APPENDIX D12

ACORN CITY MIXED-USE DEVELOPMENT STUDY: MARKET RESEARCH FINDINGS & RECOMMENDATIONS

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Acorn City
Mixed-Use Development Study

MARKET RESEARCH FINDINGS
&
RECOMMENDATIONS

FEBRUARY 2020

PREPARED FOR:

DZANA INVESTMENTS
DREAM. DEVELOP. DELIVER.

PREPARED BY:

DEMACON market studies

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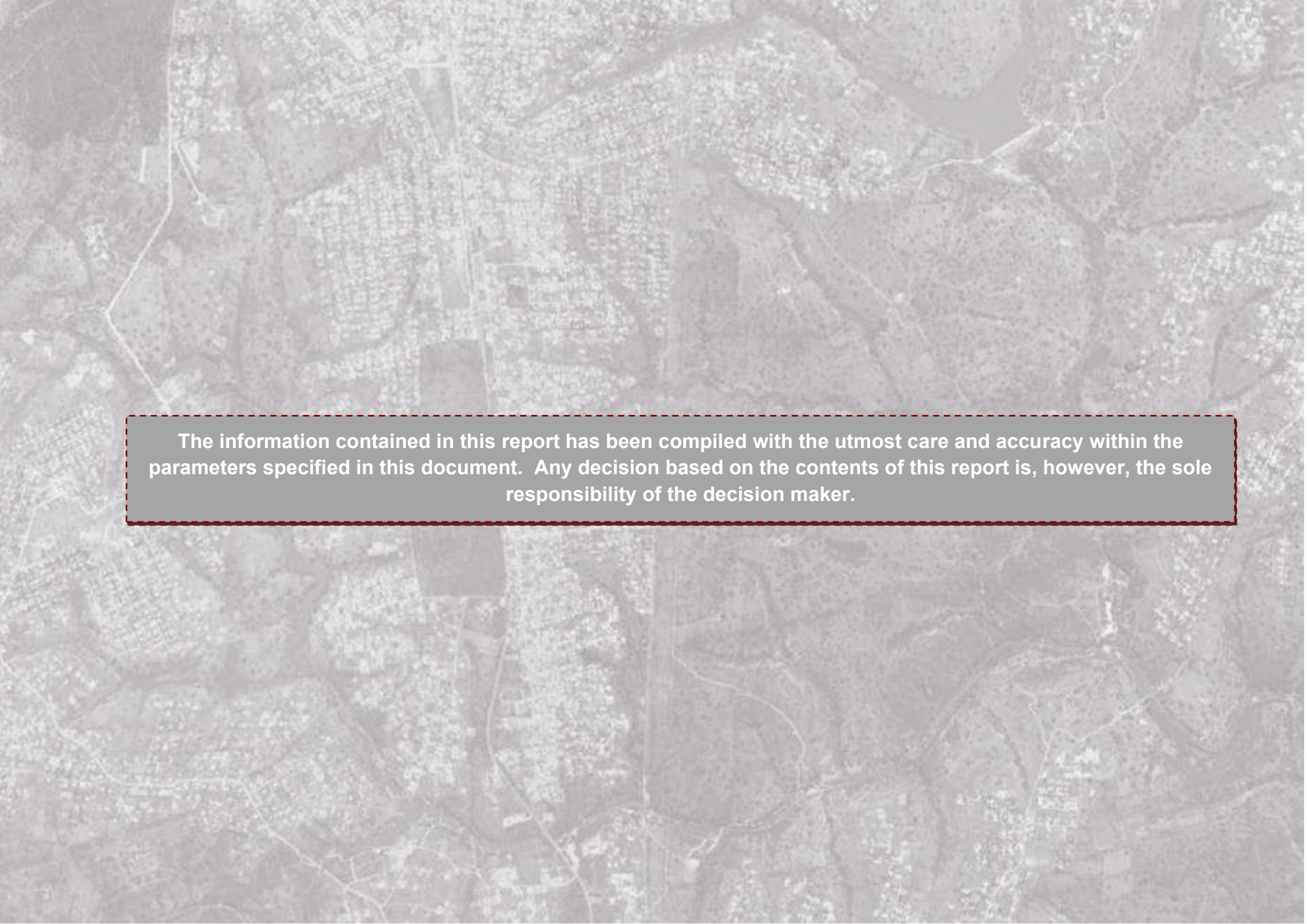

The information contained in this report has been compiled with the utmost care and accuracy within the parameters specified in this document. Any decision based on the contents of this report is, however, the sole responsibility of the decision maker.

EXECUTIVE SUMMARY

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EXECUTIVE SUMMARY

1. INTRODUCTION & SCOPE OF WORK

DEMACON Market Studies was commissioned by **Dzana Investment** to perform market research to identify the highest and best use potential for a proposed **mixed- use development**. The site is located in Sefoma, south of Acornhoek proper, within the Bushbuckridge Local Municipality, Ehlanzeni District Municipality, Mpumalanga Province.

The following **land uses** would be investigated in the **market research:**

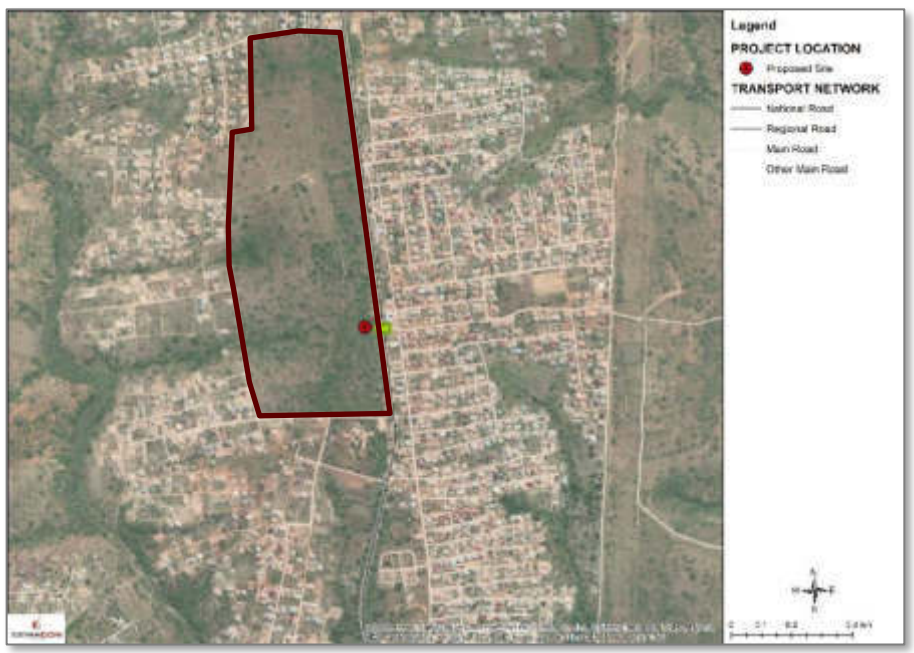
- ✓ **Residentia**l (i.e. Apartments / living accommodation)
- ✓ **Retail** (i.e. Shopping centre)
- ✓ **Office** (i.e. Mixed / flexi office typologies)
- ✓ **Trade** (i.e. Automotive)
- ✓ **Private Education** (i.e. Private School)
- ✓ **Private Healthcare** (i.e. Private Hospital)
- ✓ **Social Amenities**

DEMACON's approach is purely market based and we apply our extensive involvement as well as recent research and market intelligence on the subject matter to complement the market study.

2. AREA BACKGROUND & LOCATION ANALYSIS

The following map illustrates the location of the proposed development site within the greater market area. The site measures approximately **52ha.**

PROPOSED DEVELOPMENT SITE CONTEXT

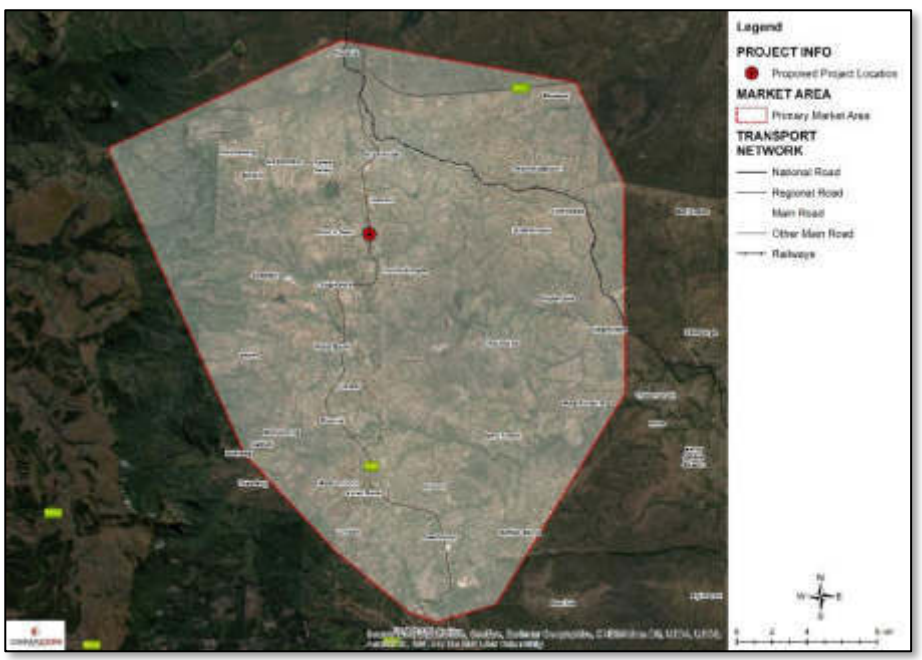


A primary and secondary trade area was delineated for the site. The trade area delineation for the proposed project was informed by a number of factors including, *inter alia*:

1. Consumer market behaviour and expenditure trends
2. Regional and sub-regional levels of accessibility
3. Geographic barriers
4. Consumer mobility and drive time
5. Area background and market knowledge
6. General SACSC criteria

The map that follows illustrates the delineated primary trade area.

PRIMARY TRADE AREA



Source: DEMACON, 2020

The Bushbuckridge IDP 2018 identifies the following economic opportunities to help grow the economic output of the municipality.

Development Considerations- Economic Potential / Opportunities

- ✓ The Bushbuckridge Local Municipality has added emphasis on the **creation of much needed jobs and economic growth.**
- ✓ Opportunities that lie in the productive sectors that are known to have good potential but under-utilised **development potential**, are the agriculture and tourism sectors in the Bushbuckridge Municipality.
- ✓ The IDP is in alignment with the LED as it states that the Municipality has a potential for developing the **local economic hub** through the indigenous wealth in the form of agricultural farming and tourism.
- ✓ The LED states that there should be a development of a comprehensive support strategy for SMMEs.
- ✓ The LED prioritizes **Private Sector Investment** (CPPs in agriculture, tourism and forestry) which generates jobs, revenues and SMME opportunities.
- ✓ Public Sector Investment (Infrastructure and PPPs) which generate jobs and SMME opportunities, complementing investments for the LED.
- ✓ Small and Micro Enterprises (which are stimulated by either **private or public investments**) generating revenues and jobs
- ✓ Open up strategic land for **economic development** and **attract investors**
- ✓ Promote infrastructure investment in **priority areas**
- ✓ Promote **economic growth** and address unemployment
- ✓ The Bushbuckridge IDP 2017-2022 has identified the following Strategic Development Areas (SDAs) in Acornhoek:
    - **SDA5**: Around Route **R40** between Rooiboklaagte, Arthurseat, and Tsakani **(where the proposed site is located).**
    - SDA6: To the north of the Acornhoek business node on both sides of the railway line.
    - SDA7: The vacant land between Moloro and Green Valley.
    - SDA8: The vacant land between Acornhoek and Okkernooitboom.

R40 CONNECTION & REGIONAL CONTEXT

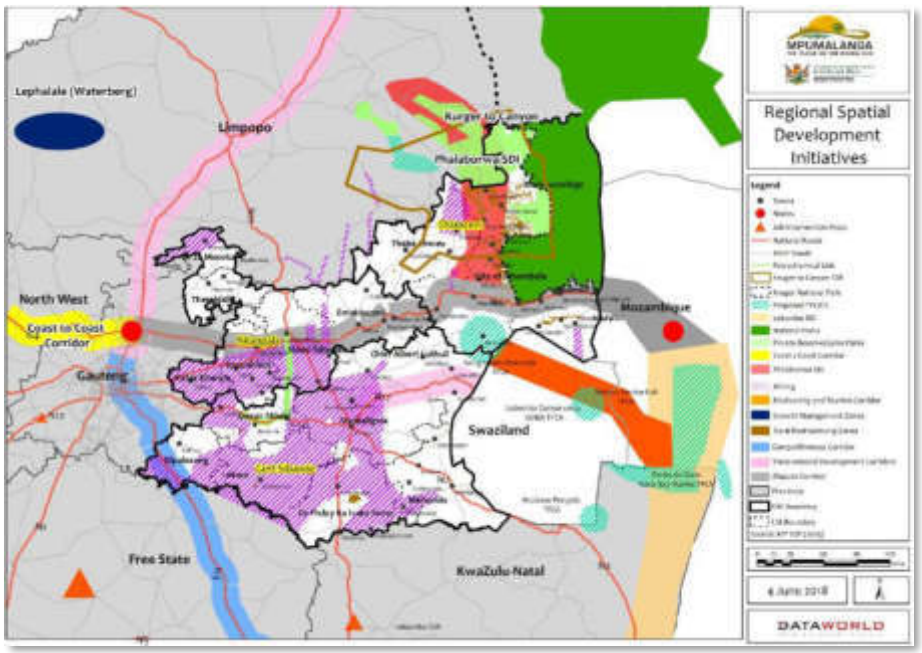
The proposed site is located on the **R40**. The **R40** route connects Phalaborwa in the Limpopo Province, to Nelspruit, the capital of the Mpumalanga Province. Phalaborwa has been identified as a Spatial Development Initiative (SDI) that serves as a pilot project for South Africa's largely unregulated and untapped small-scale mining sector.

This corridor connection to Nelspruit which is a Strategic Infrastructure Project area (SIP 14: Higher Education Infrastructure), has an economic significance to the region, of which the R40 is a key role player. The **R40** passes through **Acornhoek**, as a **high activity spine** that connects to the wider region through a connection of key national routes (i.e. N4), which serves as a developmental corridor (i.e. Maputo Corridor).

It is important to note that the **R40** creates a strong linkage between Phalaborwa , Nelspruit and the Coastal economic region through the **N2** Corridor.

The map below illustrates the spatial development initiatives and the national corridors of which the **R40** is connected to.

REGIONAL SPATIAL DEVELOPMENT INITIATIVES



Source: DEMACON ex COGTA, 2020

Various traffic counts reflect on the high economic income and population growth for the area. Traffic growth on the **R40** has been estimated through various studies over the years that report growth of between 2%-8.3%.

DEVELOPMENT SITE ASSESSMENT

Market potential is influenced not only by consumer income and expenditure, but in particular also by the characteristics of the site/location under consideration. Retail centres, residential developments and other urban property markets have specific location requirements and should be included in the location assessment exercise.

To this effect, a ***DEMACON Site Evaluation Model*** © is utilised. This DEMACON models are pragmatic and are based on the assignment of values to various location factors. Firstly, the site is evaluated on a ten-point scale, with ten being the highest. Secondly, weights are attached to these factors, in order of importance (1 to 5, with 5 being the most important).

