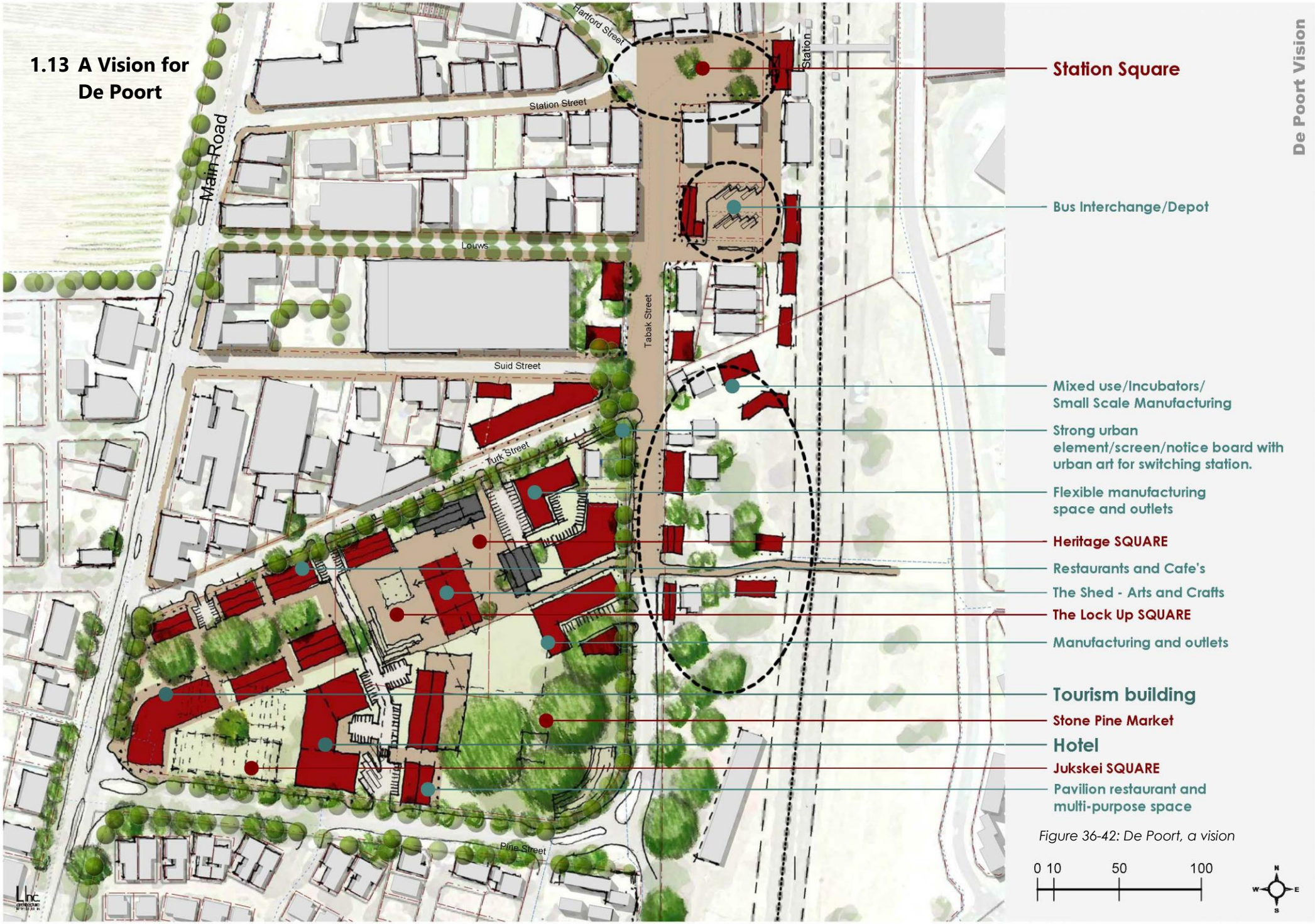


Figure 36-42: De Poort, a vision

The Tourism Precinct

Figure 37: De Poort, a vision Cont.

Hotel / Serviced Apartments

Training college opportunities

Figure 38: De Poort, a vision Cont.

The Pavillion multi-purpose space

Figure 39: De Poort, a vision Cont.

Small cafés / shops with units above

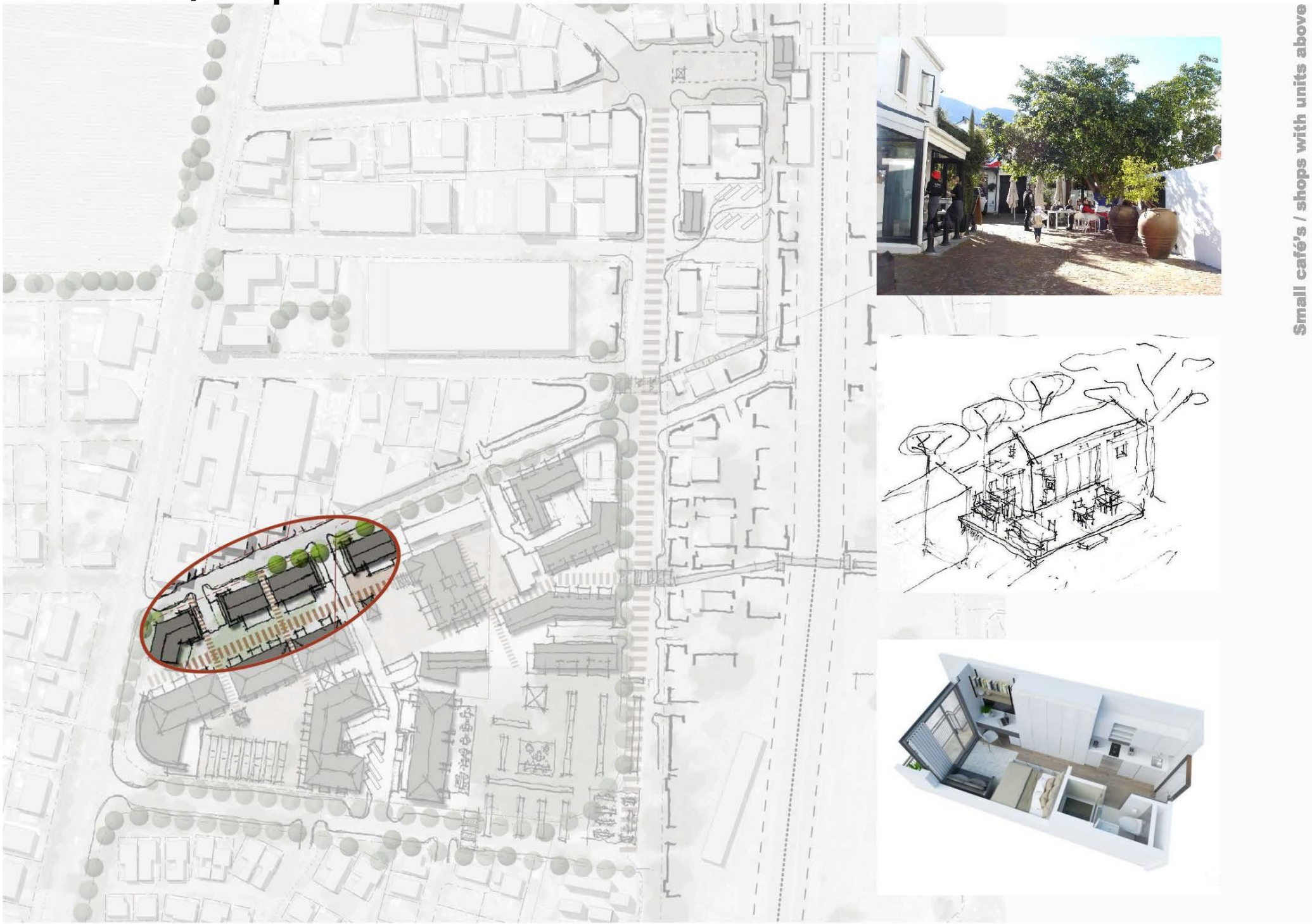


Figure 40: De Poort, a vision Cont.

The Shed – artisanal retail space

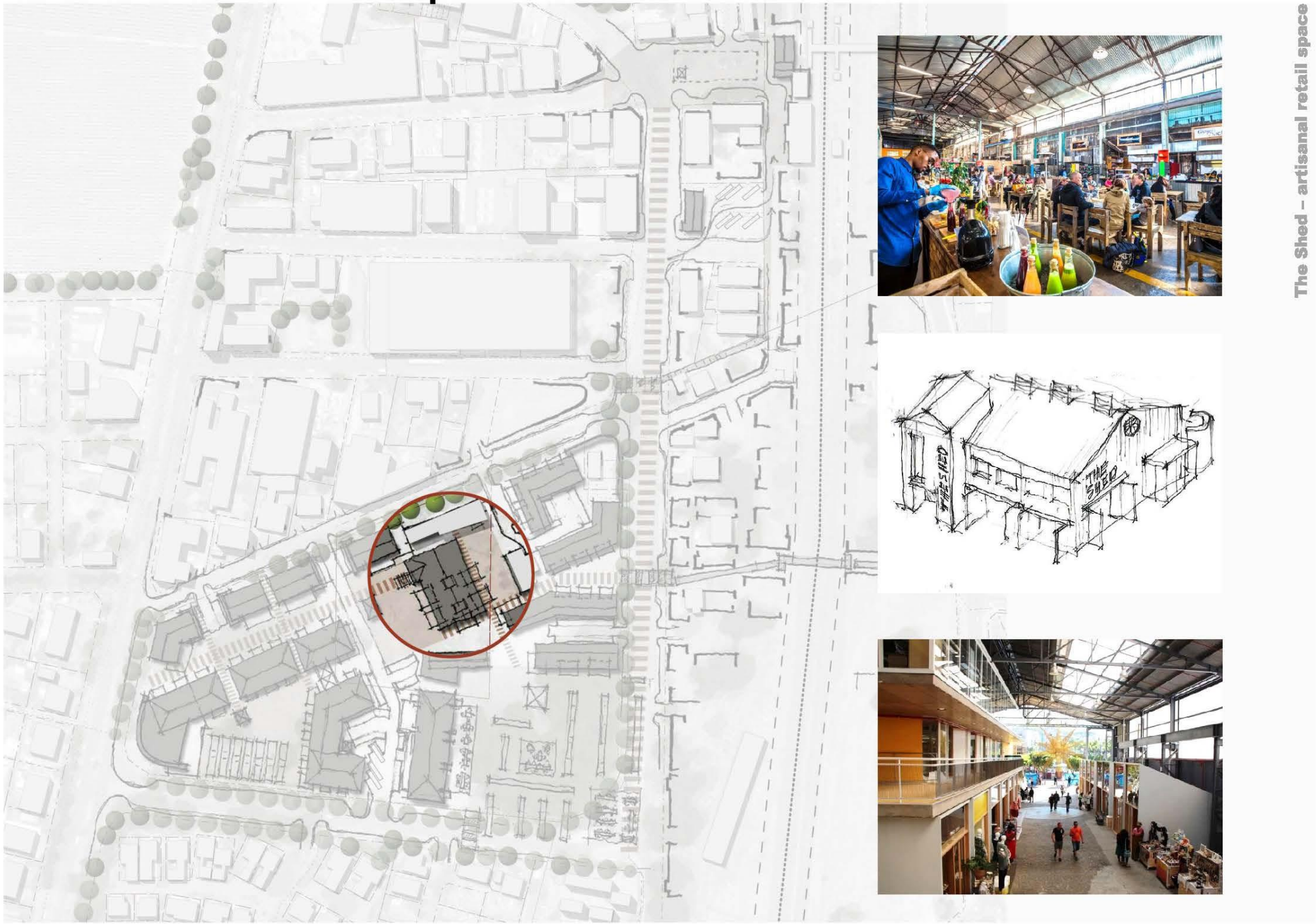


Figure 41: De Poort, a vision Cont.

The Stone Pine Market

Figure 42: De Poort, a vision Cont.

Jukskei Square, The Lock Up Square and Heritage Square

Figure 43: De Poort, a vision Cont.

1.14 Urban Space and Landscape Vision

The proposed spatial development of the precinct and De Poort site are a combination of the all the principles discussed. The grasp of scale and the implications of dealing with space making are complex and must be understood as inextricably entwined with the social and historical narratives of the area and site. To this end the spaces were explored through illustrative sections and understanding the implications of the context and the proposed interventions in the spaces. These give a notional idea of the potential of the site and precinct. The principles such as connectivity, cohesive identity, and notably storm-water management were further defined and detailed.

