

# PAARL HAMLET

## URBAN DESIGN FRAMEWORK AND DE POORT BUSINESS MODEL

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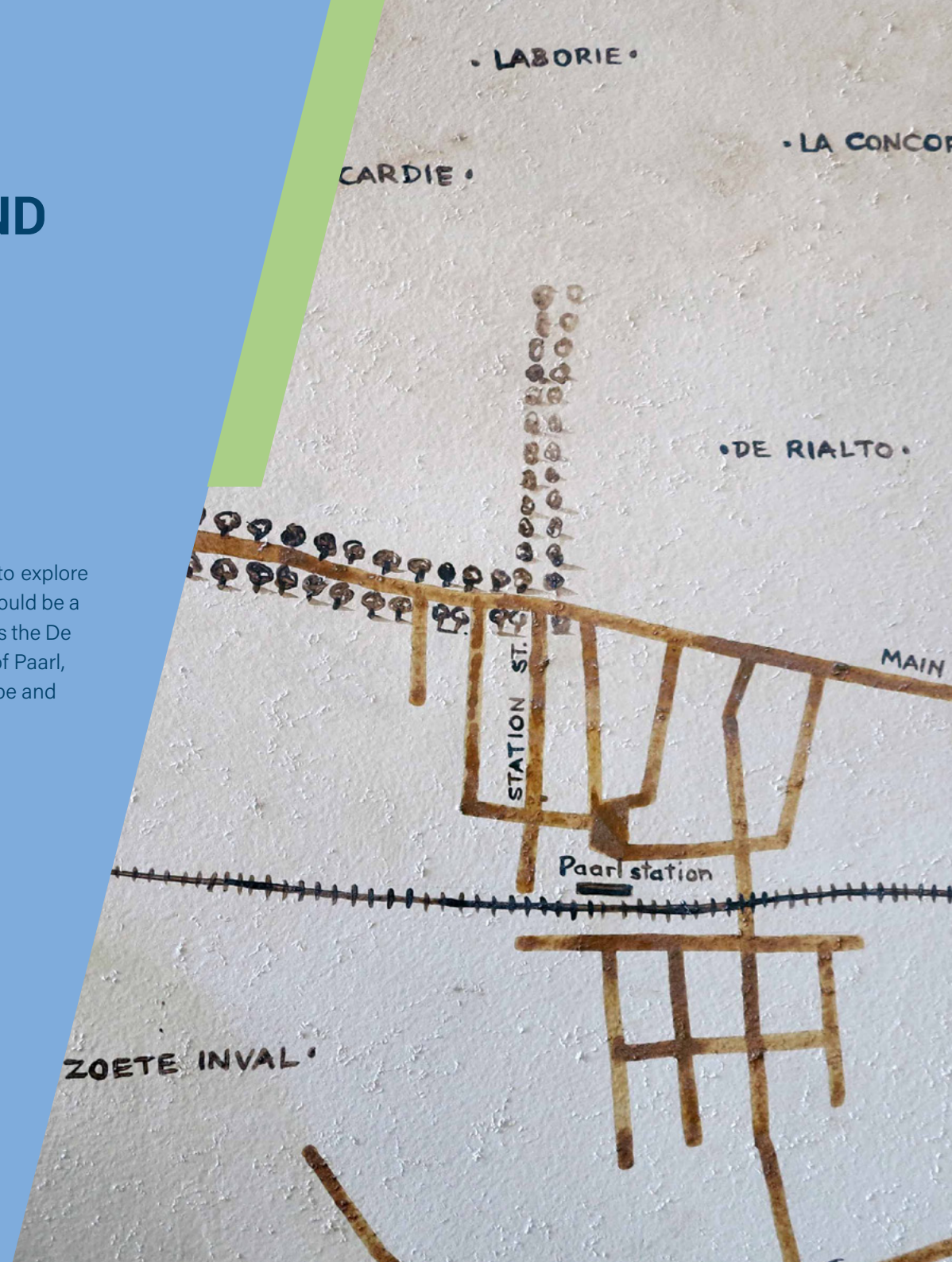
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# i THE HISTORY OF PAARL AND DE POORT

## Description

Paarl and De Poort has a rich and layered history and great opportunities exist to explore and highlight this, not only on the De Poort site, but the precinct as a whole. This could be a part of Paarl's unique offering to its community and tourists. This section highlights the De Poort local historical traces through placing emphasis on the historical timeline of Paarl, and specifically De Poort, together with a landscape focus on the natural landscape and the role it has played throughout the history of Paarl.



# DE POORT LOCAL HISTORICAL TRACES

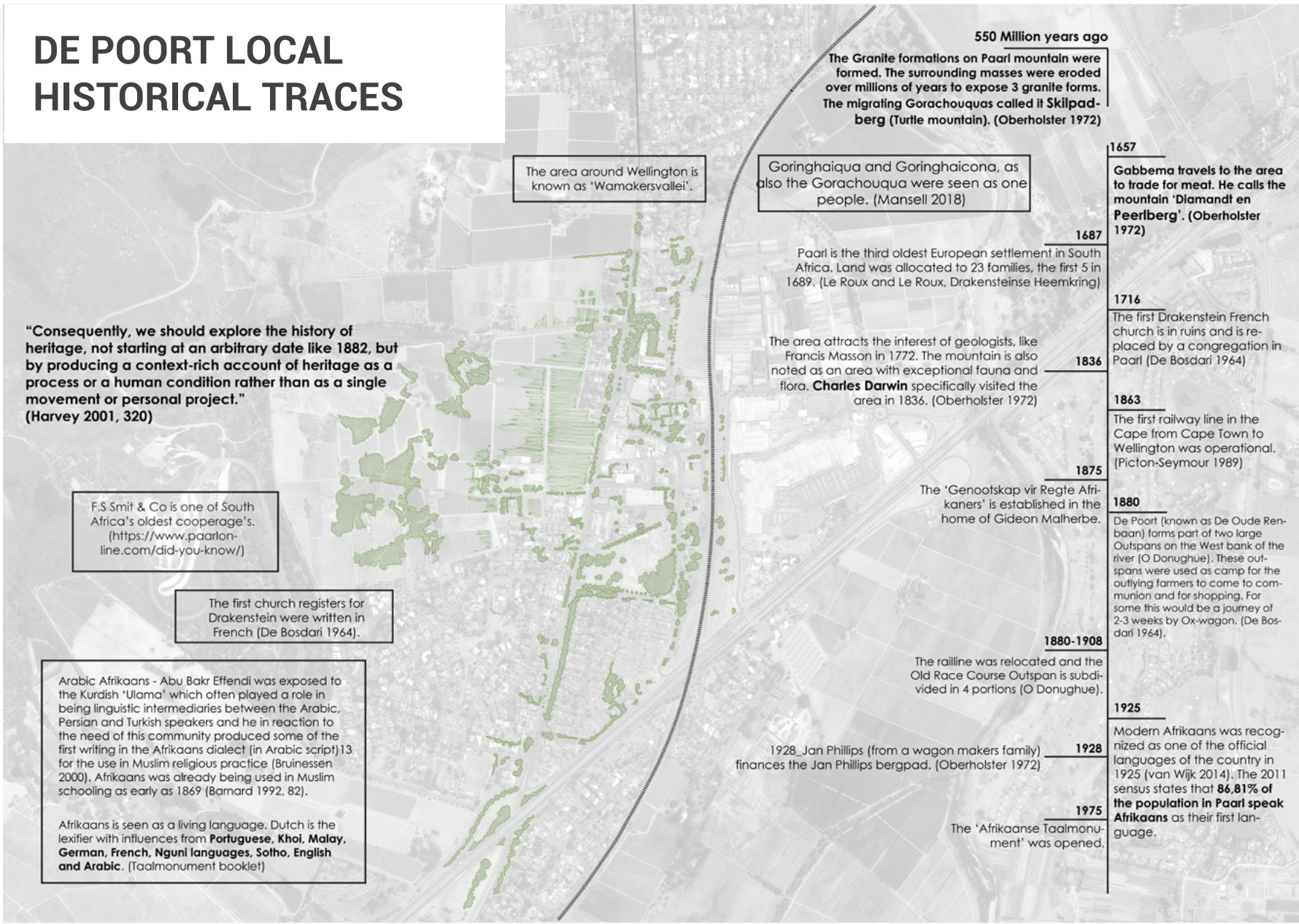


Figure 1: A broad timeline for Paarl

## DE POORT LOCAL HISTORICAL TRACES

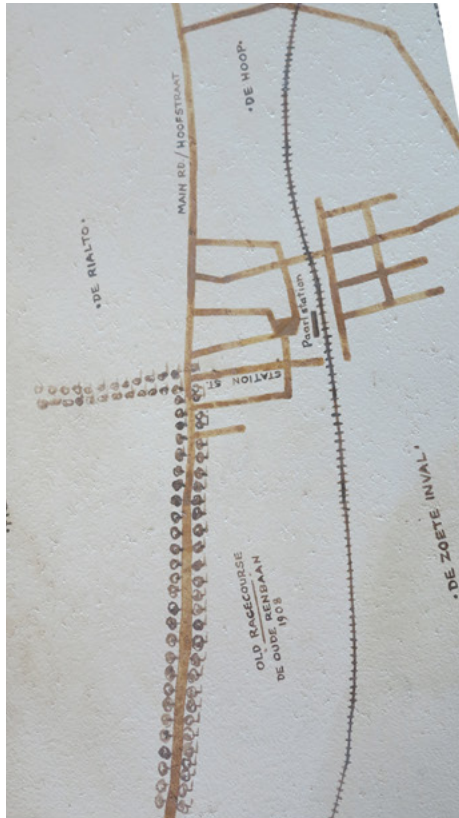
The De Poort site and its local precinct shows various vista tree lines and traces of events through the last century. These are highlighted in this map.



Figure 2: De Poort local historical traces



# HISTORIC GREEN NETWORK



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



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

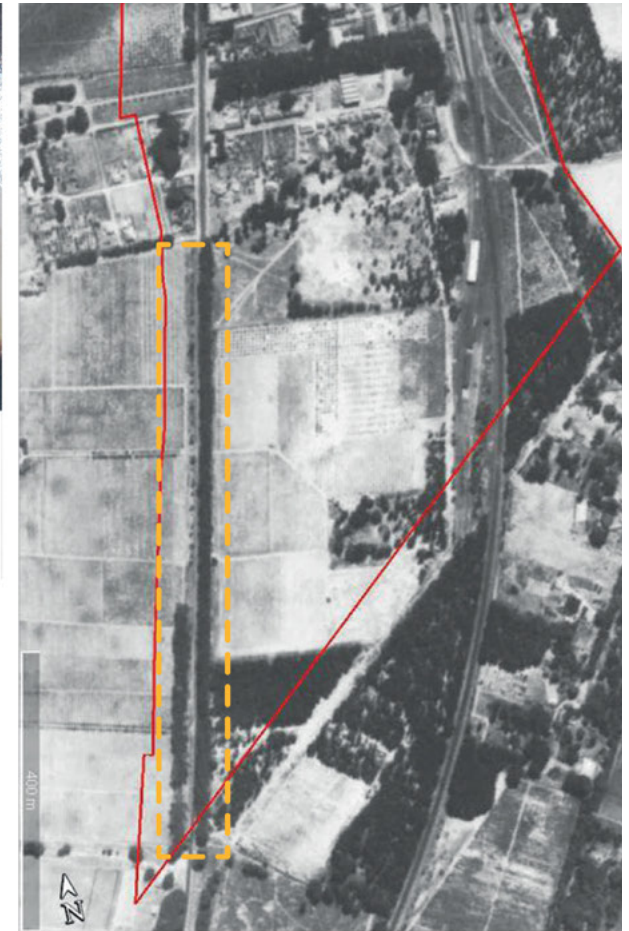
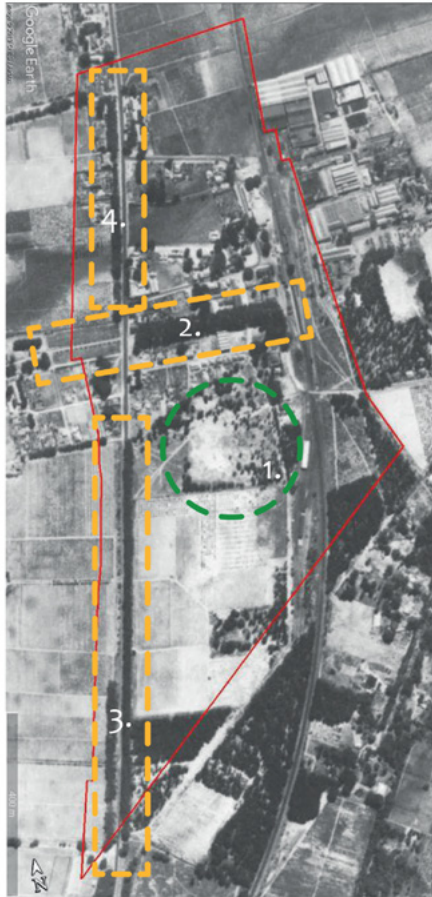


Figure 3: Historic green network

# HISTORIC GREEN NETWORK PATTERNS



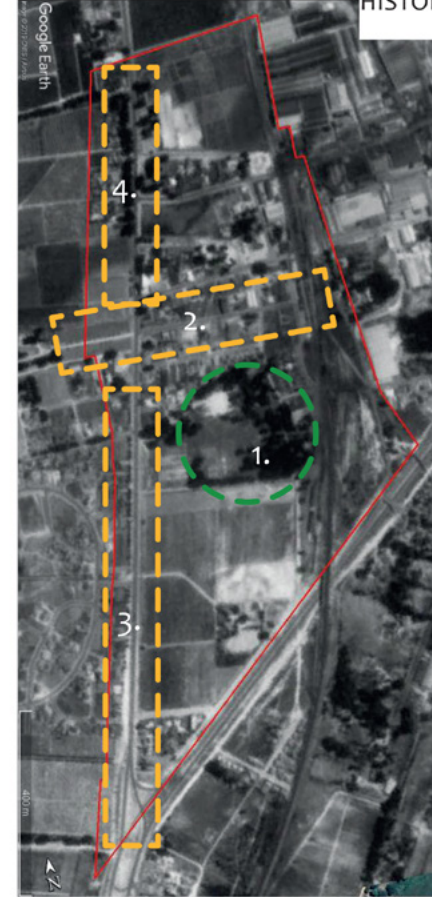
1938 Aerial Photo  
(Ref. status quo report)

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

HISTORIC GREEN NETWORK PATTERNS

Figure 4: Historic green network patterns

# URBAN AND LANDSCAPE DESIGN FRAMEWORK

# 1

## Description

This section of the report covers the urban design elements and principles, together with the landscape design elements and principles. This section also explores the assets in and around the study area, before drawing on the above mentioned to present a vision for both the study area and the De Poort site.



The De Poort study area is situated at the entrance of Paarl, where the Main Road is accessed from the N1 leading towards 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 features a 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 5: Study area from Paarl Mountain

# 1.1 URBAN DESIGN ELEMENTS

## Description

This section identifies high level urban design elements which should be used to guide future proposals and inform decision making throughout the study area. These urban design elements must be read in conjunction with the landscape design elements (presented in the following section) as these sections are intended to complement each other through this project.





Figure 6: Paarl mountain



Figure 7: Station Square

**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 Main Road on the western side with the rail line on the eastern side. The aforementioned is linked by unconventional side streets. These streets are often at a slight angle and in some instances curved, offering great frontage opportunities. Furthermore, 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 vehicle orientated spaces. The Paarl Train Station, another strong anchor and considerable opportunity, is located in a good position in the study area on the side of the railway line. The need for a defined central anchoring space is recognised. The De Poort site is situated in an ideal location and could act as a catalytic economic orientation space and entrance to Paarl.

**f. View corridors**

The study area is situated within an incredibly picturesque mountainous area with a long-standing agricultural history. The east west 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.

## 1.2 LANDSCAPE DESIGN ELEMENTS

### Description

Several landscape patterns and landscape elements were identified during the status quo process and were presented in 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**

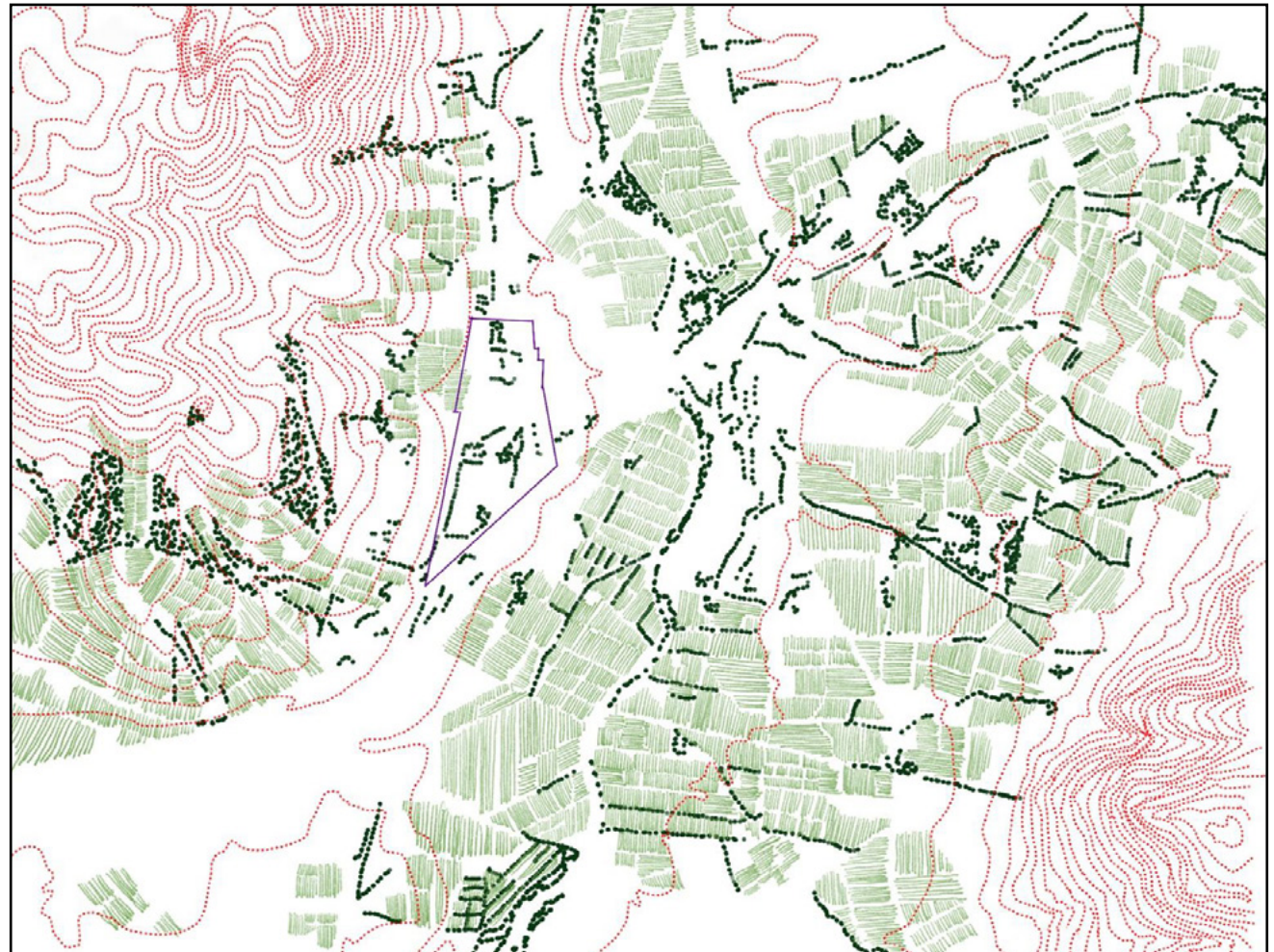
Several landscape patterns and landscape elements were identified during the status quo report which are indicative of the cultural landscape of the precinct and the De Poort site. These can be built upon and further developed to provide a clear identity and relationship to the broader context. Figure 8 depicts these agricultural patterns in this context.

**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. The clusters of stone pines influence the spatial quality of the open space and provide points of orientation in the landscape.

**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 8: Landscape patterns. – This figure describes the integrated agricultural patterns and the relationship between landform and landscape patterns. Distinct spatial organisation through tree lines, and windbreaks further adds to the rich cultural landscape*



## 1.3 URBAN DESIGN PRINCIPLES

### Description

This section identifies a number of urban design principles which should be strictly applied across the study area as a whole. These urban design principles are aimed at ensuring that a desired 'look and feel' is engrained in the character of the area in the future. Together with the urban design elements highlighted in the previous section, these principles will ensure that the desired features of the existing built environment, in and around the study area, are enhanced and capitalised on.



**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 the identity and history of Paarl, such as:

- 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; and
- Respect the scale of the precinct.

**b. Inclusive urban space**

During the public consultation process, a great need for community gathering spaces and a holistic identity for the precinct was identified. This precinct already has many valuable components and could become a real diverse and lively space for Paarl by:

- Promoting good pedestrian connectivity;
- Encouraging wide sidewalks with spill-out space;
- Promoting coherent and specific material use on the urban surfaces;
- Promoting good visibility into and onto urban spaces; and
- Enhancing 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 and should:

- 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; and
- Promote promenades and protruding shading structures onto the public realm.