SUMMARY OF SITE EVALUATION RESULTS

Proposed Land Use	Percentage
Residential	70.3%
Retail/Automotive Trade	70.2%
Private education	70.0%
Private healthcare	69.8%
Office	65.1%

Source: DEMACON, 2018

** Note: 80%+ indicates an exceptional site rating; a site rating of 70 – 80% is high and indicates that most important fundamentals for successful retail development is in place; a rating of 60 – 70% indicates some critical factors may be lacking but could possibly be addressed; projects with a sub 60% rating are not recommended for consideration.*

The proposed site scored a rating of **65.1%** for office space potential, **69.8%** for private healthcare, **70.0%** for private education, **70.2%** for retail/automotive trade space potential and **70.3%** for residential space potential indicating that most of the important fundamentals & successful mixed-use development is in place.

3. KEY ECONOMIC INDICATORS

SIZE OF LOCAL ECONOMY (R/MILLION) – CURRENT PRICES

- ✓ **R 13 485** in 2018
- ✓ **R 6 317** in 2008

ECONOMIC GROWTH

- ✓ **2.2%** Ehlanzeni DM average annual growth (2000-2018)
- ✓ **1.8%** Bushbuckridge LM average annual growth (2000-2018)

DOMINANT ECONOMIC SECTORS

- ✓ National & Provincial Government : **34.2%**
- ✓ Wholesale trade and retail: **17.1%**
- ✓ Business Services: **7.8%**
- ✓ Transport & storage: **7.5%**
- ✓ Education (Private): **3.7%**

FINAL CONSUMPTION EXPENDITURE

- ✓ **1.9%** Bushbuckridge long-term average annual growth between 2000 and 2018

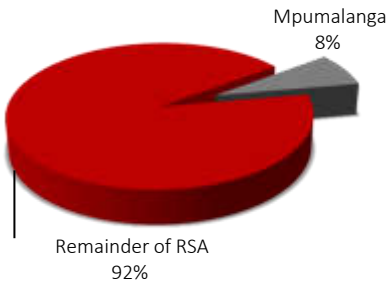
DISPOSABLE INCOME EXPENDITURE

- ✓ **1.9%** Bushbuckridge long-term average annual growth between 2000 and 2018

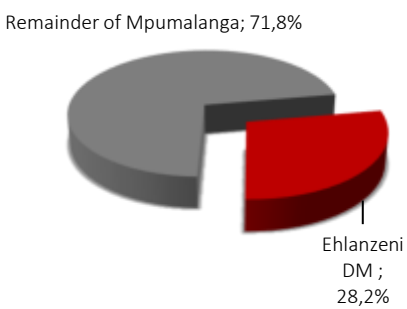
[1]*Source: DEMACON ex StatsSA, 2020*

SIZE OF THE ECONOMY

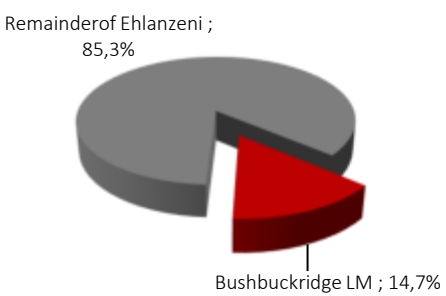
Size of the Provincial Economy



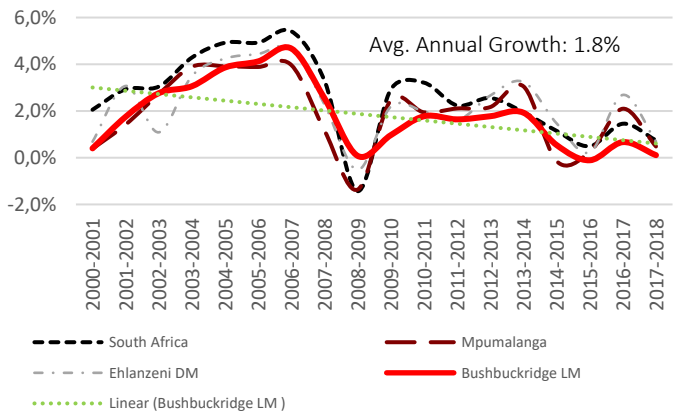
Size of the District Economy



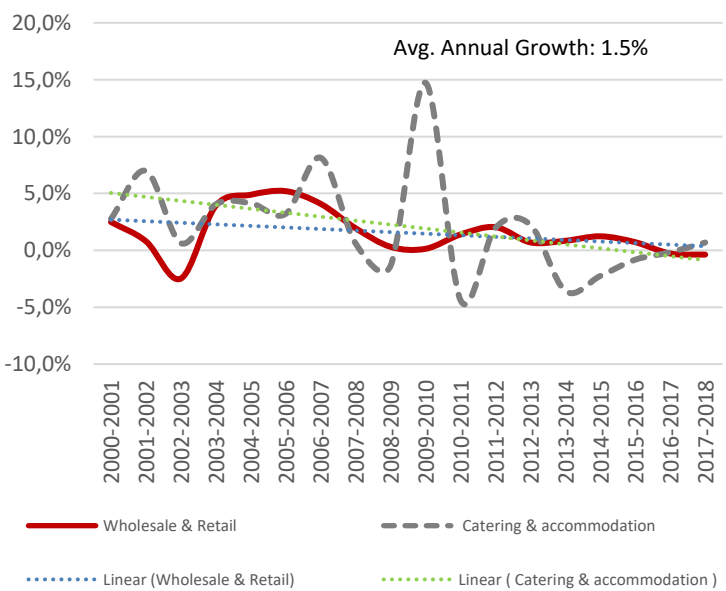
Size of Local Economy



ECONOMIC GROWTH



TRADE SECTOR GROWTH



4. KEY DEMOGRAPHIC INDICATORS – PRIMARY TRADE AREA

60 218 households (2020)
3.6 persons per household

219 053 persons (2020)

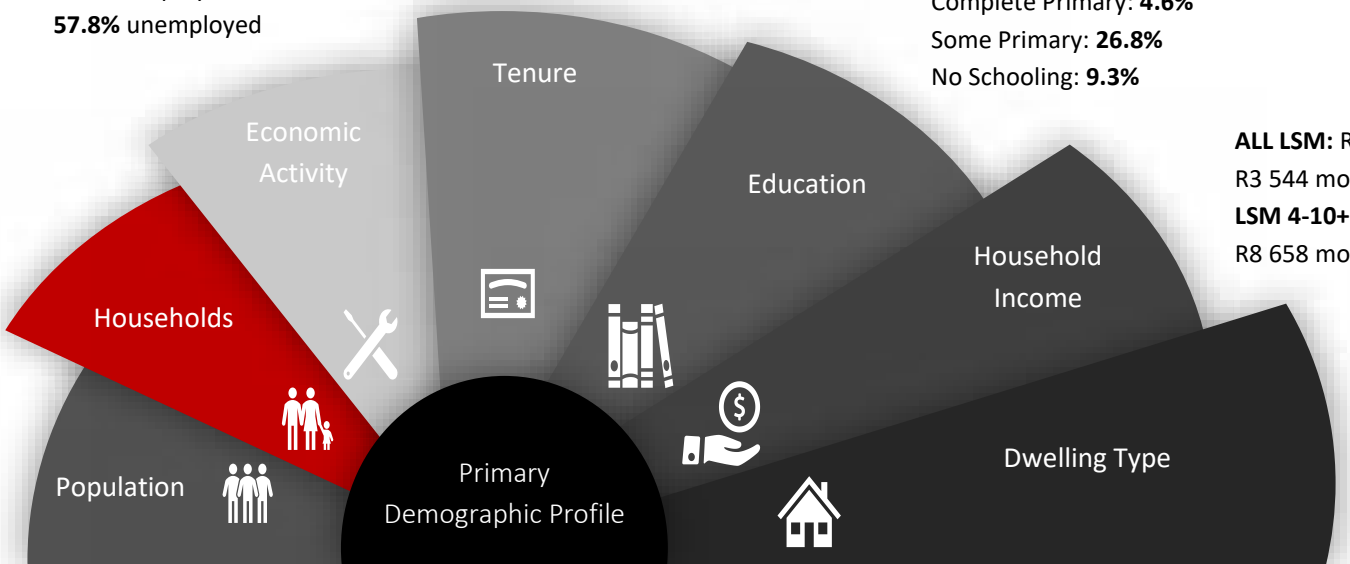
43.6% economically active population
42.2% employed
57.8% unemployed

Ownership (paid): **81.2%**
Occupied rent free: **13.7%**
Rented: **3.4%**
Ownership (not paid): **1.7%**

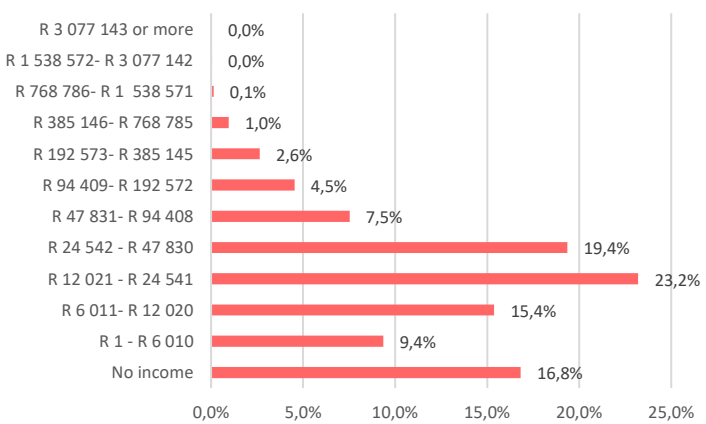
Higher education: **3.3%**
Grade 12: **14.7%**
Some Secondary: **28.3%**
Complete Primary: **4.6%**
Some Primary: **26.8%**
No Schooling: **9.3%**

ALL LSM: R42 532 annually, R3 544 monthly
LSM 4-10+: R103 899 annually, R8 658 monthly

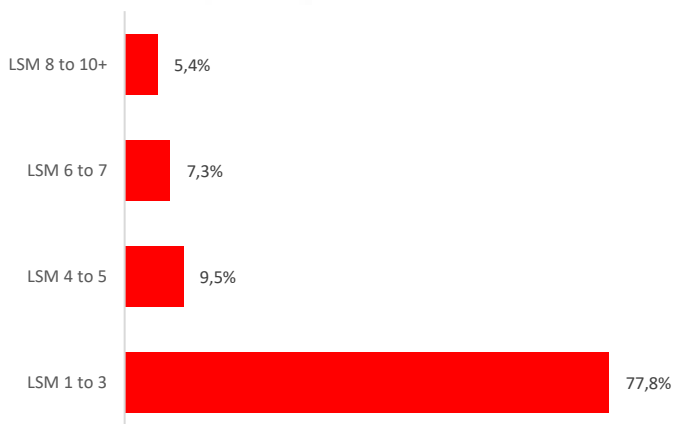
House or brick structure: **95.3%**
Traditional dwelling: **2.7%**



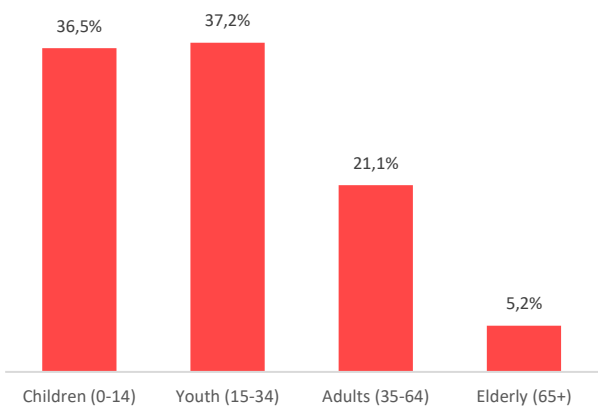
AVERAGE ANNUAL HOUSEHOLD INCOME (2020)



LSM PROFILE



AGE PROFILE



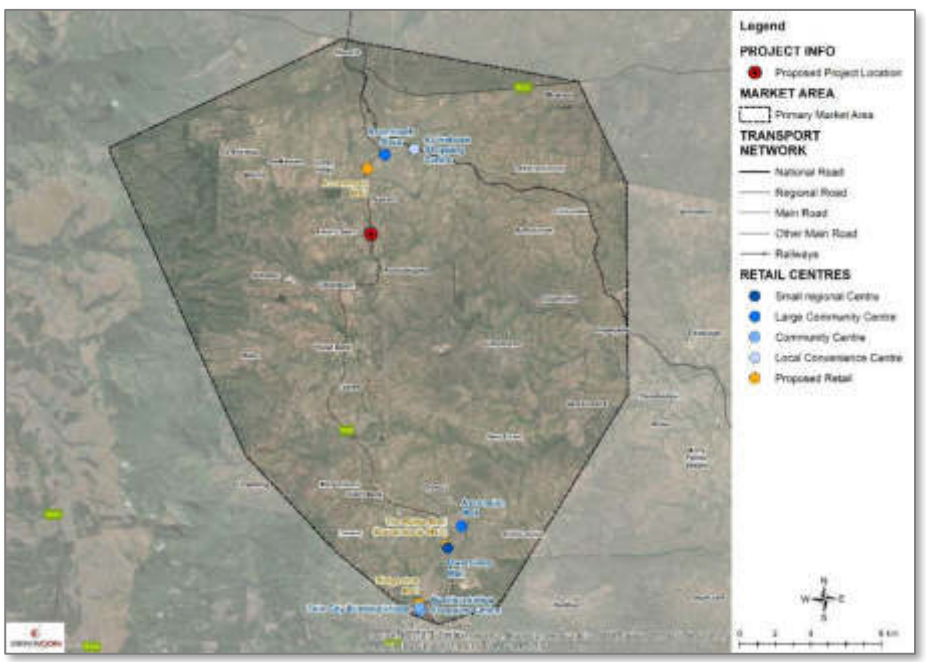
5. RETAIL MARKET ANALYSIS

RETAIL DEMAND RECOMMENDATIONS

❖ RETAIL SUPPLY

The map below illustrates the existing shopping centre supply.

SHOPPING CENTRE SUPPLY



Source: DEMACON, 2020

The findings of the assessment are based on the following sources of information:

- ✓ Shopping Centre Directory, SA Council of Shopping Centres, 2018
- ✓ DEMACON GIS, 2020

The subsequent table provides an overview of the existing retail centres within the trade area.

EXISTING RETAIL SUPPLY (WITHIN THE PRIMARY TRADE AREA)

Shopping Centre	Address	Size (m^2)	Classification	Main Anchors
Acornhoek Mall	R40 (between Hazyiew and Hoedspruit)	40 000	Minor Regional Centre	Shoprite, Spar, Edgars, Game
Dwarsloop Mall	40	35 000	Small regional Centre/Large Community Centre	Shoprite, Spar
Ascension Mall	Cnr R40 and Road to Thulamashe	32 763	Large Community Centre	Shoprite, Game
Acornhoek Plaza	Farm Green Valley 213 KU	26 600	Large Community Centre	Pick n Pay Supermarket, Shoprite, Edgars, Shoprite, Truworths, Jet, Foschini, Mr Price
Twin City Bushbuckridge	Cnr Main & Graskop Streets	22 186	Community Centre	Superspar, Standard Bank, FNB, Pep, Ackermans, Jet, Town Talk, JDG , Lewis Group, Woolworths, Vodacom, KFC
Bushbuckridge Shopping Centre	Cnr Graskop & R40 Roads	16 899	Community Centre	Shoprite, Cashbuild
Acornhoek Shopping Centre	Acornhoek Station Site	5 403	Local Convenience Centre	Spar, Pep, Edgars Active
Total SQM		**178 851**		

Source: DEMACON, 2020

Primary Catchment: Retail Supply Findings

Existing Shopping Centres within the trade area:

- ✓ There are various retail centres within the trade area.
- ✓ The total existing supply of shopping centre floor space in the market area amounts to approximately **178 851m²** (as built). The retail centres include:
  - Acornhoek Mall (Minor Regional Centre),
  - Acornhoek Plaza (Large Community Centre)
  - Acornhoek Shopping Centre (Large Convenience Centre)
  - Dwarsloop Mall (Small regional Centre/Large Community Centre)
  - Ascension Mall (Large Community Centre)
  - Twin City Bushbuckridge (Community Centre)
  - Bushbuckridge Shopping Centre (Local Convenience Centres)
- ✓ To conclude, the above supply figures cannot directly be correlated with the demand of the market area due to the fact that most of the centres are trading off multiple trade areas and trade area overlap is present.