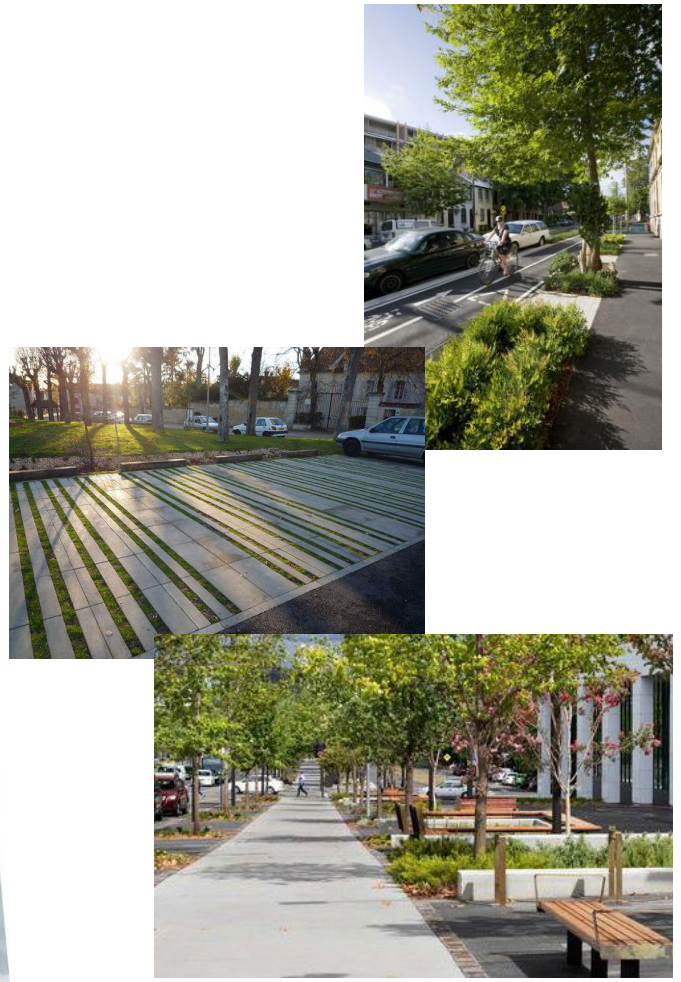


Figure 44: Station precinct

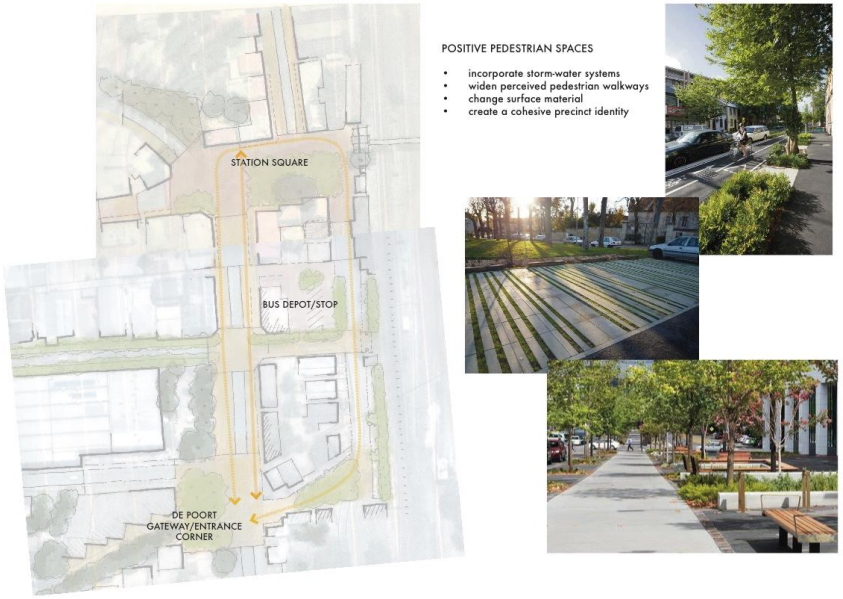


Figure 45: Station precinct; pedestrian space

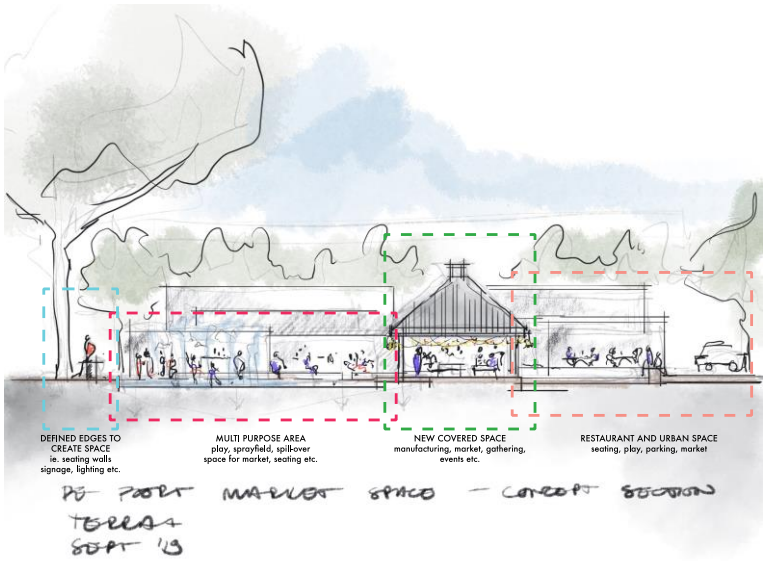


Figure 46: Market square

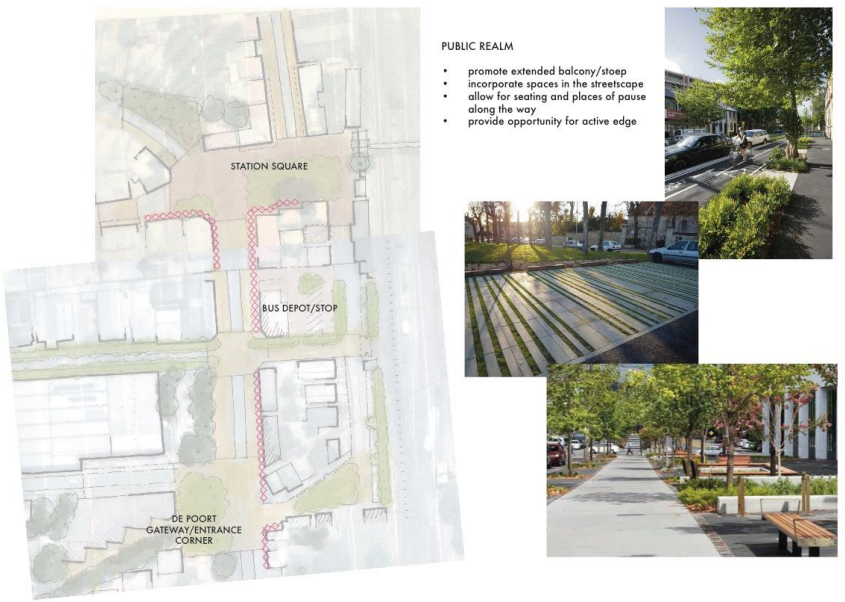


Figure 47: Station precinct; public realm

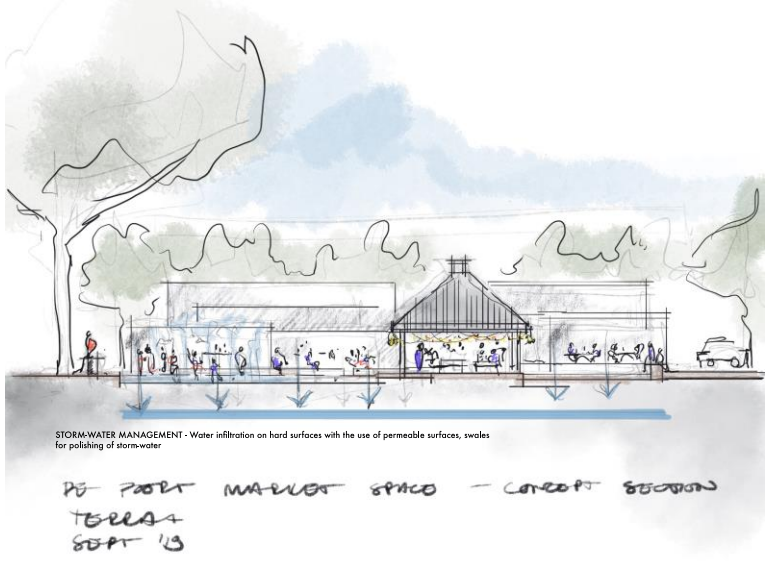


Figure 48: Market square storm water concepts

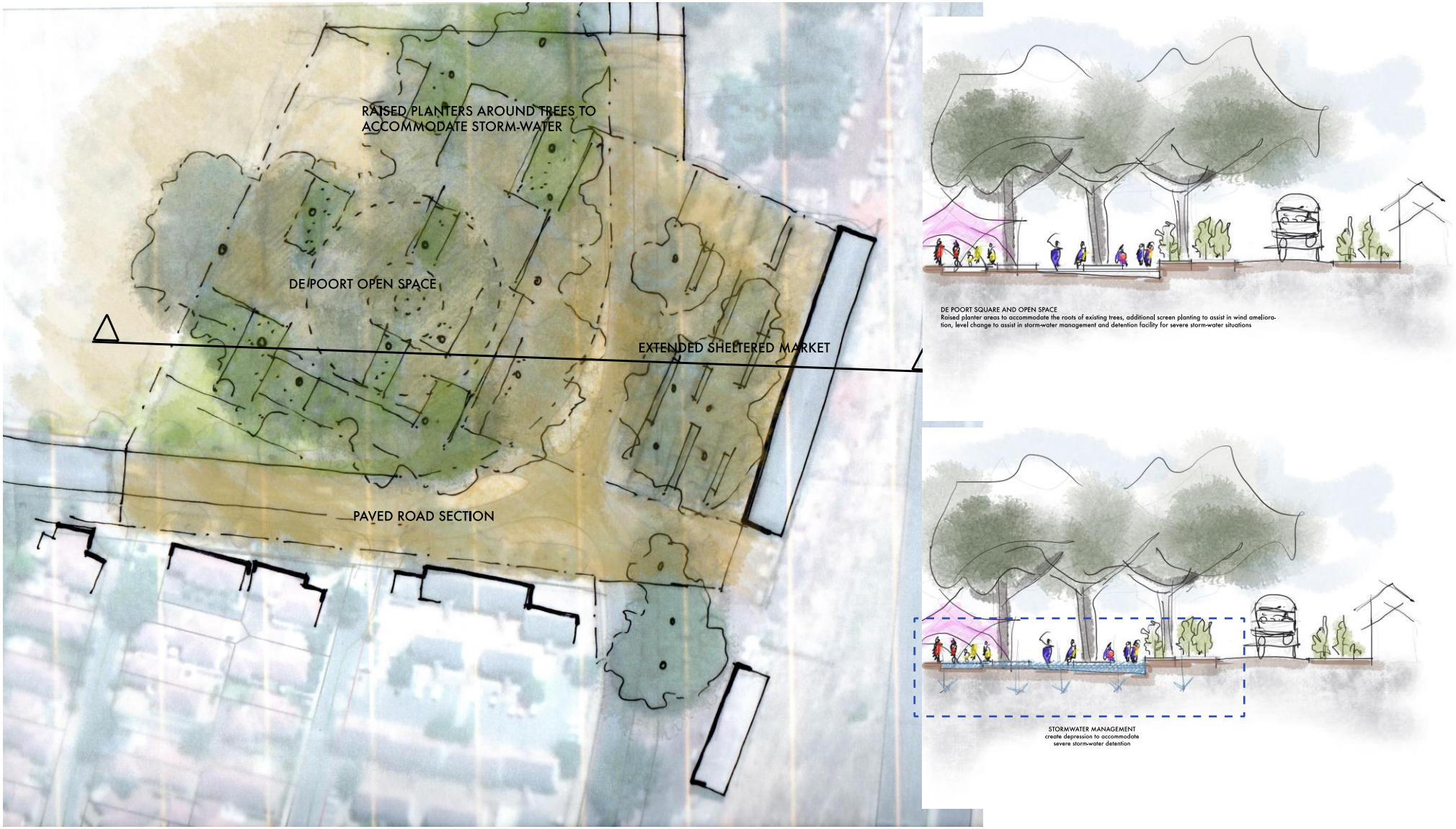


Figure 49: Stone Pine Market concepts

Existing

1.15 Proposed Stages of De Poort

De Poort has the ability to grow and develop incrementally. This could reduce the risk for the municipality while it does create visible interest and opportunities on site. The stages are further described in the business model section.