**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 and dead edges are problematic and negative. The area also has a diverse mixture of 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. The following principles will assist in improving the existing realm:

- Improve and activate the response from the supermarkets onto the streets. 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; and
- Promote residential above ground floors of the building.

**e. Invest in the public realm**

In order 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 Street, as well as the view corridor towards the Klein Drakenstein Mountains in the opposite direction;
- Towards the Railway Station down Station Street;
- Along Hartford Street towards the vineyard and mountain;
- Along Clift Street towards the Klein Drakenstein Mountains; and
- Vistas towards the Paarl Rocks and the Afrikaanse Taalmonument from De Poort.

**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 10: Cliff Granite - One of the longstanding unique products of Paarl



Figure 9: Street Edges - Negative and dead edges to be remedied



Figure 11: Station Square - Opportunity for inclusive urban space with distant vistas



Figure 12: Community gathering space - Opportunity for community gathering space at De Poort



Figure 13: Study area grain. Light industrial with small residential and a good legible street block structure

## 1.4 LANDSCAPE DESIGN PRINCIPLES

### Description

This section identifies a number of landscape design principles which should be strictly applied across the study area as a whole. These landscape design principles are aimed at ensuring that a desired 'look and feel' is engrained in the character of the area through shaping the natural environment in a way that compliments the built environment, but without removing the natural feel of this historic environment.



### 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 principles to be applied:

- 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; and
- 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 principles. The implementation of these principles increases the legibility of routes and spaces in the precinct and includes:

- 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; and
- Multi-functional use of hard landscaping elements, i.e. low walls as seating etc.

### c. Storm-water and environmental management

The traditional management of 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 Sustainable Urban Drainage System (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; and
- 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 and includes:

- 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; and
- A comprehensive tree management plan to replace mature trees with suitable indigenous species.

*" There is life between buildings"*



TERRA+

Figure 14: The life between buildings

## 1.5 CONTEXTUAL ANALYSIS

### Description

Through the undertaking of a contextual analysis, exploring both the physical and spatial context of the study area, various assets has been identified. This section aims to highlight these assets by depicting the assets through a series of maps.



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; and
- View corridor along Station Street to the abovementioned landscape on the east and to the monument on the west.

De Poort and surrounds therefore sits within a well interconnected space in Paarl. This is illustrated in the following maps. This subsequently concluded into an overall asset map which identifies the main themes that emerged from the Urban Design analysis.

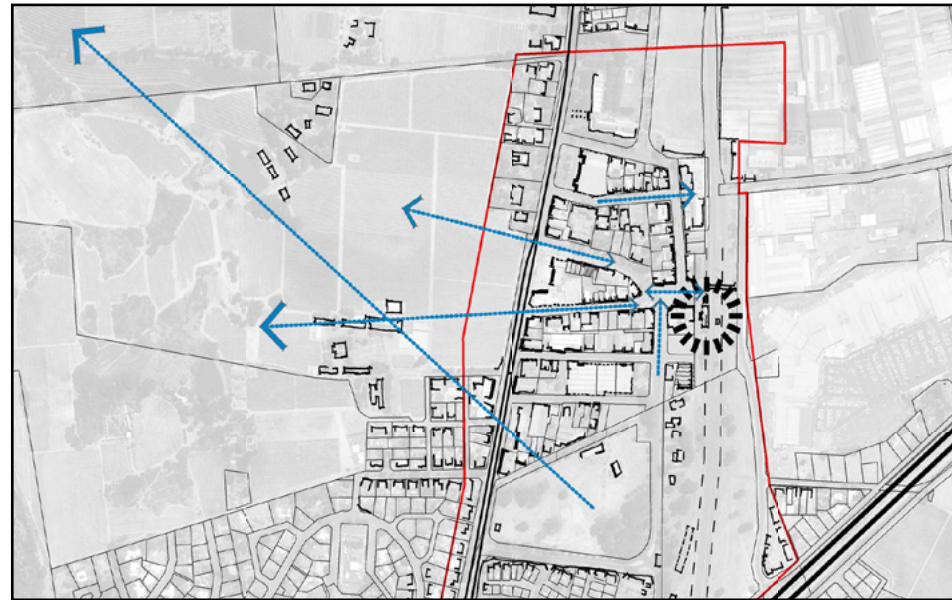


Figure 15: Active positive edges and view corridors



Figure 16: Natural resources



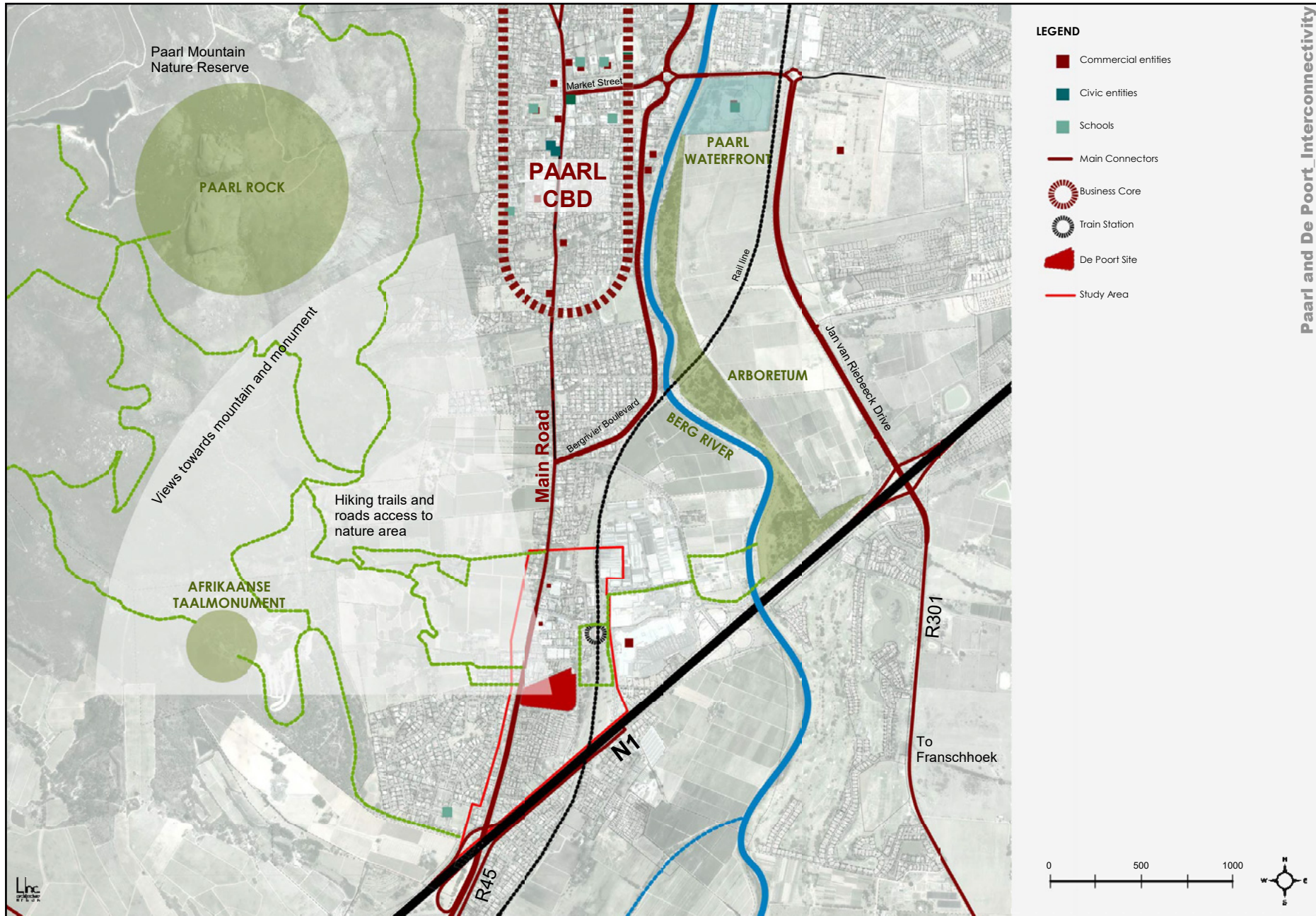


Figure 17: Interconnectivity of De Poort

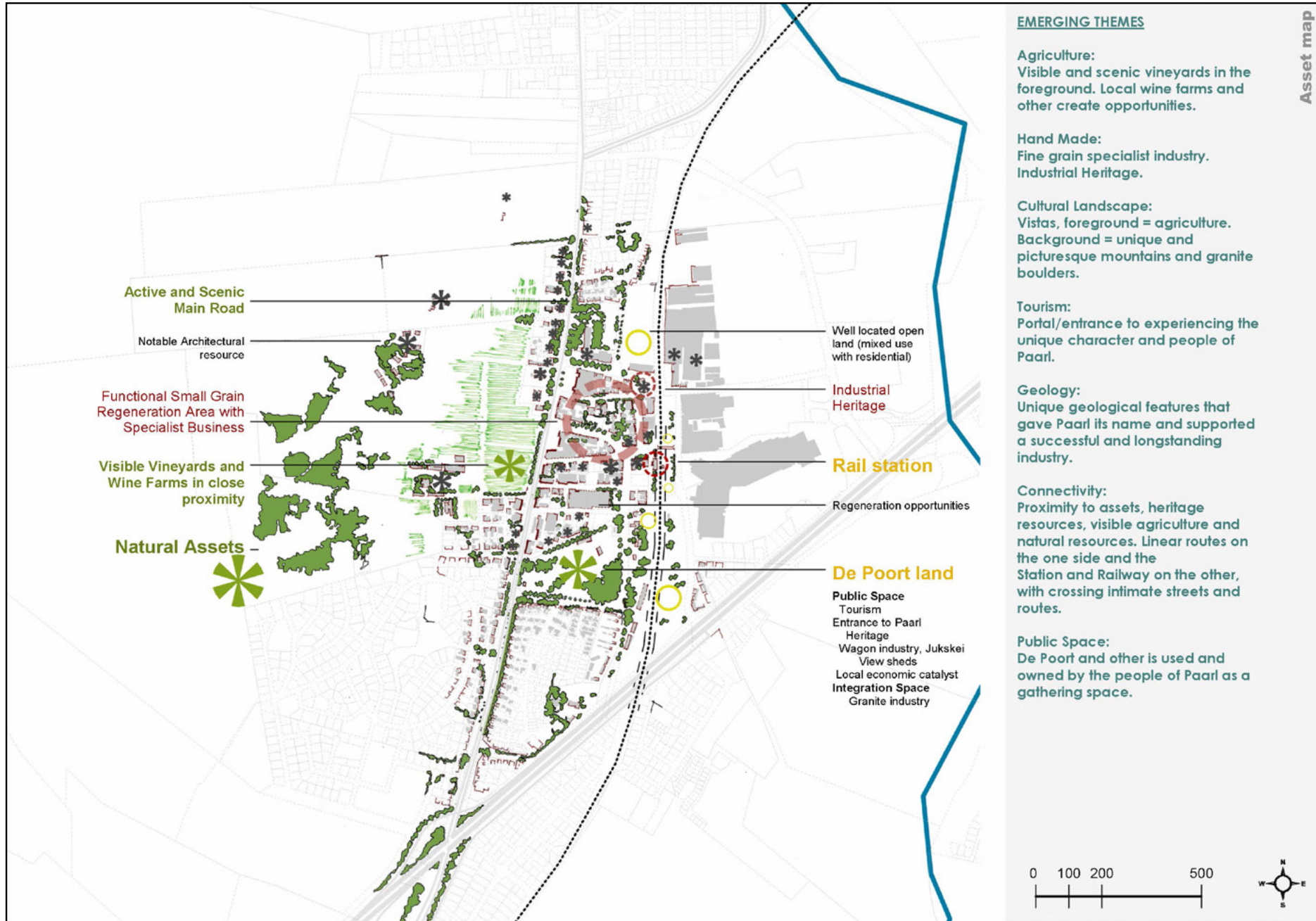


Figure 18: Asset Map

## 1.6 LANDSCAPE CONTEXT AND GREEN NETWORK POTENTIAL

### Description

With the history of Paarl being heavily engrained in the linear progression of an agricultural context, this section depicts the landscape context in and around the study area, with particular focus on agriculture. In addition, this section uses a series of maps to depict the existing landscape context.



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 Figure 19 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 portrayed in Figure 20, Figure 21 and Figure 22. In addition, landscape ideas are portrayed in Figure 23 and Figure 24.

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.

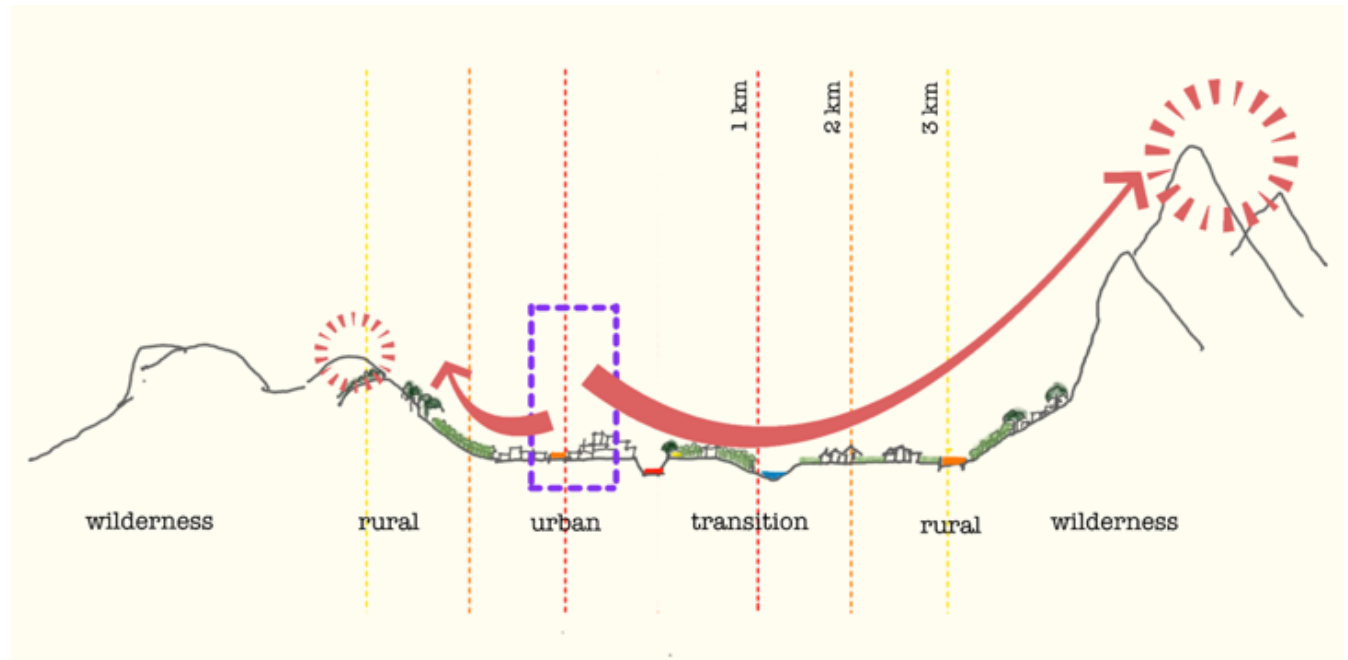


Figure 19: Landscape context section

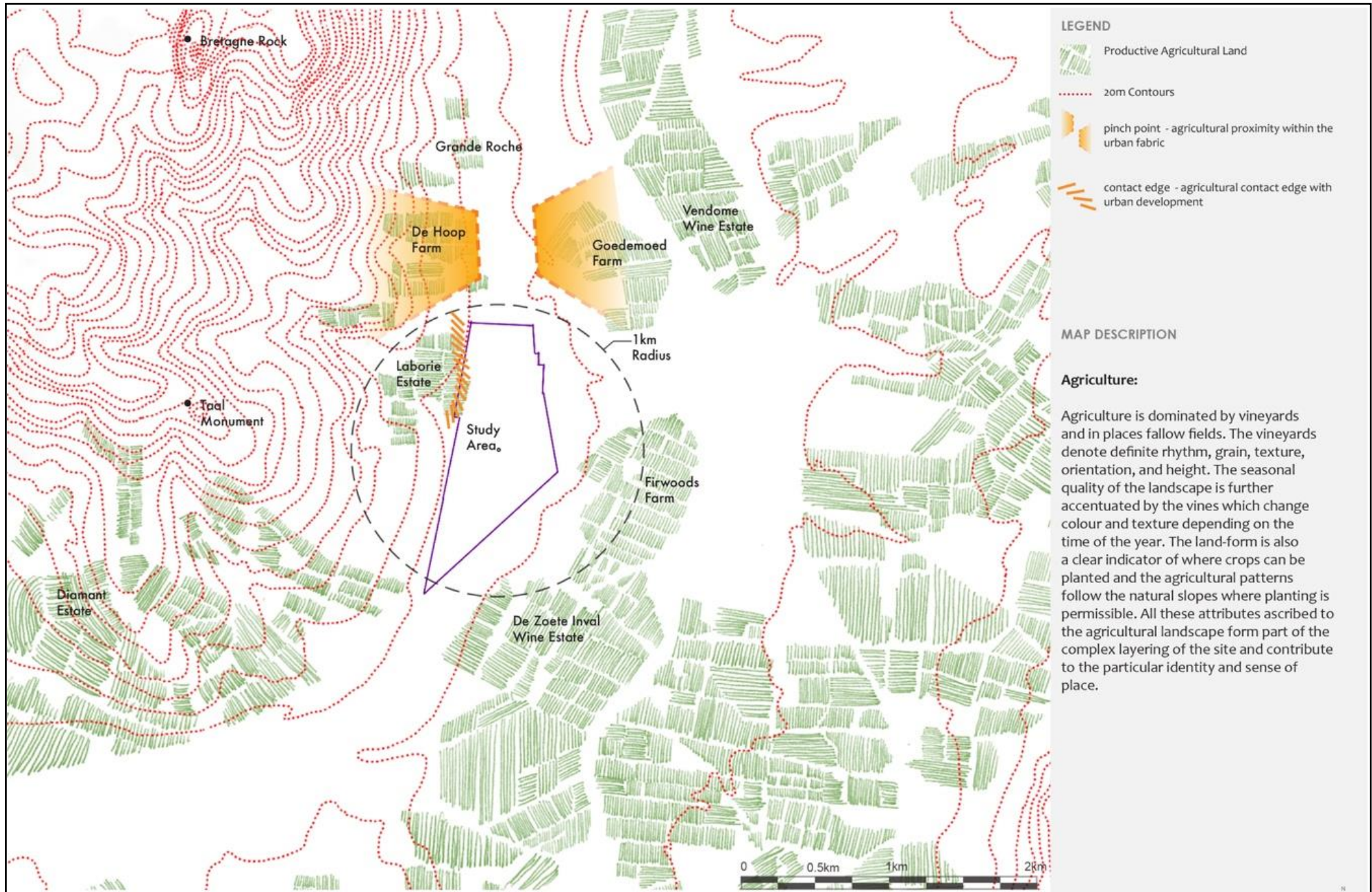


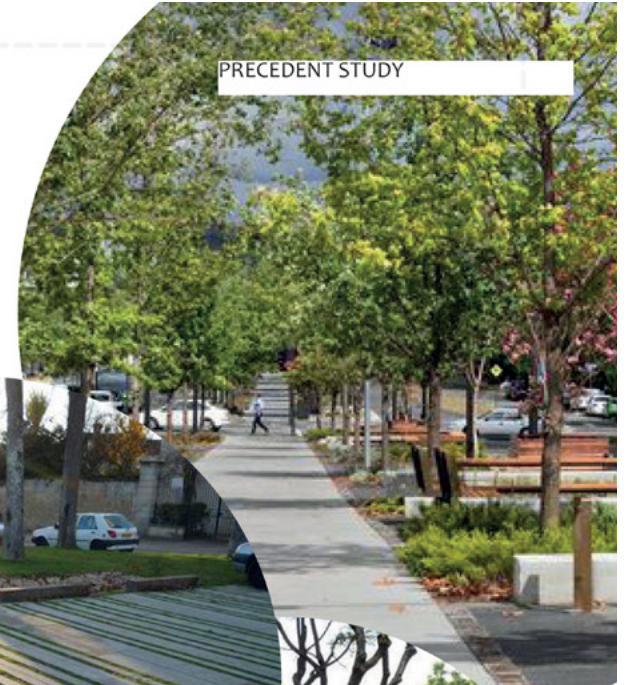
Figure 20: Landscape context



Figure 21: Green network existing



Figure 22: 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



PRECEDENT STUDY

TERRA+

Figure 23: Landscape precedent





PARK AND PUBLIC SPACE

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



PRECEDENT STUDY

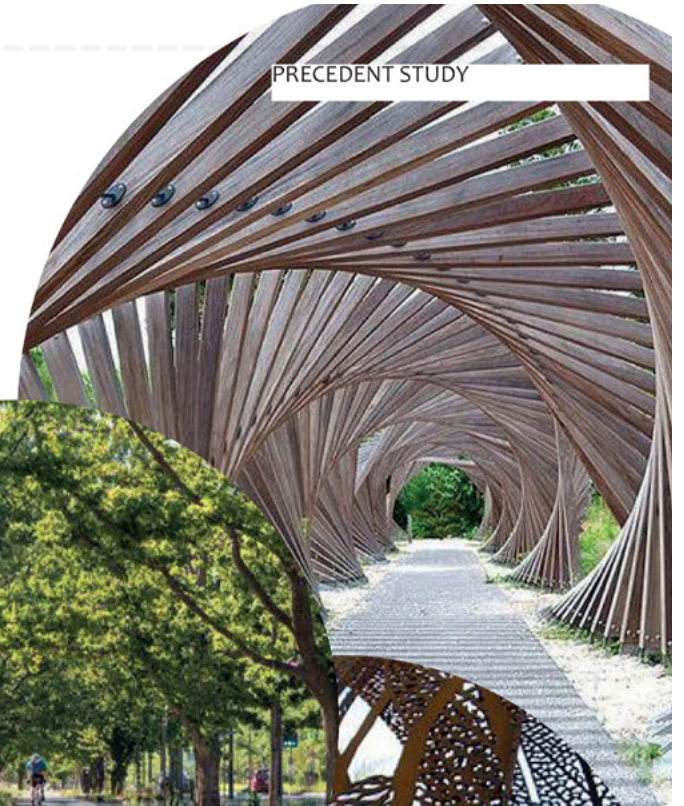


Figure 24: Landscape precedent continued

## 1.7 OPPORTUNITIES AND IDENTIFIED KEY PROJECTS

### Description

An important part of this urban design framework is to understand the role and future interventions in key areas within the study area. This section depicts various key nodes, while listing potential projects and interventions which would contribute to the overall functionality of the study area in the future.