Wider Catchment: Retail Supply Findings

A number of centres are encountered in the wider catchment, including but not limited to:

- Thula Plaza (13 453 m²)
- Mkhuhlu Plaza (11 071 m²)

Proposed Retail Centres

There are proposals for larger shopping centre formats in the regional catchment, including a ±20 000 -25 000 m² mall in Hoedspruit, a proposed ±30 000 m² expansion to the Twin City Bushbuckridge Centre. Two other proposed centres are to be located in Bushbuckridge, The Ridge Mall (±35 938 m²) & Ridgeview Mall (±20 000 m²).

DEVELOPMENT POTENTIAL

Retail is a derived demand. The primary demand drivers are community income and expenditure profiles. An important concept in retailing is the fact that different order size shopping centres cater to different consumer needs and hence, do not compete directly for market share. In this context, the objective of this sub-section is to assess the magnitude of retail development that can be sustained in the area.

The retail demand estimations are conducted based on population and income growth trends (all values: 2020 constant prices). The demand estimations are considered conservative. Subsequent paragraphs indicate the market potential analysis of the proposed development. The retail market estimations are site specific and trade area based.

❑ SUMMARY OF THE DEMAND ANALYSIS

The following table summarises the demand analysis for the retail component of the project. Two scenarios were modelled; a short-medium term scenario and a longer term scenario as the development approaches maturity

RECOMMENDED CENTRE OPTIONS

	SHORT-MEDIUM ALL LSM (Rand / sqm)	LONG TERM ALL LSM (Rand / sqm)
Point of market entry	2022+	2030+
Retail GLA at OPME	5 643	18 760
Services GLA at OPME	1 411	4 690
OPME Centre Size (sqm GLA)	**7 054**	**23 450**
On-site job creation	235	782
Retail Sales potential (R 2020 value)	182 582 714	607 015 079
Total capital investment (R 2020 value)	134 017 706	445 555 699
Additional Parking bays required	282	938
Parking infrastructure & landscaping cost (Rand value)	6 714 992	22 324 686

Source: DEMACON Retail Demand Model, 2020

❑ SHORT-MEDIUM TERM CENTRE SIZE AND RECOMMENDATIONS

- ✓ In the context of the above calculations, indications suggest the initial size of the proposed Acorn City Shopping Centre could range between approximately **7 054m² GLA. (Say 7 837 GBA).** The centre would be classified as a **Neighbourhood/Convenience Centre**
- ✓ The optimum point of market entry is **2022+.**
- ✓ The proposed centre will be able to attain annual sales of approximately **R 182.5 million** (based on benchmark trading densities) and permanent on-site jobs of **±235** people.
- ✓ The centre could include between **25-50** shops.
- ✓ Ample parking should be provided at a ratio of **4 bays per 100m² retail GLA**.
- ✓ The parking area should be accessible, convenient, paved and well-lit in the evenings.
- ✓ Performance will be dependent on, inter alia, appropriate tenant composition.
- ✓ **Main Tenants:**
    - Supermarket(s)
    - Convenience stores
    - Small specialised stores.

❑ LONG TERM CENTRE SIZE AND RECOMMENDATIONS

- ✓ In terms of the long-term scenario, the Acorn City Shopping Centre could be expanded to ±**25 000m² GLA.** The centre would be classified as a **Large Community Shopping Centre.**
- ✓ The optimum point of market entry is **2030+.**
- ✓ The proposed centre should be able to attain annual sales of approximately **R 607 million** (based on benchmark trading densities) and permanent on-site jobs of **±782** people.
- ✓ The centre could include between **50-100 shops.**
- ✓ Ample parking should be provided at a ratio of **4 bays per 100m² retail GLA**.
- ✓ The parking area should be accessible, convenient, paved and well-lit in the evenings.
- ✓ Performance will be dependent on, inter alia, appropriate tenant composition.
- ✓ Main **Tenants:**
    - Large Supermarket (s)
    - Small national clothing stores
    - Restaurants & Takeaways
    - Services

The challenge will be to find a balance between market demand (as revealed by consumer income and spending patterns) and tenant demand (i.e. the expressed desire by tenants to occupy space in the centre) and investor demand (i.e. the need for capital growth).

Appropriate tenanting would remain a vitally important consideration to the viability of the **proposed Acorn City** Retail Development.

6. RESIDENTIAL MARKET ANALYSIS

RESIDENTIAL SUPPLY

There is no transactional data for property transactions in the larger Acornhoek. However localised observations reveal appreciable modernised housing stock being added to the market within the past decade.

Perspective on Residential Potential in Acornhoek:

The absence of transaction data affirms the existence of a predominantly traditional/informal property market in which property sales do occur, but property changes hands on an informal basis, and are typically not registered in the Deed's Office. Property prices in such markets also tend to be appreciably lower compared to the formal market. The above suggests that, although there would be a demand for residential products, prices would be comparatively low and take-up would in all probability be slow if the new market-based residential development were to be introduced in Acornhoek.

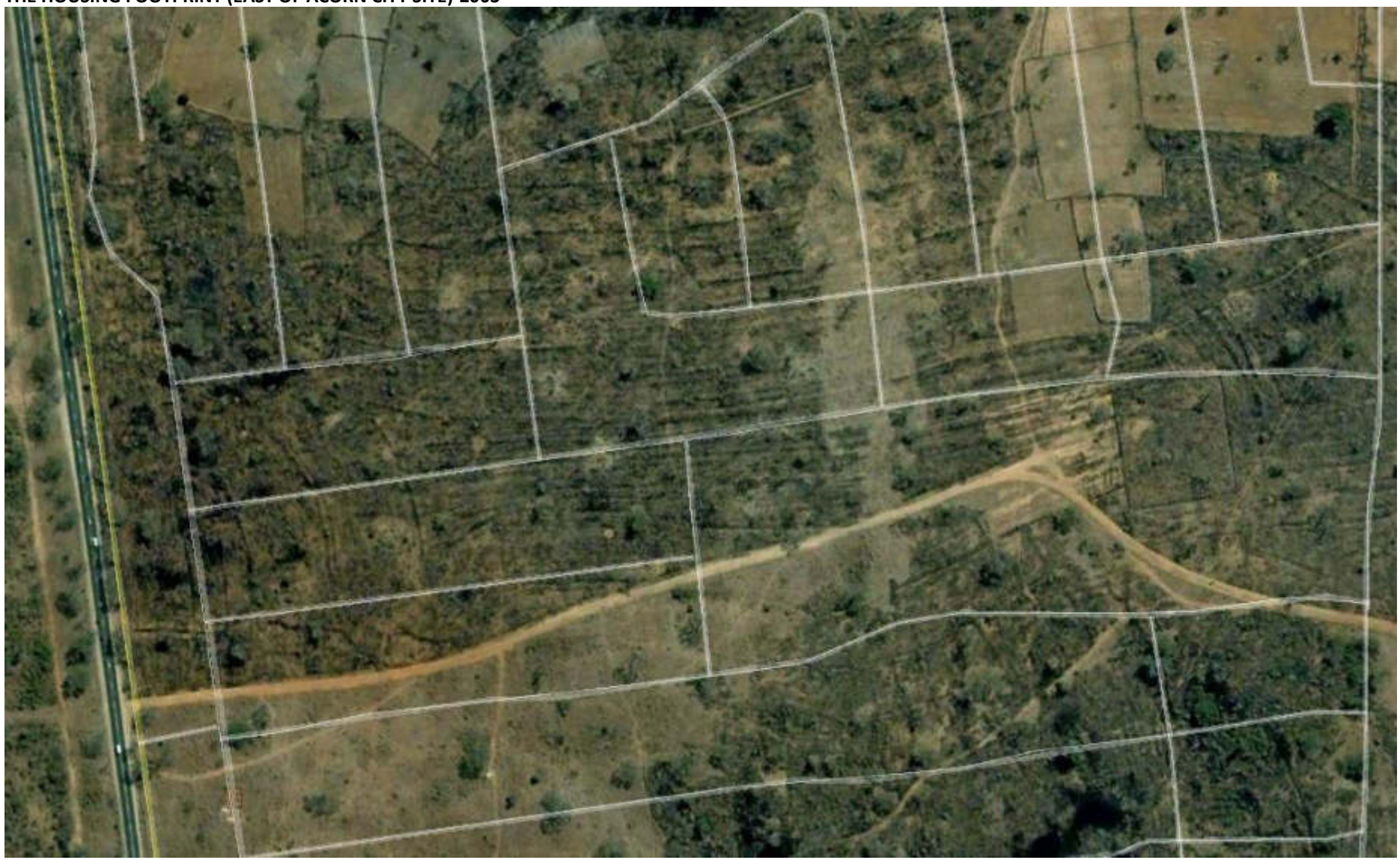
Considering case studies of developments in similar market environments, a smaller affordable development with rental stock could be considered- prices would have to be extremely competitive in order to compete effectively within the local market. The development of Acornhoek Mall coupled with provincial government offices and associated government facilities in the larger market area (including hospitals, magistrates courts, etc.) would create a demand for formalized and modern housing in the area.

There is therefore a case to be made for a small mixed-use development, although the project scale and pricing would have to be carefully considered in order to mitigate financial risk.

Informal land purchases are typically between R5 000 and R10 000 per plot whereas a typical home of 200-300 m² is constructed at a rate of R4 000- R4 500 per m².

The following set of images illustrate examples of the building footprint growth and densification within the immediate market area since 2003.

THE HOUSING FOOTPRINT (EAST OF ACORN CITY SITE)-2003



Source: DEMACON, 2020

THE HOUSING FOOTPRINT (EAST OF ACORN CITY SITE)-2014

Source: DEMACON, 2020

THE HOUSING FOOTPRINT (EAST OF ACORN CITY SITE)-2019

Source: DEMACON, 2020

RESIDENTIAL DEMAND & RECOMMENDATIONS

BONDED HOUSING

Project Size and Anticipated Take-Up

The table below indicates the current market performance and the market share that bonded housing component of the proposed project could attract

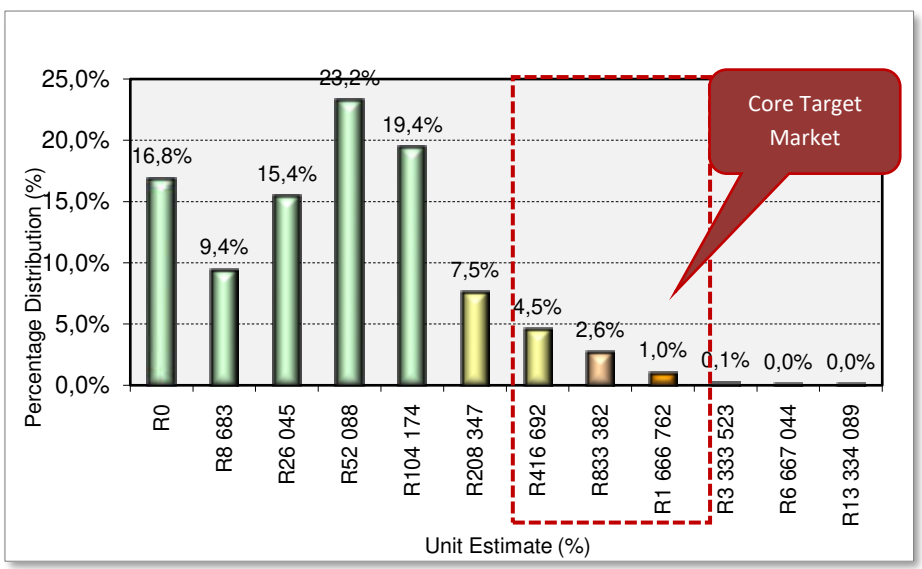
TOTAL MARKET SHARE

	TOTAL MARKET		
A	Additional HH: base yr + 5yrs		1 010
B	Annualised Market growth (full housing spectrum)		202
C	Bonded units		15.9%
D	Bonded take-up per annum		32
E	Annual secondary market contribution (units / annum)	Min	63
F		Max	192
G	Total annual bonded demand	Min	128
H		Max	224
	PROJECT SPECIFIC – BONDED UNITS		
I	Project Bonded Units		400
J	Forecast market share of total market sales	Min	20%
		Max	30%
K	Project forecast total annual take-up rate (units / annum)	Min	26
		Max	67
L	Years to 80% take-up (bonded units)	Min	6.0
		Max	15.6
		Avg	10.8
M	Optimum point of market entry		2021+

Explanatory Notes:
A = increase in demand for new rental units, 2020 – 2024
B = Annualised market growth, i.e. of A/5
D = B x C
E & F = Annual secondary market contribution (i.e. the contribution made by re-sales in the target affordability income brackets)
G & H = Annual new entry-level to executive flat/ apartment demand; D + E and D + F
I = Project entry-level to executive flat/ apartment units
J & K = assumed market share of market area
L = G x J
M = H x K
N = I / L
O = I / M

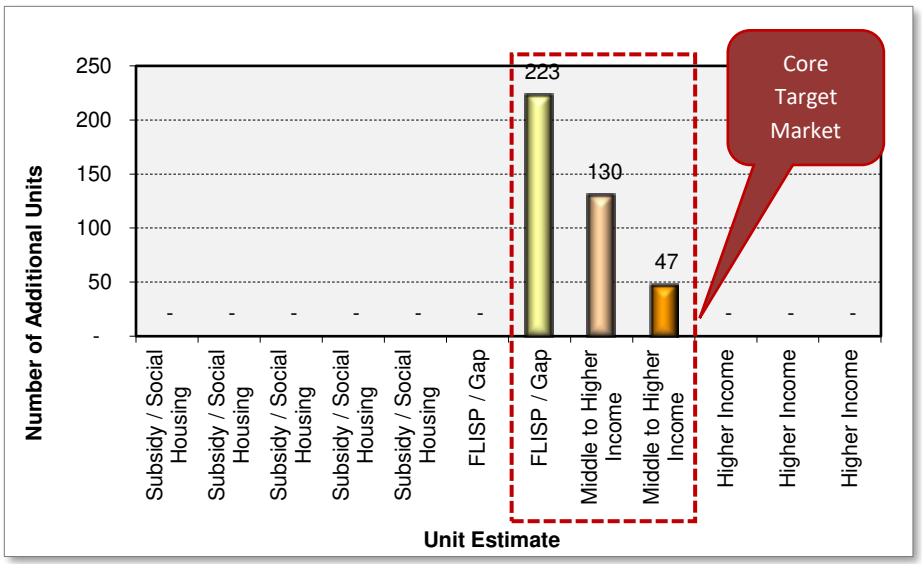
Explanatory Notes:
[2] – Reflects the percentage of the local population with incomes and affordability levels aligned to bonded units
[3] – Number of potential buyers through local secondary market transactions, e.g. qualifying local potential buyers selling existing homes to move to new area.