Figure 50: Proposed stages; existing

Stage 1

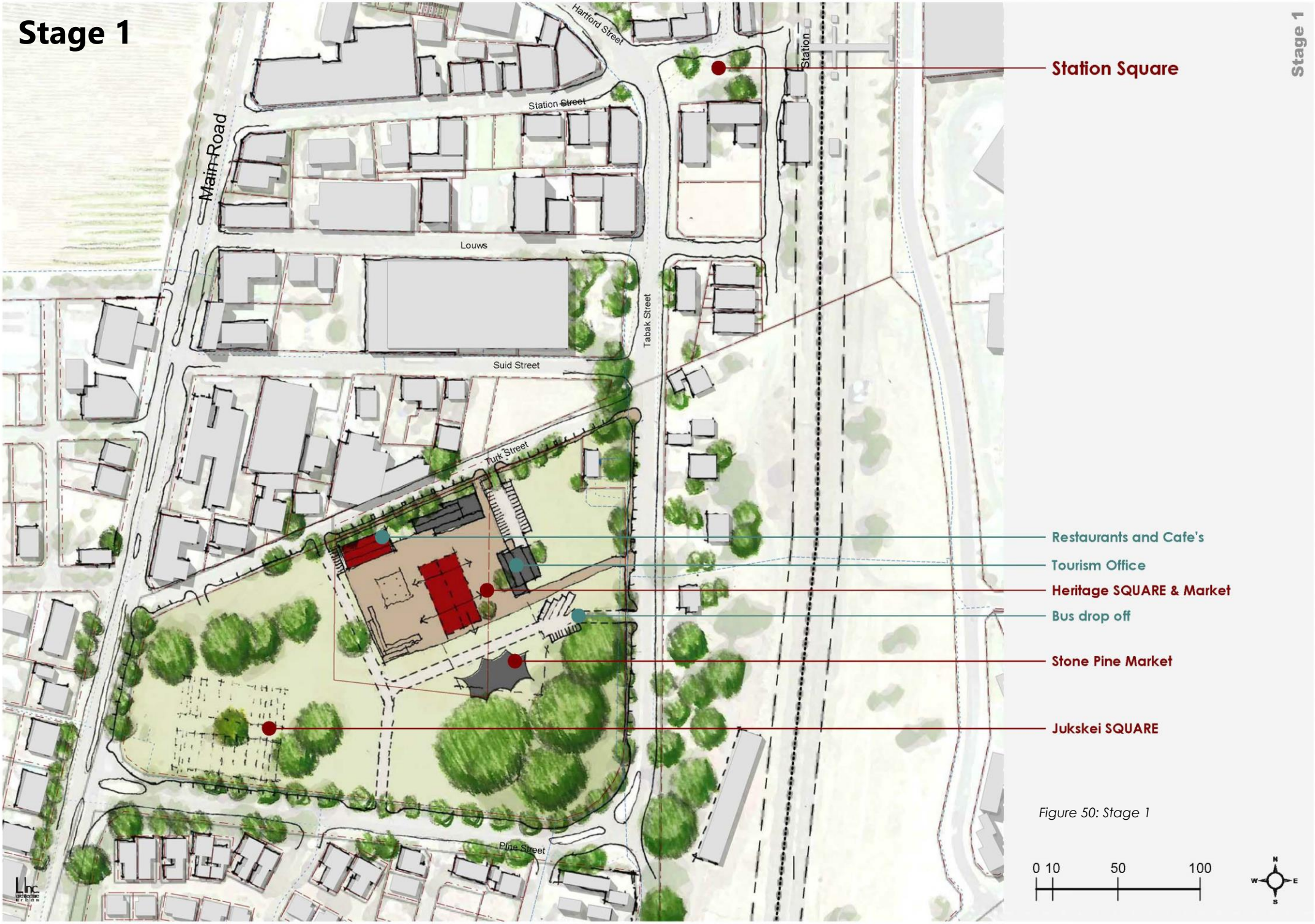


Figure 50: Stage 1

Stage 2

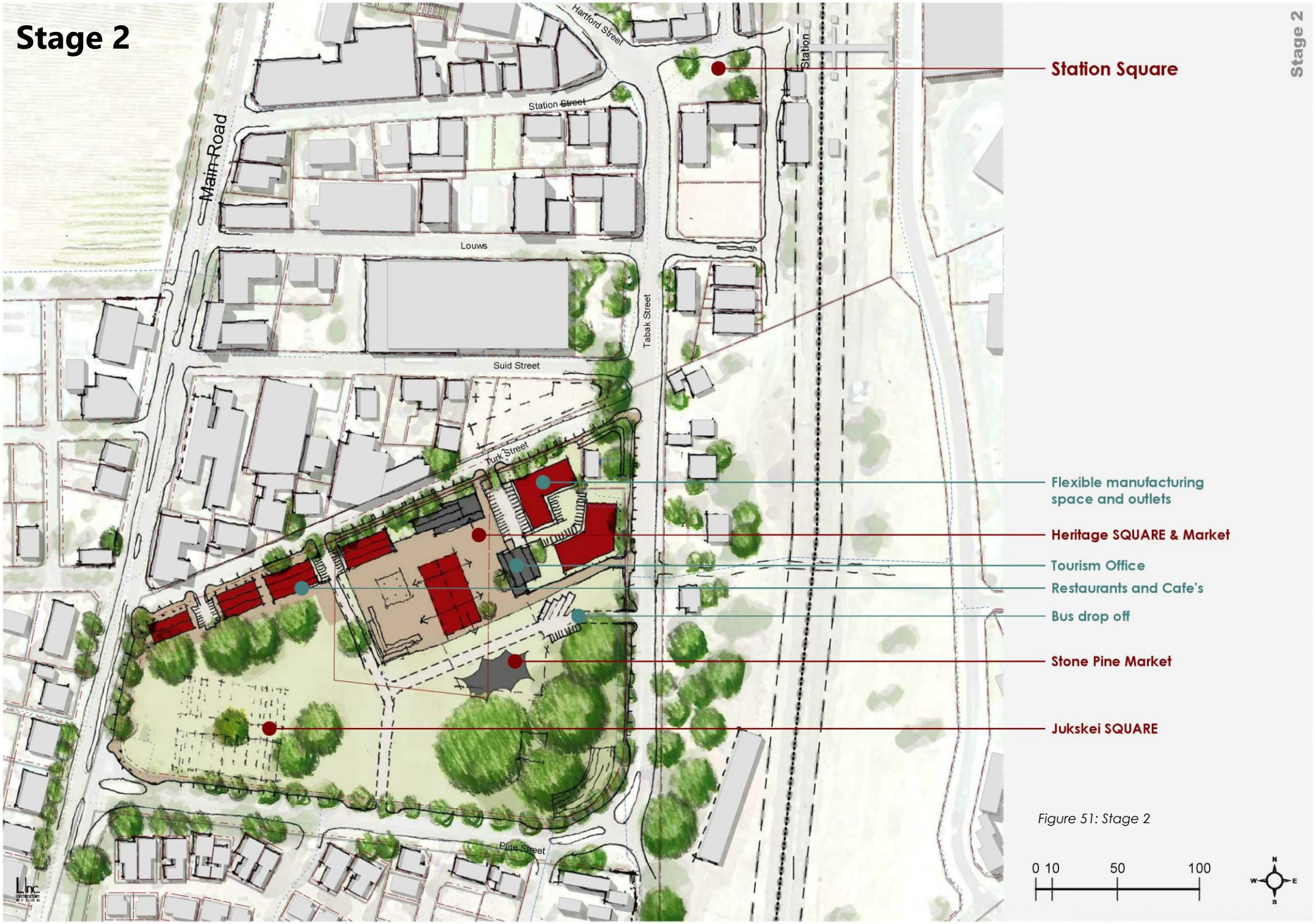


Figure 51: Stage 2

Stage 3

Figure 52: Stage 3

Stage 4

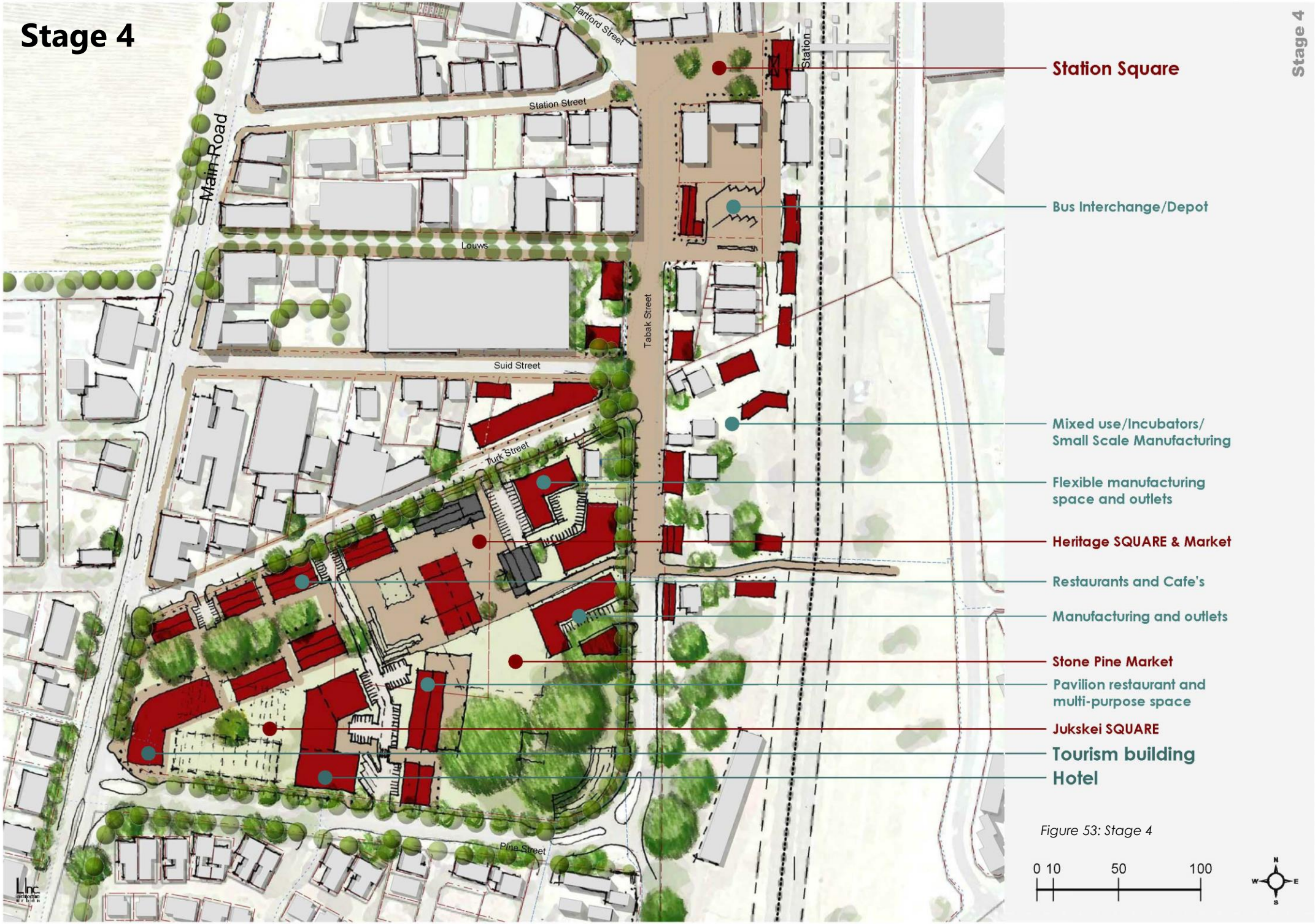


Figure 53: Stage 4

2 Economic & Market Considerations for the De Poort Urban Design Framework

2.1 Background to the Economic & Market Considerations

In order for a development to be effective in meeting its objectives, it must respond to certain constraints. There are a number of constraints that limit the success of a given project. These constraints to development are:

- Infrastructural;
- Market;
- Financial/Financing;
- Legal;
- Social;
- Environmental.

This aspect of the framework deals with the market and financial constraints that influencing the De Poort project and how the municipality can best position the project to be successful.

The most effective way in ensuring that a project adequately responds to the various market and financial constraints is to undergo an in-depth analysis of the market conditions of the site, at both a micro and macro scale.

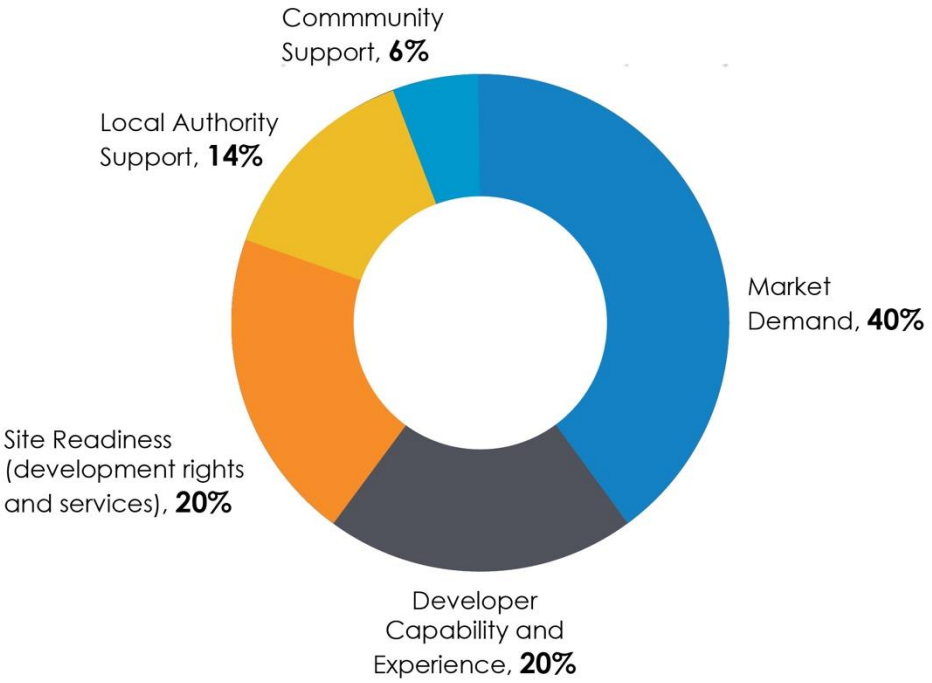


Figure 53: Top Factors in Success of Public Development Projects (Source: Dinny/PLDRP/Profica).

Figure 54 above identifies the main factors attributing to the successful development of public land as researched by the Public Land Development Research Programme (PLDRP). Through the strategy put forward in this framework, the intention is to respond to all of the key factors supporting the effective realisation of the project to optimise its success. This needs to be informed by specialist market demand analysis which is completed by analysing population (user) statistics and existing supply for specific potential development types.

The study will recommend the quantum of development of each type which can be supported in a market as well as the potential take-up rate and sale/lease rates which could be achieved. The market demand assessment must be done at the start of the project in order to influence the entire project set-up. These considerations are imperative for the local economy but also for the municipality as the success of the project will ultimately determine how the municipality can facilitate directed development in support of social/public objectives and it can also generate alternative sources of income for the municipality (and release pressure on the tax base and public funding).

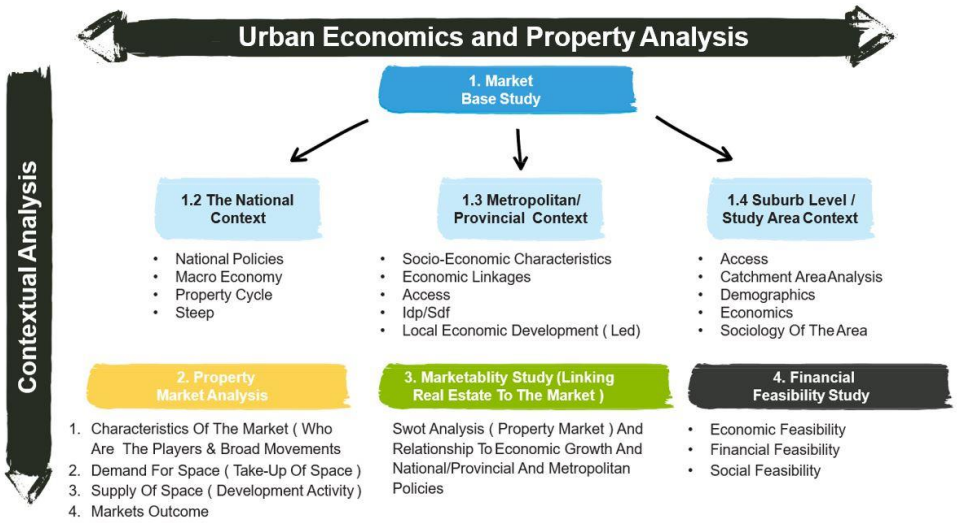


Figure 54: Economic and Market Analysis Methodology

Figure 55 outlines the methodological approach adopted for the analysis of the economic and market dynamics of the study area. The overarching approach comprises a desktop analysis of available data and the formulation of a set of conclusions in respect of the proposed development based on this data This approach is based on a top-down methodology. It is initiated with an understanding of key trends that impact on market and then moves down to the micro-analysis of the site and the economic and financial feasibility of the project. The market research provides the parameters that are ultimately applied in the market feasibility study, it also emphasizes that research needs to occur prior the development of conceptual frameworks.

The notion underpinning the methodological framework for this report is that urban land markets need to be located within a socio-economic base. This base, among other things, comprises of economic, political and social / demographic factors. To this end, the development of the urban framework and urban design for De Poort cannot be viewed in isolation.

To maximise the change of developing a successful report, the linkages connecting the urban precinct to the broader context and socio-economic base need to be clearly identified and understood. Identifying and understanding the external forces influencing any given node requires evaluating macro-economic and political factors and drilling down into the local factors in the catchment area where the site is located, in this case, Paarl South. Undertaking this task will enable the professional team to best position the framework to align with the various external and internal forces impacting on the area.

The status quo report responded to 1 and 2 (market base study and property market analysis respectively). This report will include those stages as well as stages 3 and 4 (marketability study and the financial feasibility study).

In the Terms of Reference for this project, Drakenstein municipality stipulated that the analysis should consider three business case scenarios for the development of the site and the implementation of the urban design framework. These three options are:

a) A municipal-driven project;
b) Private investment only; and
c) Public-Private Partnership (PPP).

The options will be informed largely by the market analysis of the study area and the key objectives of the Drakenstein municipality. The following sections will include the market analysis of the study area followed by the proposed stages and business models for the development of the study area.

2.2 Market Analysis

2.2.1 Market Trends – Macro Economy

Global Market Trends

Responding to rapidly changing socio-economic dynamics with investors increasingly concerned about the rapid obsolescence of buildings. Added to this, new technologies, driven by the 4th industrial revolution are impacting on the way users interact with space. This has become evident in the retailing sector which is experiencing the impact of e-retailing. Indirectly e-retailing is increasing the demand for logistics. Other trends include the demand for co-working and co- living space.

Research undertaken by the Urban Land Institute (ULI) provides an indication of the sectors that are capturing the interest of investors and developers. It is worth noting that of the first 10 top categories, seven relate in one way or the other to the residential sector. It is also worth noting that the traditional office and retail sectors are in the lower tier of the table. In considering the future of the property market, it is equally important to consider the implications of a growing focus on smart cities, the focus on the provision of public transport, and issues that relate to the sustainability of the property sector.