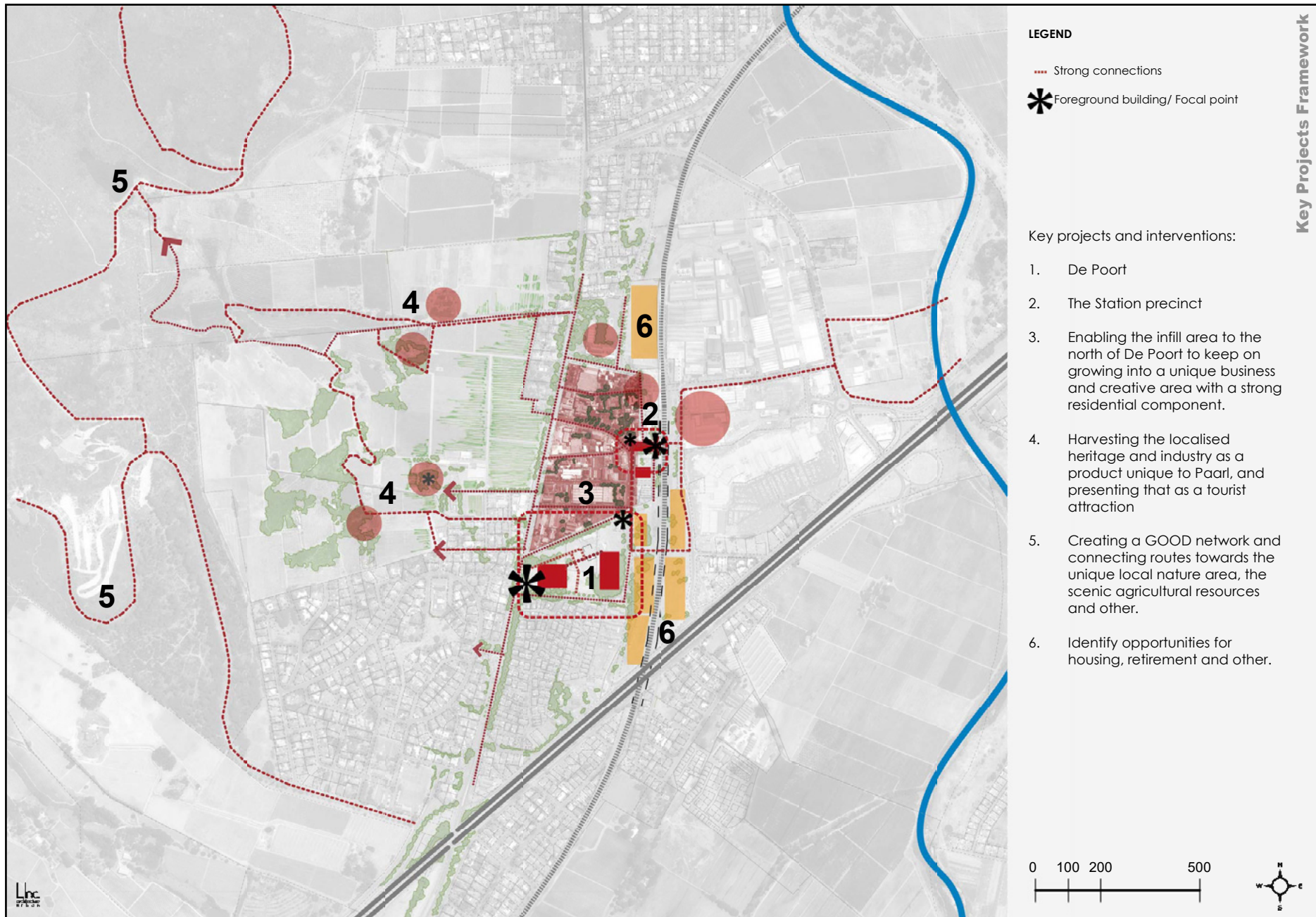


Figure 25: Opportunities and identified key projects

## 1.8 CONCEPTUAL OVERALL FRAMEWORK

### Description

This section makes use of a single map to highlight various key urban framework principles. These key urban framework principles are seen as key spatial principles to guide future interventions and development.



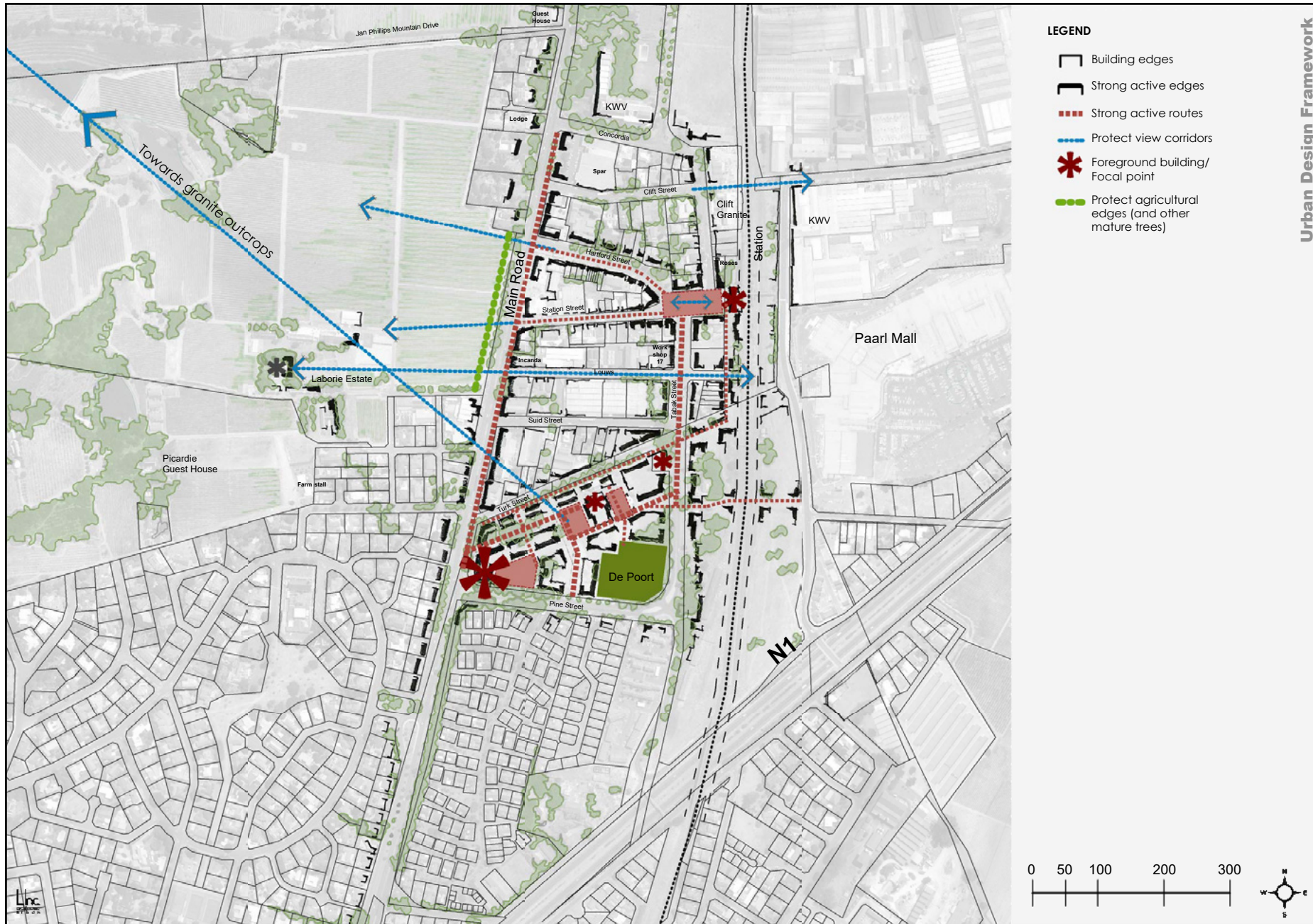


Figure 26: Conceptual Overall Framework

## 1.9 LANDSCAPE CONCEPTUAL MASTERPLAN

### Description

The development of the landscape framework plan is informed by the influences and principles as described in previous sections. 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 presented in this section.



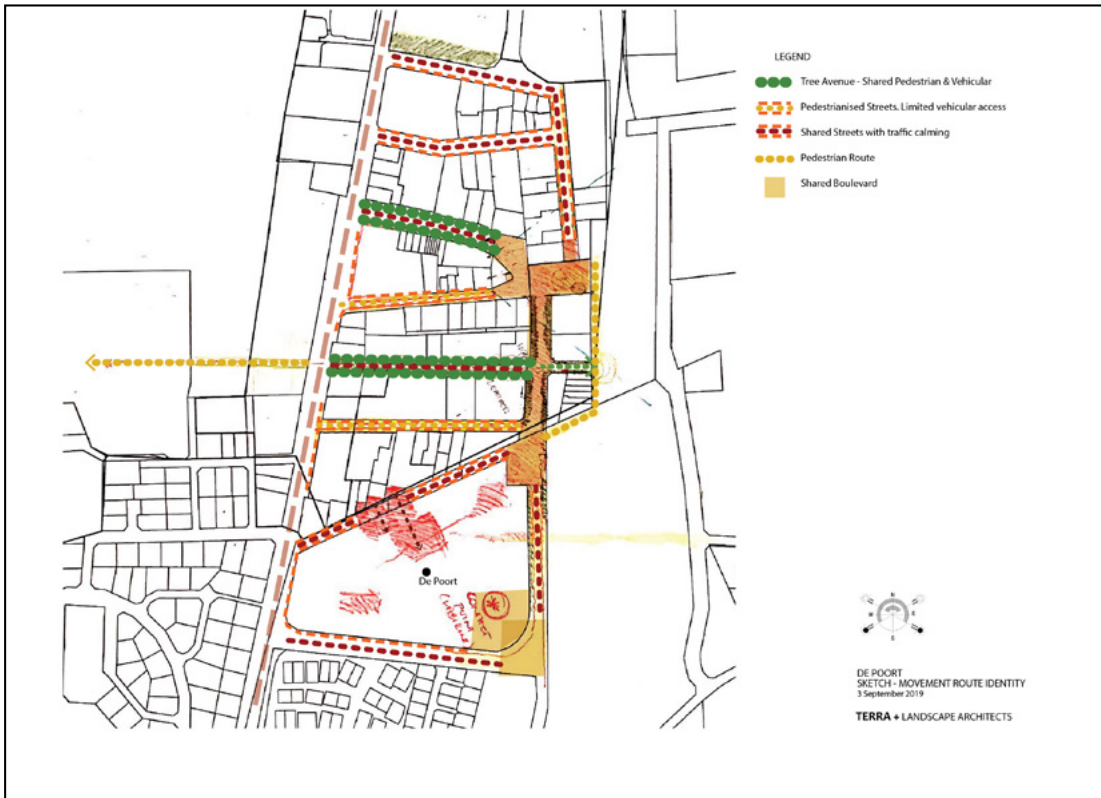


Figure 27: Landscape movement activity



Existing Landscape



Potential for Landscape



Existing Landscape



Potential for Landscape



Existing Landscape



Potential for Landscape



Figure 28: Landscape concepts



## 1.10 LOCAL PRECINCT FRAMEWORK

### Description

The main focus of this section is the De Poort site. As such, this section highlights various principles for the De Poort precinct, using a series of drawings and maps. Importantly, this section concludes with the De Poort urban design framework and complementary landscape principles.



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

### 1.10.1 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 artistry 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; and
- Protect the fine-grained nature of the area and be cautious of overly large land consolidations.

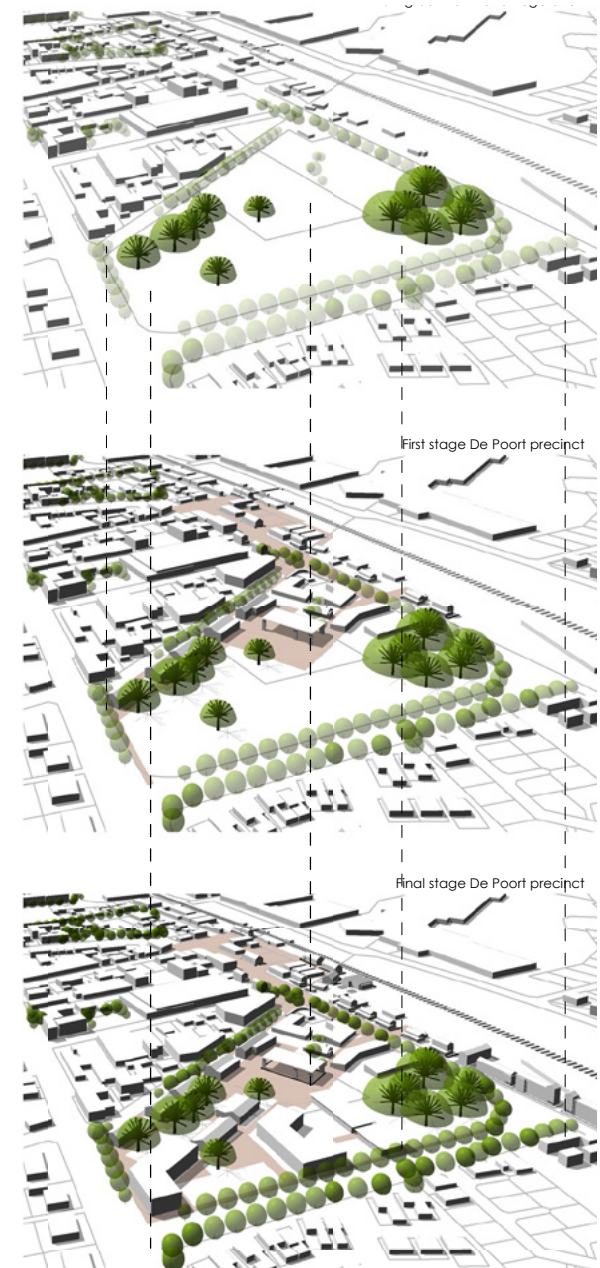


Figure 29: Phased approach illustration



Figure 30: De Poort Precinct UDF

### 1.10.2 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 runoff 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; and
- Shade trees for parking and seating areas in public spaces and to reduce the scale of buildings.



Figure 31: Existing trees



Figure 34: Tree infill strategy



Figure 32: Hard landscaping strategy



Figure 35: Green screening and infill strategy



Figure 33: Storm water strategy



Figure 36: Composite map

## 1.11 A VISION FOR DE POORT

### Description

Based on the above sections of this report, including all of the above analysis, this section presents the vision of the De Poort site and immediate surroundings. This section breaks down the overall vision by describing the various parts of the vision, using a series of maps and example images. The remainder of the report then builds on the vision presented in this section.



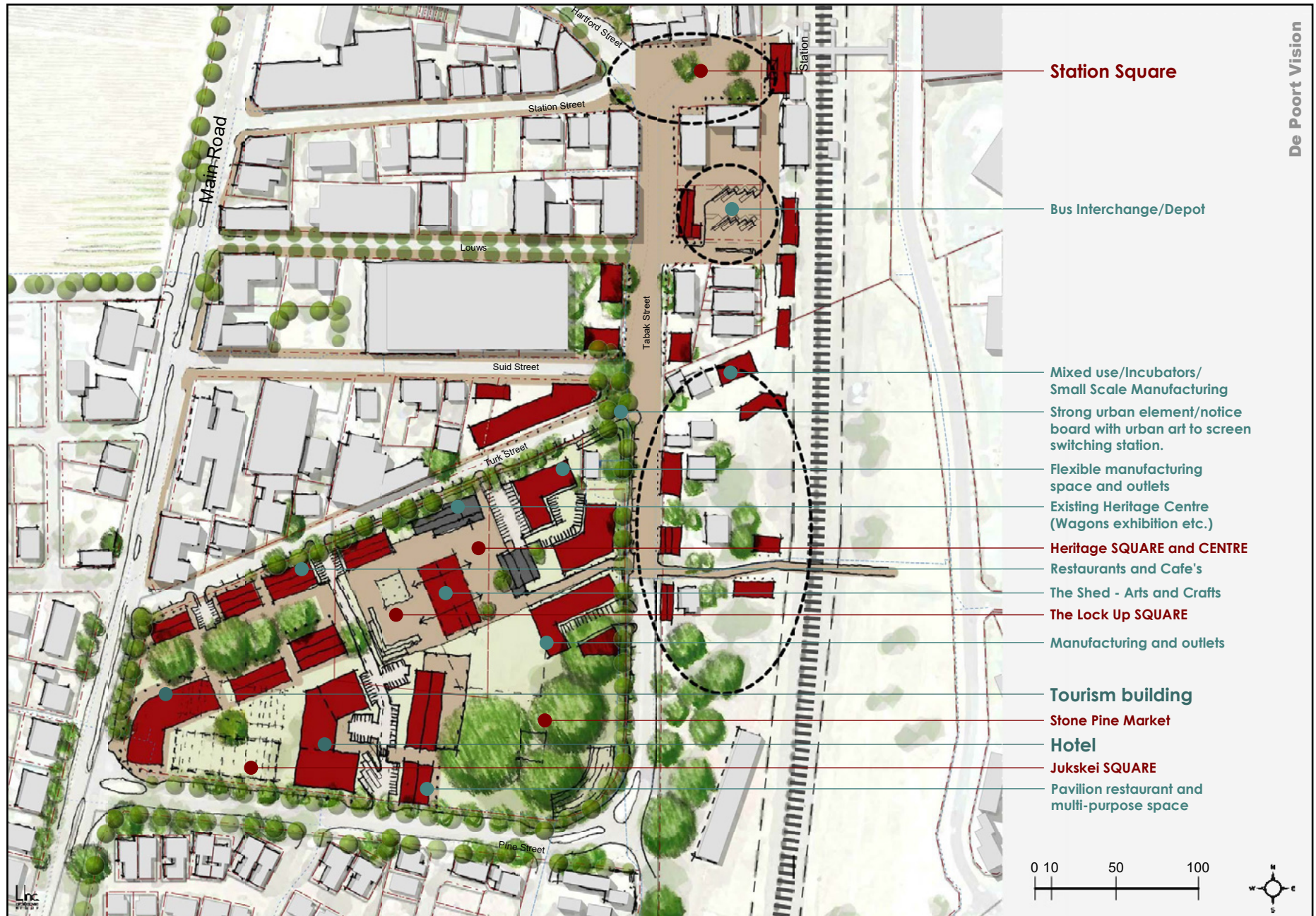
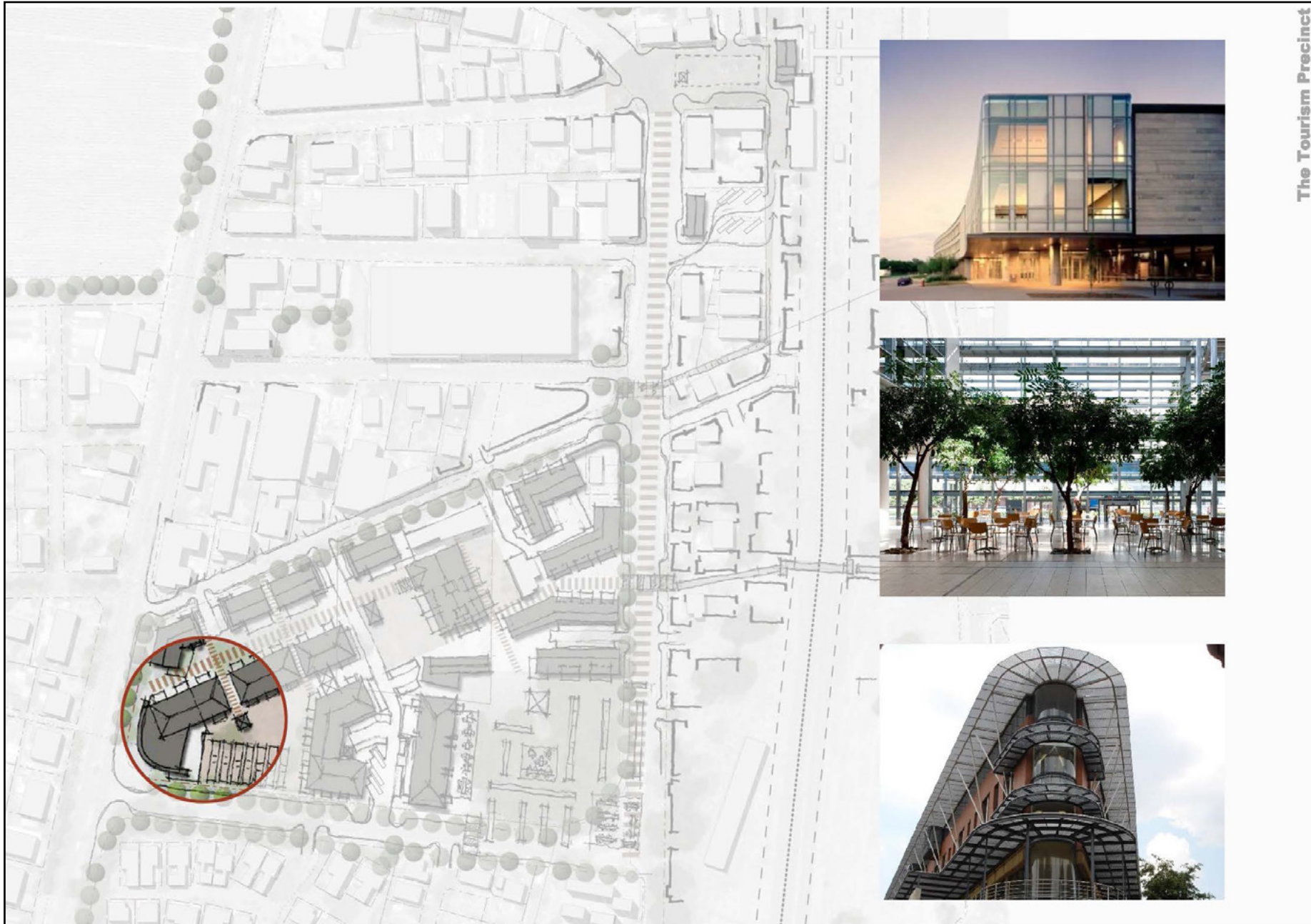