MARKET AREA HOUSING AFFORDABILITY PROFILE



Source: Demacon Demand Modelling, 2020

PROJECT OPTIMUM UNIT TYPOLOGY PROFILE (UNITS)



Source: Demacon Demand Modelling, 2020

Findings:

- ✓ The modelling portrays market-based take-up over a medium to longer-term market growth trends.
- ✓ Albeit that there is a demand for bonded products, the total segment of the market that can afford a bonded/FLISP home in the relevant price bracket does not exceed **10%.**
- ✓ A similar size segment could be added if **FLISP** products were to be introduced. This would be a house to first time home-owners only typically priced between R450 000 and R650 000 (calculated on the basis of beneficiary income).
- ✓ On account of market profile, break of growth, etc. approximately **400** bonded units could be developed.

SOCIAL HOUSING

The table below summarizes the demand potential for social housing stock in the market.

MARKET RECOMMENDATIONS – SOCIAL HOUSING UNITS

Variable	Value
Total Market	
Market growth (annual new households - total)[1]	202
Social Housing Market Segment[2]	54,6%
Social Housing Demand Per Annum	101
Annual Social Housing Secondary Market Contribution (units / annum)[3]	329 to 658
Total Social Housing Market take-up	430 to 760
Project Specific – Short Term Development Potential	
Project Social Housing Units	**350**
Forecast market share of total market sales	10% to 20%
Project forecast total annual take-up rate (units / annum)	43 to 152
Years to 80% take-up (social housing units)	2.3 to 8.1
Average Years to take-up (social housing units)	5.2

[1] – Total Annual take-up of Target Market

[2] – Reflects the percentage of the local population with incomes and affordability levels aligned to social housing units

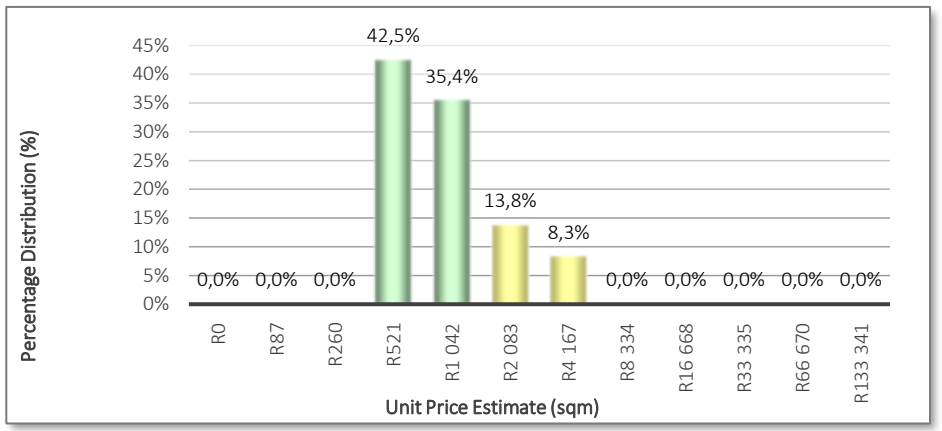
[3] – Number of potential buyers through local secondary market transactions, e.g. qualifying local potential buyers selling existing homes to move to new project.

Findings:

- ✓ In terms of the consumer profile, the market can sustain approximately 350 social housing units over the medium term. Once a commercial component has been successfully established this demand can be expected to increase. .
- ✓ The table above shows two sections, 1) total market and 2) project specific. Between 2020 and 2025 an estimated **1 011** new households will seek accommodation in the target geographic market area, resulting in an annual growth in demand of approximately **202** units per annum (across the full housing spectrum, including informal and subsidy).

- ✓ Under present market conditions, the social housing segment **(54.6%)** will yield a take-up rate of **101** units per annum.
- ✓ Short term potential: A total of **350** social housing opportunities could be absorbed within the market over a time period of **± 2.3 years.**

UNIT RENTAL ESTIMATION (MEDIAN PORTFOLIO VALUES)



Source: DEMACON, 2020

DEVELOPMENT RECOMMENDATIONS:

Bonded Housing:

- ✓ It is evident that there is market potential for the proposed **±400 apartment units (including ±223 FLISP units)** as part of the mixed-use development. The forecast take-up period is between 1 and 2 years.
- ✓ The target market of this residential segment is FLISP and middle to high-income households.
- ✓ Configuration of units: **apartments**
- ✓ Unit sizes: **±120m² - 400m².**
- ✓ The optimum point of market entry based on the market demand analysis would be 2021+.
- ✓ In the context of the target market profile, the optimum unit composition for residential units in the proposed development (to facilitate optimum take-up) would be:

BONDED-OPTIMUM DISTRIBUTION RANGE CONFIGURATION

%	Total Units	Price Range	Building Configuration	Square metres
32.5%	78	R650 000 – R1 million	1 bedroom, 1 bathroom, 1 carport	$50m^2 – 70m^2$
	52	R1.1 million -R1.35 million	2 bedrooms, 1 bathroom, 1 garage, 1 carport	$70m^2 – 90m^2$
11.8%	33	R1.7 million -R2.0 million	2 bedrooms, 2 bathroom, 1 garages, 1 carport	$90m^2 – 110m^2$
	14	R2.1 million – R2.7 million	3 bedrooms, 2 bathrooms, 2 garages, 2 carports	$120m^2$ +
Total	**177**			

Source: Demacon Demand Modelling, 2020

Social Units:

- ✓ Between 2020 and 2025 an estimated **1 011** new households will seek accommodation in the target geographic market area, resulting in an annual growth in demand of approximately **202** units per annum (across the full housing spectrum, including informal and subsidy).
- ✓ Under present market conditions, the social housing segment **(54.6%)** will yield a take-up rate of **101** units per annum.
- ✓ Short term potential: A total of **350** social housing opportunities could be absorbed within the market over a time period of **± 2. 3years.**

SOCIAL HOUSING- RENTAL DISTRIBUTION

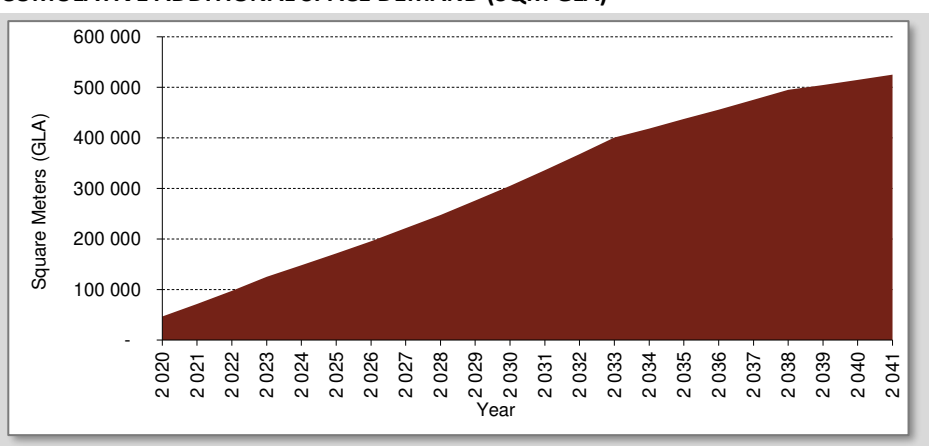
Unit	Size (sqm)	Rental Bracket (Rand/ month)	% Units	Number of Units (short term)
Bachelor	40 to 45	R380 - R750	42.5%	149
Bachelor to 1 Bedroom	50 to 55	R750 - R1 500	35.4%	124
2-Bedrooms	65 to 70	R1 500 - R3 000	13.8%	48
2 to 3 bedrooms	80 to 85	R3 000 - R6 000	8.3%	29

Source: DEMACON, 2020

7. TRADE (AUTOMOTIVE) MARKET ANALYSIS

The demand for trade space correlates with the level of economic activity recorded in the wholesale and retail trade sectors (including automotive and fuel retail sales). The following figure illustrates cumulative additional trade space demand for the market area and growth in-take up for the market area.

CUMULATIVE ADDITIONAL SPACE DEMAND (SQM GLA)



Source: Demacon Demand Modelling, 2020

SYNTHESIS OF SPACE DEMAND MODELLING RESULTS (NODAL POTENTIAL) – m² GLA (CONSTANT VALUES)

Cumulative Additional Space Demand	2025	2030	2035	2040
Wholesale & Retail Trade (sqm GLA)	111 829	193 072	275 886	330 911
Catering & Accommodation (sqm GLA)	59 398	112 193	161 312	184 053
TOTAL: Bushbuckridge Local Municipality	**171 227**	**305 265**	**437 198**	**514 964**
At 28.58% automotive	13 300	48 937	87 245	124 951
Project Share - min	1 330	4 894	8 724	12 495
Project Share - max	1 995	7 341	13 087	18 743
Average	**1 662**	**6 117**	**10 906**	**15 619**

RECOMMENDED SIZES

Recommended Sizes	Rand per annum /m²
Capital investment (constant values)	R103 990 511
Employment opportunities	204
Parking	245
Parking infrastructure & landscaping cost (2011 constant values)	R5 823 469
Point of Market Entry	2022+
Size of development (sqm) (up to 2040)	6 117m²

Source: Demacon Demand Modelling, 2020

The following is evident from the above tables:

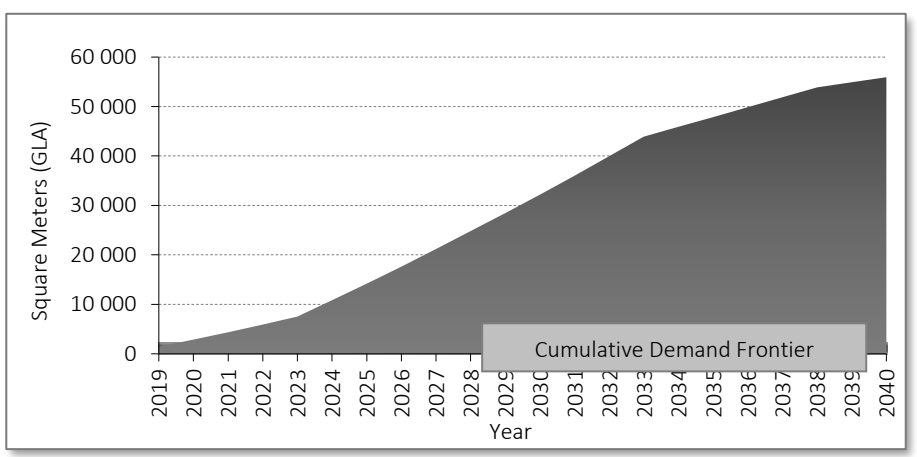
- ✓ Trade sector market demand in the greater Bushbuckridge Local Economy increases cumulatively from **171 227m² GLA** in 2025 to **514 964m²** GLA in 2040.
- ✓ Market demand for automotive floor space in the trade area increases cumulatively from **1 662m²** in 2025 up to **15 169m²** GLA in 2040.

- ✓ The proposed size for an automotive component as part of Acorn City is approximately **6 117m² over the medium to longer term.**
- ✓ This floor space could include:
  - Selected automotive dealerships
  - Workshops & fitment centres,
  - Specialty shops and services,
  - Motorcycles, quads
  - Outdoor, 4x4, camping and adventure.
- ✓ Optimum point of market entry: 2022+

8. OFFICE MARKET ANALYSIS

Neither Bushbuckridge, Acornhoek, Hoedspruit nor Hazyview are monitored office nodes. The closest monitored nodes to the greater Bushbuckridge area are Nelspruit and Polokwane. In terms of the demographics it is evident that the market is predominantly lower LSM orientated. The demand for formal office space is therefore expected to be limited. The following figure illustrates cumulative additional office space demand for the **Local Economy**.

CUMULATIVE ADDITIONAL OFFICE SPACE DEMAND (SQM GLA)



Source: Demacon Demand Model, 2020

The following table summarised the space demand modelling results for the office sector.

❑ DEMAND MODELLING

Demacon's demand modelling indicated office potential of approximately **8 054m² (say 8 000m²) office GLA over the long term**. This space includes GLA for offices and related facilities, but excludes parking, storage and basements. The optimum point of market entry would be **2025+**.

SYNTHESIS OF SPACE DEMAND MODELLING RESULTS – m² GLA (CUMULATIVE)

Cumulative Additional Space Demand	Up to 2025	2030	2035	2040
Finance & Insurance *(sqm GLA)*	3 168	3 345	3 834	4 413
Business services *(sqm GLA)*	11 028	28 869	44 024	51 516
TOTAL: Bushbuckridge Local Economy	14 196	32 214	47 858	55 929
Minimum	2 839	6 443	9 572	11 186
Maximum	4 259	9 664	14 357	16 779
Average*	3 549	8 054	11 965	13 982
Site	**3 549**	**8 054**	**11 965**	**13 982**

Source: Demacon Demand Model, 2020

** Note: the nodal shares and the average figures are cumulative*

SPACE DEMAND RESULTS - m² GLA (CUMULATIVE VALUES – MAXIMUM SHARE)

Forecast	Square metres
Up to 2025	3 500m² – 4 000m²
2025 – 2030	8 000m² – 12 000m²
2035 – 2040	12 000m² – 14 000m²
2040+	14 000m² – 14 500m²

Source: Demacon Demand Model, 2020

The following table provides the recommended office options.

RECOMMENDED OFFICE SPACE OPTIONS (LONG TERM)

Variables	Rand per annum / m^2
Capital Investment (2020 constant values)	R 161 070 630
Optimum size (GLA – 2030)	**8 054m^2**
Employment (on-site)	403
Parking bays	322
Parking infrastructure & landscaping cost (2020 constant values)	R 7 666 962
Point of market entry	2025+

Source: Demacon Demand Model, 2020

There are no monitored office nodes situated within the primary trade area. Based on the current market conditions in **Nelspruit**, the following indicators could serve as proxy should new offices be developed as part of Acornhoek city. Given the socio-economic profile of the area, it is more likely that the demand for office space would originate from local and provincial government administrative functions.

Office Rentals (Grade A and Grade A+): R160 per m^2 – R175 per m^2
Office Rental Escalation rates on new leases: 8%
Parking costs:

Depending on the type of parking provided:

- *Covered Parking – R480 to R500 per bay per month*
- *Shade-net Parking – R275 to R325per bay per month*
- *Open-air Parking – R175 per bay per month.*

Operating costs: R25.5 per m^2 – R35 per m^2

May include the following:

- *Cleaning*
- *Repairs and maintenance*
- *Common-area electricity and water*
- *Security*
- *Management fee (excluding head office overheads)*
- *All leasing expenses: broker's commission and in-house payroll, advertising, tenant installations & relocations (unless recovered), buy-outs, etc.*
- *Municipal tax*
- *Insurance (fire & SASRIA). In the case of self-insurance, the market average should be included.*
- *Refuse and sewerage less recoverable amount*
- *External and common area repairs and maintenance*
- *Audit fees*
- *Office park levies*

The ideal, would be to attract government tenants (potentially a combination of local, district and provincial offices/administrative functions). The private sector interest might be limited on account of the LSM profile of the area.

9. PRIVATE HEALTHCARE ANALYSIS

LOCAL MARKET OVERVIEW

Investigation into the local medical and healthcare market revealed that there are no private healthcare facilities evident within the trade area. Neighbouring towns such as Nelspruit offer private healthcare services.