Overall Rank		Investment	Rank	Development	Rank
1	Co-living*	4.40	1	4.25	1
2	Logistics facilities	4.34	3	4.24	2
3	Retirement/assisted living	4.34	4	4.22	3
4	Flexible/serviced offices	4.29	5	4.12	4
5	Data centres*	4.36	2	4.11	5
6	Student housing	4.21	6	4.08	6
7	Private rented residential	4.19	8	4.07	7
8	Serviced apartments	4.21	7	4.05	8
9	Housebuilding for sale	4.00	13	3.96	9
10	Social housing	4.04	10	3.95	10
11	Healthcare	4.14	9	3.93	11
12	Affordable housing	4.03	11	3.92	12
13	Hotels	4.02	12	3.85	13
14	Science parks*	3.93	14	3.78	14
15	Industrial/warehouse	3.90	15	3.76	15
16	Self-storage facilities*	3.57	18	3.74	16
17	Central city offices	3.83	16	3.61	17
18	Parking	3.64	17	3.46	18
19	Business parks	3.47	19	3.22	19
20	High street shops	3.34	20	3.08	20
21	Suburban offices	3.23	21	3.04	21
22	City centre shopping centres	3.16	22	2.78	22
23	Retail parks	3.16	23	2.78	23
24	Out-of-town shopping centres	2.75	24	2.45	24

Figure 55: Trending Sub-sectors of the Global Property Market (Source: ULI)

The South African economy continues to function in a lacklustre environment. This is being driven by poor investor confidence, and low levels of infrastructural expenditure. More recent statistics show the economy in 2019 contracted in the first quarter. Real GDP shrunk by a seasonally adjusted and annualised 3,2% quarter-on-quarter, after staging a modest recovery off a low base in the second half of last year. The poor economic growth trajectory is being influenced by load-shedding and a noticeable loss in global economic momentum. The supply-side breakdown shows that the weakness was widespread, with value added in most sectors contracting over the quarter. The sharpest declines were recorded in the agriculture (down 13,2%), Value added by agriculture was hurt by lower production of field crops and horticultural production due to disappointing rainfall in summer production areas. Energy-intensive and export-orientated mining and manufacturing sectors as well as electricity, gas and water were also in decline.

The longer-term forecast are more positive and expansionary contributions are also expected from domestic trade, tourism and finance, buoyed by moderate growth in domestic spending and the continued recovery in foreign tourist numbers. Agricultural prospects also appear more hopeful after the lifting of the ban on meat exports and improved weather conditions in the winter rainfall areas. Future growth in demand will invariably be influenced by the performance of the macro-economy and the public sector's ability to stimulate the economy. Of equal importance will be the commitment to address the supply side constraints that are impacting on the economy. As will be discussed later in this report, the Drakenstein local economy has its specific dynamics which should be considered.

Long Property Cycle Dynamics and National Trends

The property cycle is long, on average between 15 and 20 years, and South Africa is not the only country with such a long property or building-construction cycles. Like any cycle, it can serve as an important investment tool for buyers, sellers and developers. Buyers should ideally enter the market when the property cycle is still near its trough, simply because the probability is great that from that point on, real rentals and prices will rise. Sellers, on the other hand, should aim to leave the market when the property cycle is near its peak. Developers normally enter the property market in droves during the latter phase of an upswing. This is because prices and real rentals are now high, making new developments more viable. However, to enter new developments close to the peak could be risky, especially on the downside of the peak; the more so if the developments are done on a speculative basis.

It is convenient to represent the office and industrial cycles by considering the trajectory of real rentals "Real" is calculated by deflating nominal rentals by a building cost index; normally either the JBCC CPAP Haylett Index (Haylett) or the BER Building Cost Index (BER BCI). The difference between these two indices in a nutshell is that Haylett measures building-construction input costs only, viz. labour, capital and materials, whereas the BER BCI not only measures physical inputs, but also the profit margins of building contractors as well. Hence, any deviation between these two indices is the result of contractors either stretching or contracting their profit margins. During the upswing phase of the property cycle, contractors are increasingly committed, which results in tendering competition becoming weaker, which in turn allows the contractors that do tender to stretch their profit margins. In the downswing phase the converse applies. With this as background, we can now consider some historic characteristics of the South African non-residential property cycle. Real office and industrial rentals exhibit a long cycle in South Africa. The idealised cycle has an upswing phase of about 10 years (real rentals rising) and a downswing phase of about 7 years (real rentals declining).

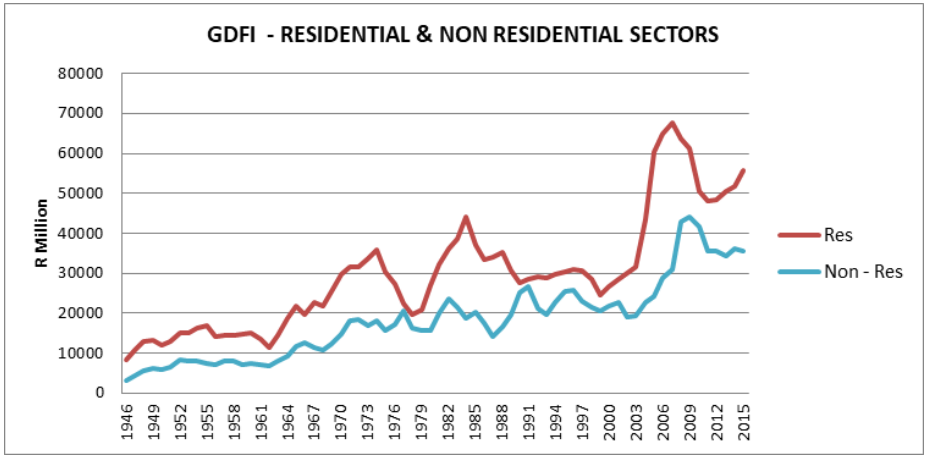


Figure 56: Residential and Non-Residential Sectors (Source: SARB)

The global financial crisis had an important role to play in slowing the property cycle in 2008-2009. To a significant degree the South African property sector never completely rebounded from this downturn. Contributory factors have included relatively low investor confidence, an economy that has found it difficult to grow and an oversupply in the market.

As a result, the forecasted trajectory of real office and industrial rentals will initially be poor driven by:

- The continued domestic political uncertainty (e.g. exactly what is meant by 'radical economic; transformation' and will fiscal discipline be maintained?);
- The continued underperformance of key sectors of the domestic economy;
- The hesitant global growth prospects;
- The ignominy of the country's credit rating being downgraded to junk status;
- The brain drain (past and present).

Under this scenario, political uncertainty persists, key economic sectors continue to underperform, global economic growth stagnates and, arguably worst of all, SA's sovereign credit rating is lowered to non-investment status. Nedbank forecasts for the economy are as follows:

Table 1: Economic Forecast (Source: Nedbank)

	Mean						
Year	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Average**
GDP (%): Growth	0.4	1.3	0.8	0.8	1.6	1.9	1.3
Junk Rating Scenario (▲%):	0.2	-1.3	1.3	0.4	1.5	1.9	0.7

Nonetheless, as can be seen in the following graphs, under the "junk scenario' the direction of real office and industrial rentals were forecast to be in decline.

Outlook for the Office Property Market

The economy is decelerating, while at the same time, as discussed previously, sentiment levels amongst business decision-makers remains low. These two factors do not augur well for the demand for office space, vacancy rates and market rentals across the country. Besides being the largest sector of the economy on the production side, the services sector is also the largest user of office space. The corresponding graph shows the robust (r^2=0,7) positive relationship between growth in service sector output and the growth in office demand. Naturally, an under-performing services sector implies weak growth in employment and hence, less of a need to expand or acquire additional office space.

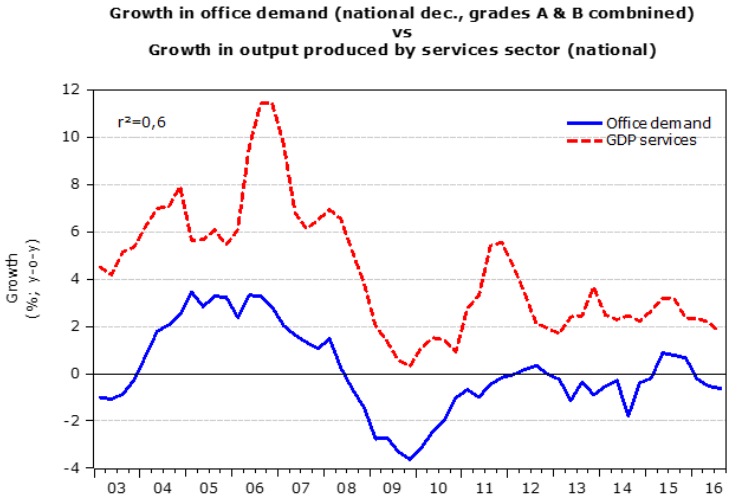


Figure 57:Relationship between growth in service and office demand (Source: SAPOA, StatsSA).

Given the weak business confidence levels, firms are likely to continue to think twice about expanding their premises or hiring new employees. The implications of this will be continued lacklustre demand for office space. In the fourth quarter of 2016, only about 38% of the BER's survey respondents found prevailing business conditions to be satisfactory. Office market forecasts are presently including relatively high levels of vacancies. These need to be mopped up before any rise in real rentals can be contemplated. Rentals are expected to grow at between 7% and 8% per annum in the decentralised office regions of Johannesburg, Pretoria, Durban and Cape Town. although there is pressure for these escalations to decline to a level close to the inflation rate. It would seem reasonable to suggest that this trend will be felt across the market in the medium term.

Outlook for the Industrial Property Market

The underperformance of the support pillars to the industrial property market — namely the manufacturing and retail sectors — seems to be continuing unabated, posing a severe threat to prospects for the industrial property market. The manufacturing sector underpins the demand for industrial space for manufacturing production purposes, whereas the retail sector underpins the demand for warehouse space. Purchasing managers have become rather pessimistic about prospects for the manufacturing sector. The retail sector is equally under pressure as a result of rising unemployment, credit extension that seems to be diving off a cliff and continued low levels of consumer confidence. Thus, the prognosis for industrial properties is like that of the office market.

In sum: the performance of industrial rentals will depend on the performance of its support pillars, namely the manufacturing and retail sectors. In the major towns of the Drakenstein and surrounds, other contributing factors will be the health of the agriculture sector (Agri-processing). In the past two years, the logistics sector has felt the benefits of the e- retailing environment which is heavily reliant on warehousing and related facilities.

Broad Trends in the Retail Property Market

The performance of retail sales volumes was poor in the past two years a, although more recent figures suggest that the sector is stabilising. Over the past three years the supply of new shop space has exceeded demand, which, as a generalisation, makes new mall developments risky. This statement would apply to most areas in South Africa.

Real final consumption expenditure by households increased by 3.2% in the fourth quarter of 2018 following a revised increase of only 0.6% in the third quarter. Faster growth in household debt supported increased spending. Household consumption expenditure growth slowed somewhat to 1.8% in 2018 compared to 2.1% in 2017. Growth in households' real spending on services reverted from -2.0% in the third quarter of 2018 to 1.1% in the fourth quarter. The turnaround was broad-based, as real outlays in almost all the subcategories increased in the fourth quarter of 2018, including in medical services, transport and communication services, as well as recreational, entertainment and educational services.

Consumption expenditure on rent advanced at broadly the same pace as in the previous quarter. Household debt increased at a faster pace in the fourth quarter of 2018. Mortgage advances, the component of household debt, contributed the most to the increase. General loans and advances at all monetary institutions also increased notably, suggesting that consumers borrowed to sustain spending. Household debt as a percentage of nominal disposable income edged higher from 71.8% in the third quarter of 2018 to 72.7% in the fourth quarter, as the quarter-to-quarter increase in household debt exceeded that in disposable income. Households' net wealth declined in the fourth quarter of 2018, mainly because of lower share prices on equity holdings and the increase in household debt. The ratio of net wealth to nominal disposable income declined to 357.5% in the fourth quarter of 2018 and edged lower for 2018 as nominal disposable income grew faster than net wealth.

In sum: one should not expect much support for retail sales volumes, and consequently for retailer trading densities and market rentals, from key drivers such as disposable incomes, credit extended to households and consumer sentiment levels. Hence, we must be cautious about the medium-term potential for real growth in net incomes of shopping centres. No doubt, the affordability of shop rentals will become a serious issue. Thus, the reader should expect many an escalated contractual rent to revert downwards to market (affordable) levels on renewal or re-negotiation.

Non-Residential Building Activity Forecast

The Consensus and Junk scenario was used to forecast non-residential demand over the next three years in the various provinces. For ease of analysis, the Western Cape is used for forecasting purposes (yet it is noted, most commercial building activity in the province occurs in the Cape Peninsula). The sector is generally slowing at present reflecting market trends. There has also been a slowdown in the provision of housing at the lower end of the market. The supply problem is being influenced by affordability and the ability by developers to bring developments to the market profitably.

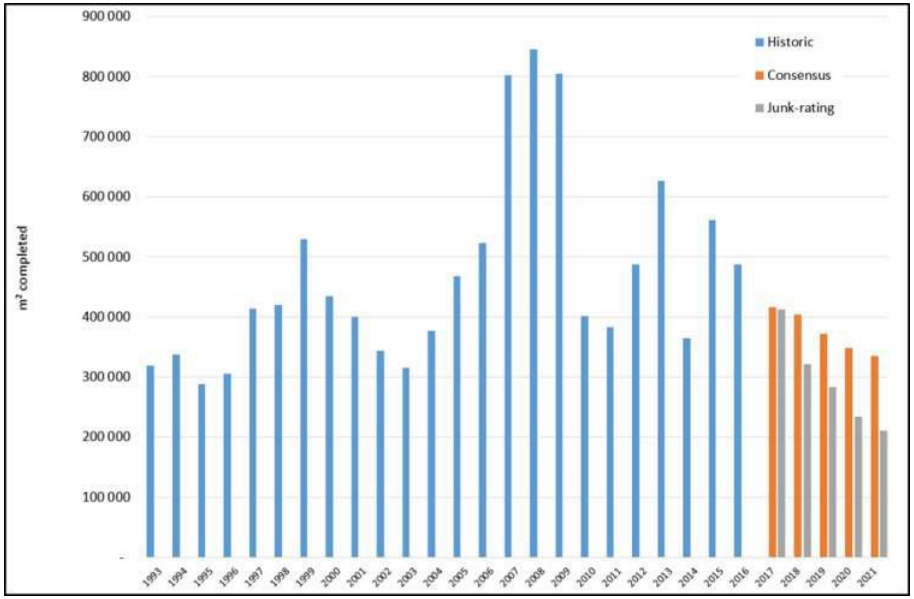


Figure 58: Non-Residential Building Activity

Outlook for the Residential Property Market

The real estate market in South Africa sustained muted growth in nominal house prices in 2018 and a further slowdown in the early months of 2019 reflected sluggish economic growth, subdued growth in households' disposable income, high unemployment, and weak residential property demand. In January 2019, the year-on-year rate of increase in nominal residential property prices varied between 3.2% and 4.3% across the different indicators. However, the average time that residential properties remained on the market declined from a recent peak of 17.6 weeks in the third quarter of 2018 to 15.3 weeks in the final quarter, and the Absa Homeowner Sentiment Index (HSI) improved from 72% in the third quarter of 2018 to 77% in the fourth quarter. According to Standard Bank, nominal house price growth in the Western Cape has slowed since mid-2016, with year-on-year growth plummeting from a high of 14.1% in May 2016 to 1.0% in July 2018 before recovering slightly as drought conditions eased. The 1Q19 home transactions data shows that growth in house prices is skewed towards lower value bands, while higher value bands are under relative pressure. The Low-income area band (average purchase price R395 900) grew by an average 16.3% year-by-year, while the Lower middle segment (average purchase price R638 200) averaged 6.8%.