Figure 37: A Vision for De Poort



The Tourism Precinct

Figure 38: The Tourism Precinct



Hotel / Serviced Apartments

Training college opportunities

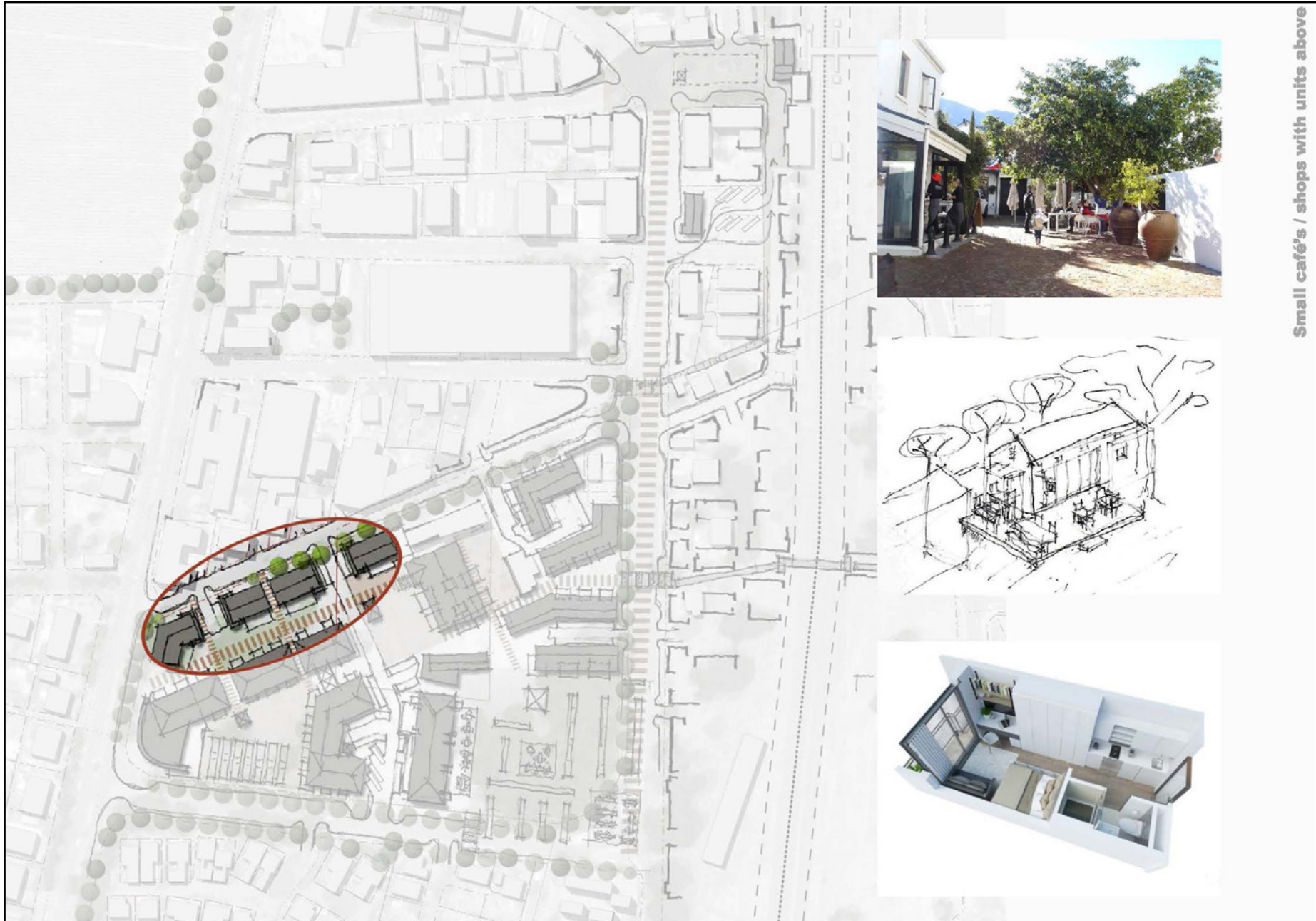
Figure 39: Hotel / Serviced Apartments





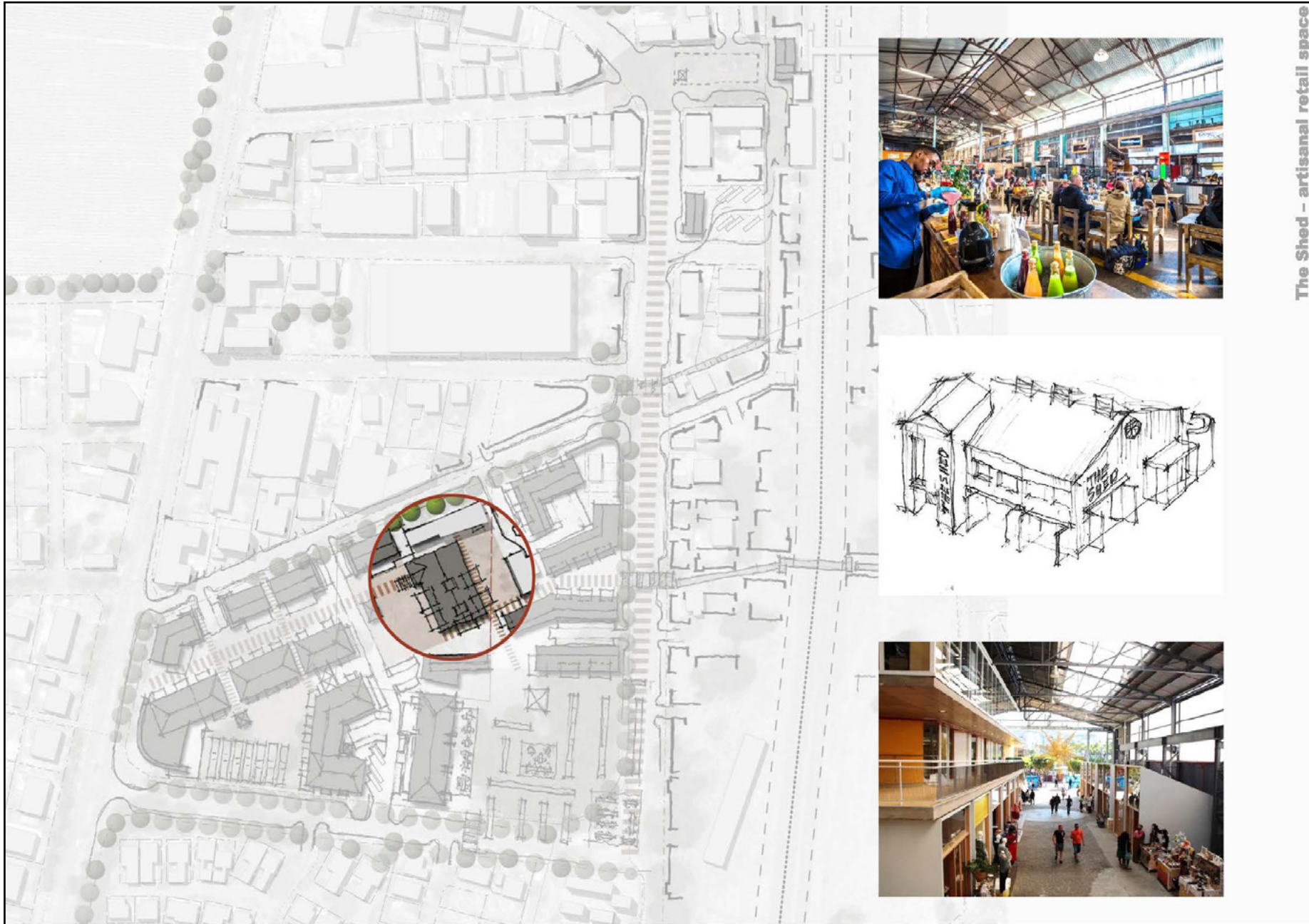
The Pavilion multi-purpose space

Figure 40: The Pavillion multi-purpose space



Small cafés / shops with units above

Figure 41: Small cafés / shops with units above



The Shed – artisanal retail space

Figure 42: The Shed



The Stone Pine Market

Figure 43: The Stone Pine Market



Jukskei Square, The Lock Up Square and Heritage Square

Figure 44: The Jukskei square, Lock-up square and Heritage square

## 1.12 URBAN SPACE AND LANDSCAPE VISION

### Description

The proposed spatial development of the precinct and De Poort site are a combination of 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 45: Station precinct



**POSITIVE PEDESTRIAN SPACES**

- incorporate storm-water systems
- widen perceived pedestrian walkways
- change surface material
- create a cohesive precinct identity