GAP ANALYSIS

The Diagram below reflects the market gap for the private medical market. It is evident that a **market gap does exist** for a private healthcare facility. Development prospects are rated as **moderate,** attributed to the limited supply of private medical facilities local and greater region, as well as favourable household income characteristics.

Medical Gap Analysis

Development Type	Effective Market Gap	Development Prospects
Private Hospital	Yes	Moderate

DEMAND MODELLING RESULTS

The table below provides a summary of the market potential assessment associated with a possible private healthcare facility as part of the proposed development.

MARKET POTENTIAL & GROWTH FORECAST MODEL (PRIVATE FACILITY)

MARKET DEMAND (LSM 4 - 10+)			
PRIMARY DEMAND	**2020**	**2025**	**2030**
2020 Medically insured population (people)	19 839	23 449	27 716
Additional insured lives per annum		722	853
Population growth rate (% / annum-compound growth)	3,40%	3,40%	3,40%
Beds / 1000 population medically insured (private beds)	4,6	4,6	4,6
Private beds in demand (LSM 4-10+)	91	108	127
SECONDARY DEMAND			
Injection	30%	30%	30%
Secondary demand	8 465	10 006	11 826
Private beds in demand (LSM 4-10+)	39	46	54
TOTAL MARKET DEMAND			
Number of beds (private beds)	130	154	182
MARKET SUPPLY (COMPETITION)[1]			
(No private medical facilities in the primary trade area)			
EFFECTIVE COMPETITIVE SUPPLY			
Total competing beds in primary market	0	0	0
MARKET POTENTIAL			
Net effective demand (residual market capacity - additional beds)	130	154	182
Market share (% market share of total beds for facility)	40%	40%	40%
Market potential (total number of viable beds for facility)	**52**	**62**	**73**
Total additional area requirement (sqm hospital floor space)	3 906	4 617	5 457
Model Calibration & Sensitivity			
Beds / 1000 total population as benchmark:			
Population ('000)	19,8	23,4	27,7
National Average (Public beds per 1000 population)	4,80	4,80	4,80
Study area beds per 1000 total population (as per Demacon Model)	2,63	2,63	2,63
Model accuracy (over / under estimation)	**54,7%**	**54,7%**	**54,7%**

Source: Demacon Modelling, 2020

Interpretation:

<100% = Conservative market potential estimation

>100% = Liberal market potential estimation (likely to produce oversupply in market)

RECOMMENDATIONS

The following table provides a summary of the **key findings and recommendations** if a healthcare component is to be considered as part of the proposed development.

KEY FINDINGS AND RECOMMENDATIONS

Aspect	Finding or Recommendations
Market Gap	• Market gap is evident and development prospects are rated as moderate
Market Demand	• Facility of 60 to 80 beds (2030)
Type of Facility	• Private Hospital
Possible Services	• General Practitioner • Dentist • Optometrist • Pharmacy etc.
Optimum Point of Market Entry	• Suggested to be 2021 and beyond

10. PRIVATE EDUCATION ANALYSIS

LOCAL MARKET OVERVIEW

The distribution of public schools throughout the region corresponds with the scattered nature of residential settlements and villages. Private schools are concentrated primarily in the Acornhoek node – attributed to the different demographic dynamic evident in the town. Middle to higher income households are more likely to support private school facilities than lower income environments.

GAP ANALYSIS

The diagram below reflects the market gap for the private school market. It is evident that a market gap does exist and that development prospects are rated as moderate. The trade area is characterised by predominantly low to middle income households with pockets of middle and higher-middle income households that could support a potential small private school.

Development Type	Effective Market Gap	Development Prospects
Combined Private School	**Yes**	**Moderate**

DEMAND MODELLING RESULTS

The subsequent table provides a summary of demand modelling results relating to the private education market. It is evident that the market could potentially accommodate a private school for of **800-1000 pupils at full capacity over the medium to longer term**.

MARKET SHARES (MINIMUM AND MAXIMUM)

Private School Attendance	2020	2025	2030	2035	2040	%
Ages 18 months - 4 yrs	153-229	155-233	158-237	160-241	163-245	--21.1%
Ages 5 - 9	191-286	194-291	197-296	201-301	204-306	26.3%
Ages 10 - 14	182-273	185-278	188-283	192-288	195-293	25.2%
Ages 15 - 19	198-298	202-303	205-308	209-313	212-318	27.4%
Total (Pupils)	**724-1 086**	**736-1 104**	**749-1 123**	**762-1 142**	**775-1 162**	**100%**

Source: Demacon Demand Modelling 2020

RECOMMENDATIONS

The following table provides a summary of the **key findings and recommendations** if a private school component were to be considered as part of the proposed development.

KEY FINDINGS AND RECOMMENDATIONS

Aspect	Finding or Recommendations
Market Gap	• Market gap is evident and development prospects are rated as moderate
Market Demand	• 800-1000 pupils at full capacity (2040)
Type of Facility	• Small, combined private school ○ Pre-primary, primary and secondary school offering
Design Considerations	• Simple yet modern design requiring minimal maintenance
Optimum Point of Market Entry	• Suggested to be 2021 and beyond

11. SOCIAL AMENITIES MARKET ANALYSIS

SOCIAL FACILITIES SYNTHESIS

Chapter 12 in the main document provides an empirical assessment of the development potential of a range of community and social facilities. This is supported by a gap analysis of social facilities. These assessments provide a useful indication of possible future developments within the area.

From the social facility modelling, it is evident that there is a gap for several facilities in the primary trade area. The table indicates that the social amenities that are feasible, necessary and compatible with the site configuration are:

- ✓ Primary School (1)
- ✓ Secondary School (1)

The development of other amenities would depend on future population growth in the market area – current demand thresholds can only partially sustain additional amenities.

12. DEVELOPMENT RECOMMENDATIONS

LAND REQUIREMENTS

The following table provides the ideal land use budget, given forecast take-up rates for the various land uses.

LONG TERM (10-15YEAR) LAND USE BUDGET

Land use	Net Demand up to 2030 (m²)	Internal Circulation Roads	Percentage of Development
Residential - Bonded	22,2	26,7	48,3%
Residential - Social / Rental Stock	2,92	3,5	6,3%
Retail (Community Shopping Centre)	7,1	8,5	15,4%
Trade (Automotive)	1,5	1,8	3,3%
Private Education	6,0 ha	7,2	13,0%
Private Healthcare	1,4	1,6	3,0%
Offices	2,0	2,4	4,4%
Social Amenities	2,9 ha	3,5	6,3%
Hectare Take-up	**46,1**	**55,3**	**100%**

Source: Demacon Demand Modelling, 2020

DEMAND FORECAST

ESTIMATED TIMEFRAME OPTIMUM POINT OF MARKET ENTRY

Land Use	Proposed Size (sqm)	Total Proposed Size	Optimum point of market entry
Residential - Bonded	400	26,7	2020 / 2021+
Residential - Social	350	3,5	2020 / 2021+
Retail (Community Shopping Centre)	23 450	8,5	2030+
Trade (Automotive)	6 117	1,8	2022+
Private Education	6 ha	7,2	2021+
Private Healthcare	5 457	1,6	2021+
Offices / Administrative Functions	8 054	2,4	2025+
Social Amenities	2,9 ha	3,5	2022+
Total		55,3	

Source: Demacon Demand Modelling, 2020

In terms of the demand forecast, approximately could potentially be fully developed over the next 10-15 years.

CONCLUDING REMARKS

From experience, it is evident that a combination of appropriate product mix, product offering, design considerations, market related pricing and creative brand identity could potentially accelerate project take-up and sales.

TABLE OF CONTENTS

INTRODUCTION 1

1.1 BACKGROUND

Chapter one provides an introduction and concise roadmap of the proposed **Acorn City Mixed-Use Development.** The chapter also provides concise background to the project, a site description as well as a report outline.

1.2 PROJECT BRIEF & OBJECTIVES

DEMACON Market Studies was commissioned by **Dzana Investment** to perform market research to identify the highest and best use potential for a proposed **mixed- use development**. The site is located in Sefoma, south of Acornhoek proper, within the Bushbuckridge Local Municipality, Ehlanzeni District Municipality, Mpumalanga Province.

The following **land uses** would be investigated in the **market research:**

- ✓ **Residentia**l (i.e. Apartments / living accommodation)
- ✓ **Retail** (i.e. Shopping centre)
- ✓ **Office** (i.e. Mixed / flexi office typologies)
- ✓ **Trade** (i.e. Automotive)
- ✓ **Private Education** (i.e. Private School)
- ✓ **Private Healthcare** (i.e. Private Hospital)
- ✓ **Social Amenities**

Highest and best use potential is a function of economic drivers, demographic characteristics, site and area location considerations and land use specific trends and location preferences. Subsequent paragraphs systematically analyse each of these aspects.

In context of the above, a comprehensive mixed-use market study is therefore required to assess the viability and optimum composition of a potential development concept in terms of, *inter alia*:

- ✓ demographic *status quo* and trends of the anticipated **target market**, including point of origin, affordability levels, etc.
- ✓ local and sub-regional economic *status quo* and trends, including **main economic drivers and trends** in the region
- ✓ **location analysis and property description**
- ✓ **SDF** / Urban Design Framework Alignment
- ✓ catalytic effect of **new and / or comparable projects** in the market
- ✓ **market activity and growth**
- ✓ **main competitors / supply** in the market, i.e. comparable projects aimed at similar target market (existing and proposed)
- ✓ forecast **take-up** rates
- ✓ **extrapolated market profile**, i.e. future resident population
- ✓ corresponding **product offer and type**
- ✓ **timing / phased implementation** and optimum point of market entry
- ✓ future **demand thresholds and target markets**
- ✓ **Market potential assessment** (including 5 and 10 year growth forecast)
- ✓ **Recommendations and conclusions**, including optimum land use mix and project size (including optimum size quantified for each respective project component, product and pricing profiles, competition analysis, tenanting options, future growth and expansion potential, optimum points of market entry / phasing, etc.) – including photos, diagrams, graphs, maps, etc.

DEMACON's approach is purely market based and we applied our extensive involvement as well as recent research and market intelligence on the subject matter to complement the market study.

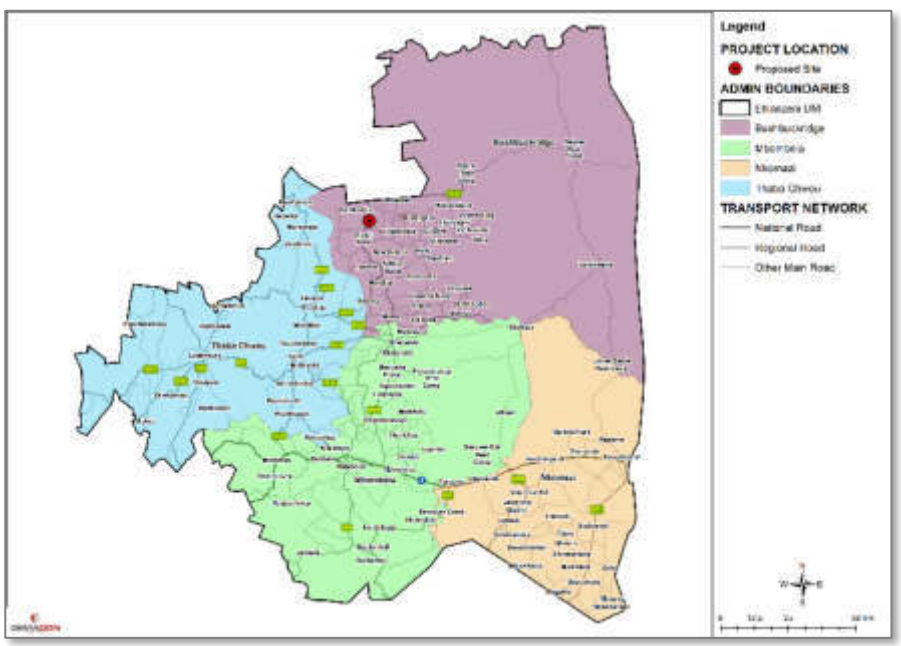
1.3 STUDY AREA DELINEATION

❖ *Municipal Context*

The proposed site in Acornhoek falls within **Bushbuckridge Local Municipality,** which forms part of the **Ehlanzeni District** in the **Mpumalanga Province**.

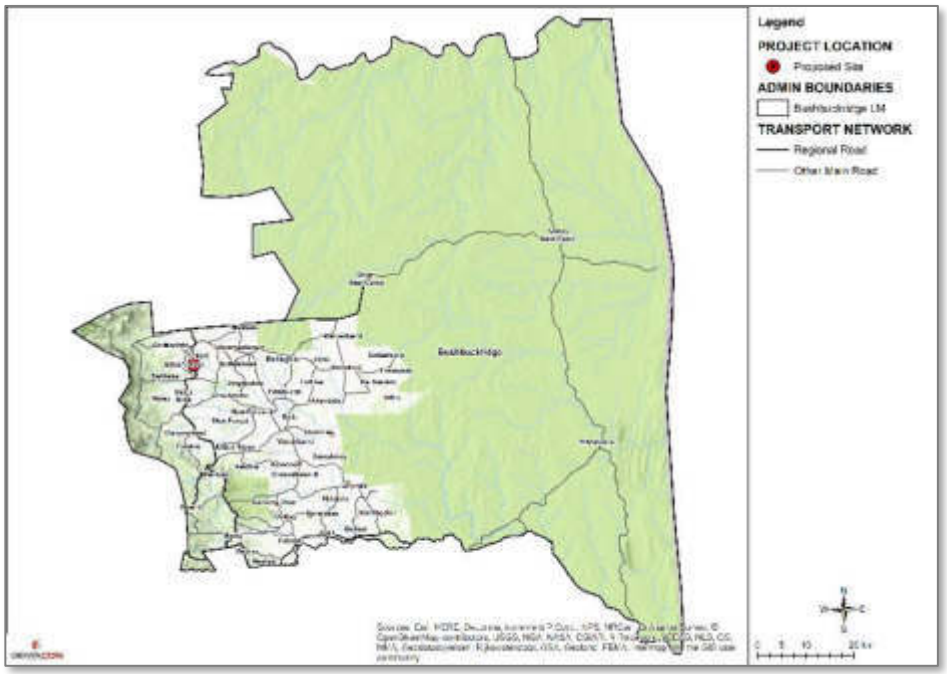
Map 1.1 and **Map 1.2** provide the location of the proposed development site in the district and local context respectively; while **Map 1.3** provides the Development Site Context. The site measures approximately **52ha.**