The Middle segment, which corresponds to homes in the middle 20% of the price spectrum (average purchase price R935 000), registered 4.2% in 1Q19. On the higher end of the spectrum, Upper-income value (average purchase piece R1.3 million) and Luxury value bands (average purchase price R2.3 million) registered 3.0% and 0.8% year-by-year respectively. These are largely reflective of supply-demand imbalances across price segments—excess demand in the lower end and excess supply in the higher end. To be sure, the Estate Agents survey estimated that virtually all properties exceeding the value of R3.6m transacted at less than the initial asking price in 1Q19. This implies buyers have a disproportionately high negotiating power in those segments.

For the residential property market, excess supply in the higher end segments must clear before we see an overall house price acceleration. The first three months of the year saw a solid increase in the volume of private sector financed residential buildings completions. While the increased activity was seen across all sub-components, supply (i.e. completions) of flats and townhouses was exceptionally strong, up 90.6% versus the corresponding period last year. Against this backdrop, flat vacancies are estimated to be on the rise, which in turn has kept a lid on rental inflation. The rest of the segments namely houses smaller than 80m2 and houses larger than 80m2 recovered by 5.2% and 17.9% respectively in the first three months of 2019 versus 2018.

Interestingly, the proportion of new flats and townhouses (as % of total new housing units) is trending significantly above its long-term average of around 30%. Year-to-date, these units have accounted for approximately 60% of new stock, up from 29% in 2015 and 13% in 2000. This could be explained by the increasingly urbanising population, rising densification in the metros, as well as the changing consumer preferences (e.g. buyers are now more security conscious in their buying decisions). In all, we expect house prices to average around the 3.5% mark, versus our inflation projection of 4.6% this year.

The important conclusion to draw from this is that there is pent up demand for housing at the lower end of the housing market. As figure 60 illustrates the lower end of the market is showing an increase of house prices of some 16.3% compared to 0.8% at the higher end of the market.

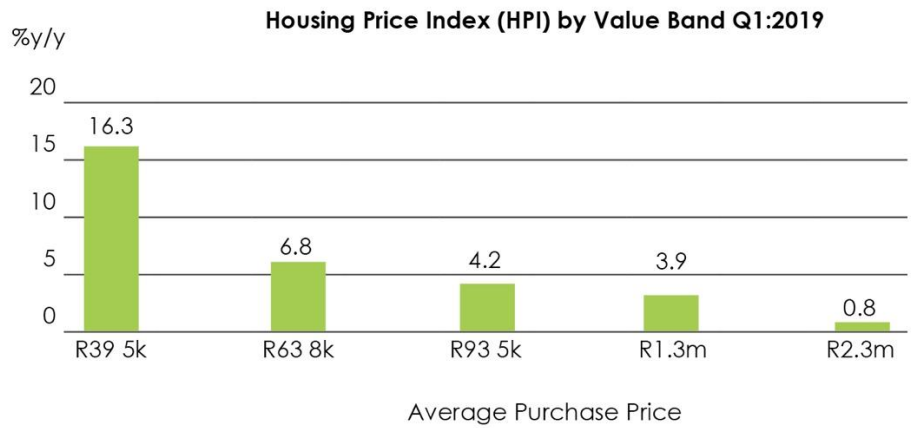


Figure 59: Housing Price Index (Source: FNB)

2.3 Market Trends – Micro economy (Drakenstein Market Analysis)

Economic Overview of Drakenstein

Drakenstein is the largest economy in the Cape Winelands and its GDP-R (Gross Domestic Product- Regional) increased from R10.3 billion in 2007 to R19.8 billion in 2016 (current prices). This illustrates the robust growth experienced by the local economy of the area over the past 10 years. However, Real Annual Growth declined sharply in 2009 and 2015 with the drought contributing to this. This reflects the economy's reliance on agriculture and the various sectors that have emerged to support agricultural activities in the region.

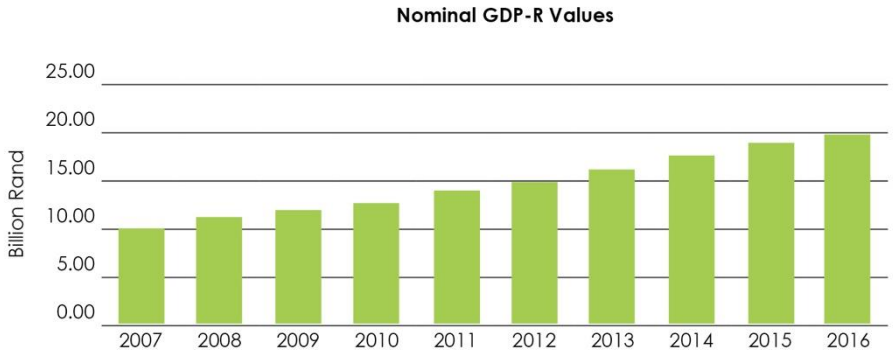


Figure 60: Nominal GDP Values for the Drakenstein Region (Source: Drakenstein Municipality)

As is highlighted by table 2 below much of the economic contribution to GDP is through the tertiary sector and this sector saw the highest growth performance from 2007 to 2016. Subsectors such as Finance, Insurance, Real Estate and Business Services and Wholesale, and Retail Trade, Catering and Accommodation were among the top growth sectors in the economy. The secondary sector has shrunk in the past few years due to the demise of the manufacturing subsector; the third largest subsector in the region. Manufacturing's contribution to the economy fell from 23.3% in 2007 to 15.1% in 2016. Fortunately, the construction sector has seen a consistently high level of growth over the same period.

Table 2: Drakenstein GDP Performance per sector 2005-2016 (Source: Drakenstein Municipality)

Sector	Contribution to GDPR 2015 (%)	Rand Value in Millions	Trend		Real GDPR Growth (%)					
			2005 2015	2010 2015	2011	2012	2013	2014	2015	2016
Primary	**6.6**	**1225.6**	**2.5**	**2.1**	**0.8**	**1.7**	**2.8**	**8.2**	**-2.8**	**-8.7**
Agriculture, Forestry and Fishing	6.4	1181.9	2.6	2.1	0.8	1.7	2.8	8.2	2.8	8.7
Mining and Quarrying	0.2	43.7	-0.4	2.1	2.7	1.0	2.9	6.9	-3.0	-6.4
Secondary Sector	**26.6**	**4940.1**	**0.1**	**-0.2**	**-0.4**	**0.3**	**0.1**	**-0.1**	**-0.7**	**-1.1**
Manufacturing	16.0	2971.4	-1.7	-1.9	-1.3	-1.4	-2.3	-2.2	-2.1	-2.6
Electricity, Gas and Water	2.6	484.5	2.0	1.9	4.4	2.9	2.1	1.0	0.9	1.7
Construction	8.0	1484.2	7.4	4.5	1.3	5.0	7.0	6.0	3.2	3.2
Tertiary Sector	**66.8**	**12390.7**	**4.0**	**3.6**	**4.9**	**3.9**	**3.6**	**2.9**	**2.5**	**2.0**
Wholesale and Retail Trade, Catering and Accommodation	17.7	3277.1	4.1	4.0	5.6	5.2	3.6	2.9	2.7	2.4
Transport, Storage and Communication	8.9	1657.7	2.2	2.3	3.6	2.3	2.5	3.1	0.0	0.0
Finance, Insurance, Real Estate and Business Service	21.2	3940.2	5.1	4.0	5.0	4.1	3.7	3.2	4.3	2.8
General Government	10.6	1966.3	3.1	2.9	5.2	2.7	3.9	2.5	0.3	0.9
Community, Social and Personal Services	8.4	1549.5	3.9	3.6	4.5	4.2	4.0	2.7	2.3	1.6
Total Drakenstein	**100**	**18556.3**	**2.8**	**2.5**	**3.2**	**2.8**	**2.6**	**2.6**	**1.3**	**0.4**

Another key issue regarding the economy is that the top ten sectors make up 83% of all formal jobs leaving the labour market dependent on key industries, presenting a key risk to employment in the region. There is a clear need to develop a diversified and balanced portfolio of sectors in order to create a more resilient, productive and equitable economy. Key barriers to the development of this are a

lack of appropriately skilled labour and inequality. Key areas of growth for the economy are: Tourism, Agro-processing and Financial Services. The table below outlines the tourism industry of the region. The Tourism sector has the potential to play a growing role in the Drakenstein and Paarl economies and receiving a greater amount of attention. It is also worth noting that relatively few tourists stay overnight, and the focus of tourism seems to be around restaurants, wine tasting. This could play a role in informing the potential highest and best use of the De Poort site.

Table 3: Tourist Data for the Cape Winelands

Indicator	Paarl	Wellington	Stellenbosch
Overseas visitors	57.3%	33.4%	96.4%
Domestic Visitors (% share/split)	42.8%	66.5%	3.6%
Overnight visitors	6.3%	15.4%	37.3%
Day Visitors (% share/split)	93.7%	84.6%	62.7%
Top international markets	Germany (39%) UK (30.7%) France (5.7%)	UK (40.5%) Germany (24%)	Germany (20.8%) UK (19%) Netherlands (13%)
Visitor's age profile	36 - 50 years (52.8%)	36 - 50 years (48.7%)	36 - 50 years (37.8%)
Average length of stay	2 nights (38.6%) 1 night (19.8%)	2 nights (31.5%) 1 night (28.3%)	2 nights (58.7%) 1 night (17.4%)
Top Three activities	Restaurants (23.5%) Wine tasting (23.4%) Outdoor (22.4%)	Wine tasting (27.4%) Culture/heritage (18.6%) Restaurants (18.6%)	Culture/heritage (39.9%) Wine Tasting (32.7%) Shopping (10.3%)
Average daily spend	**R501 to R1000 (31.3%)**	**R501 to R1000 (14.5%)**	**R501 to R1000 (21.7%)**

Source: Adapted from Wesgro (2017). Note the drought had an impact on tourist arrivals

Social Demographics

300 000 with 72 000 households. The region has an annual household growth rate of 3.7% equating to 2 400 households per annum. Despite this growth access to formal housing in the region has increased significantly. This suggests an increased affluence as well as increased household formation. Furthermore, it highlights the increased in-migration to the region from other parts of South Africa.

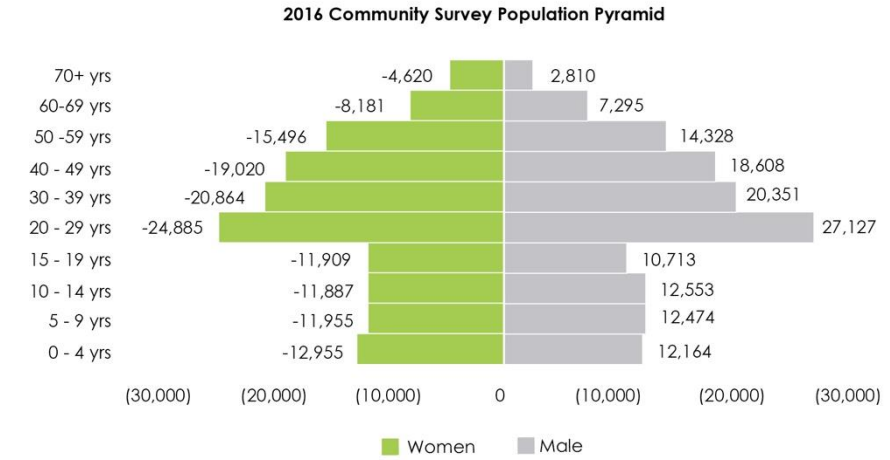


Figure 61: Drakenstein Population Pyramid (Source: StatsSA).

The Drakenstein region has a large portion of the population between the ages of 20 – 39 and 68% of the population is of working age. However, the region reports unemployment at 18.3% and youth unemployment at 33.4%. This is lower than the National unemployment rate and in line with the Provincial rate of unemployment. Even though access to education has increased over recent years high school drop-out rates are still high and only
30% of the population have a matric or higher.

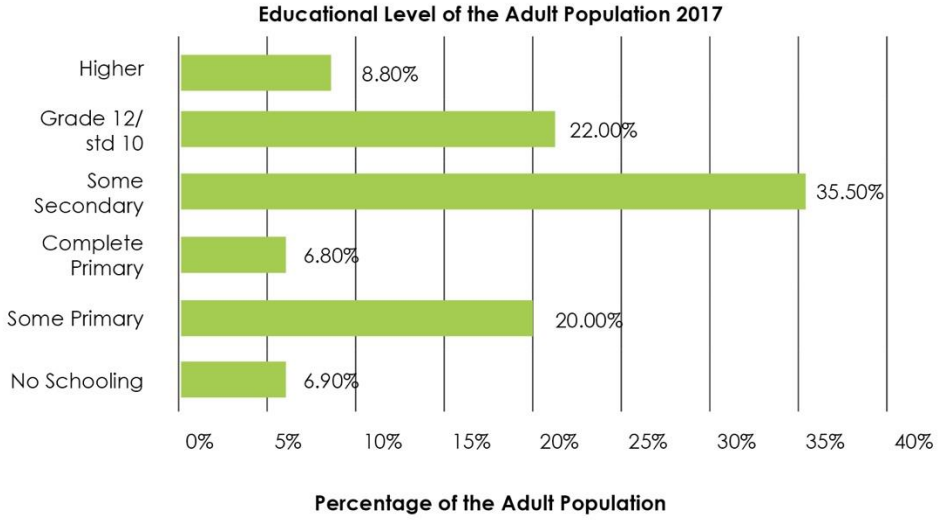


Figure 62: Education Level (Source: WC Provincial Treasury).

As can be seen in table 4 below, average household income in Paarl, the region's economic hub, shows a more favourable distribution than other areas in the region. This supports the notion of growing affluence in the area. Drakenstein and reports a Gini Coefficient of 0.59, slightly lower than the provincial efficient of 0.61. However, GDP per capita is significantly lower in than the provincial GDP
per capita.