Figure 46: Station precinct; pedestrian space



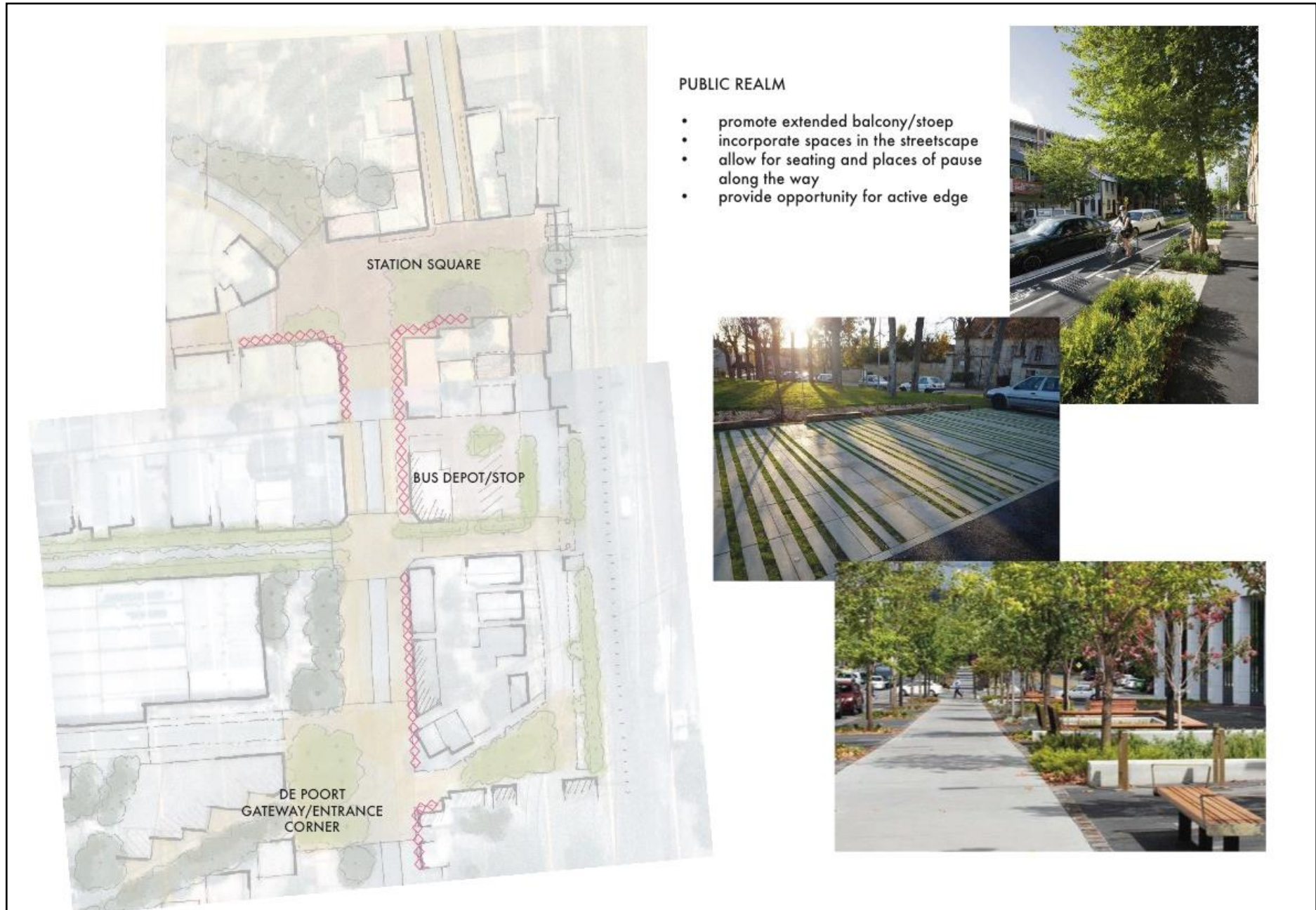


Figure 47: Station precinct; public realm

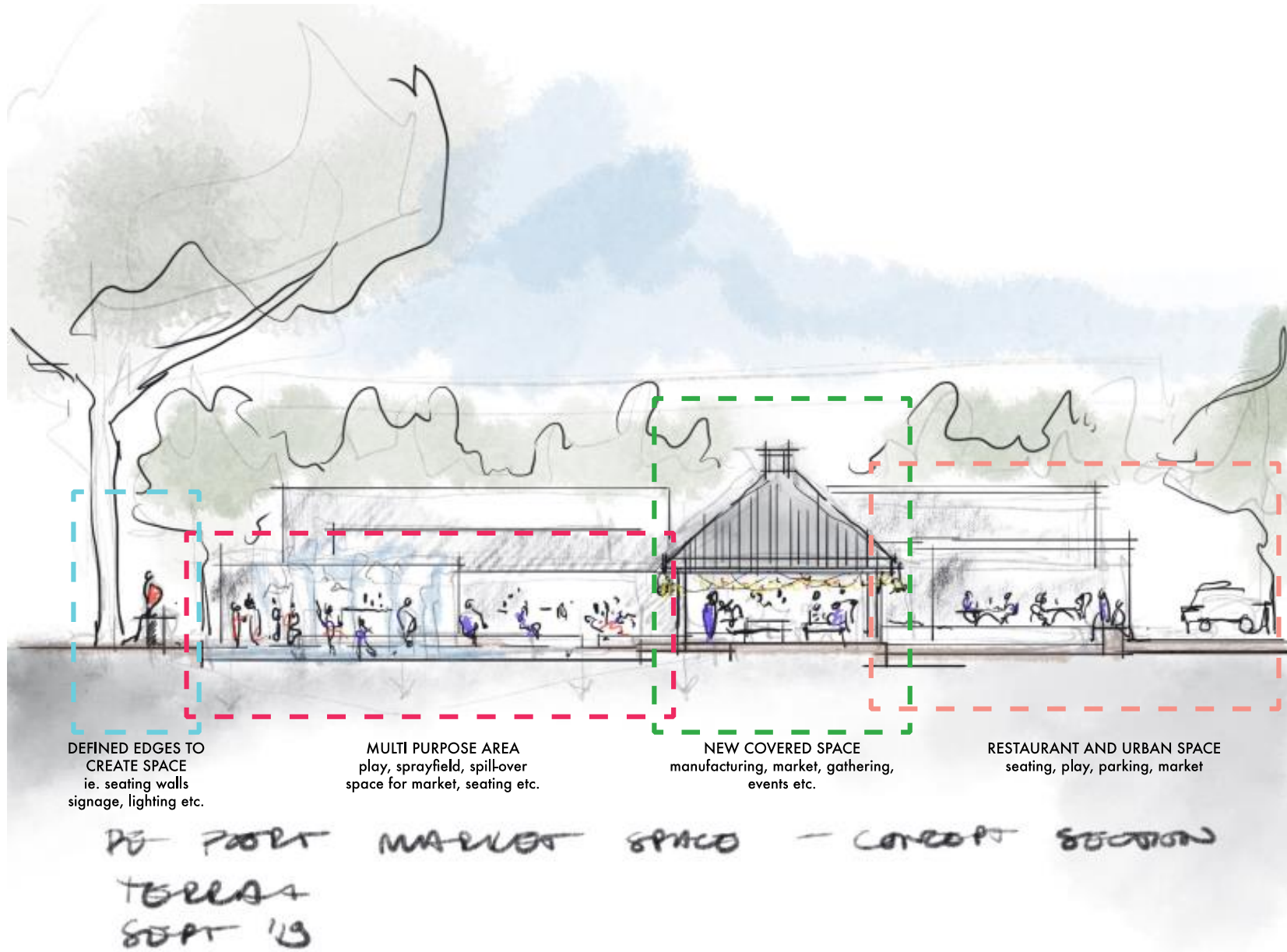


Figure 48: Market square

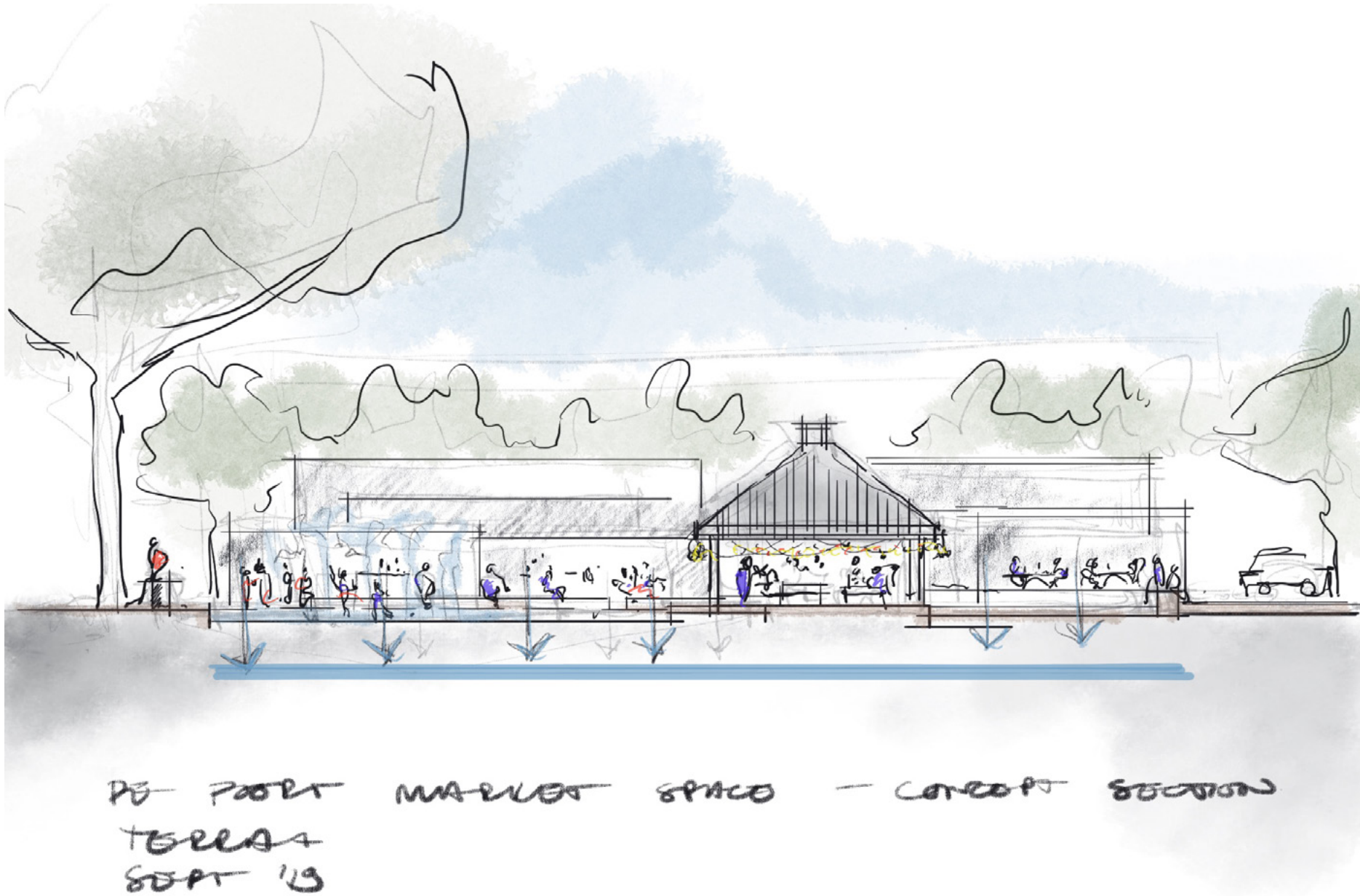


Figure 49: Market square storm water concepts

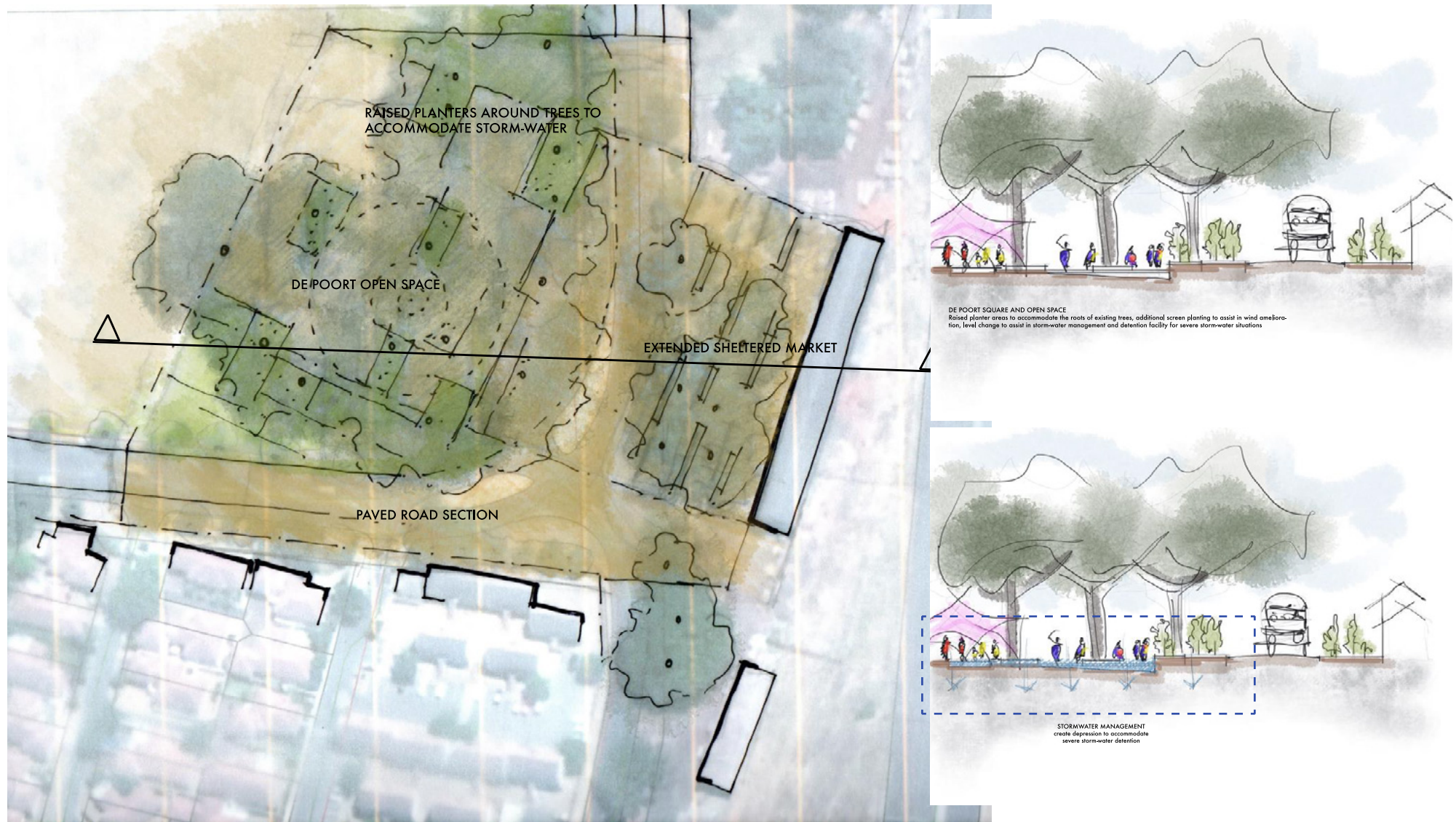


Figure 50: Stone Pine Market concepts

# BUSINESS MODEL

# 2

## Description

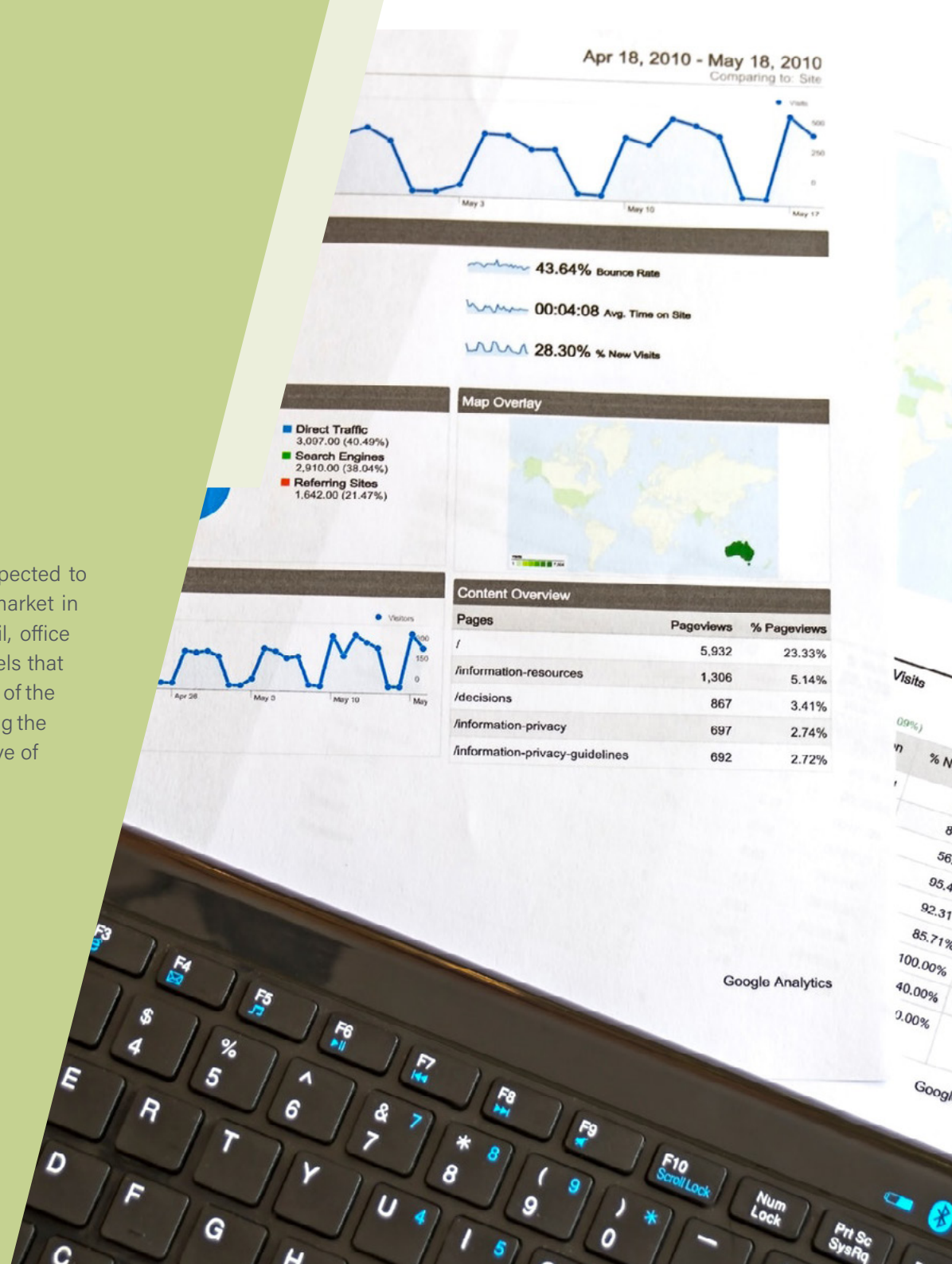
This section of the report is based on the findings of section 1 (urban design and landscape design framework). This section delineates the economic and property analysis findings and present this information in the form of a business model. This business model has been carefully developed to ensure that all proposals put forth in this section is aligned to the vision for the De Poort site and the study area as a whole. This section then concludes with an overview of the engineering services and availability on the De Poort site.



## 2.1 ECONOMIC & MARKET CONSIDERATIONS FOR THE DE POORT URBAN DESIGN FRAMEWORK

### Description

This chapter considers the macro and micro economic parameters that are expected to influence the study area. This involves an in-depth analysis of the real estate market in the study area, including the various market segments such as industrial, retail, office and residential sectors. This analysis is used to inform a range of business models that could be implemented to develop the De Poort site. The benefits and weaknesses of the different business models are highlighted and the chapter concludes by considering the phased approach to the project including suggested timeframes that are reflective of what emerged from the market research into the area.



## 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; and
- 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.

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 alienation/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 51 outlines the methodological approach adopted for the analysis of the economic and market dynamics of the study area. The overarching approach comprises of 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 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.

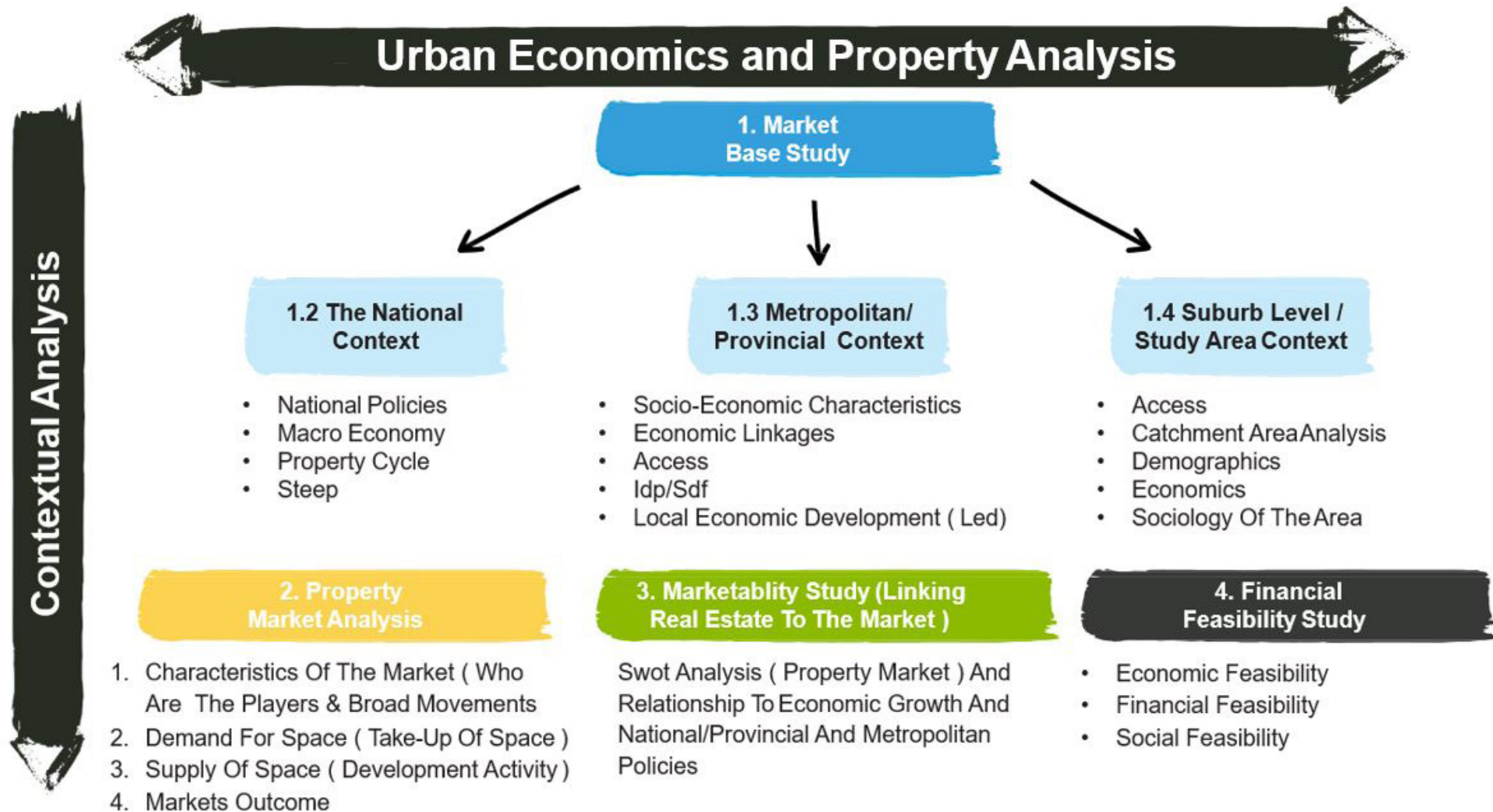


Figure 51: Economic and market analysis methodology



## 2.2 MARKET ANALYSIS

### Description

In an attempt to gain a better understanding of the property market, this section provides an analysis of the global market trends, the long property cycle dynamics and national trends, the office property market, industrial property market, retail property market, non-residential building forecast activity and the residential property market. The findings of this section then inform decision making regarding the business model presented for the various options set forth in this section of the report.



## 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.

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 52: Trending sub-sectors of Global property market

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.

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 shrank 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).

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.

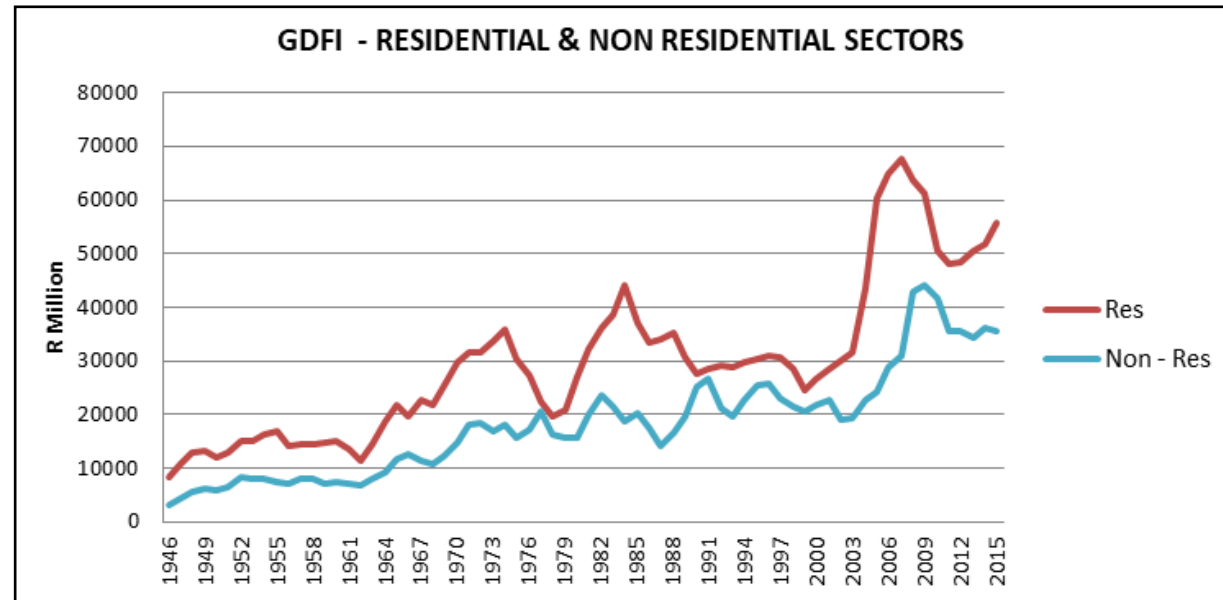


Figure 53: Residential and Non-Residential Sectors (Source: SARB)

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; and
- 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)

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

### 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.

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, 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 35.7% 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.

**Growth in office demand (national dec., grades A & B combined)**  
vs  
**Growth in output produced by services sector (national)**

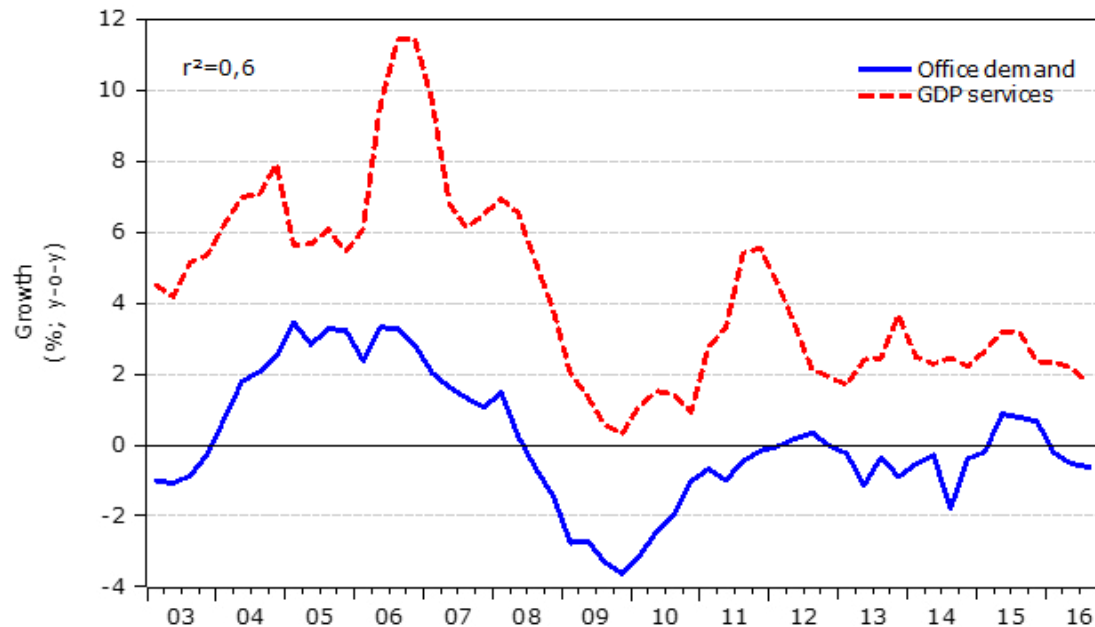


Figure 54: Relationship between growth in service and office demand (Source: SAPOA, StatsSA)

### 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.

### 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 1st Quarter in 2019 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 price 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.

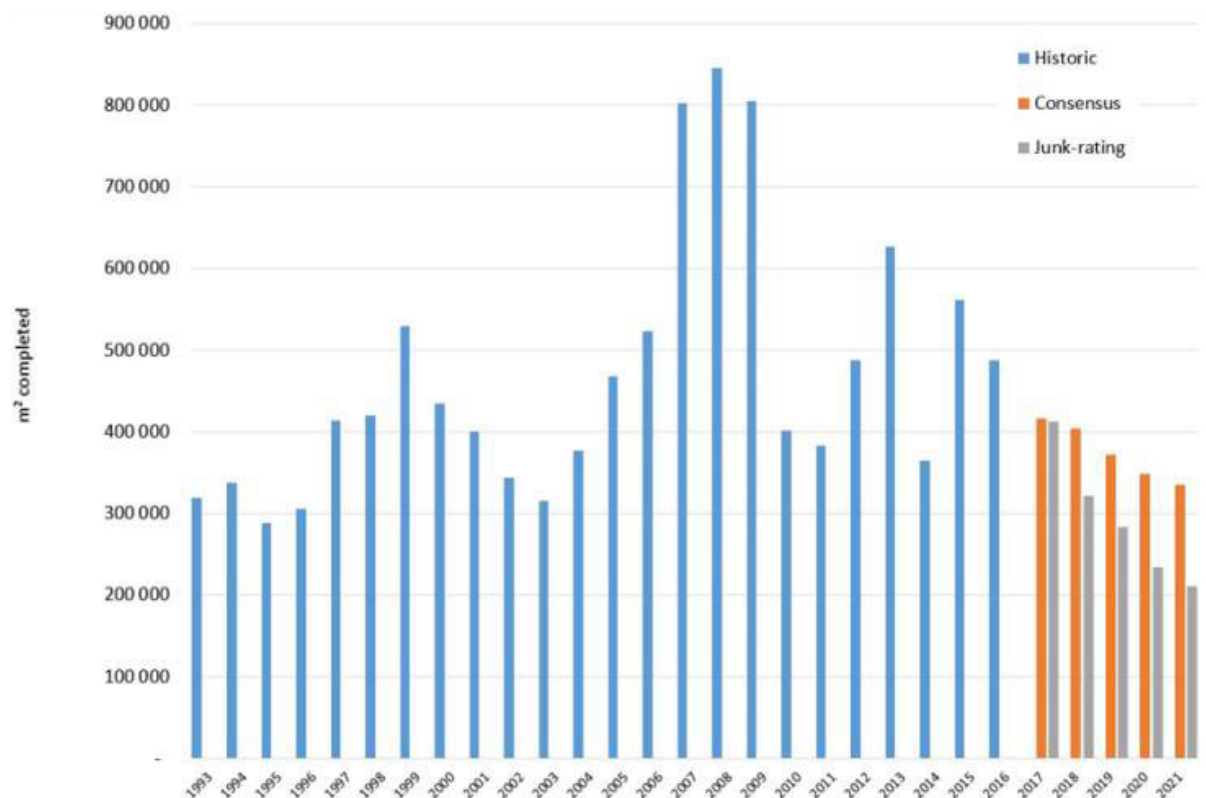


Figure 55: Non-Residential Building Activity

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.