Map 1.1: Proposed Acorn City Development Site in District Context

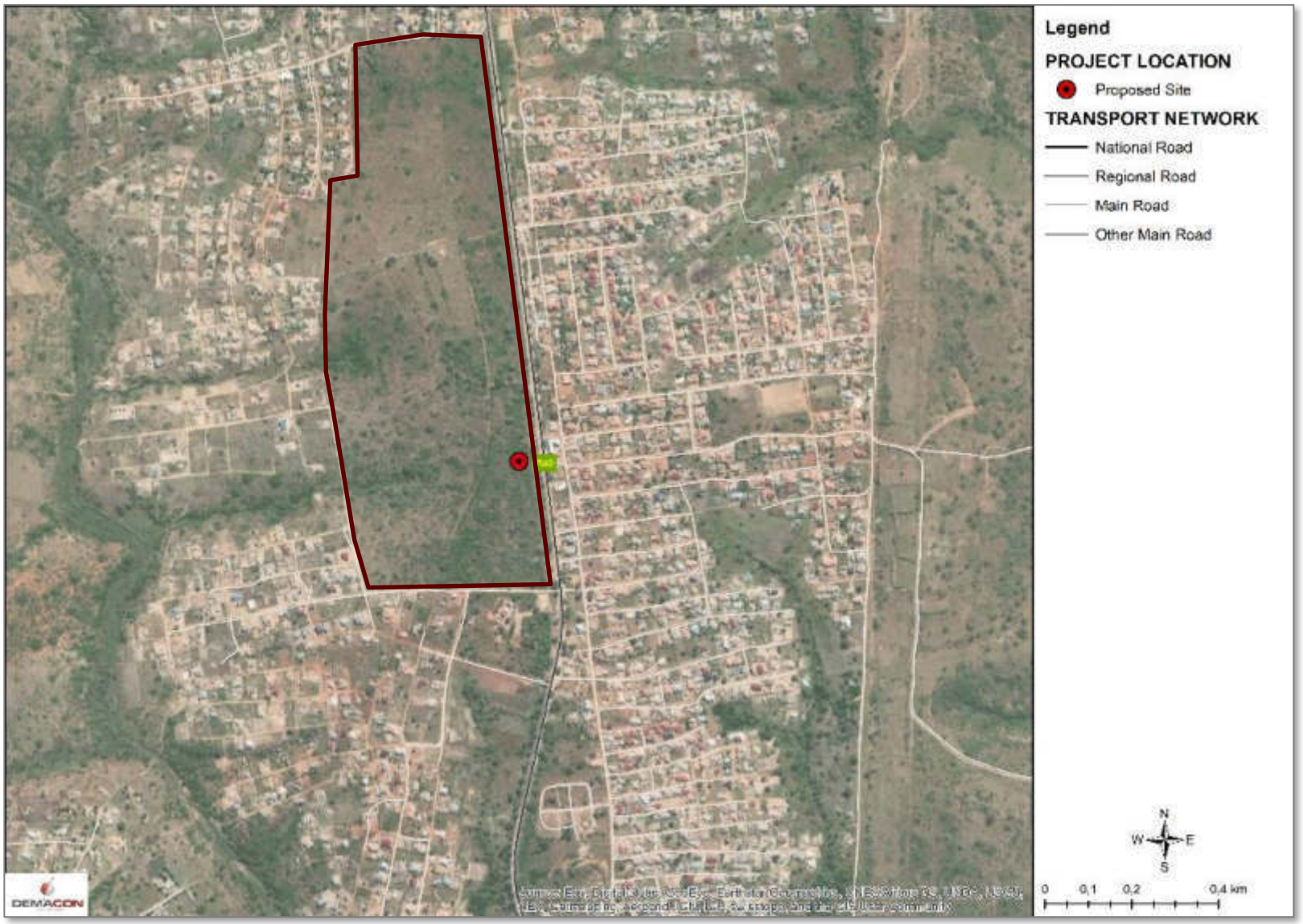


Source: DEMACON GIS, 2020

Map 1.2: Proposed Acorn City Development Site in local context



Map 1.3: Proposed Development Site Context



Source: DEMACON GIS, 2020

1.4 REPORT OUTLINE

Chapter 2: Area Background & Location Analysis

focuses on the location aspects in the market with the objective of estimating the development potential within the designated area.

Chapter 3: Economic Profile

outline the salient features of the market area economy in terms of selected time series economic indicators; most notably the economic profile and growth trends within the local economy.

Chapter 4: Demographic Market Profile

Demographic *status quo* and trends of the anticipated target market, including point of origin, affordability levels, etc.

Chapter 5: Consumer Surveys

Socio-economic indicators, Residential support and preferences, Retail expenditure & Leakages, Centre and Grocery anchor preferences, Short-Stay accommodation preferences, retirement village requirements and preferences

Chapters 6-12: Market Demand & Supply Analysis

identify the supply and demand for residential, retail, trade, office, residential, private education & healthcare and social amenities facilities within the market area and assess in terms of current trends, to determine the development potential, including ideal typology mix, pricing profiles, optimum point of market entry, etc.

Chapter 13: Summary & Development Recommendations

optimum product offering, based on revealed preferences, target market and demand modelling.

AREA BACKGROUND AND LOCATION ANALYSIS 2

2.1 INTRODUCTION

This chapter focuses on the location aspects in the market with the objective of estimating the development potential within the designated area. The chapter aims to provide contextual background to the area and general development trends culminating into a location assessment of the proposed site as suitable location for proposed mixed-use development. This chapter is outlined by the following subheadings:

- ✓ Bushbuckridge SDF 2010
- ✓ Building Statistics
- ✓ Development Site Assessment
- ✓ Synthesis.

2.2 BUSHBUCKRIDGE LOCAL MUNICIPALITY SDF 2010

The proposed site falls within the **Bushbuckridge Local Municipality**, which forms part of the **Ehlanzeni District** in the **Mpumalanga Province.**

The paragraphs that follow aim to provide a holistic overview of the Bushbuckridge Local Municipality in terms of its spatial characteristics, spatial opportunities and the economic potential that exists in the area.

❖ SPATIAL CHARACTERISTICS

The Bushbuckridge Municipal area has the following spatial characteristics:

- ✓ Bushbuckridge municipality comprises of a total area of +/- 5 054km².
- ✓ The Municipal area provides a link to economically viable centres in the Lowveld, particularly Hazyview, Hoedspruit, Pilgrim Rest and Graskop.
- ✓ The R40 national road passes through the municipality starting from Marite to Acornhoek
- ✓ The gateway to the major tourism attraction points in Mpumalanga and the south eastern part of the Mpumalanga Province
- ✓ Only about 9% of the municipality's population lives in urban centres.
- ✓ Small rural villages comprise 29% of the population, while dense rural villages represent the remaining 61%.
- ✓ Two of the four largest centres, Acornhoek and Bushbuckridge, are located along the R40 that traverses the western extents of the municipal area from north to south
- ✓ Importantly, the Municipality was declared a presidential rural nodal point in 2001, in other words it is a priority investment area for infrastructural and social investment and interventions in rural South Africa.

❖ SPATIAL OPPORTUNITIES

The local municipality is need of revitalisation and ways to attract economic investment and development in the area. There is surely a need for cost effective and sustainable development. The municipal goals and strategic objectives identify the following areas, as those which presents spatial opportunities that the municipality may maximally capitalise on towards more development:

- ✓ Promote Public-Private-Partnerships to ensure implementation of tourism and LED strategy.
- ✓ Solicit additional funding for infrastructural development and services.
- ✓ Create awareness and buy-in to BLM strategy.
- ✓ The Municipality has a potential for developing the local economic hub through our indigenous wealth in the form of agricultural farming and tourism.
- ✓ Potential to develop economic hubs in areas such as Mkhuhlu, Acornhoek, Thulamahashe and Dwarsloop.

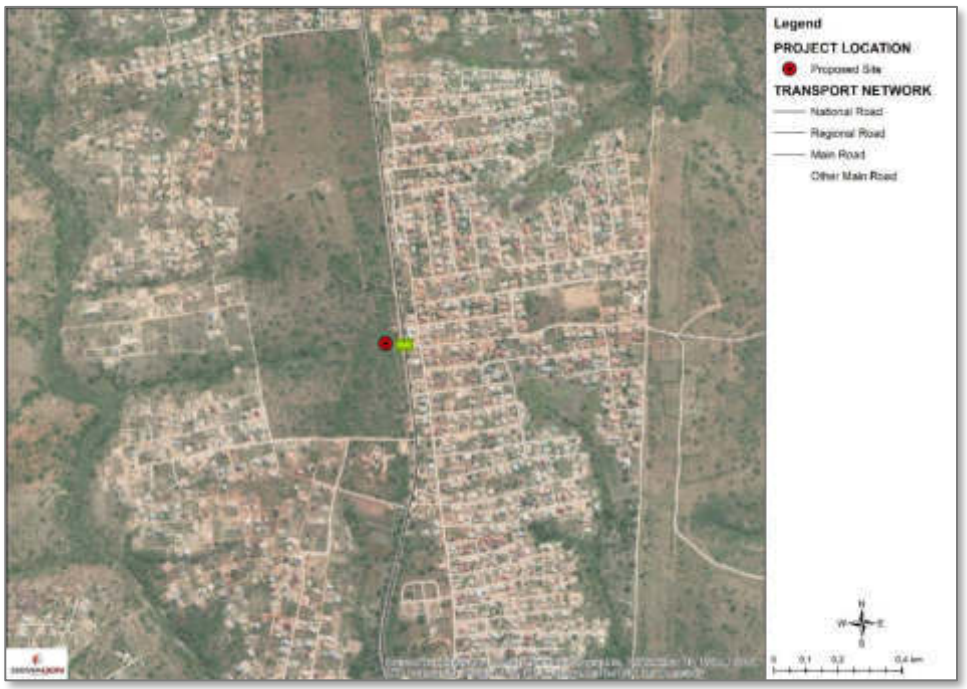
- ✓ The Bushbuckridge Local Municipality has received an amount of R220 million for six urban renewal and regeneration projects, including Acornhoek.
- ✓ Pending projects of the Bushbuckridge Urban Renewal Programme (and related projects that need to be coordinated and integrated) are listed below:
    - Urban Renewal
    - Retail
        - Bushbuckridge Shopping Centre Renovation
        - Informal Market Stalls and Development: part of Old Mutual Complex Renovations
    - Transport
    - Housing
    - Engineering Services
    - Housing
    - Community Facilities
- ✓ Promoting economic growth and addressing unemployment.
- ✓ Create an economically desirable environment to attract local and international investment.
- ✓ Promoting infrastructure investment in priority areas.
- ✓ Opening up strategic land for economic development and attracting investors.

❖ ECONOMIC POTENTIAL / OPPORTUNITIES

Development Considerations- Economic Potential / Opportunities

- ✓ The Bushbuckridge Local Municipality has added emphasis on the **creation of much needed jobs and economic growth.**
- ✓ Opportunities that lie in the productive sectors that are known to have good potential but under-utilised **development potential**, are the agriculture and tourism sectors in the Bushbuckridge Municipality.
- ✓ The IDP is in alignment with the LED as it states that the Municipality has a potential for developing the **local economic hub** through the indigenous wealth in the form of agricultural farming and tourism.
- ✓ The LED states that there should be a development of a comprehensive support strategy for SMMEs.
- ✓ The LED prioritizes **Private Sector Investment** (CPPs in agriculture, tourism and forestry) which generates jobs, revenues and SMME opportunities.
- ✓ Public Sector Investment (Infrastructure and PPPs) which generate jobs and SMME opportunities, complementing investments for the LED.
- ✓ Small and Micro Enterprises (which are stimulated by either **private or public investments**) generating revenues and jobs
- ✓ Open up strategic land for **economic development** and **attract investors**
- ✓ Promote infrastructure investment in **priority areas**
- ✓ Promote **economic growth** and address unemployment
- ✓ The Bushbuckridge IDP 2017-2022 has identified the following Strategic Development Areas (SDAs) in Acornhoek:
    - **SDA5**: Around Route **R40** between Rooiboklaagte, Arthurseat, and Tsakani **(where the proposed site is located).**
    - SDA6: To the north of the Acornhoek business node on both sides of the railway line.
    - SDA7: The vacant land between Moloro and Green Valley.
    - SDA8: The vacant land between Acornhoek and Okkernooitboom.

Map 2.1: Proposed Acorn City Development Site in local municipal context



Source: DEMACON GIS, 2020

❖ R40 CONNECTION & REGIONAL CONTEXT

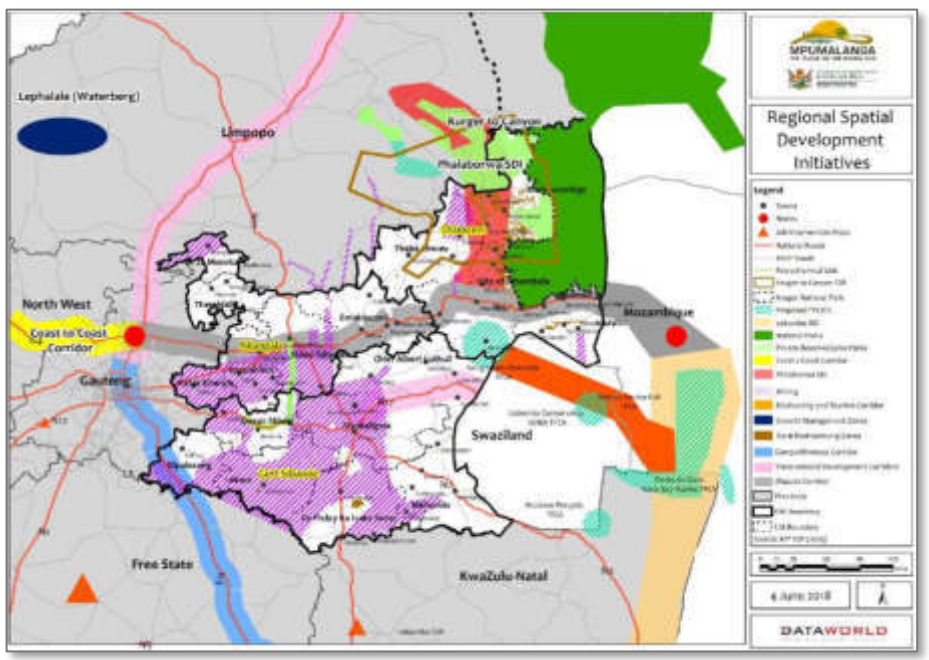
The proposed site is located on the **R40**. The **R40** route connects Phalaborwa in the Limpopo Province, to Nelspruit, the capital of the Mpumalanga Province. Phalaborwa has been identified as a Spatial Development Initiative (SDI) that serves as a pilot project for South Africa's largely unregulated and untapped small-scale mining sector.

This corridor connection to Nelspruit which is a Strategic Infrastructure Project area (SIP 14: Higher Education Infrastructure), has an economic significance to the region, of which the R40 is a key role player. The **R40** passes through **Acornhoek**, as a **high activity spine** that connects to the wider region through a connection of key national routes (i.e. N4), which serves as a developmental corridor (i.e. Maputo Corridor).

It is important to note that the **R40** creates a strong linkage between Phalaborwa, Nelspruit and the Coastal economic region through the **N2** Corridor.

The map below illustrates the spatial development initiatives and the national corridors of which the **R40** is connected to.

Map 2.2: Regional Spatial Development Initiatives



Source: DEMACON ex COGTA, 2020

Various traffic counts reflect on the high economic income and population growth for the area. Traffic growth on the **R40** has been estimated through various studies over the years that report growth of between 2%-8.3%.

2.3 BUILDING STATISTICS[1]

Subsequent paragraphs provide more information on building completed within the **Bushbuckridge Local Municipality**– reflecting private sector growth in the area.

The following table indicate the buildings reported as completed within **Bushbuckridge Local Municipality,** in terms of residential buildings, non-residential buildings as well as additions and alterations.