Table 4: Average Household Income Paarl (Source: StatsSA 2011 Census and Viruly)

Income	Drakenstein	Paarl
No Income	13%	10.9%
R1 - R9 600	4.8%	3.8%
R9 601 - R19 600	10.7%	9%
R19 601 - R38 200	17.2%	14.8%
R38 201 - R76 400	18.4%	17.5%
R76 401 - R153 800	13.9%	15.4%
R153 801 - R307 600	11.0%	13.9%
R307 601 - R614 400	7.4%	9.8%
R614 001 - R1 228 800	2.5%	3.4%
R1 228 800+	1.1%	1.5%
Total	100%	100%
% Earnings Less than R19 601	28.5%	23.7%
% Earnings Over R153 801	22%	28.5%

Policy Objectives for Drakenstein and Paarl

This subsection evaluates the various policy documents pertaining to Drakenstein and outlines key political objectives the municipality has identified for the region.

A critical objective of the municipality is to develop Paarl into a city of excellence. Paarl has a population of 137 000 people and is home to 45% of Drakenstein's citizens, it is also the economic hub of the Drakenstein region. The municipality is striving to attract investment around the key comparative advantages the city has in terms of agri- logistics, tourism and agri-processing. The municipality intends to transform the Paarl CBD and the Wellington CBD into vibrant city centres. High density residential development is encouraged together with commercial and social facilities with the added advantage of facilities being within walking distance. A large portion of the Drakenstein' s infrastructure budget is allocated to human settlement projects, highlighting the municipalities commitment to respond to the region's growing housing needs.

In terms of the IDP, there are five catalytic zones earmarked for largescale interventions. These are known as Big Moves. Big Moves will include housing developments, infrastructure and urban regeneration projects. The De Poort site sits within the N1 Corridor Catalytic Zone. Specifically, the Spatial Development Framework has a
Focus Area assigned for the development of De Poort and Paarl Hamlet, the focus is around urban renewal, mixed land use with De Poort as industrial heritage centre and gateway.

Additionally, there is a key political objective to promote social integration and connectivity. Drakenstein is currently fragmented, both in terms of the social economy and spatially. As such, economic and urban development strategies need to consider ways to build social cohesion. This includes, among other things, playing a facilitative and supportive role in the informal sector.

Skills development has been identified as a critical issue that needs to be addressed. Skills is also a strategic enabler identified to grow the economy. The IDP identified preparing the region for the Fourth Industrial Revolution (4IR) as a key consideration for the next 10 years. This will involve developing appropriate skills to take advantage of the 4IR and ensuring the provision of IT infrastructure to create an enabling environment for entrepreneurs and
citizens.

Priority Economic Sectors

A key priority for the municipality is to promote a more resilient and diversified economy. They aim to achieve this facilitating the growth of key sectors. Six priority areas have been identified for development as part of their Integrated Economic Growth Strategy.

Table 5: Drakenstein Priority Sectors

Priority Sector	Strategic Enablers (Across the various sectors)
Agriculture	Attracting and facilitating investments
Informal Sector	Establishing business and industrial parks
Manufacturing	Enabling infrastructure roll-out (fibre and water)
Technology	Skills development
Tourism	Small business development

Agriculture is still the economic base of the area even though it does not contribute significantly to the region's GDP. It also employs a vast number of unskilled workers. Manufacturing is also labour-intensive and provides many jobs for unskilled labour in the area.

Additionally, Agri-processing is a key area of growth with growing exports and the region's proximity to Cape Town International Airport. Drakenstein is also strategically positioned in terms of transport and logistics. With its proximity to airports and national transit links, the municipality are aiming to position the region as an agri- logistics hub.

Technology and the Fourth Industrial Revolution has been designated as a key priority for Drakenstein's economic development. Strategies around this priority sector will be centred around IT infrastructure and skills development in order to provide an enabling environment for tech- related entrepreneurs and businesses.

Lastly, tourism has been identified as an area of growth in the local economy and the IDP clearly identifies Tourism as a priority.

Site Specific Policy Objectives

The Drakenstein IDP and the SDF have specific objectives for the study area that need to be considered. The site and research area fall within the N1 corridor, Catalytic Zone C, an area prioritised for development as a connecting and logistics corridor within the municipality and beyond. Within the N1 corridor, the SDF identifies the De Poort site and Paarl Hamlet for upgrading. The intention for the De Poort site and Paarl hamlet is to create vibrant, diverse and densely populated mixed-use nodes with commercial, residential and social amenities.

The De Poort site has been identified as an area that offers an opportunity for the municipality to leverage the region's heritage assets and increase the number of visitors to the area. As such, the site has been earmarked as a heritage and tourism gateway to the Paarl region. Additionally, given its proximity to Paarl station the site also offers opportunities for the municipality's interests in transit-oriented development.

Strengths	Weakness
• Well governed city • Locational & logistics advantages • Exceptional schools • Solid agri-processing base • Pockets of technology excellence • Growth of services sector • Skilled artisans • Strong arts and culture base • Potential of the youth	• Economy is not sufficiently diversified • Lack of FDI • Red tape challenges • High cost of doing business • Poor education levels in disadvantaged areas • Lack of fixed line ICT coverage • Lack of industrial space • Poor service standards for consumers • Duplication by all sectors in development efforts
Opportunities	**Threats**
• Agri-logistics hub • Natural assets • Sports • Agricultural base • Significant tourism potential • Export markets • Influx of capital • Willingness of private sector to collaborate • Proximity to Stellenbosch and CPUT tech	• High inequality • Unemployment • Disintegration between communities • Access to land for small farmers • Lack of investment in poorer areas • Crime • Gangsterism and drugs

Figure 63: SWOT Analysis of the Drakenstein Economic Growth Strategy

2.3.1 Drakenstein Property Market

Table 6 displays the total quantum of completed buildings in the Drakenstein area from the years 2012-2016. There is a discrepancy between the figures reported in the table and the figures reported by StatsSA in the subsequent tables in this section. The data currently available will suffice for the Status Quo report, however, the irregularities in the data will be removed with the assistance of Drakenstein Municipality as further outputs are considered.

It is important to emphasize that the Drakenstein market is not large and that it would be relatively easy to oversupply the commercial property market, while the statistics show years with supply exceeding 30 000 m2 in a year, the total annual supply is normally below this figure and for instance dropped to a mere 2000 m2 in 2014. In the residential market conditions seem to be more stable driven by a shortage of affordable housing.

Office Market

There has been little office building activity within the Drakenstein municipality. The Drakenstein Municipality contributed 0,2% to office new build statistics for the Western Cape.

The low office-building construction in the region reflects the fact that the relevant cities are not perceived as office destinations, and often market-rentals are typically below levels (the exception is Stellenbosch) that make developments feasible. Thus, even should an office building be constructed with the backing of a triple net 10-year lease, the risk of being unable to re-let at viable rental levels after the expiry of the lease is high.

The table below suggests that it is unlikely that the market would be able to absorb more than 1 500 m2 per annum, Stellenbosch showing a more vibrant office market with a take up some three times higher.

Table 6: Office Buildings Completed (m2) (Source: StatsSA)

Year	Breede Valley			Drakenstein			Stellenbosch		
	Total m²	Total Value (R'000)	Value (R) per m²	Total m²	Total Value (R'000)	Value (R) per m²	Total m²	Total Value (R'000)	Value (R) per m²
2007	372	1 500	R4 032,26	281	R671	R2 387,90	8710	R25 000	R2 870,26
2008	nd	nd	nd	1 200	R3 000	R2 500,00	5775	R20 000	R3 463,20
2009	1 623	8 672	R5 343,19	433	R1 299	R3 000,00	14 293	R85 500	R5 981,95
2010	nd	nd	nd	80	R240	R3 000,00	11 707	R58 800	R5 022,64
2011	223	780	R3 497,76	389	R1 673	R4 300,77	1 520	R13 000	R8 552,63
2012	nd	nd	nd	nd	nd	nd	5483	R36 427	R6 643,63
2013	nd	nd	nd	nd	nd	nd	nd	nd	nd
2014	nd	nd	nd	nd	nd	nd	3 389	R24 500	R7 229,27
2015	nd	nd	nd	nd	nd	nd	165	R743	R4 503,03
2016	1 401	8 700	R6 209,85	nd	nd	nd	8 612	R44 694	R5 189,74
2017	39	309	R7 923,08	nd	nd	nd	8 163	R76 988	R9 431,34
2018	*	*	*	*	*	*	*	*	*
Total	**3 658**	**R19 961**	**-**	**2 383**	**R6 883**	**-**	**67 817**	**R385 652**	**-**
Average	**333**	**R1 815**	**R5 456,81**	**217**	**R626**	**R2 888,38**	**6 165**	**R35 059**	**R5 686,66**

The accompanying table shows pertinent office- market data in of key metros of interest in relation to Drakenstein. The Stellenbosch CBD and the Dorp Street area in the town have the highest rentals in the surveyed municipalities and compare favourably with top-end nodes in Cape Town. Vacancies are also low in all the Stellenbosch nodes. Drakenstein (Paarl) achieved lower rentals than Stellenbosch and considerably higher vacancy rates.

Table 7: Office Market Details in the Region (Source: Rode Report and Brokers 'opinions) for Q1 2017 and Q1 2019

Area/Node	Q1:2017		Q1:2019	
	Grade A Office/m²	Cap Rates (%)	Grade A Office/m²	Cap Rates (%)
Breede Valley				
Worcester	R80 - R90	11.00% - 11.30%	R110	10%
Paarl				
Paarl CBD	R90 - R100	10.80% - 11.00%	R110 - R116	10%
Paarl Main Rd	R130 - R160	9.10% - 9.90%	R80 - R90	9% - 11%
Stellenbosch				
Stellenbosch CBD	R180 - R200	5,2% - 7.4%	no data	no data

Industrial Market

Drakenstein has been, on average over the last 10 years, one of the largest contributors to new industrial space erected in the Western Cape outside of the City of Cape Town metropolitan region.

Of the roughly 300 000 m² of new industrial space generated per annum in the Western Cape the region outside of the metro City of Cape Town is responsible for an average absorption rate of 20%, and 4,7% of the national aggregate.

Table 10 on the previous page indicates industrial rentals, vacancy factors and capitalization rates in the major towns of Drakenstein and surrounds. Noticeable is that rentals in these towns are relatively low. The apparent reason for the higher rentals per square meter for large premises in Klapmuts is their higher quality.

Table 8: Industrial and Warehousing Buildings Completed (m2) (Source StatsSA)

Year	Breede Valley			Drakenstein			Stellenbosch		
	Total m²	Total Value (R'000)	value (R) per m²	Total m²	Total Value (R'000)	value (R) per m²	Total m²	Total Value (R'000)	value (R) per m²
2007	960	R2 220	R2 312,50	22 083	R54 802	R481,64	9 505	R26 650	R2 803,79
2008	800	R1 735	R2 168,75	13 418	R33 547	R2 500,15	4 180	R8 500	R2 033,49
2009	nd	nd	nd	14 886	R42 503	R2 855,23	nd	nd	nd
2010	1 740	R3 940	R2 264,37	16 540	R69 031	R4 173,58	11 115	R47 196	R4 246,15
2011	200	R900	R4 500,00	22 313	R92 376	R4 140,01	8 557	R38 514	R4 500,88
2012	500	R2 200	R4 400,00	4 760	R19 707	R4 140,13	334	R1 503	R4 500,00
2013	630	R2 800	R4 444,44	3 087	R11 134	R3 606,74	4 815	R27 500	R5 711,32
2014	1 044	R7 300	R6 992,34	99	R426	R4 303,03	244	R2 006	R8 221,31
2015	9 338	R45 021	R4 821,27	nd	nd	nd	14 613	R96 680	R6 616,03
2016	749	R2 622	R3 500,67	nd	nd	nd	7 544	R42 069	R5 576,48
2017	30 303	R188 621	R6 224,50	nd	nd	nd	4 258	R29 806	R7 000,00
2018	*	*	*	*	*	*	*	*	*
Total	**46 264**	**R257 359**	**-**	**97 186**	**R323 526**	**-**	**65 165**	**R320 424**	**-**
Average	**4 206**	**R23 396**	**R5 562,84**	**8 835**	**R29 411**	**R3 328,94**	**5 924**	**R29 129**	**R4 917,12**

Source: Stats SA, Selected buildings statistics of the private sector as reported by local government institutions [P50413] (2012 - 2018) * for 2018 figures publication is available 25 Jun 2019. nd = no data

Retail Market

There was a strong surge in building activity during the 2006-2009 boom years, but activity has remained lacklustre since. Over the years, Breede Valley Municipality has shown the greatest average contribution (i.e. 20%) to the business region's retail building activity. However, this is misleading as 2006 was somewhat of an aberration due to the Mountain Mill Shopping Centre completed in Worcester. If this year is excluded from the analysis, then Breede Valley Municipality historically has absorbed less than the municipalities of Stellenbosch, George and Drakenstein. Having said this, Stellenbosch (including Jamestown) also saw the completion of once-off shopping centres during this period.

Around 133 000 m² of new retail space is built in the whole of the Western Cape per annum. In Drakenstein an average of about 2 050 m2 of retail space has been developed per annum, with no new developments since 2012.

Note: The table below excludes Paarl Mall a 35 000 m2 regional-level shopping centre, which opened on 20 October 2015.

Shop rentals in the study area vary from R90.00-R180.00 depending on location. As one should expect Shopping centre rentals are higher in the Laborie Centrum shopping
mall (see Tables 13 and 14).

Table 9: Retail Buildings completed (m2) 2007 – 2017 (Source: StatsSA)

Year	Breede Valley			Drakenstein			Stellenbosch		
	Total m²	Total Value (R'000)	Value (R) per m²	Total m²	Total Value (R'000)	Value (R) per m²	Total m²	Total Value (R'000)	Value (R) per m²
2007	nd	nd	nd	110	R275	R2 500,00	1 920	R5 512	R2 870,83
2008	448	R1 568	R3 500,00	6 869	R17 173	R2 500,07	2 020	R12 000	R5 940,59
2009	1 420	R6 300	nd	439	R1 910	R4 250,80	3 532	R16 120	R4 563,99
2010	7 065	R18 000	R2 547,77	9 697	R42 182	R4 350,01	1 044	R7 500	R7 183,91
2011	nd	nd	nd	1 336	R 5 812	R4 350,30	7 383	R43 500	R5 891,91
2012	nd	nd	nd	nd	nd	nd	551	R3 306	R6 000,00
2013	1 990	R21 900	R6 482,41	nd	nd	nd	253	R2 176	R8 600,79
2014	nd	nd	nd	nd	nd	nd	nd	nd	nd
2015	3 370	R22 100	R6 557,86	nd	nd	nd	7 894	R52 000	R8 600,79
2016	nd	nd	nd	nd	nd	nd	nd	nd	nd
2017	nd	nd	nd	nd	nd	nd	585	3500	R6 587,28
2018	*	*	*	*	*	*	*	*	*
Total	**14 293**	**R60 868**	**-**	**18 451**	**R67 352**	**-**	**25 182**	**R145 614**	**-**
Average	**1 299**	**R5 533**	**R4 258,59**	**1 677**	**R6 123**	**R3 650,32**	**2 289**	**R13 238**	**R5 782,46**

Table 10: Shop Rentals in Paarl

	2017		2019	
Paarl	Rental/m²	Cap Rates (%)	Rental/m²	Cap Rates (%)
Lady Grey Street	R90 - R110		R90	
Main Road	R90 - R110		R80 - R90	

Table 11: Shop Rentals in Shopping Malls

	2017		2019	
Paarl	Rental/m²	Cap Rates (%)	Rental/m²	Cap Rates (%)
Lady Grey Street	R90 - R110		R90	
Main Road	R90 - R110		R80 - R90	7 - 11%
Laborie Centrum			R110 - R180	7 - 11%

Residential Development

Based on the municipal reported building completions, there are some 306 dwelling units completed on average per annum within the municipality. Most of these completions are between 30 and 80 m2 in size.