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.

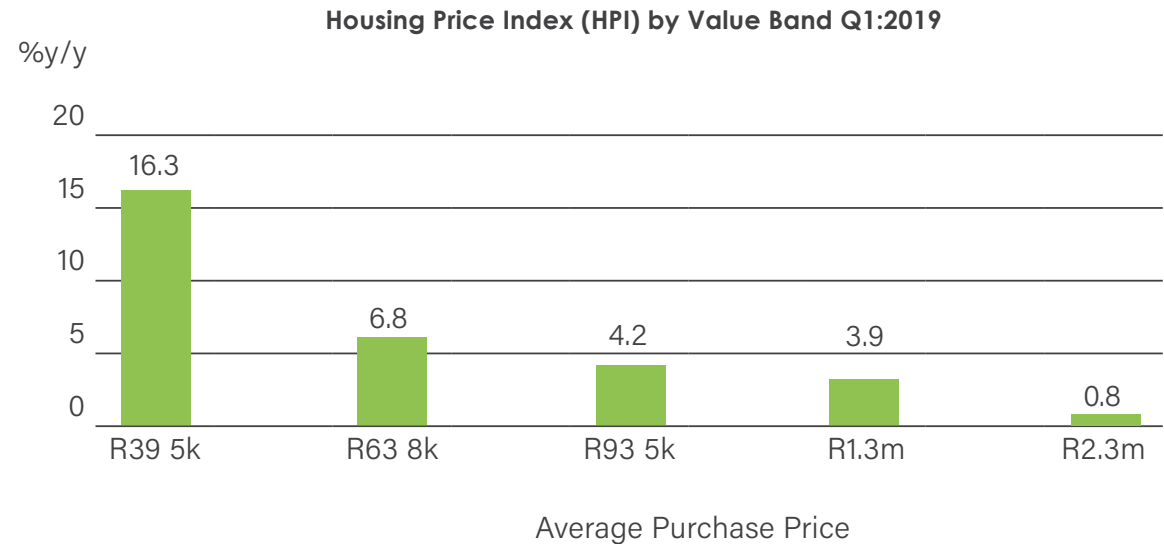


Figure 56: Housing Price Index (Source: FNB)

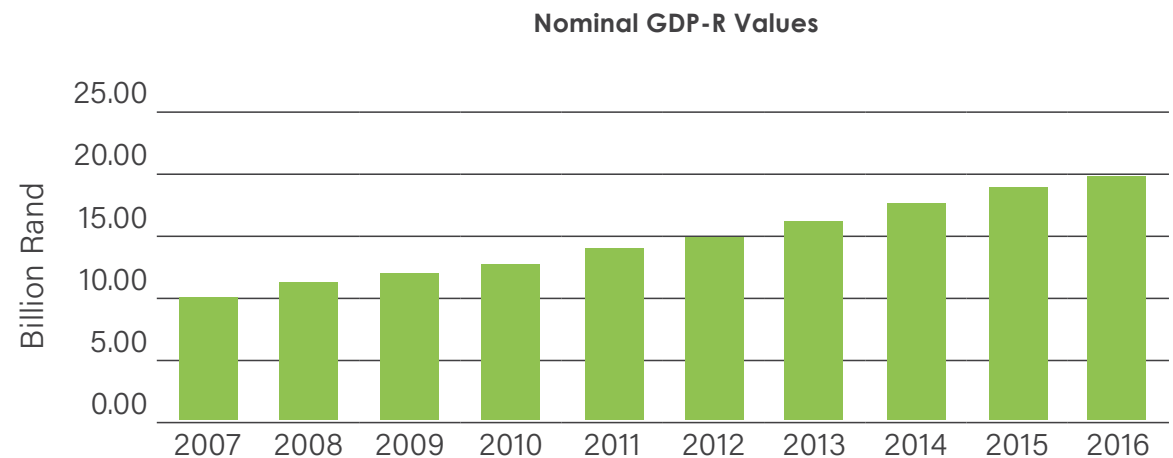
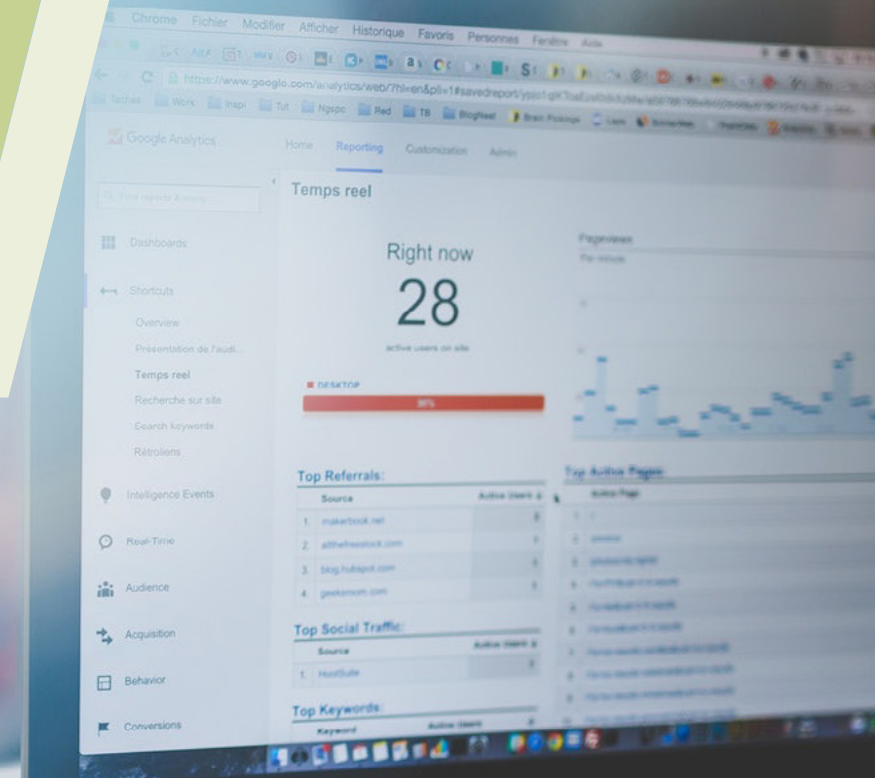


Figure 57: Nominal GDP Values for the Drakenstein Region (Source: Drakenstein Municipality)

## 2.3 MARKET TRENDS – MICRO ECONOMY (DRAKENSTEIN MARKET ANALYSIS)

### Description

More specific to the local economy (micro economy), this section is focused on understanding the context of Drakenstein Municipality. As such, this section analyses the economic overview of Drakenstein Municipality, the social demographics, priority economic sectors and the Drakenstein Property Market.





## 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.

As is highlighted by Table 2, 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.

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. Table 3 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 2: Drakenstein GDP Performance per sector 2005-2016 (Source: Drakenstein Municipality)

Sector	Contribution to GDP R 2015 (%)	Rand Value in Millions	Trend		Real GDP R Growth (%)					
			2005	2010	2011	2012	2013	2014	2015	2016
			2015	2015						
<b>Primary</b>	<b>6.6</b>	<b>1225.6</b>	<b>2.5</b>	<b>2.1</b>	<b>0.8</b>	<b>1.7</b>	<b>2.8</b>	<b>8.2</b>	<b>-2.8</b>	<b>-8.7</b>
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
<b>Secondary Sector</b>	<b>26.6</b>	<b>4940.1</b>	<b>0.1</b>	<b>-0.2</b>	<b>-0.4</b>	<b>0.3</b>	<b>0.1</b>	<b>-0.1</b>	<b>-0.7</b>	<b>-1.1</b>
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
<b>Tertiary Sector</b>	<b>66.8</b>	<b>12390.7</b>	<b>4.0</b>	<b>3.6</b>	<b>4.9</b>	<b>3.9</b>	<b>3.6</b>	<b>2.9</b>	<b>2.5</b>	<b>2.0</b>
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
<b>Total Drakenstein</b>	<b>100</b>	<b>18556.3</b>	<b>2.8</b>	<b>2.5</b>	<b>3.2</b>	<b>2.8</b>	<b>2.6</b>	<b>2.6</b>	<b>1.3</b>	<b>0.4</b>

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%)
<b>Average daily spend</b>	<b>R501 to R1000 (31.3%)</b>	<b>R501 to R1000 (14.5%)</b>	<b>R501 to R1000 (21.7%)</b>

### Social demographics

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.

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

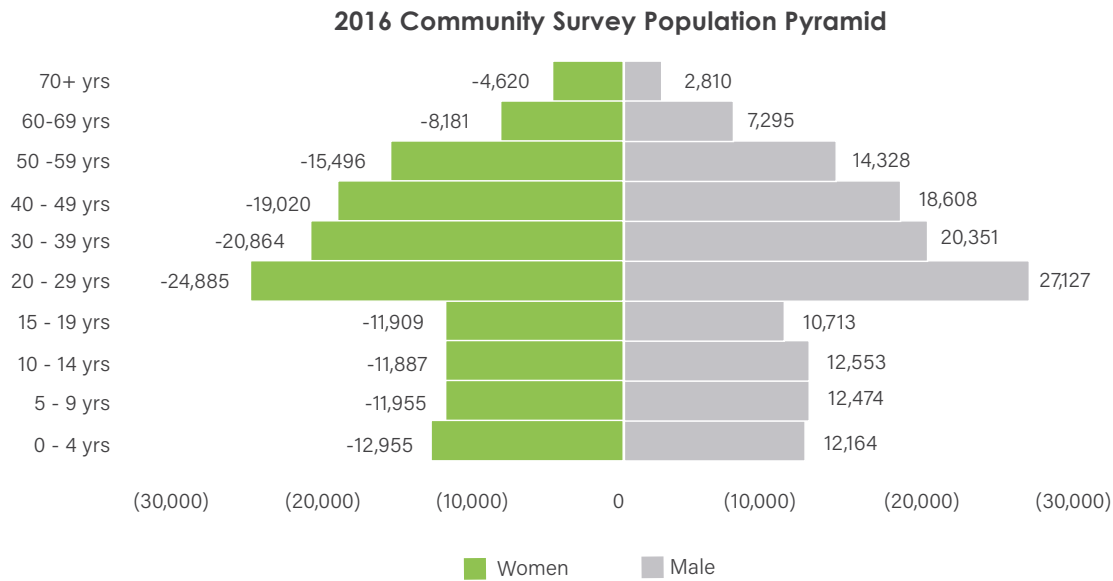


Figure 62: Drakenstein Population Pyramid (Source: StatsSA)

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.

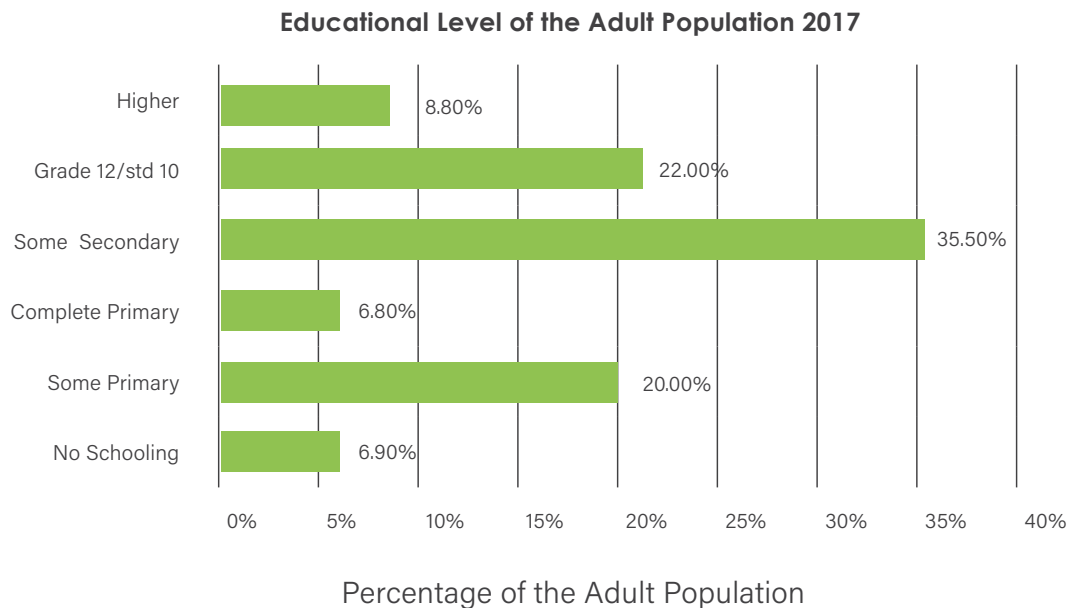


Figure 63: Education Level (Source: WC Provincial Treasury)

As can be seen in Table 4, 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 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 municipality's commitment to respond to the region's growing housing needs.

Interms of the IDP, there are five catalytic zones earmarked for largescale interventions. These interventions 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 key priority project 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. The Municipality aims 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.

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 study area falls within the N1 Corridor Catalytic Zone, 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.

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

Strengths	Weakness
<ul style="list-style-type: none"> <li>▪ Well governed city</li> <li>▪ Locational &amp; logistics advantages</li> <li>▪ Exceptional schools</li> <li>▪ Solid agri-processing base</li> <li>▪ Pockets of technology excellence</li> <li>▪ Growth of services sector</li> <li>▪ Skilled artisans</li> <li>▪ Strong arts and culture base</li> <li>▪ Potential of the youth</li> </ul>	<ul style="list-style-type: none"> <li>▪ Economy is not sufficiently diversified</li> <li>▪ Lack of FDI</li> <li>▪ Red tape challenges</li> <li>▪ High cost of doing business</li> <li>▪ Poor education levels in disadvantaged areas</li> <li>▪ Lack of fixed line ICT coverage</li> <li>▪ Lack of industrial space</li> <li>▪ Poor service standards for consumers</li> <li>▪ Duplication by all sectors in development efforts</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Agri-logistics hub</li> <li>▪ Natural assets</li> <li>▪ Sports</li> <li>▪ Agricultural base</li> <li>▪ Significant tourism potential</li> <li>▪ Export markets</li> <li>▪ Influx of capital</li> <li>▪ Willingness of private sector to collaborate</li> <li>▪ Proximity to Stellenbosch and CPUT tech</li> </ul>	<ul style="list-style-type: none"> <li>▪ High inequality</li> <li>▪ Unemployment</li> <li>▪ Disintegration between communities</li> <li>▪ Access to land for small farmers</li> <li>▪ Lack of investment in poorer areas</li> <li>▪ Crime</li> <li>▪ Gangsterism and drugs</li> </ul>

Figure 56: SWOT Analysis of the Drakenstein Economic Growth Strategy

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 m<sup>2</sup> in a year, the total annual supply is normally below this figure and for instance dropped to a mere 2000 m<sup>2</sup> in 2014. In the residential market conditions seem to be more stable driven by a shortage of affordable housing.

### 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.

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

Year	Breede Valley			Drakenstein			Stellenbosch		
	Total m <sup>2</sup>	Total Value (R'000)	Value (R) per m <sup>2</sup>	Total m <sup>2</sup>	Total Value (R'000)	Value (R) per m <sup>2</sup>	Total m <sup>2</sup>	Total Value (R'000)	Value (R) per m <sup>2</sup>
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	*	*	*	*	*	*	*	*	*
<b>Total</b>	<b>3 658</b>	<b>R19 961</b>	<b>-</b>	<b>2 383</b>	<b>R6 883</b>	<b>-</b>	<b>67 817</b>	<b>R385 652</b>	<b>-</b>
<b>Average</b>	<b>333</b>	<b>R1 815</b>	<b>R5 456,81</b>	<b>217</b>	<b>R626</b>	<b>R2 888,38</b>	<b>6 165</b>	<b>R35 059</b>	<b>R5 686,66</b>

## 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.

Table 6 suggests that it is unlikely that the market would be able to absorb more than 1 500 m<sup>2</sup> per annum, Stellenbosch showing a more vibrant office market with a take up some three times higher.

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/m <sup>2</sup>	Cap Rates (%)	Grade A Office/m <sup>2</sup>	Cap Rates (%)
<b>Breede Valley</b>				
Worcester	R80 - R90	11.00% - 11.30%	R110	10%
<b>Paarl</b>				
Paarl CBD	R90 - R100	10.80% - 11.00%	R110 - R116	10%
Paarl Main Rd	R130 - R160	9.10% - 9.90%	R80 - R90	9% - 11%
<b>Stellenbosch</b>				
Stellenbosch CBD	R180 - R200	5,2% - 7.4%	no data	no data

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 8: Industrial and Warehousing Buildings Completed (m<sup>2</sup>) (Source StatsSA)

Year	Breede Valley			Drakenstein			Stellenbosch		
	Total m <sup>2</sup>	TotalValue (R'000)	value (R) per m <sup>2</sup>	Total m <sup>2</sup>	TotalValue (R'000)	value (R) per m <sup>2</sup>	Total m <sup>2</sup>	TotalValue (R'000)	value (R) per m <sup>2</sup>
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	*	*	*	*	*	*	*	*	*
<b>Total</b>	<b>46 264</b>	<b>R257 359</b>	<b>-</b>	<b>97 186</b>	<b>R323 526</b>	<b>-</b>	<b>65 165</b>	<b>R320 424</b>	<b>-</b>
<b>Average</b>	<b>4 206</b>	<b>R23 396</b>	<b>R5 562,84</b>	<b>8 835</b>	<b>R29 411</b>	<b>R3 328,94</b>	<b>5 924</b>	<b>R29 129</b>	<b>R4 917,12</b>

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

## 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 m<sup>2</sup> 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 8 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 9: Retail Buildings completed (m2) 2007 – 2017 (Source: StatsSA)

Year	Breede Valley			Drakenstein			Stellenbosch		
	Total m <sup>2</sup>	Total Value (R'000)	Value (R) per m <sup>2</sup>	Total m <sup>2</sup>	Total Value (R'000)	Value (R) per m <sup>2</sup>	Total m <sup>2</sup>	Total Value (R'000)	Value (R) per m <sup>2</sup>
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	*	*	*	*	*	*	*	*	*
<b>Total</b>	<b>14 293</b>	<b>R60 868</b>	<b>-</b>	<b>18 451</b>	<b>R67 352</b>	<b>-</b>	<b>25 182</b>	<b>R145 614</b>	<b>-</b>
<b>Average</b>	<b>1 299</b>	<b>R5 533</b>	<b>R4 258,59</b>	<b>1 677</b>	<b>R6 123</b>	<b>R3 650,32</b>	<b>2 289</b>	<b>R13 238</b>	<b>R5 782,46</b>

## 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 m<sup>2</sup> of new retail space is built in the whole of the Western Cape per annum. In Drakenstein an average of about 2 050 m<sup>2</sup> of retail space has been developed per annum, with no new developments since 2012.

Note: Table 9 excludes Paarl Mall a 35 000 m<sup>2</sup> 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 10 and 11).

Table 10: Shop Rentals in Paarl

Paarl	2017		2019	
	Rental/m <sup>2</sup>	Cap Rates (%)	Rental/m <sup>2</sup>	Cap Rates (%)
Lady Grey Street	R90 - R110		R90	
Main Road	R90 - R110		R80 - R90	

Table 11: Shop Rentals in Shopping Malls

Paarl	2017		2019	
	Rental/m <sup>2</sup>	Cap Rates (%)	Rental/m <sup>2</sup>	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 m<sup>2</sup> in size.

Table 12 summarises 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, Table 12 and Table 13 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
<b>30 - 80m<sup>2</sup></b>								
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/m <sup>2</sup>	430,74	R2 570,39	R1 790,58	R3 856,13	R2 500,00			R2 191,31
<b>&gt;80m<sup>2</sup></b>								
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/m <sup>2</sup>	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/m <sup>2</sup>	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
<b>30 - 80m<sup>2</sup></b>								
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/m <sup>2</sup>	R1 581,25	R1 250,04	R1 250,00	R4 300,00				R2 095,32
<b>&gt;80m<sup>2</sup></b>								
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/m <sup>2</sup>	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/m <sup>2</sup>	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; and
- 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.