Table 2.1: Completed buildings in the Bushbuckridge LM (2007-2017)

	Residential buildings		Non-residential buildings		Additions and alterations		Buildings reported (Total)
Year	No. of units	Area (m²)	No. of units	Area (m²)	No. of units	Area (m²)	Area (m²)
2007	0	0	0	0	0	0	0
2008	0	0	1	97	0	0	97
2009	1	226	1	13173	2	2040	15439
2010	1	277	3	12824	6	3521	16622
2011	1	226	0	0	2	2040	2266
2012	0	0	2	12362	6	3521	15883
2013	1	410	0	0	4	1928	2338
2014	0	0	2	1974	0	0	1974
2015	3	613	0	0	0	0	613
2016	0	0	18	34933	2	700	35633
2017	1	1154	6	17945	5	2401	21500
Average over period	**8**	**2 906**	**33**	**93 308**	**27**	**16151**	**112 365**

Source: DEMACON ex Stats SA, 2020

❑ DWELLING HOUSES, FLATS AND TOWNHOUSES COMPLETED

The following table provide dwelling houses, flats and townhouses reported as completed within **the Bushbuckridge LM.**

Table 2.2: Bushbuckridge LM dwelling houses, flats and townhouses completed (2007-2017)

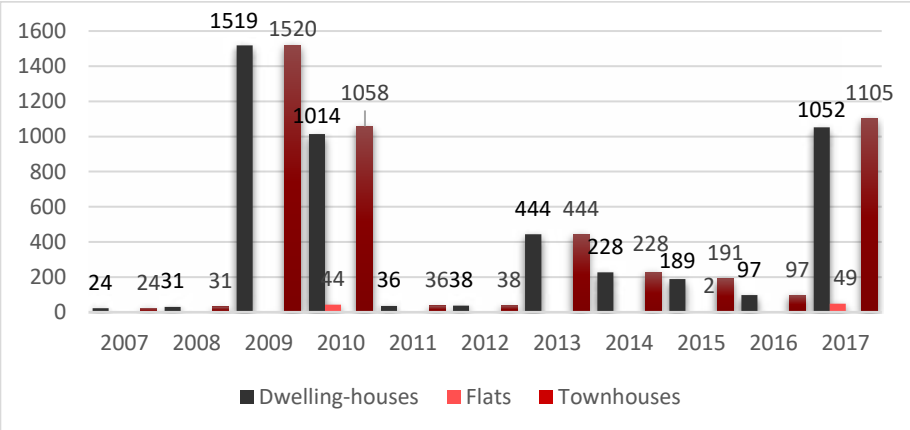
Year	Dwelling houses	Flats	Townhouses	Total
2007	24	0	0	24
2008	31	0	0	31
2009	1519	0	1	1520
2010	1014	44	0	1058
2011	36	0	0	36
2012	38	0	0	38
2013	444	0	0	444
2014	228	0	0	228
2015	189	0	2	191
2016	97	0	0	97
2017	1052	49	4	1105
Average over period	**425**	**8**	**1**	**477**

Source: DEMACON ex Stats SA, 2020

The average number of residential buildings completed between 2007 and 2017 amounts to approximately **477 units/annum.**

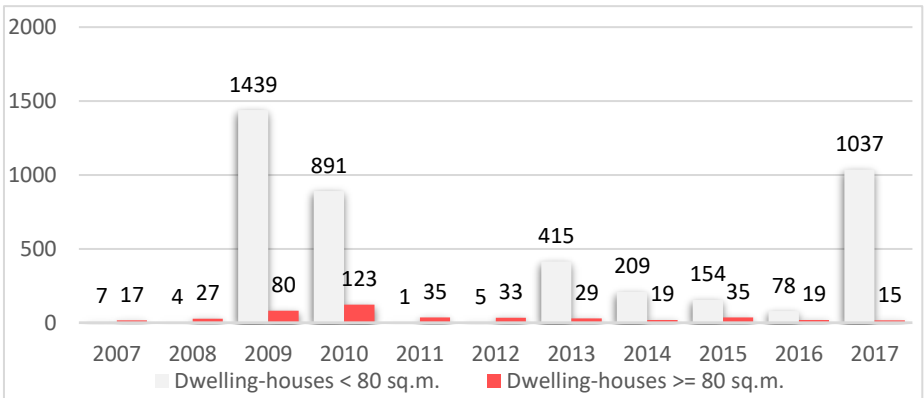
[1] Building Plans, Stats SA

Figure 2.1: Dwelling Houses, Flats and Townhouses Completed



Source: DEMACON ex Stats SA, 2020

Figure 2.2: Bushbuckridge LM dwelling houses completed by size – total square metres



Source: DEMACON ex Stats SA, 2020

❑ RESIDENTIAL BUILDINGS COMPLETED BY SIZE OF DWELLING

The following table indicates residential buildings completed by size of dwelling.

Table 2.3: Bushbuckridge LM residential buildings completed by size of dwelling house

Year	Smaller than 80sqm	Equal to or larger than 80sqm	Total dwelling houses
2007	7	17	24
2008	4	27	31
2009	1 439	80	1 519
2010	891	123	1 014
2011	1	35	36
2012	5	33	38
2013	415	29	444
2014	209	19	228
2015	154	35	189
2016	78	19	97
2017	1 037	15	1 052

Source: DEMACON ex Stats SA, 2020

❑ NON-RESIDENTIAL BUILDINGS COMPLETED

The following tables provide the non-residential buildings completed.

Table 2.4: Non-Residential buildings completed

	Office and banking space		Shopping space		Industrial and warehouse space	
Year	Number of buildings	Total m²	Number of buildings	Total m²	Number of buildings	Total m²
2007	0	0	0	0	0	0
2008	0	0	1	97	0	0
2009	1	226	1	1 3173	2	2 040
2010	1	277	3	1 2824	6	3 521
2011	1	226	0	0	2	2 040
2012	0	0	2	12 362	6	3 521
2013	1	410	0	0	4	1 928
2014	0	0	2	1 974	0	0
2015	3	613	0	0	0	0
2016	0	0	18	34 933	2	700
2017	1	1 154	6	17 945	5	2 401

Source: DEMACON ex Stats SA, 2020

2.4 DEVELOPMENT SITE ASSESSMENT

Market potential is influenced not only by consumer income and expenditure, but in particular also by the characteristics of the site/location under consideration. Retail centres and other urban property markets have specific location requirements and given the fact that the development potential of an array of other uses should also be tested, these should also be included in the location assessment exercise.

To this effect, a ***DEMACON Site Evaluation Model*** © is utilised. This DEMACON models are pragmatic and are based on the assignment of values to various location factors. Firstly, the site is evaluated on a ten-point scale, with ten being the highest. Secondly, weights are attached to these factors, in order of importance (1 to 5, with 5 being the most important).

❖ RETAIL/AUTOMOTIVE TRADE ASSESSMENT

Table 2.5: Retail/Automotive Trade assessment

	Grade 1-10	Weight 1-5	Points
Consumer Volumes	8	5	40
Income / LSM profile	6	5	30
Population Growth	6	4	24
Visibility	8	4	32
Accessibility	8	4	32
Functional & Complimentary Uses	6	3	18
Effective Market Gap	6	4	24
Proximity to Intermodal Facilities, e.g. BRT Route, Rail / Taxi / Bus terminus	7	3	21
Address Value	7	4	28
Availability of Land	8	4	32
Future Expansion Potential	7	4	28
Directional Growth of Area	7	4	28
Proximity to Labour	7	3	21
Proximity to Suppliers	7	3	21
Perceived Level of Security	7	4	28
Total			**407**
Score			**70,2%**

Source: Demacon, 2020

❖ RESIDENTIAL ASSESSMENT

Table 2.6: Residential assessment

	Grade 1-10	Weight 1-5	Points
Perceived Level of Safety and Security	7	5	35
Area Price Profile	6	4	24
Address Value	7	4	28
LSM Profile	6	5	30
Perceived Quality of Residential Environment	7	4	28
Tempo of Residential Growth	7	5	35
Within direction of Current & Future Growth	8	5	40
Perceived investment value	7	4	28
Access to main roads	8	3	24
Proximity to work place	7	3	21
Proximity to schools	7	4	28
Proximity to retail facilities	7	4	28
Proximity to social amenities	7	3	21
Proximity to public transport	8	3	24
Availability of Land	7	3	21
Total			**415**
Score			**70,3%**

Source: Demacon, 2020

❖ OFFICE ASSESSMENT

Table 2.7: Office Assessment

	Grade 1-10	Weight 1-5	Points
Accessibility	8	3	24
Visibility	8	5	40
Address Value - Popular Office Address	6	5	30
Moderate to Higher LSM Profile	4	4	16
Proximity to Educated Labour Force	5	4	20
Established Office Address / Monitored Node	5	5	25
Functional and Complimentary Uses	7	4	28
Emerging Commercial Node	5	5	25
Proximity to Freeways / Major Provincial Routes	8	4	32
Proximity to Intermodal Facilities, e.g. Taxi/Bus terminus	8	3	24
Availability of Land	7	3	21
Future Expansion Potential	7	3	21
Perceived Level of Security	7	4	28
Directional Growth of Area	8	3	24
Total			**358**
Score			**65,1%**

Source: Demacon, 2020

❖ PRIVATE HEALTHCARE ASSESSMENT

Table 2.8: Private Healthcare Assessment

Locational Factors	Grade 1-10	Weight 1-5	Score
Address Value	7	4	28
Local Accessibility	7	4	28
Regional Accessibility	8	4	32
Visibility	8	3	24
LSM Profile	6	5	30
Level of Private Healthcare Insurance	5	5	25
Moderate to Higher Population Growth	7	3	21
Absence of Competitive Products / Market Gap	8	4	32
Proximity to Skilled and Semi-Skilled Labour Force	7	3	21
Perceived Level of Security	7	4	28
Located in Direct Line of Growth	8	3	24
Availability of Land	7	4	28
Future Expansion Potential	7	3	21
Total			**342**
Score			**69,8%**

Source: Demacon, 2020

❖ PRIVATE EDUCATION ASSESSMENT

Table 2.9: Private Education Assessment

Location Factors	Grade 1-10	Weight 1-5	Points
Accessibility	7	4	28
LSM Profile	6	4	24
Direct Proximity to Middle to High Income Suburbs	6	4	24
Moderate to Large Segment of Population aged below 18 years	8	5	40
Moderate to High Population Growth	7	4	28
Proximity to Captive Market	7	4	28
Absence of Competitive Products	7	3	21
Perceived Level of Security	7	4	28
Address Value	7	4	28
Proximity to Retail Facilities	8	3	24
Total			**273**
Score			**70,0%**

Source: Demacon, 2020

The proposed site scored a rating of **65.1%** for office space potential, **69.8%** for private healthcare, **70.0%** for private education, **70.2%** for retail space potential and

70.3% for residential space potential indicating that most of the important fundamentals & successful mixed-use development is in place.

2.5 SYNTHESIS

This chapter investigated the context of the development in terms of the surrounding environment's characteristics, anticipated future development and suitability for development.

❑ AREA BACKGROUND

The Bushbuckridge Municipal area has the following spatial characteristics:

- ✓ Bushbuckridge municipality comprises of a total area of +/- 5 054km².
- ✓ The Municipal area provides a link to economically viable centres in the Lowveld, particularly Hazyview, Hoedspruit, Pilgrim Rest and Graskop.
- ✓ The R40 national road passes through the municipality starting from Marite to Acornhoek
- ✓ The gateway to the major tourism attraction points in Mpumalanga and the south eastern part of the Mpumalanga Province
- ✓ Only about 9% of the municipality's population lives in urban centres.
- ✓ Small rural villages comprise 29% of the population, while dense rural villages represent the remaining 61%.
- ✓ Two of the four largest centres, Acornhoek and Bushbuckridge, are located along the R40 that traverses the western extents of the municipal area from north to south
- ✓ Importantly, the Municipality was declared a presidential rural nodal point in 2001, in other words it is a priority investment area for infrastructural and social investment and interventions in rural South Africa.

✓ ***RETAIL AND OFFICE*** **-** The CBD and V&A Waterfront are the main focal points of commercial activity in the district.

- Office developments have focused on and been mostly developed in the Hoedspruit and Bushbuckridge areas.
- There has been a development of retail developments in and around Acornhoek area.

✓ ***MIXED-USE*** **-** The area hosts diverse land use mix horizontally, and has potential for land use diversity **vertically**. Due to the range of activities in the Acornhoek area, it is viable for developers to **combine retail, office and residential into one development** .

❑ LOCATION ASSESSMENT

In terms of the location assessment the site's potential for various land uses is summarised in the following table.

Table 2.10: Summary of Site Evaluation Results

Proposed Land Use	Percentage
Residential	70.3%
Retail/Automotive Trade	70.2%
Private healthcare	70.0%
Private education	69.8%
Office	65.1%

Source: DEMACON, 2020

** Note: 80%+ indicates an exceptional site rating; a site rating of 70 – 80% is high and indicates that most important fundamentals for successful retail development is in place; a rating of 60 – 70% indicates some critical factors may be lacking but could possibly be addressed; projects with a sub 60% rating are not recommended for consideration.*

The existing site scored a locational rating between **65% and 70.3%+** which indicates that most important fundamentals for the mixed-use development is in place.

The subsequent chapter provides an overview of the local economy in which the proposed development will be located. The economic indicators of an area form the basis for current demand for residential and commercial product offering and also serve as drivers for future growth in demand.

ECONOMIC PROFILE 3

3.1 INTRODUCTION

The purpose of this chapter is to outline the salient features of the market area economy. This economic profile's reference is made to the **Bushbuckridge Local Economy, Ehlanzeni District and the Mpumalanga Provincial Economy** in terms of selected time series economic indicators; most notably the economic profile and growth trends within the local economy.

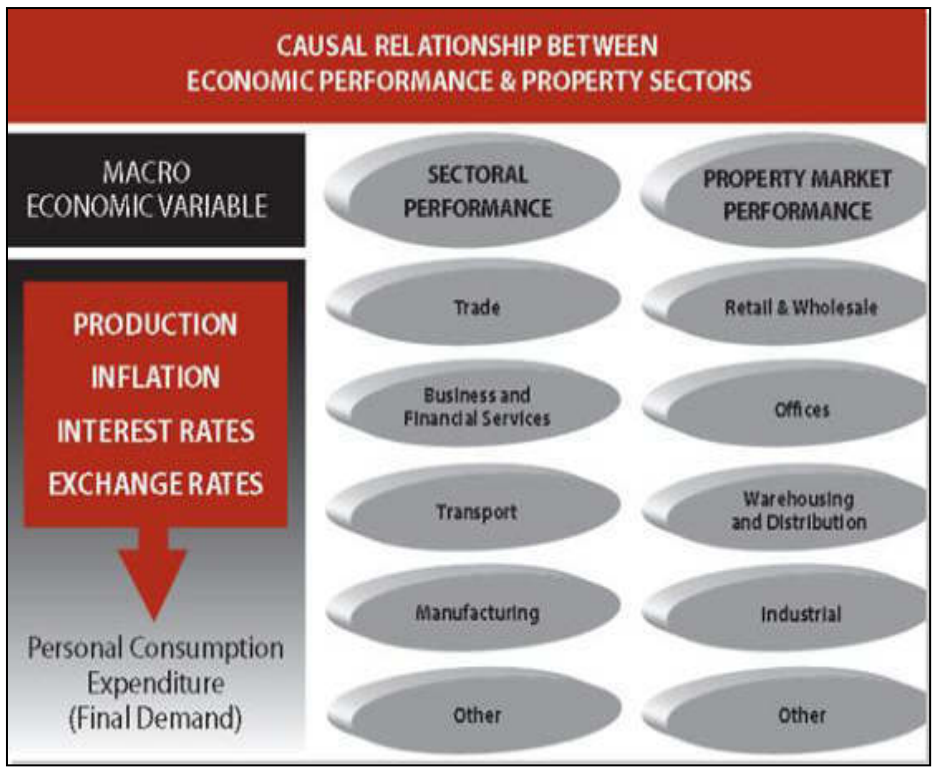
As such, this chapter provides insight into the composition and stability of the local economy and hence, provides a more comprehensive assessment of medium- to long-term investment prospects than the conventional demographic analysis. Subsequent sub-sections provide a concise overview of the local economy in terms of the following aspects:

✓ Reference Framework	✓ Local Economic Trends
✓ Economic Insight	✓ Synthesis

3.2 ECONOMIC TRENDS AND PERFORMANCE

An intricate, though well-defined relationship exists between the economy and urban real estate markets. The performance of specific economic sectors serves as proxy for the performance of these real estate markets.