The table below summarizes the buildings completed data from 2012 to 2016 and provides an indication of the number of units by size category, total square meters and indicative prices.

The available data shows a significant drop off in completions the last two years, this is however most likely a data anomaly that will be further elaborated on later.

While the inconsistency of the data provided by StatsSA and municipal sources makes it difficult to derive accurate trends, these tables suggest that the Drakenstein municipality is able to deliver some 200 lower income units per year and some 50 units at the higher end of the
market.

Table 12: Drakenstein Residential Dwellings Completed 2012-2017

	2012	2013	2014	2015	2016	2017	2018	Avg per Year
30 - 80m²								
Number of Dwellings	410	477	367	12	1			253
Total Square Metres	16 690	19 164	14 693	563	36			10 229
Total Value (R'000)	R40 569	R49 259	R26 309	R2 171	R90			23 680
R/m2	430,74	R2 570,39	R1 790,58	R3 856,13	R2 500,00			R2 191,31
>80m²								
Number of Dwellings	145	55	35	20	5	2		44
Total Square Metres	37 356	18 566	12 598	4 578	1 063	496		12 443
Total Value (R'000)	R159 461	R79 835	R54 183	R19 686	R4 571	R2 133		R53 312
R/m²	R4 268,69	R4 300,06	R4 300,92	R4 300,13	R4 300,09	R4 300,40		R4 295,05
Number of Dwellings	555	532	402	32	6	2		255
Total Square Metres	54 046	37 730	27 291	5 141	1 099	496		20 967
Total Value (R'000)	R200 030	R129 094	R80 492	R21 857	R4 661	R2 133		R73 045
R/m²	R701,11	R3 421,52	R2 949,40	R4 251,51	4 241,13	R4,30		R3 094,83
Rand Value per Dwelling	R360 414,41	R242 657,89	R200 228,86	R683 031,25	R776 833,33	R1 066 500,00		R554 944,29

Table 13: Drakenstein Residential Building Plans Passed 2012-2017

	2012	2013	2014	2015	2016	2017	2018	Avg per Year
30 - 80m²								
Number of Dwellings	658	165	1	1				206
Total Square Metres	26 777	6 563	40	40				8 355
Total Value (R'000)	R42 341	R8 204	R50	R172				R12 692
R/m2	R1 581,25	R1 250,04	R1 250,00	R4 300,00				R2 095,32
>80m²								
Number of Dwellings	254	24	1	3		67		70
Total Value (R'000)	R215 385	R35 810	R357	R3 766		R52 418		R61 547
R/m²	R4 315,12	R4 300,98	R4 301,20	R4 299,09		R4 548,99		R4 353,08
Number of Dwellings	912	189	2	4		67		235
Total Square Metres	76 691	14 889	123	916		11 523		20 828
Total Value (R'000)	R257 726	R44 014	R407	R3 938		R52 418		R71 701
R/m²	R3 360,58	R2 956,14	R3 308,94	R4 299,13		R4 548,99		R3 078,96
Rand Value per Dwelling	R282 594,30	R232 878,31	R203 500,00	R984 500,00		R782 358,21		R414 305,14

Source: Stats SA, Selected buildings statistics of the private sector as reported by local government institutions [P50413] (2012 - 2018) * for 2018 figures publication is available 25 Jun 2019

Despite some of this anomalous data, examining other sources of information paint an active residential property sector in the Drakenstein (Paarl) region, with many housing estates under development or being planned. Lightstone data provides one angle of analysis. Lightstone's property reports aggregate information on the residential property market activity into three categories; Freehold, Estate, and Sectional Title. Freehold is the more traditional form of residential title with the owner responsible for all taxes, maintenance, utilities, and security.

Estates are defined as a collection of freehold properties enclosed by a boundary wall. Lightstone property specifically focuses on boundary extents of housing developments which share the same name. These developments are somewhat unique to Freehold as there is often an additional obligation on owners to participate in a homeowners' association with a constitution that is drawn up by elected trustees. Often this necessitates homeowners to pay a levy for security and the maintenance of common areas and facilities, as well as subscribe to the governing body's rules. Sectional title property is the most common form of ownership for units within a building where at the holder of title simultaneously becomes a joint owner of the common property of the development.

According to Lightstone as at November 2017 the total number of erven registered in the Deeds Registry stands at:

- 875 Freehold units in Estates in Drakenstein;
- 37 592 Freehold Units;
- 551 Sectional Units in Estates;
- 297 Sectional Title Units.

Of those registrations recorded, movement in the market is largely happening for Freehold units >R800,000.

Over the last 12 months there were a total of 167 first time registrations (i.e. new properties) at an average price of R2 million. A further 230 properties were sold in this same period at an average price of R4 million. Of interest is that within Estates prices being achieved for land is very significant, some R3,8 million per stand.

Over the last 10 years there has been a significant increase in the number of properties being transacted in Drakenstein (see figure 65 below). The Lightstone data based on Deeds Registry information indicates that on average 203 properties are sold every year. The bulk of these transactions are freehold, mostly within Estates.

In 2017 the total number of free hold transactions and sectional title transactions represented a churn rate of 13% and 30% respectively.

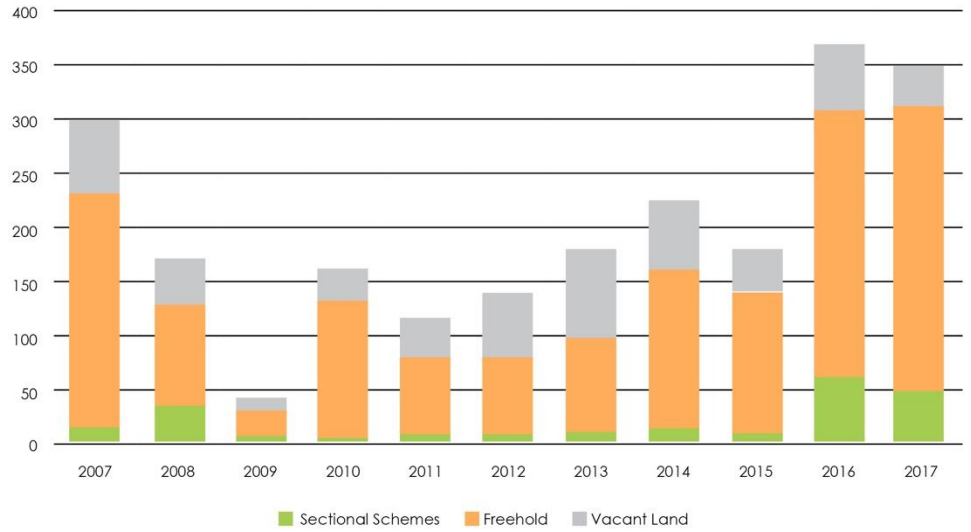


Figure 64: Sectional Title vs Freehold Schemes

While the data with respect to median property prices is erratic the overall trend is generally positive (i.e. escalation annually), especially with respect to land.

Based on the interviews and available data recent developments in the area are generally aimed at LSM 10 and 10+ consumers (household incomes > R 30 000 per month), usually professionals and retired individuals.
It is estimated that costs are about R20 000 per m2 for free standing units at the higher end of the market, although retirement villages and developments focused on "life rights" can cost between R35 000 - R40 000/ m2. Residential rentals and values in and near the site are
depicted in the tables below:

Table 14: Rentals (Apartments and Residences) in the De Poort Area (Source: Property24)

Type Apartments	Av Rental
Bachelor	R 4 250
1 bed 1 bath	R5 463
2 bed 1/2 bath	R7 337
3 bed 2 bath	R8 250

Table 15: Rentals (Apartments and Residences) in the De Poort Area

Type Residences	Av Rental
3 bed 1 bath	R 15 500
3 bed 2 bath	R12 833
4 bed 2 bath	R15 500

Source: Property 24 / Private property

Table 16: Sales in the De Poort Area

Apartment (De Oude Renbaan Area) Sales in De Poort Area	From	To
(De Oude Renbaan Area)	R950 000	R2 100 000
10th 12th 13th Roads De Oude Renbaan	R2 000 000	R3 400 000
Apartment (De Oude Renbaan Area) Sales in De Poort Area	**From**	**To**
Louw, Concordia, Hartford Railway, Main Streets (Southern Paarl)	R950 000	R3 570 000
Chapelle, Savoy, Hartford Railway, Main Streets (Southern Paarl)	R1 990 000	R4 850 000

Source: Windeed

Implications for the De Poort Site

regeneration and development and have several factors that have the potential to support the success of the development. The location of the site in close proximity to the station offers interesting opportunities.

The local municipality is a well-run entity with a diverse mix of skills and institutional capacity that will be instrumental to the project's success. In terms of economics the area has a young workforce with relatively low levels of unemployment. The integrated economic growth strategy has identified many tangible opportunities to grow Drakenstein' s economy with Paarl being central to this.

The region has also recently witnessed growing affluence and is also experiencing increased in-migration from other parts of the country. The above is promising for the real estate market in the area as demand for housing and other
amenities will increase along with increased population and affluence. This is demonstrated by the increased property prices around the study area.

The site is also very well-located, vis a vis main road and N1 highway, creating favourable conditions the development of dense mixed-use nodes close to transport networks.

Within the direct proximity of the De Poort site there has been a recent surge of urban regeneration with introduction of many upmarket shops and restaurants, co-working offices, boutique hotels and residential apartment blocks. All signs indicate that the study area is thriving, and it is vital that the urban design positions itself to align with the current trends and dynamics of the area.

Considering the existing market information provided in the status quo report timing

will be an important dimension
in undertaking a successful development on the site. The property market is presently in the doldrums, driven by a poorly performing economy. Yet, it can be argued that the demand for real estate is not merely a function of economic growth, but that it can play an important role in promoting economic growth and development. The economic data also suggests that site could play a role in further promoting tourism and especially a tourism that portrays the structure of the local economy (agriculture) and restaurants. This could complement existing tourism opportunities with the Laborie Wine estate.

While the take up for the commercial use (office/ industrial) seems very limited, the commercial uses one could consider for the site could be carefully integrated with other initiatives between the site and the station.

Total Area of Proposed Development for De Poort

Table 17: Total area of Proposed Development of De Poort (upon total completion of the project)

De Poort Urban Design

Type of Use		m²	Economic Input	
Tourism and Related		**6 597,16**		
1st floor	Tourism Hub	1 649,29	Gov Lease Market	In terms of commercial real estate we think that there is currently too much that the site is trying to put onto the site and it is unlikely that the market will be able to absorb it. There is potential to convert some of the extra square meterage into residential but this should be phased, depending on how the market responds to the initial phase which is highlighted in green in the accompanying table
2nd floor	Travel Agents/Office	1 649,29		
3rd floor	Office/Res/Hotel	1 649,29	Oversupply	
4th floor	Office/Res/Hotel	1 649,29		
Market Space (Retail)		**1 480,00**	Agreed	
Restaurants		**3 867,34**		
1st floor	Restaurant/cafes	1 933,67	Agreed	
2nd floor	Restaurant/Res/Hotel	1 933,67	Oversupply	
Manufacturing/Retail		**3 632,86**		
	Phased Approach	1 500,00	Start with	
	Subsequent phases	2 132,86	Oversupply	
Hotel/Apartments		**9 331,41**		
1st floor	Hotel	3 110,47	50-70 rooms 80-100 Resid units	
2nd floor	Residential	3 110,47		
3rd floor	Residential	3 110,47		
Pavilion and Ablutions		**1 933,00**	Agreed	
	Total:	**26 841,77**		

The Table 17 above outlines the amount of area the urban design concept hopes to introduce to the Paarl real estate market. Given the market analysis conducted for the project it is suggested that developing this amount of property at once may create issues in terms of the market's ability to absorb the various components of the project. To mitigate the market-related risks of bringing this to the market at once, the project will need to be implemented in stages to ensure the long-term viability of the project. These stages are outlined earlier in the proposed urban design and will be discussed briefly in the following section.

2.4 Business Model Options for the De Poort Site

2.4.1 The Role of the Municipality as a Risk Mitigator

There are various ways that a municipality can mitigate risk for developers in order to encourage investment into a particular site or node. One way would be to become an anchor tenant for a property being developed on a site. For example, on the De Poort site it is suggested that the municipality secures a lease with a developer for the tourism office before construction. This will significantly decrease the risk for the developer knowing that he has a large and stable tenant for their building.

Another key mechanism that municipalities can deploy to mitigate risks associate with public land is illustrated in Figure 66 below. The x-axis shows the risks associated with developing land versus the value created. The more the municipality continues along the x-axis, the greater risk they are exposed to. However, with that risk comes value. If a municipality were to sell the land there is little risk involved but they do not unlock much value, only the value the land has to offer. Conversely, if the municipality decides to develop the land themselves, they will unlock the most value but be exposed to development related risk.

Typically, a developer will take on a large portion of the risk (which includes the financing of the development) but what is important to note is that the municipality can play a crucial role in taking on some of the early risk to make it safer for a developer to take on the development aspect of the project.

Local governments tend to engage in the first steps of the development process (land sale/lease or conceptual plan). The latter two steps (infrastructure provision and property development) are typically undertaken by the property developer. However, the municipality could take on more risk if it wanted to achieve certain objectives and have more control over the development. Table 18 and 19 below outlines the various options available to a municipality when undertaking the development of public land.