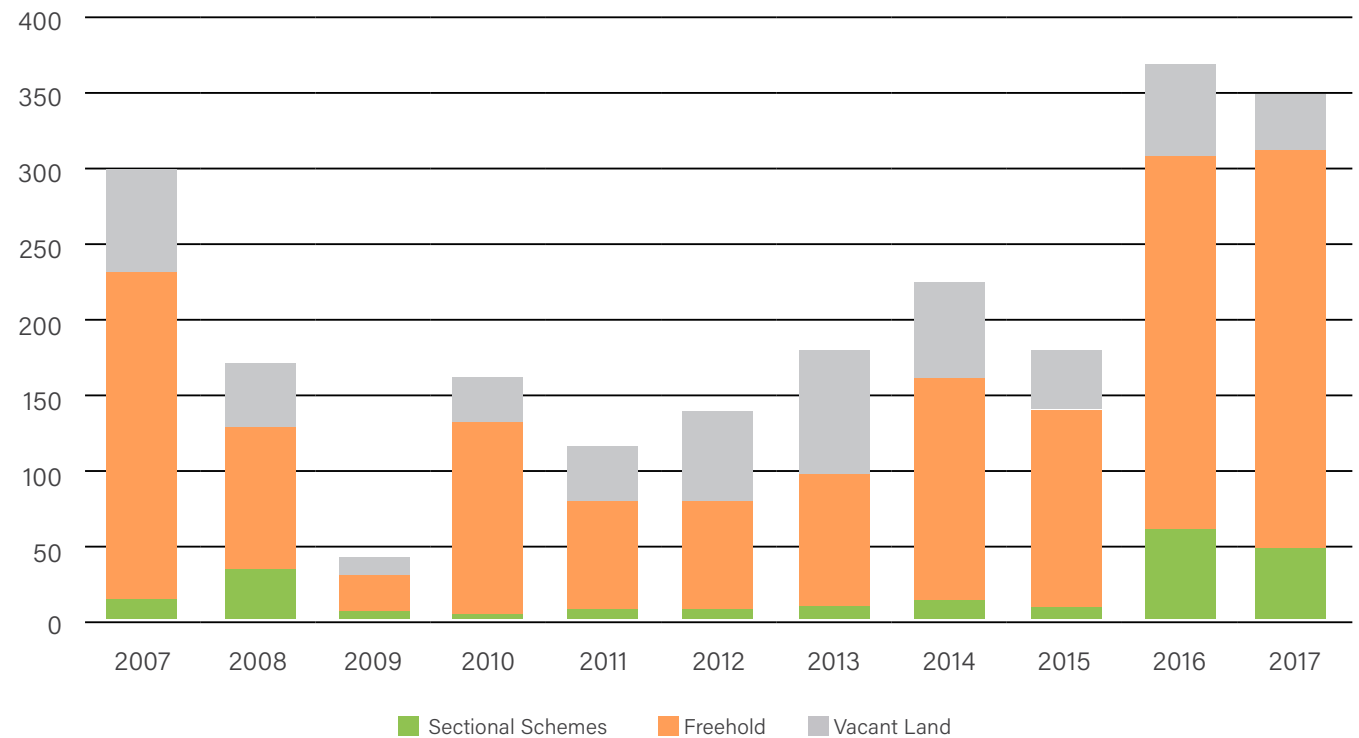


Figure 57: Sectional title vs freehold schemes

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 m<sup>2</sup> 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/ m<sup>2</sup>. 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
10 <sup>th</sup> 12 <sup>th</sup> 13 <sup>th</sup> 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.

Table 17 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.

**Total area of the 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		m <sup>2</sup>	Economic Input
<b>Tourism and Related</b>		<b>6 597,16</b>	
1st floor	Tourism Hub	1 649,29	Gov Lease Market
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	
<b>Market Space (Retail)</b>		<b>1 480,00</b>	Agreed
<b>Restaurants</b>		<b>3 867,34</b>	
1st floor	Restaurant/cafes	1 933,67	Agreed
2nd floor	Restaurant/Res/Hotel	1 933,67	Oversupply
<b>Manufacturing/Retail</b>		<b>3 632,86</b>	
	Phased Approach	1 500,00	Start with
	Subsequent phases	2 132,86	Oversupply
<b>Hotel/Apartments</b>		<b>9 331,41</b>	
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	
<b>Pavilion and Ablutions</b>		<b>1 933,00</b>	Agreed
<b>Total:</b>		<b>26 841,77</b>	

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



## 2.4 BUSINESS MODEL OPTIONS FOR THE DE POORT SITE

### Description

There are a variety of different ways in which the proposed urban framework for the publicly owned land on the De Poort site can be realised. The scope of this report is to focus on three potential models to finance and operate the development of the De Poort site. These are:

- A municipal-driven project (where the municipality acts as developer and operator of the De Poort site).
- Private investment (where the land is to be alienated to a private investor who will develop the site largely in accordance with this framework).
- Partnerships (with both public and private sector actors playing a role in the development of the site).

This section will explore the various business model options as required in terms of the project terms of reference\* and put forward a recommendation as to which we determine to be the best way forward for Drakenstein Municipality. This determination is based on the preceding analysis of the social and economic factors affecting the study area. In order to identify the best business case for Drakenstein and the De Poort site, it is necessary to have an understanding of the municipality's role in the development of publicly owned land. This is discussed briefly below.

\*It must be noted that only three business model options were required in terms of the project terms of reference.



### 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 associated with public land is illustrated in Figure 58 below. The x-axis (Risk) 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 alienate 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 alienation/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. This is outlined by Figure 58 below.

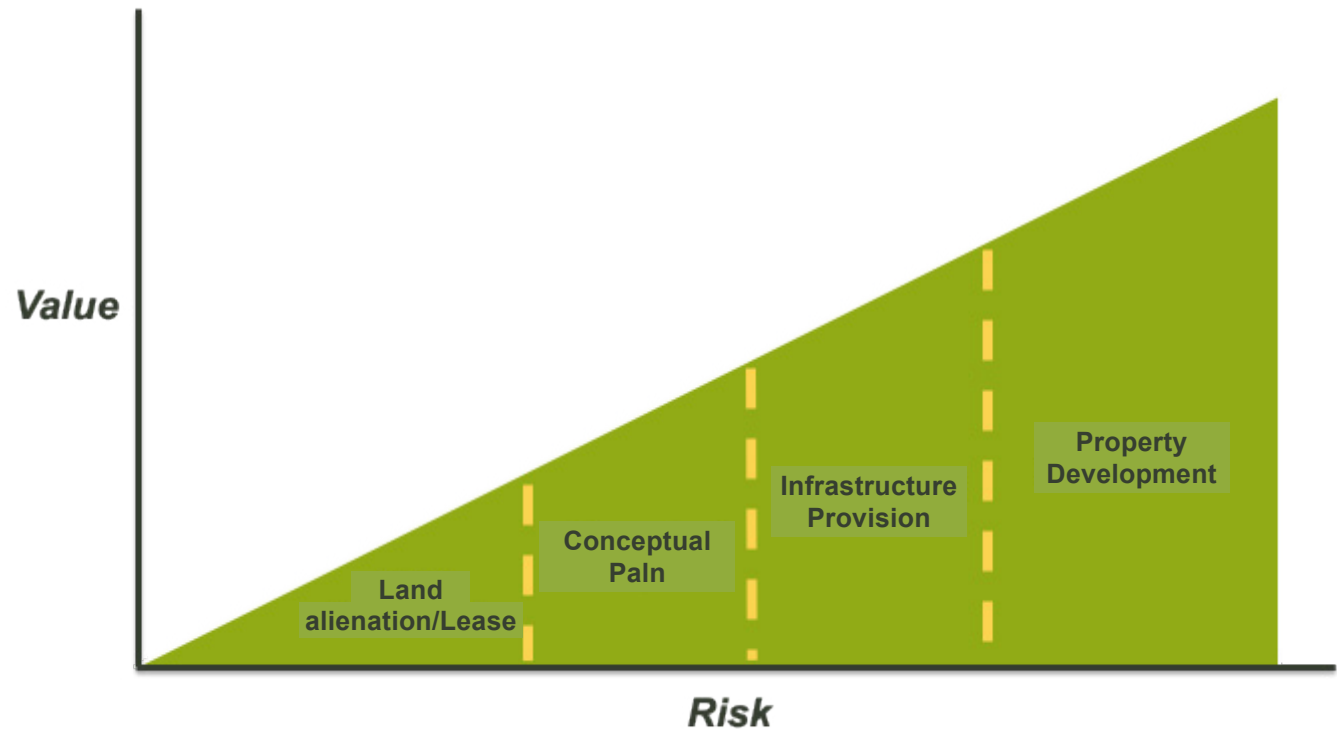


Figure 58: Risk vs Value for the development of public land

## 2.4.2 The Various Business Models Available to Drakenstein Municipality

This section outlines the various options available to Drakenstein Municipality when locating its role along the property development value chain. 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. The seven options (a.-g.) are detailed below.

### a. Land Alienation (private sector undertakes project)

The first option available to the Drakenstein municipality is to alienate the land to a private investor who will then develop the site. This is the least risky option available to the municipality. It also means that there is no responsibility to the Municipality once it has been alienated. The municipality can also receive property rates and taxes on the new development without having to be directly involved in the development. Despite the benefits outlined above, there are significant shortcomings with this approach. Notably, the municipality will have very limited or no control over the development that takes place. This means that it would be nearly impossible for a municipality to achieve broader social or political objectives with the land once it is alienated. Additionally, on a large portion of land it will

be very difficult for one developer with all the expertise to be able to develop it to its full potential. Further, the few developers that are experienced enough to take on a large site, like De Poort, would need to have the appetite to invest in such a large project and coordinate the numerous opportunities that the site offers in the short, medium and long run. Thus, the municipality is then dependent on private sector decision making. If a municipality moves further along the value chain they can create opportunities to stimulate development opportunities.

### b. Lease (private sector undertakes project)

The second option is to lease out the land to a developer, or group of developers for a predefined period. A lease agreement is similar to alienation in the sense that control of the site is passed over to a private actor (for a sum of money) with the difference being that municipality retains ownership of the parcel of land. A recommended lease period that is beneficial for both developer and the municipality is 30-40 years. This option can be slightly less attractive to developers (depending on how stringent the lease conditions are); however, it will provide the municipality with a measure of control in terms of the lease conditions as well as the extra benefit of still retaining ownership of the public asset.

Given the importance of the site not just as a place of heritage and recreation for the people of Paarl, but also as the role it can play in driving broader social objectives like social integration and economic transformation, it is argued that it is critical that the Drakenstein municipality

plays a central role in defining the type of development that takes place on the De Poort site. This can also ensure that broad socio-economic development objectives are achieved. If the outright alienation (a) or lease (b) of the land on the De Poort site is considered, it is important that a strong development framework is adopted which would influence the type of development considered by private sector players.

### c. Conceptual Planning with or without Rezoning

The De Poort site has already started along this journey through the development of an urban design framework for the De Poort site and surrounding study area. Here, the municipality has mitigated the risk for a private developer by developing a researched conceptual framework for the site. This also provides an opportunity for the municipality to meet broader objectives whilst still taking on little risk and responsibility regarding the actual development of the site. However, private sector will need to respond positively to the conceptual plan for the development to be realised. If the market is not interested in the concept put forward by the municipality then there is a risk that the site will not be developed, and the municipality would have wasted resources on developing a concept that will never be realised.

The Drakenstein municipality has already dedicated much time and resources to developing a well-formulated urban design framework for the De Poort site and the surrounding area. In doing this, the municipality has reduced the risk to the private sector by creating a clear concept for the development which means the

professional fees will have been reduced. The conceptual framework also indicates a political will for development to take place on the site which is a significant signal to the market that there are development opportunities on the site that will receive local government support.

#### **d. Infrastructure Provision**

Providing infrastructure is another significant way of reducing risk for private development. By developing a conceptual plan and providing the infrastructure to support that plan will create significant interest in the private sector to develop the site as there is less risk. This will also afford the municipality with more bargaining power when it comes to ensuring that certain public objectives are achieved through the development of the site. But, with the decrease of risk for private sector, comes a corresponding increase of risk for the municipality. Infrastructure provision is an incredibly costly exercise and without a guarantee that the infrastructure will be paid off by an increase in property values, it is a significant risk for the municipality to take on. However, by phasing elements of the project, the municipality can also phase the provision of infrastructure meaning that the cost of the infrastructure can be incurred incrementally as the development progresses.

In terms of the De Poort site, there are certain infrastructure requirements that will need to be provided upfront for the entire development. It is unlikely that a private developer would be willing to take this on unless they had control of the entire site and the concept behind its development. Therefore, it is suggested that the municipality should provide some level of infrastructure, particularly stormwater services and an entry point for vehicles.

Providing infrastructure will create significant interest in the site as it demonstrates the municipalities commitment to the De Poort area. This can be incorporated into the initial stage of the project.

#### **e. Public-Private Partnership**

The establishment of a Public-Private Partnership (PPP) can be an effective way for both the municipality and the private sector to mitigate risk and combine complementary skills and resources. The result is that a successful PPP is more likely to lead to a successful development. The PPP arrangement also enables the municipality to maintain control over the broader outcomes of the development of the site. Despite this, there are significant risks associated with establishing a PPP. These are complex and difficult partnerships to create and they commonly lead to failure, and cost overruns. There are few municipalities and private sector organisations with the requisite skills and experience to successfully implement a PPP. The PPP model also means that the municipality would remain responsible for the site and be exposed to the risks associated with operating the site for the entire lifecycle of the development. This type of model is also typically used for large (mega) projects. A PPP arrangement also works best when consideration is given to a single development often catering for the needs of a single user. In the case of the De Poort project opportunities will exist to undertake the development of a number of properties in different sectors of the property market. Thus, due to these complexities, and the complexities associated with PPPs, it is not advised that this option is adopted for the De Poort site.

During the latter stages of the project there are opportunities to create value capture mechanisms. Here the municipality can use private sector financing to fund a public intervention (such as a public transit interchange) and finance the debt through the increase of rates and taxes generated through the increase in value that the intervention created. This does not fit the typical definition of a PPP but highlights how the municipality can use private equity to fund infrastructure provision or other types of public interventions.

#### **f. Public Sector Property Development**

This type of model sees the municipality taking on all aspects of the development of the site. This means that the value is created entirely by the municipality, but the municipality also shoulders all of the risks associated with the development. A key benefit of this approach is that the municipality remains in complete control of the project and can meet broader social and political objectives of the development of the site. Secondly, the municipality will accrue all of the value created through the development of the site in terms of revenue generated (from rental etc.) and the rates and taxes. The key drawback for this approach is the level of risk that the municipality is exposed to when undertaking this type of model. There are few municipalities that could be able to take on this level of risk, particularly in the fiscally stressed context of local government in South Africa. Additionally, there are very few municipalities with the necessary skills and experience to act as a developer in this sense. It would also require a lot of time and resources that could be argued could be directed to more important matters.

Additionally, the municipality would have to maintain responsibility for the entirety of the development lifecycle. Due to the limited financial resources of the Drakenstein municipality it is not advised that the municipality take on the role of developer for the entire site as it would expose the municipality to significant risk. Furthermore, engaging in all aspects of the development will mean that municipal staff will be drawn away from activities that are considered more central to the municipalities primary function.

#### **g. Leave As Is**

The municipality also has the option of doing nothing with the De Poort site (leave as is). A Scenario could be considered which would result in no further activity of the site. This would have a number of implications for the municipality:

1. Not developing the site means that the opportunity of using the site in its highest and best use (financially, economically and socially ) is not exercised.
2. The opportunity to derive direct and indirect economic and financial opportunities are foregone. This includes opportunities associated with Local Economic Development and optimizing rates and taxes.
3. The development of the site has an opportunity to play an active role in the promotion of economic growth and development. In addition an appropriate development, can play a critical role in creating the physical environment for businesses to flourish.

4. The site offers considerable opportunities for the promotion of urban regeneration in close proximity of the site. This includes both residential and commercial uses.
5. The proposed conceptual framework for the site offers an opportunity to stimulate specific sectors of the local economy such as the Tourism sector.
6. Finally there is a risk that the development of the site is ultimately developed in a manner that fails to unleash its opportunities.

#### **2.4.3 Proposed Business Case for the De Poort site**

To optimise the value the Drakenstein Municipality have created, and to further reduce risk to private sector, it is suggested that a strategic configuration of business models be implemented to ensure the optimal outcome for the development of the site. It is important to note that each approach identified above has key benefits and weaknesses which makes them applicable to the De Poort site they also relate to specific steps in the overall development process. Thus, what is put forward is a strategic configuration of the various models at specific stages of the project to ensure the best chance of meeting the objectives, limiting municipality's exposure to unnecessary risk, whilst also finding a sweet spot where risks for private sector actors are low enough to stimulate interest in the site.

Ultimately, this configuration comes down to creating that balance of driving broader municipal objectives by maintaining a degree of control, whilst also limiting the risk and responsibility that the municipality has to

shoulder.

Whilst certain aspects of the development will apply different business models, the primary business model suggested for the project is a land lease arrangement. However, it is suggested that the initial stage of the project (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 support the development through public sector leases and to derive public sector financial benefits through a value capture exercise, The approach 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 to potential investors and developers. The output of these phases is zoned, serviced, development ready (shovel-ready) land.

These phases will be discussed more in detail in the following section.

### 2.4.4 Phases to be undertaken with recommended Business Case

Development of this nature follows five phases.

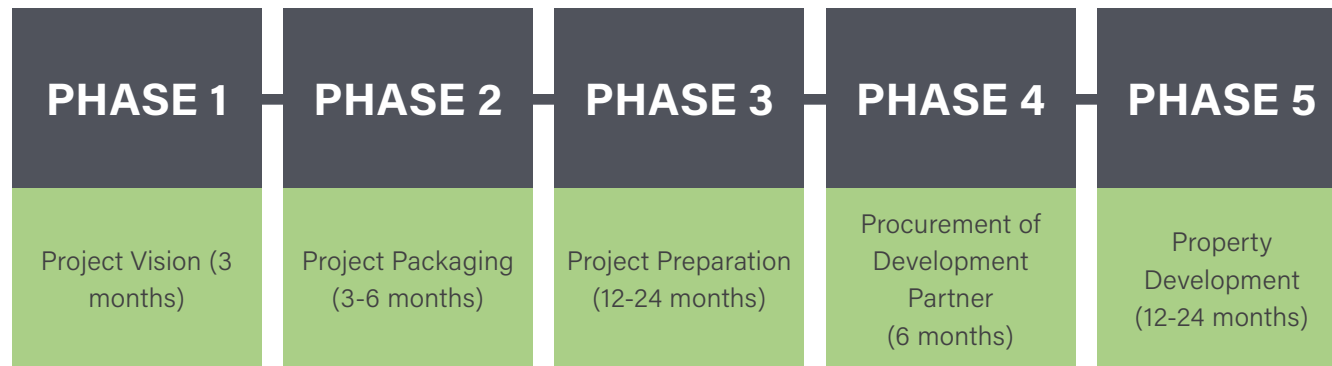


Figure 59: Phases of the development project

#### 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; and
- 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 alienation/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.

- Physical
- Legal
- Services
- 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/alienation) and lease period if applicable; and
- 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; and

- 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; and
- 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; and

- 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; and
- 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; and
- Negotiation, drafting and signature of a development agreement (either alienate or lease). Structuring of development agreements to ensure:
  - o Ensuring delivery of the development in accordance with expected timeframes;
  - o Ensuring delivery of any social, and environmental returns expected by the landowner;
  - o Protection of the municipality's interests during long terms lease;
  - o Ensuring the protection of asset value at the end the lease period.

The development partner will be appointed by either:

- A development alienation agreement (in the event that the municipality proposes to alienate 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 alienated; and
- 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 Roll-Out

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; and
- 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.



Table 18: The Stages and Phases and Timeframe of the De Poort Project

Project Stage	Uptake	Project Phase	Time Frames	Actor
Stage 1	1 400m <sup>2</sup>	1, 2 & 3	Year 1-2	Public Sector Development
Stage 2	3 800m <sup>2</sup>	4 & 5	Year 2-4	Private Sector Development
Stage 3	7 000m <sup>2</sup>	5	Year 3-7	Private Sector & Public Sector (Value Capture opportunities)
Stage 4	5 200m <sup>2</sup>	5	Year 6-10	Private Sector & Public Sector (Recapitalise Revenue generated through Value Capture)
Total Uptake	17 700m <sup>2</sup>			

Table 19: The Breakdown of the De Poort Project Uptake per Stage

Project Stage	Type of Use	Size (m <sup>2</sup> )	Total Size (m <sup>2</sup> )
Stage 1	Restaurant Cafe	200	1 400
	Market	1 000	
	Tourism Office	200	
Stage 2	Residential	2 000	4 100
	Restaurant	600	
	Manufacturing & Retail	1 500	
Stage 3	Hotel	3 000	7 000
	Pavilion (Restaurant)	1 000	
	Residential	2 000	
	Manufacturing	500	
	Retail	500	
Stage 4	Tourism Office	1 700	5 200
	Residential	3 000	
	Manufacturing	500	
			<b>17 700</b>

Table 20: The Breakdown of the Proposed Uptake per Landuse Type

Type of Use	Total Area
Restaurant Cafe	1 800m <sup>2</sup>
Market	1 000m <sup>2</sup>
Tourism Hub & Offices	1 900m <sup>2</sup>
Residential	7 000m <sup>2</sup>
Manufacturing & Retail	3 000m <sup>2</sup>
Hotel	3000m <sup>2</sup>
	<b>17 700m<sup>2</sup></b>

## Existing

At this point in time the site is largely vacant with only the Wagon Museum, Jukskei course and an additional building present on site. The site currently hosts the circus on an annual basis and is further utilised by members of the public for selected recreational activities. The site is currently maintained by the municipality.

## 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.

### 2.4.5 Conclusion

Market research suggests that any potential development will need to pay careful attention to the limited size of the real estate market as well as competing developments in the study area. Opportunities exist for high density residential property in a mixed use environment. Market research also identified opportunities linked to the tourism sector, these include the potential for a hotel, retail outlets and restaurants. The research strongly suggests that the development take place in a carefully considered sequenced phase approach. This will gradually add value to the site whilst also mitigate the risks of oversupplying the market. Given the size of the real estate market in the study area and the proposed uptake on the De Poort site, it is expected that the phases take place over at least a 10-year period.

This section emphasises that the municipality has a critical role to play in mitigating the risk associated with the development on the De Poort site. The role of the municipality can take various forms, but the report suggests that the optimal business case would be achieved through a long-term leasehold arrangement. This would enable the municipality to play an active role in ensuring that the political objectives of the De Poort site are achieved. This is unlikely to be realised through the direct alienation of the De Poort land.

## **2.5 Proposed Staged 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 60: Phase - Existing



Figure 61: Stage 1



Stage 2

Figure 62: Stage 2

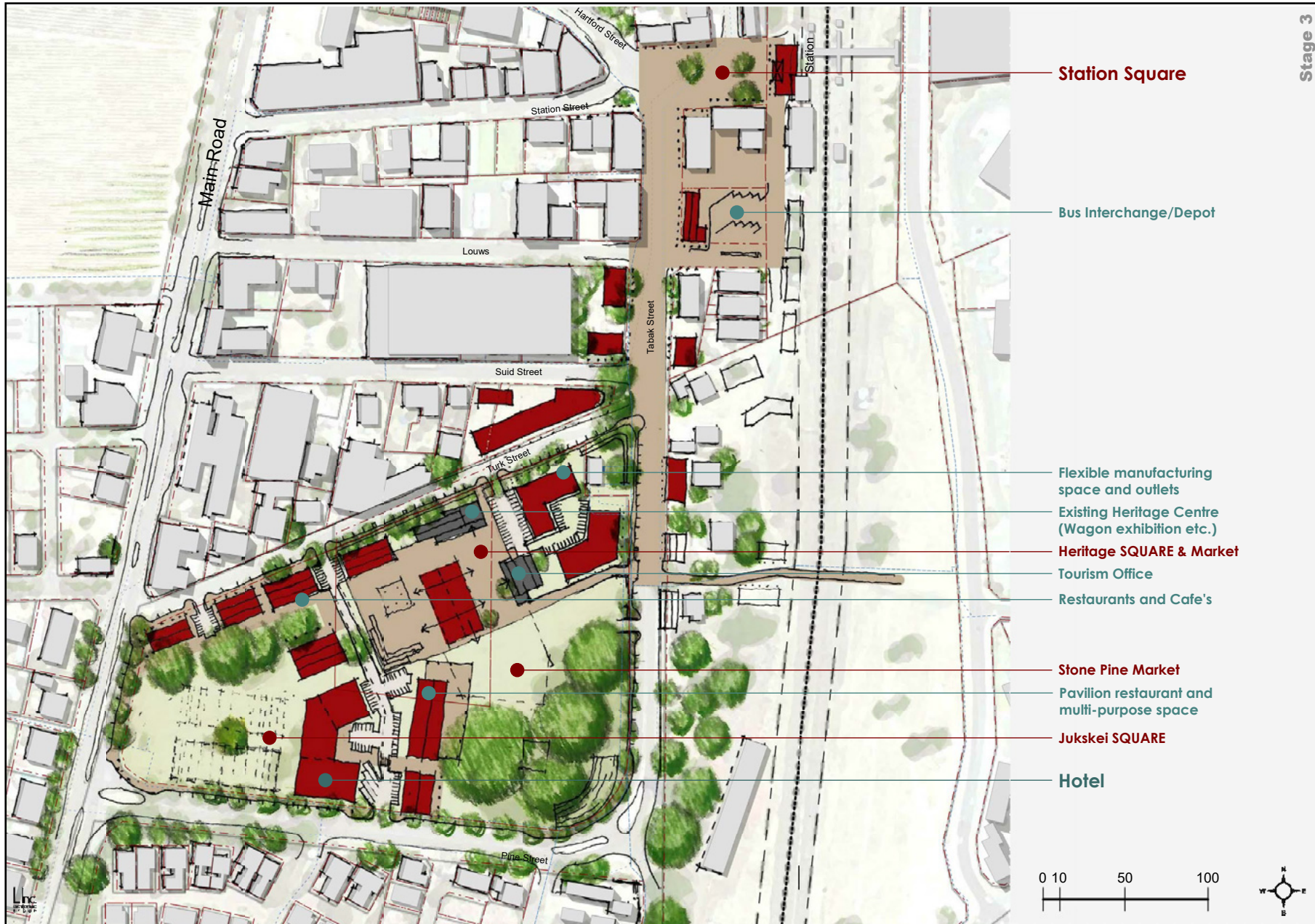
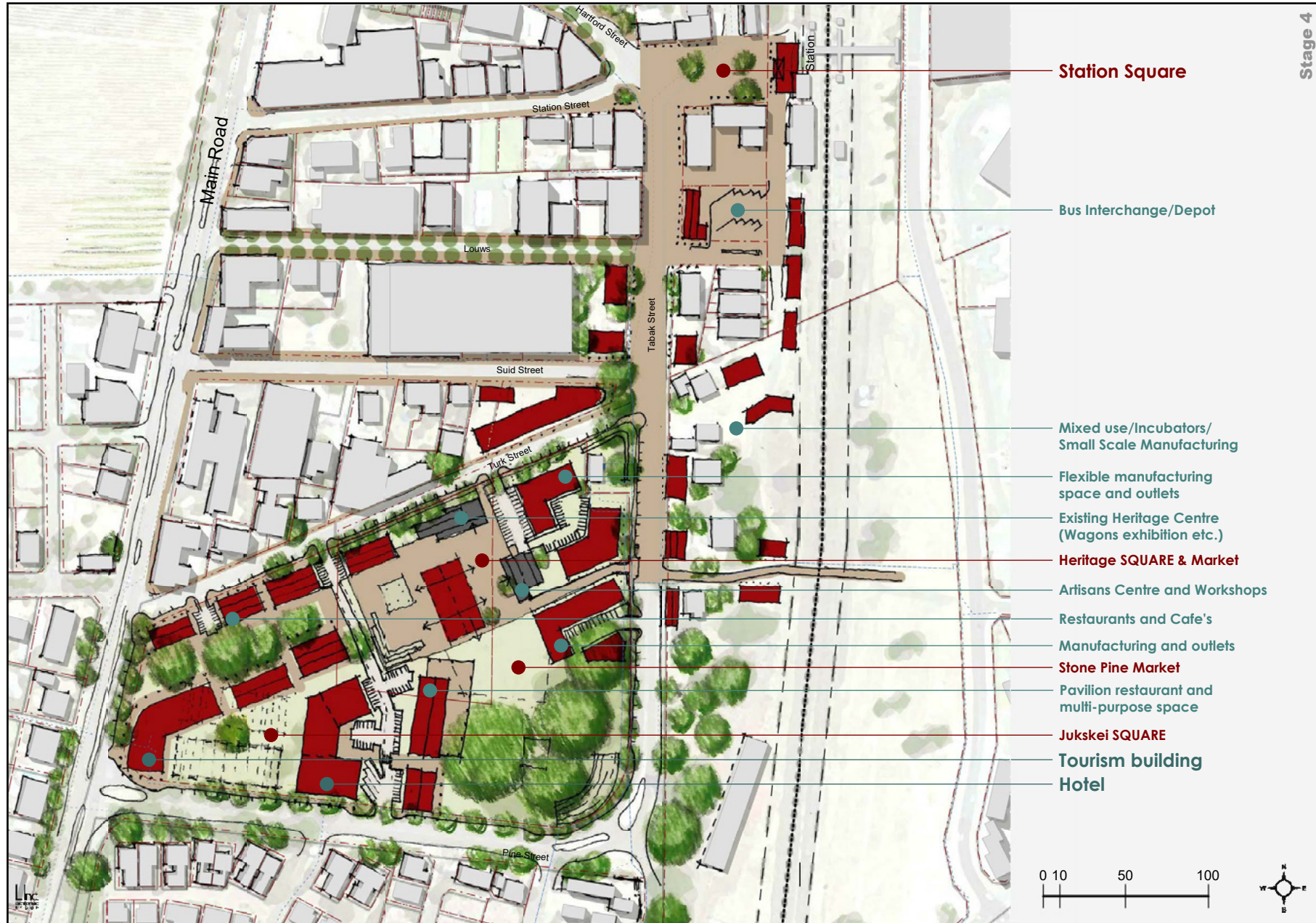


Figure 63: Stage 3



Stage 4

Figure 64: Stage 4



## 2.6 ENGINEERING SERVICES INPUTS

### Description

As part of determining the feasibility of the vision and the proposed De Poort development, a brief study of the available engineering services and capacities is presented in this section of this report. It is important to understand that this is not a full engineering services report, but rather a departure point for future engineering services studies to be undertaken at a later stage of the proposed De Poort development.



連結送水管送水  
CONNECTING WATER OUT

### 2.6.1 Development context

The De Poort concept plan consists of the redevelopment of the existing De Poort site, which includes the expansion of the existing museum facilities, a selection of retail, restaurants, a hotel and tourism related elements. Based upon the economic development programme, it is envisaged that this progression of development will traverse a period of 10 years, over 4 stages. The various elements attached to each of these stages is covered elsewhere in this report. From an infrastructure perspective, the timing of the various stages is relevant in terms of sufficient infrastructure being available to service the foreseen facilities:

- Stage 1: 2 years
- Stage 2: 4 years
- Stage 3: 6 years
- Stage 4: 10 years

The essential services that will be required to unlock the De Poort concept plan are water supply, sewerage conveyance and electricity supply. For each of these services, the project team engaged the relevant department at Drakenstein Municipality, as well as GLS Consulting, the custodians of the water and sewer master plans for the municipality.

### 2.6.2 Limitations of engineering scope

Since this is purely a development framework, the engineering scope has been limited to engagements with the relevant municipal departments to determine:

- Ease of connectivity
- Available bulk capacity
- High level description of bulk elements required to unlock development

As such, the scope excludes considerations such as internal infrastructure requirements and costs, which will follow when a concept design is commissioned. It simply covers the capacity of existing networks to absorb the development and any bulk infrastructure considerations.

### 2.6.3 Potable water

Based on the development framework for De Poort, and utilising standard demand rates for the different land uses, Table 23 illustrates the estimated water demand for the development, across the four stages:

Table 21: Anticipated water demand for De Poort, based on the four stages of development

Water Demand (kl/day)	
Stage 1	2.75
Stage 2	8.55
Stage 3	27.33
Stage 4	23.78
Total	62.41

As Table 23 illustrates, the initial water demand for Stage 1 is very small (<3kl / day). This is to be expected, since Stage 1 only consists of The Shed and two restaurants. The largest increase in demand is associated with Stages 3 and 4, with the inclusion of the hotel in Stage 3 and the manufacturing, shops and tourism facilities in Stage 4.

In conversations with Drakenstein Municipality, it was confirmed that there is an existing 80mm water connection that is currently servicing the museum from Turk Street. This will be the ideal location for continued water supply for the expansion of the site. While the development will extend up to Main Road, the existing water supply pipeline running along Main Road is on the Western side of Main Road (i.e. not on the side of De Poort) and as such, a road crossing would be required to tap into this pipe, at a large cost. As such, it is recommended that the existing 80mm water connection be extended internally to supply the new buildings, with a possible upgrade of this water connection when the demand requires it.

In terms of bulk supply, GLS were consulted to determine available water capacity to supply De Poort, as well as any upgrades that may be required. GLS confirmed that for water, two specific items on the water master plan will be required to be implemented for the full development to be serviced. These two items are captured in Table 24, taken from the draft water master plan.

Table 22: Bulk water upgrades required for De Poort

Bulk Infrastructure upgrades		
DPW.B1	Additional reservoir capacity at Courtral reservoir site (2 X 8 MI)	R 41 868 000
DPW.B2	1674 m X 600 mm Ø replace existing 525 mm Ø bulk pipe	R 15 000 000
Total		R 56 868 000

To unlock the full De Poort development, the upgrades to Courtral reservoir as well as the bulk pipeline will be required. However, GLS confirmed that both projects are currently being implemented and as such, will be in place prior to De Poort coming online. As such, from a bulk perspective, there is sufficient water supply for the development.

#### 2.6.4 Sewer

Based on the development framework for De Poort, and utilising standard sewer yield rates for the different land uses, the following table illustrates the estimated sewer yield for the development, across the four stages:

Table 23: Anticipated sewer yield for De Poort, based on the four stages of development

Sewer yield (kl/day)	
Stage 1	2.37
Stage 2	7.27
Stage 3	23.23
Stage 4	20.22
Total	53.08

As Table 25 illustrates, the initial sewer yield for Stage 1 is very small (<2.5kl / day). As was the case with water, this is to be expected, since Stage 1 only consists of The Shed and two restaurants. The largest increase in sewer yield is associated with Stages 3 and 4, with the inclusion of the hotel in Stage 3 and the manufacturing, shops and tourism facilities in Stage 4.

In conversations with Drakenstein Municipality, it was confirmed that a sewer connection through manhole construction can be facilitated along both Turk and Tabak Streets. Owing to the topography, it is anticipated that internal sewer networks will drain towards the east, before discharging into the municipal network.

In terms of bulk conveyance and treatment, GLS have confirmed that no upgrades will be required in terms of pipelines or treatment works for the full De Poort development.

#### 2.6.5 Electricity

Based on the development framework for De Poort, and utilising standard demand rates for the different land uses, the following table illustrates the estimated electricity demand for the development, across the four stages:

Table 24: Anticipated electricity demand for De Poort, based on the four stages of development

Electricity (KVA)	
Stage 1	107.52
Stage 2	205.44
Stage 3	485.46
Stage 4	317.12
Total	1,115.54

In the same manner as water and sewer, electricity demand for the first two stages is relatively small, with a large increase from Stage 3 onwards.

In conversations with Drakenstein Municipality, it was confirmed that Stage's 1 and 2 can be fed by installing transformers on site and feeding off the existing MV cable running along Tabak Street (emanating from the substation on the North Eastern side of the site), with the concentration of buildings located adjacent to this road. As the development expands, additional infrastructure will need to be installed.

For subsequent phases, it is recommended that a mini-substation be located along Tabak Street, that can then form the basis of the full reticulation of the development. This can also be fed directly from the MV cable running in Tabak street. In addition to this, depending on the loading associated with the western portion of the development, the existing transformer in the South Western corner of the site can be upgraded to facilitate this.

The installation of the mini-substation will be in the order of R450,000, but once in place will facilitate full reticulation of the site for development.

A schematic illustrating the proposed mini-substation location as well as the upgrade of the existing transformer is provided in Figure 65.



Figure 65: Schematic illustrating location of proposed mini-substation and the upgrading of the existing transformer

### 2.6.6 Conclusion

As these recommendations highlight, there are no significant infrastructure barriers to unlocking the De Poort site to realise the development framework in its current form. For water, the requisite bulk upgrades are underway, and the existing 80mm diameter connection to the site can be utilised until it will require upgrading in subsequent phases. For sewer, there are no barriers to connecting to the municipal network. For electricity, it is proposed that a mini-substation be installed on the site to facilitate full reticulation of the development in the future.

## 2.7 CONCLUSION

### Description

This report has presented, in two parts, an Urban Design Framework and a Business Model for the Paarl Hamlet study area respectively. Based on extensive research spanning over various fields of study (environment, landscape architect, urban design, heritage, economics and town planning), a vision for the Paarl Hamlet, specifically De Poort site, has been developed. This vision encapsulates a variety of urban design and landscape principles which has been presented in the form of a framework. This framework will guide development and related decision making for the area in question in the future. In addition, the report presents a carefully developed business model which informs the proposed development of the De Poort site. Through extensive research on the various scales of the economy, combined with research on the local property market, the business model has highlighted the preferred land use for the De Poort site.

The De Poort site, and its surrounds, has huge potential for inclusive development. This report has drawn on the rich history and abundant natural resources of Paarl, to produce a framework and business model that will not only ensure the success of future development, but will also enhance the public value which is to be created through this proposed investment.



# ANNEXURE 1

Notice of Intent to Develop (NID) submitted to Heritage Western Cape.



iLifa leMveli leNtshona Koloni  
Erfenis Wes-Kaap  
Heritage Western Cape



**APPLICATION FORM  
NOTIFICATION OF INTENT TO DEVELOP  
SECTION 38 (1) AND SECTION 38 (8)**

Heritage Western Cape Reference No:

To be completed by applicant

19112813

**Completion of this form is required by Heritage Western Cape for the initiation of all impact assessment processes under Section 38 (1) & (8) of the National Heritage Resources Act (NHRA).**

Whilst it is not a requirement, it may expedite processes and in particular avoid calls for additional information if certain of the information required in this form is provided by a heritage specialist/s with the necessary qualifications, skills and experience.

**A. APPLICABILITY OF THE NATIONAL ENVIRONMENTAL MANAGEMENT ACT (NEMA)**

DEADP/ DMR Reference Number: **N/A**

This application is made in terms of Section 38(8) of the NHRA and an application under NEMA has been made to the following authority:

**This development will not require a NEMA application.**

**NOTE:** Making an incorrect statement or providing incorrect information in this part of the form may result in all or part of the application having to be reconsidered by HWC in the future, or submission of a new application.

**B. BASIC DETAILS**

**PROPERTY DETAILS:**

Name of property: <b>De Poort Precinct</b>	
Street address or location (e.g.: off R44): <b>Main Road Paarl</b>	
Erf or farm number/s: <b>de Poort site: 28773</b>	Coordinates: <b>S 33 degrees 76' 79.86"</b> <b>E 18 degrees 96' 19.03"</b> (A logical centre point. Format based on WGS84.)
Broader precinct is a linear area located to the south of the Paarl CBD and bordered by both rail and Paarl Main Road and the N2 Highway. The precincts consist of a variety of sub precincts, as outlined in Annexure 1	Municipality: <b>Drakenstein</b>
Town or District: <b>Paarl</b>	Current use: <b>de Poort site: Multiple uses: civic (museum/heritage centre, recreational)</b>
Extent of property: <b>49 371.90 square meters</b>	Multiple uses: <b>civic (museum/heritage centre, recreational)</b> <b>Commercial, residential, agricultural, infrastructure (roadways, rail)</b>
Predominant land use/s of surrounding properties: <b>Commercial, residential, agricultural, infrastructure (roadways, rail)</b>	

Heritage Western Cape Section 38 Application Form - January 2019

# ANNEXURE 2

Heritage Western Cape response to NID.



iLifa leMveli leNtshona Koloni  
Erfenis Wes-Kaap  
Heritage Western Cape



**REGISTERED MAIL**

**Our Ref:** HM/CAPE WINELANDS/DRAKENSTEIN/PAARL/ERF 28773  
**Case No.:** 19112813S1129E  
**Enquiries:** Andrew September  
**E-mail:** [andrew.september@westerncape.gov.za](mailto:andrew.september@westerncape.gov.za)  
**Tel:** 021 483 9543  
**Date:** 11 December 2019

Bridget O'Donoghue  
 10 Flis Avenue  
 Claremont  
 7708



**RESPONSE TO NOTIFICATION OF INTENT TO DEVELOP: FINAL  
 In terms of Section 38(8) of the National Heritage Resources Act (Act 25 of 1999) and the Western Cape  
 Provincial Gazette 6061, Notice 298 of 2003**

**NOTIFICATION OF INTENT TO DEVELOP: PROPOSED COMMERCIAL & RECREATIONAL DEVELOPMENT ON ERF  
 28773, DE POORT PRECINCT, MAIN ROAD, PAARL, SUBMITTED IN TERMS OF SECTION 38(8) OF THE NATIONAL  
 HERITAGE RESOURCES ACT (ACT 25 OF 1999)**

**CASE NUMBER: 19112813S1129E**

The matter above has reference.

Heritage Western Cape is in receipt of your application for the above matter received on 29 November 2019. This matter was discussed at the Heritage Officials Meeting held on 09 December 2019.

You are hereby notified that, since there is reason to believe that the proposed development will impact on heritage resources, HWC requires that a Heritage Impact Assessment (HIA) that satisfies the provisions of section 38(3) of the NHRA be submitted. This HIA must have specific reference to the following:

- Visual impact on the rural cultural landscape & townscape;
- Social historical study

The required HIA must have an integrated set of recommendations. The comments of relevant registered conservation bodies and the relevant Municipality must be requested and included in the HIA where provided. Proof of these requests must be supplied.

Please note, should you require the HIA to be submitted as a Phased HIA, a written request must be submitted to HWC prior to submission. HWC reserves the right to determine whether a phased HIA is acceptable on a case by case basis.

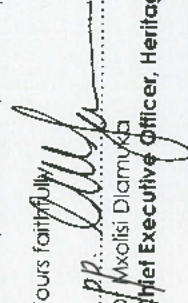
This decision is subject to an appeal period of 14 working days. The appeal period shall be taken from the date above. It should be noted that for an appeal to be deemed valid it must refer to the decision, it must be submitted by the due date and it must set out the grounds of the appeal. Appeals must be addressed to the official named above and it is the responsibility of the appellant to confirm that the appeal has been received within the appeal period.

Applicants are strongly advised to review and adhere to the time limits contained the Standard Operational Procedure (SOP) between DEADP and HWC. The SOP can be found using the following link <http://www.hwc.org.za/node/293>

HWC reserves the right to request additional information as required.

Should you have any further queries, please contact the official above and quote the case number.

Yours faithfully,

  
 Mxolisi Dlamini  
**Chief Executive Officer, Heritage Western Cape**

[www.westerncape.gov.za/cas](http://www.westerncape.gov.za/cas)

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