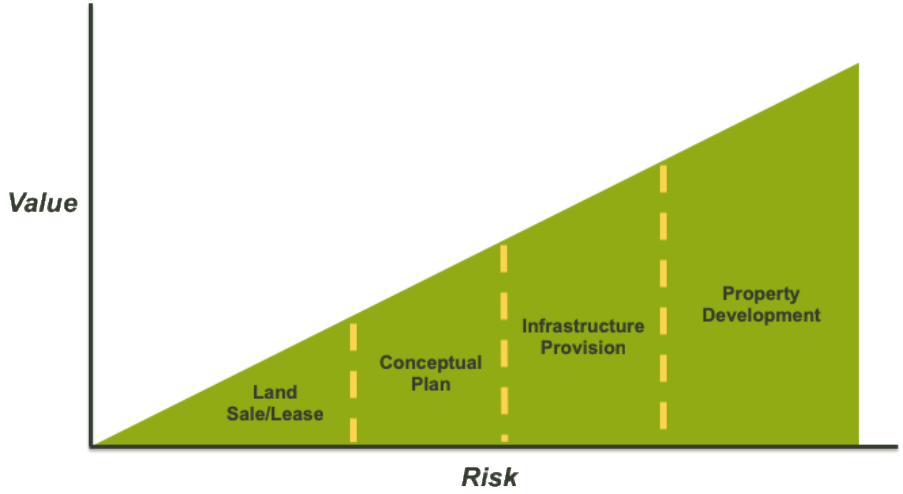


Figure 65: Risk versus Value for the Development of Public Land

Table 19: The Various Business Cases Available for the Development of Public Land

	Risks & Weaknesses	Benefits
1. Land sales or land lease (private sector undertaken project)	• Limited control over development outcomes • No single developer can handle the entire project	• Relatively quick process • Little on going responsibilities • Little public related risk **Financial cost /benefits** • Value of property or value of lease • Rates and taxes on new development
2. Conceptual planning and zoning rights	• Rigid plans lowering private sector interest • Public objections • Non-market outcomes	• Public sector outcomes are expressed and acted on • Pubic sector plays a risk mitigation role **Financial cost /benefits** • Higher residual land value • Professional fees • Rates and taxes benefits
3. Infrastructure and concept plan provision	• Timing of infrastructure to reflect development requirements • Risks associated with infrastructural expenditure • Light PPP arrangement	• Private sector support arising from infrastructure expenditure • Private sector risk reduction • Value creation (land plus infrastructure) **Financial cost/benefits** • Infrastructure expenditure/budget requirements • Higher land value than 1 and 2 above • Value capture opportunities may exist • Rates and taxes

Table 18: The Various Business Cases Available for the Development of Public Land Continued

	Risks & Weaknesses	Benefits
4. Public Private Sector Partnerships (BOT, DBFO, BOO)	• Objectives difficult to ascertain when involved with numerous dev opportunities . • Complex negotiations and regulations (National Treasury) • On going commitment to private sector partner • Long term operational risks	• Maintaining control over the proposed development • Reduction in operational fund requirements **Financial cost/benefits** • Contractual related operational costs • Potential Financial Savings • Rates and taxes
5. Public Sector Property development	• Public sector accepts development risk • Market risk internalised • Implementation risk	• Public sector secures development benefits • public sector space requirements and needs achieved **Financial costs/benefits** • All development related costs • Capital expenditure requirements • Secure all development benefits

Table 18 and 19 puts forward the various options available to a municipality when considering the business models for the development of public land. These are associated with various risks and opportunities and it is important to find the right balance between the risks and value created. This ultimately depends on a number of municipal related factors (resources, objectives

and capacity of the landowner/municipality) and other external factors such as the economic and legal environment of the site. Thus, the optimal solution will vary from project to project and having a deep understanding of the site and the various constraints is crucial.

From the analysis conducted for the De Poort site it is suggested that the lease arrangement should be the primary business model to handle the site. However, certain components of the broader project may use other models. For example, the initial stage (as outlined in the urban design) would be able to be implemented entirely by the municipality given the minimal amount of work required, it also may be quicker to implement if the municipality acts as the developer. Additionally, there are opportunities later on in the development of the project to undertake a value capture exercise, which could broadly be described as a Public Private Partnership. The key take-away from this is that the project won't just have one business model for the entire project but will be broken up into components with each component having its own business model (mostly made up of leases). Some components, as discussed above, will have different business models.

The approach put forward seeks to maximize returns from land holdings without exposing the landowner (in this case the municipality) to the risks associated with property development. In this regard the optimal risk/reward balance for the

municipality is achieved through leasing of land with the land packaging and preparation phases of the value chain complete. These phases are general less capital intensive and more time intensive, resulting in a significant return on investment. The output of these phases is zoned, serviced, development ready ('Shovel-ready') land. These phases will be discussed in more detail in the following section.

Given the above, it is proposed that the Drakenstein municipality play a central role in mitigating the risk for developers of the site whilst also being able to steward the development of the site to meet the objectives of the Drakenstein municipality. This would entail developing a concept for the site (which this report will serve as) and prepare the site to make it 'shovel-ready' for developers to start bringing the various components of the project to the market. Not only does this mitigate risks for developers but it also illustrates a commitment by the municipality to the site which will stimulate interest, both from the private sector and the general public.

2.4.2 Business Case per Stage of the Urban Design of the De Poort Project

Phases for the De Poort Development
Development of this nature follows five phases.

Figure 66: Phases of the Development Project

Phase 1: Setting a Development Vision

Establishing a vision for the proposed development of the site is the first step in achieving a successful development. Establishing the vision is a cost-efficient initial step in testing viability and focusing the requirements for future work. This process involves:

- Desktop information gathering and analysis (in the 4 key information areas outlined in the next section);
- Rigorous market demand assessment;
- Highest and Best Use analysis – encompassing the "four tests" – legally permissible/ physically possible/ economically viable/ maximally productive;
- Value setting exercise – to balance the return expectations between Financial, Economic, Social and Transformation returns;
- High level cost estimates;
- High level development viability analysis.

Specialist market demand analysis must be completed by analysing population (user) statistics and existing supply for specific potential development types. The study will recommend the quantum of development of each type which can be supported in a market as well as the potential take-up rate and sale/lease rates which could be achieved. The market demand assessment must be done at the start of the project in order to influence the entire project set-up. The Drakenstein municipality have already established a clear development vision for the study area.

Phase 2: Project Packaging

Once a development vision is set, it needs to be tested and refined by means of detailed site investigations. This stage is initiated by the completion of a comprehensive property investigation (by suitably qualified sub consultants) of all conditions which may restrict or define the development of the site. This may include up to 14 separate studies, with the following four categories of study

A. Physical
B. Legal
C. Services
D. Stakeholder

Packaging of the site is accomplished by the Completion of a comprehensive business plan for the development ("The Property Plan") which:

- analyses the findings of the investigations;
- Proposes a conceptual development proposal for the site, which maximizes the development potential of the site;
- Provides a development cost estimate;
- Proves Completion development viability in terms of industry norms and standards;
- Defines the returns to the landowner (triple-bottom-line), the disposal

- mechanism (e.g. Public tender/private treaty) as well as tenure (lease/sale) and lease period if applicable;
- Identifies what improvements need to be affected before the property is released for development, together with a project schedule and budget.

The Property Plan effectively constitutes a 'bankable' investor prospectus for the property. Most aspects of this phase have been completed, apart from the cost estimates which are not relevant at this time.

Phase 3: Site Preparation

Preparing the site of development is considered essential to success of the development. The preparation of land for development must be completed with a clear understanding of the development to be undertaken. This point re-enforces the need for a clear understanding of market demand.

Preparation must be undertaken in the following areas:

- Development rights: Suitable development rights need to be obtained in terms of the Spatial Land Use Management Act. Careful attention needs to be paid to the details of rights approved including floor area, coverage and density controls, to ensure suitability to permit the required development. Where possible obtaining a flexible basket of rights should be secured to mitigate future demand risk;
- Property Assembly: Before development can take place on a property, it needs to be "assembled" as a single registered property capable of independent transfer. Assembly may include subdivision, consolidation, notarial tie of property components;
- Environmental: The authorisation of the development activity in terms of NEMA needs to be obtained where applicable or an exemption needs to be conformed to;
- Heritage. Unless an exemption is confirmed by a heritage consultant, approval for the proposed development need to be obtained in term of the Heritage Resources Management Act;
- Services: It is not critical to preparation that full services be physically installed to the property. It is however critical that the availability of all required water, sewer, road, stormwater and electrical services are confirmed. This will require the preparation and approval of outline scheme reports for all services as well the payment of any service connection fees required. Where required a preliminary design and costing for link services needs to be concluded and approved so that the cost of service connections can be factored into the development costs with certainty.

The following additional preparation activities can be included:

- Public Environment Upgrade: This includes development of public squares, parks, street upgrades and provision of community facilities, which will increase the value of the subject property;
- Marketing (The value and marketability of a property can be increased via the execution of a marketing strategy which raises the profile of the site. This strategy can include any combination of the following;
- Tenant Assembly (By securing tenant interest for a potential development on the site the feasibility of the development is secured. For the site this could refer to the tourism hub or a potential hotel school.

The following challenges in site preparation need to be addressed and overcome:

- Time "delays"- There is often pressure for public development projects to be released urgently and the 1-2-year timeframe for proper preparation is seen as an unnecessary "delay" by decision makers. The fact that projects will not be able to proceed before preparation is finalised irrespective of when they are awarded can be used to motivate patience in this regard. It is also recommended that project preparation be started well in advance of the profile of the potential project being raised. In this way a pool of projects can be prepared before they start becoming monitored as development projects;
- Budgeting for costs. The costs of site preparation can be considerable and securing budget for these preparation activities can be difficult to motivate against other competing public projects. The estimated cost of preparation is between R2-3 million. The significance of this spending in order to significantly increase the potential for project success needs to be used as motivation for this cost. It has also been estimated that the preparation of land increases its asset value by a factor of three.

The benefits of packing and preparing land (phases 2 and 3) are:

- Increased financial returns (capturing value of preparation);
- Increased attractiveness to reputable developers/investors;
- Increased certainty of the development coming to fruition by eliminating uncertainty regarding land rights and statutory approvals;
- Retained control of development process and better able to dictate development timeframes;
- Ability to define development outcomes and deliverables to meet policy and strategic objectives.

Phase 4: Appointment of a Development Partner

A development partner will be secured in terms of the municipality's procurement policies. It is expected that this process will involve:

- Compilation of a Request for Proposal (RFP) Document which synthesizes the information from the previous two stages and packaging the development into a marketable document under direction of the landowner;
- Issue of a Request for Proposals (either by way of open bidding, selected bidding or direct approaches);
- Evaluation, adjudication and award of a bid in compliance with landowner's requirements, specifically by the completion and submission of a bid evaluation report;
- Negotiation, drafting and signature of a development agreement (either sale or lease). Structuring of development agreements to ensure:
    - Ensuring delivery of the development in accordance with expected timeframes;
    - Ensuring delivery of any social, and environmental returns expected by the landowner;
    - Protection of the municipality's interests during long terms lease;
    - Ensuring the protection of asset value at the end the lease period.

The development partner will be appointed by either:

- A development sale agreement (in the event that the municipality proposes to sell the land). This agreement will contain obligations for development of the land in accordance with the agreed development proposal which may include social, financial and environmental deliverables. Normally residential land will need to be sold;

- A development lease agreement (in the event that the municipality proposes to lease the land and to retain owners of the land and improvements). In terms of this agreement the land remains in the ownership of the municipality and the development is built and operated by the developer for the period of the lease.

At the end of the lease period the development reverts to the municipality at no cost. The lease term for these agreements is determined by the value of the investment and the potential returns (but is generally between 30 and 60 years). It is proposed that use is made of the IRR ***Parity Model*** developed by UCTs URERU to determine optimal lease length per development.

Phase 5: Development

This phase involves the construction of the development by the appointed developer and includes:

- Contract Management: To ensure that the obligations set out in the development agreement are met. This includes the provision of monthly contract management reports to the municipality.
- Management of Project timeframes and delivery milestones.
- Monitoring and evaluation of compliance with transformation targets.
- Stakeholder Management: This includes a public stakeholder consultation process and, if required, the establishment and operation of a Project Steering Committee.
- Facilitation and assisting with pre-development approvals (particularly from public authorities).

Stages for the De Poort Project

The above outlined the phases that the development of public land is likely to undergo from inception to operation. These five phases (discussed above) are not to be confused with the four project stages as outlined in the urban design framework for the project. The phases represent the sequence of steps that must take place in order to realise the development of public land. The stages represent the incremental steps of the development components set out by the urban design concept for the De Poort site. Thus, the various phases and stages of the project will in fact run concurrently. This is highlighted in Table 20 below.

Table 20: The Stages and Phases of the De Poort Project

Project Stage	Project Phase	Actor
Stage 1	1 - 3	Public Sector Development
Stage 2	4 & 5	Private Sector Development
Stage 3	5	Private Sector & Public Sector (Value Capture opportunities)
Stage 4	5	Private Sector & Public Sector (Recapitalise Revenue generated through Value Capture)

Stage 1:

The municipality acts as developer for this initial stage. This stage (see urban design stage 1) requires minimal capital expenditure by the municipality. This initial stage will also signal to the market that there is a commitment to the site by the municipality. Will also bring people to the area to demonstrate demand for the area. During this stage the municipality will work to complete the site preparation phase on the development and reduce development risk of private sector developers in the process.

Stage 2:

During this stage the municipality will procure development parties to start developing the site. It is believed that the initial stage will have created enough market interest in the site that developers would be approaching the municipality to develop the site. Additionally, the municipality is expected to select a competent and reputable developer/investor for the site. During this stage the municipality will procure developers to develop certain aspects of the site, namely: small manufacturing outlets, and restaurants and cafes.

Stage 3 and 4:

For the final two stages of the project the business case will remain roughly the same. The municipality will work to monitor the development and ensure compliance with contractual obligations. Developers will continue to develop the rest of the site until the urban design concept has been realised. However,

during these stages the municipality will be able to exploit opportunities to carry out the implementation of a land value capture mechanism. This could be used to further develop aspects of the site or improve infrastructure in the in the broader project area. Additionally, a Special Ratings Area could be established for the project site. The municipality could also use the increased revenue generated by the development on De Poort to reinvest into the node (i.e. station precinct).

The business model for the De Poort project is aimed to capitalise on the strengths of both public and private sector. Public sector has well-located land and a clear vision for the site and the private sector has the skills and resources to realise that vision. The central role of the public sector is thus to provide the conditions to unlock private sector resources to complete the development that is financially viable and meets the municipality's objectives.

This is achieved by finding the right balance of cost and risk mitigation for both the municipality and private sector. It is put forward that the optimal way of achieving this balance is for the municipality to complete the first three phases of the development process and then leasing 'shovel-ready' land to private sector developers to bring various components of the project to the market. The various components of the project are categorised into stages to mitigate the market related risks of bringing the total development to the market at once. By splitting the total project development into stages, the municipality increase the likelihood of a successful development. The initial stage of the project can be developed by the municipality itself as the intervention required is minimal. The benefit of this is that the municipality can demonstrate an investment and interest in the site by showing they have 'skin in the game' and it can also be completed in less amount of time as it will not have to go through as stringent a procurement process.