Diagram 3.1 Causal Relationship between Economic Performance and Property Sectors



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The economic indicators of an area form the basis for current demand for commercial product offering and serve as drivers for future growth in demand. Subsequent paragraphs highlight the main indicators for the market area under investigation.

3.3 ECONOMIC INSIGHT

❖ MACRO-ECONOMIC FUNDAMENTALS *2*

The table below shows the Macro-economic forecasts.

Table 3.1: Macro-Economic Forecasts, 2019-2020 Outlook

Markets	Actual	Q1	Q2	Q3	Q4	2020
Currency	15.07	15.13	15.28	15.44	15.61	15.94
Government Bond 10Y (%)	8.89	9.08	9.19	9.29	9.4	9.61
Stock Market (points)	57066.73	55491	54907	54330	53763	52640

Overview	Actual	Q1	Q2	Q3	Q4	2020
GDP Growth Rate (%)	-0.60	-2	0.6	1.3	1.4	1.6
GDP Annual Growth Rate (%)	0.10	0.8	0.6	1	1.2	1.6
Unemployment Rate (%)	29.10	27.5	29.4	28.3	28	29
Inflation Rate (%)	4.00	4.3	4.4	4.6	4.7	4.6
Inflation Rate Mom (%)	0.30	0.4	0.4	0.6	0.5	0.6
Interest Rate (%)	6.25	6	6	6	5.75	6
Balance of Trade (ZAR Million)	14846.44	6500	5000	-3000	-1258	-1542
Current Account (ZAR Million)	-190312.00	-138000	-220000	-180000	-165000	-180000
Current Account to GDP (%)	-3.50	-3.5	-3.6	-3.5	-3.5	-3.7
Government Debt to GDP (%)	55.80	66	66	66	66	68
Government Budget (% of GDP)	-4.40	-6.2	-6.2	-6.2	-6.2	-6
Business Confidence (points)	26.00	23	24	18	20	15
Manufacturing PMI (points)	45.20	46.8	47.4	45	47.3	49
Consumer Confidence (points)	-7.00	-6	-12	-3	-8	4
Retail Sales MoM (%)	3.10	-0.4	1	0.7	0.8	0.8
Corporate Tax Rate (%)	28.00	28	28	28	28	28
Personal Income Tax Rate (%)	45.00	45	45	45	45	45

Source: Trading economies, 2020

[2] *Source: Trading Economics, 2020*

❖ COMPOSITE BUSINESS CYCLE INDICATORS – SARB, FEBRUARY 2020 *3*

DEMACON believes the composite leading business cycle indicator is one of **the most** useful indicators to follow for the following reasons:

- ✓ It is a composite indicator – consists of various sub-indicators.
- ✓ Job advertisement space in the Sunday Times newspaper: Percentage change over twelve months
- ✓ Number of residential building plans passed for flats, townhouses and houses larger than 80m^2
- ✓ Interest rate spread: 10-year government bonds less 91-day Treasury bills
- ✓ Index of prices of all classes of shares traded on the JSE
- ✓ Real M1 money supply (deflated with CPI): Six-month smoothed growth rate
- ✓ Index of commodity prices in US dollar for a basket of South Africa's export commodities
- ✓ Composite leading business cycle indicator of South Africa's major trading-partner countries: percentage change over twelve months
- ✓ Gross operating surplus as a percentage of gross domestic product
- ✓ Opinion survey of business confidence: Manufacturing, construction, and trade
- ✓ Net balance of manufacturers observing an increase in the average number of hours worked per factory worker (half weight)
- ✓ Net balance of manufacturers observing an increase in the volume of orders received (half weight)
- ✓ Number of new passenger vehicles sold: Percentage change over 12 months.
- ✓ Forward looking – i.e. indicative of future growth expected to materialize over the short to medium term, i.e. the next 12-18 months.

Note: The composite business cycle indicators were rebased to 2015=100

[3] *Source: South African Reserve Bank, February 2020: Composite Business Cycle*

Table 3.1 Composite Business Cycle Indicators

Description (Indices 2015 = 100)	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019
Leading indicator	103.9	103.3	103.9	103.9	103.2	103.9	104.4
12-month percentage change	*-1.8*	*--3.0*	*-3.0*	*-1.2*	*-1.2*	-1.7	-0.9
Coincident indicator	105.7	105.3	104.7	104.1	104.4	104.9	-
12-month percentage change	*2.3*	*1.6*	*0.9*	*0.1*	-0.1	-0.3	-
Lagging indicator	96.0	95.6	95.4	96.3	95.3	96.2	-
12-month percentage change	*1.8*	*1.2*	*1.0*	*2.2*	1.1	2.8	-

Source: DEMACON ex. SARB, February 2020

**The composite business cycle indicators are revised continuously following revisions to underlying component time series data.*

The composite leading business cycle indicator increased by 0.5% on a month-to-month basis in November 2019. In terms of the latest press release (January 2020), the composite coincident business cycle indicator increased by 0.5% on a month-to-month basis in October 2019.

The leading indicator affirms that the national economy remains under pressure – which ultimately impacts the consumer in general and the retail sector (including shopping centres). Extensive private and public-sector capital investment (including new real estate development and associated investment in infrastructure) is required to reignite economic growth.

3.4 LOCAL ECONOMIC TRENDS

The proposed retail development site is situated within the Bushbuckridge Local Municipality which forms part of the Ehlanzeni District Municipality. To this effect, the subsequent section provides the key economic indicators of **local economy of Ehlanzeni District and Bushbuckridge Local Municipality.**

Subsequent economic indicators provide insight to the performance of the **local economy in relation to the district and provincial economies.** The data indicate the dominant economic sectors, growth sectors as well as the comparative advantages of the local economy.

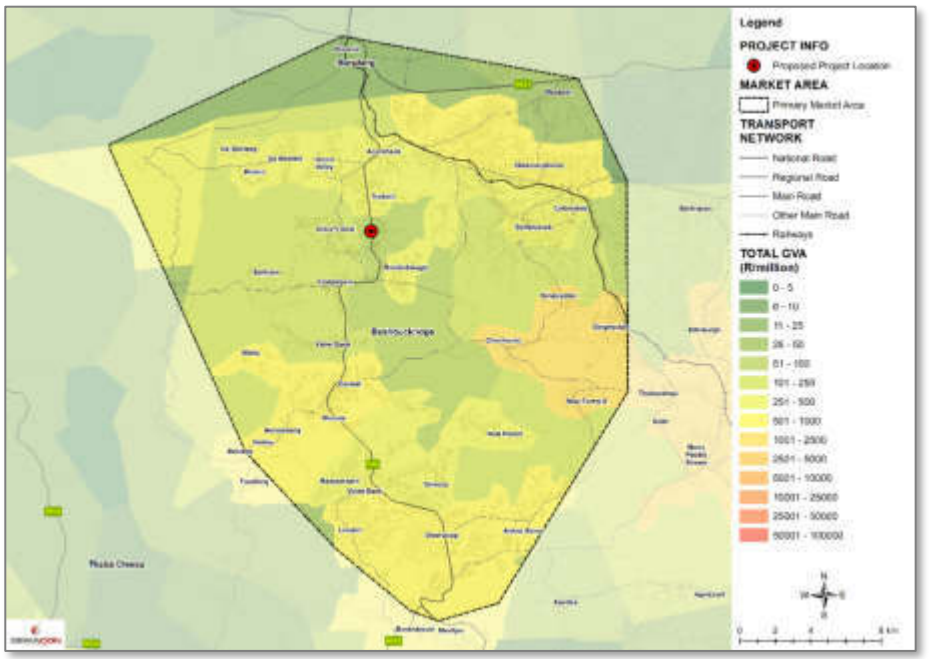
This section provides an indication of the economic landscape of the study area. The focus will be on identifying the local economic drivers, the size of the local economy and the economic growth trends. The data indicates the dominant economic sectors, growth sectors as well as the comparative advantages of all the local economies. These ten sectors are:

- ✓ ***Primary Sector***
  - Agriculture, forestry and fishing
  - Mining
  - Manufacturing
- ✓ ***Secondary Sector***
  - Electricity and Water
  - Construction
  - Trade sector (Wholesale and retail; catering and accommodation)
  - Transport and communication
- ✓ ***Tertiary Sector***
  - Finance and business services
  - General government services
  - Community, social and other personal services

3.4.1 SIZE OF ECONOMY

A number of indicators exist that can describe the economy of a region or an area. The most common variable is Gross Value Added per region. The map below indicates the location of economic activity within the study area's economy.

Map 3.1: Economy distribution, 2020



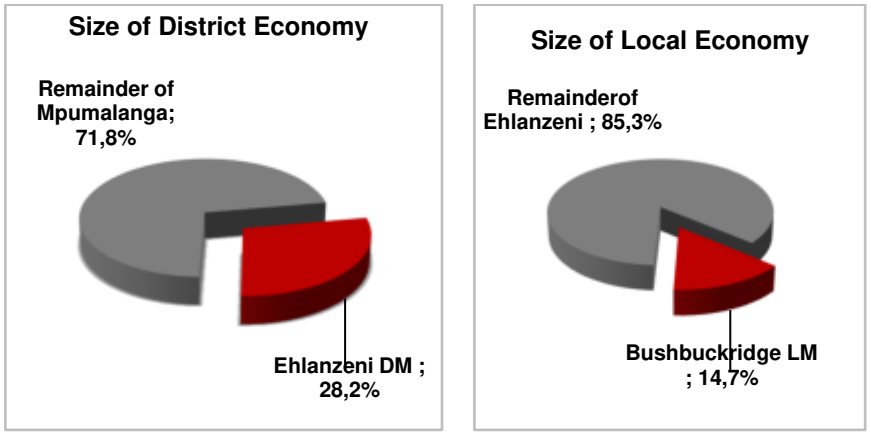
Source: DEMACON GIS, 2020

Figure 3.1 indicates the size of the local economy in relation to the district and provincial economies.

Findings: (Figure 3.1)

- ✓ The figure indicates that **the Ehlanzeni DM** contributed **28.2%** towards the Mpumalanga Provincial economy in 2018.
- ✓ The figure furthermore indicates that the **Bushbuckridge Local Economy** contributed **14.7%** towards the Ehlanzeni economy in 2018.
- ✓ This economic contribution is vested in the performance of the ten economic sub-sectors discussed in the subsequent paragraphs.

Figure 3.1: Size of the economy, 2018 (at 2010 basic prices) – GVA



Source: DEMACON ex Stats SA, 2020

3.4.2 ECONOMIC PROFILE

The economic contributions are contributed by the ten major economic sectors to the total economic production of the economies. The ten economic sectors referred to include:

- ✓ **Agriculture** - Include establishments that are primarily engaged in **farming activities, commercial hunting, game propagation and** forestry, logging and fishing).
- ✓ **Mining** - Includes the extracting and beneficiating of minerals occurring naturally, including solids, liquids and crude petroleum and gases. It also includes underground and surface mines, quarries and the operation of oil and gas wells as well as all supplemental activities for dressing and beneficiating of ores and other crude material):
- ✓ **Manufacturing** – Manufacturing is defined as the physical or chemical transformation of materials or compounds into new products. The manufacturing sector represents an important economic and employment sector in any economy. The sector also serves as catalyst for supporting

economic activities contributing to economic growth within an area and positive spin-off effects on the whole economy.

- ✓ **Utilities** – It includes electricity, water, gas, buildings and construction. It includes the production, collection and distribution of electricity; the manufacturing of gas; the distribution of gaseous fuels through mains; the collection, purification and distribution of water; and the construction of infrastructure and buildings.
- ✓ **Construction** – Buildings and construction involves residential building activities; non-residential building; roads, streets and bridges; water schemes and works; sewerage; and other construction activities
- ✓ **Trade** – The resale (sale without transformation) of new and used goods to the general public for personal or household consumption or use by shops, department stores, stalls, mail-order houses, hawkers and peddlers, consumer co-operatives, etc.
- ✓ **Transport and Communication** – Providing passenger or freight transport, whether scheduled or not, by rail, road, water or air and auxiliary activities such as terminal and parking facilities, cargo handling and storage, postal activities and telecommunications.
- ✓ **Finance and Business Services** – Activity of obtaining and redistributing funds, other than for the purpose of insurance, real estate or commercial/business services. Real estate includes the buying, selling, renting and operating of owned or leased real estate, such as flats and dwellings and non-residential buildings; developing and subdividing real estate into lots, etc. Also included are land-jobbers (i.e. property speculators) and the development and sale of land. Business services in this sector refer to the renting of transport equipment and other machinery such as agricultural, construction, computer, and household equipment.
- ✓ **General Government Services** - Include general activities of central, provincial and local government such as health and social work, education, infrastructure provision etc. This includes sewage and refuse removal, sanitation and similar activities and military and navy activities.
- ✓ **Community, Social and Personal Services** - Include general activities of community organisations (NGOs), recreational, cultural and sporting activities, and other community, social and personal services.

Subsequent economic indicators provide insight to the performance of the economy of the study area compared to the performance of the provincial and national economies. The profile provides an indication of the dominant sectors in the economy, as well as the diversification of the economic base within the areas under observation. The structure of the economies also provides valuable insight into dependency of an area on specific sectors and its sensitivity to fluctuations in global and regional markets.

The table below presents the sectoral profiles of the national, provincial, district and study area economies.

Table 3.2: Economic Sectoral Profile – GVA, 2018

	South Africa	Mpumalanga	Ehlanzeni DM	Bushbuckridge LM
Agriculture, forestry and fishing	2,4%	2,9%	5,2%	2,3%
Mining	8,1%	23,6%	3,8%	0,7%
Manufacturing	13,2%	13,1%	12,8%	5,0%
Electricity & water	3,8%	7,7%	3,7%	5,7%
Construction	3,9%	3,0%	3,1%	2,6%
Wholesale & retail trade; catering and accommodation	15,0%	14,7%	20,2%	19,4%
Transport & communication	9,8%	6,6%	8,0%	8,0%
Finance and business services	19,7%	11,6%	16,2%	10,1%
General Government	18,1%	12,8%	21,3%	36,8%
Community, social and personal services	5,9%	3,9%	5,6%	9,3%
Total GVA (R'millions)	R 4 341 283	R 325 716	R 91 909	R 13 485

Source: DEMACON ex Stats SA, 2020

Findings (Table 3.2):

- ✓ The economic profile of the four jurisdictions under observation is fairly similar, with a dominant tertiary sector recorded in all four areas. The provincial and district economies differ slightly from the national and local economies as they recorded a higher primary sector contribution, as a result of the large mining and quarrying sector
- ✓ The dominant sectors in the **Mpumalanga Province** are the Mining **(23.6%),** Trade **(14.7%)** and Manufacturing **(13.1%)**

- ✓ The dominant sectors in **Ehlanzeni DM** are Government **(21.3%)**, Trade **(20.2%) and** Finance & business services **(16.2%).**
- ✓ The dominant sectors in the **Bushbuckridge** are General Government **(36.8%),** Trade **(19.4%)** and Finance & business services **(10.1%).**
- ✓ The **top four competing sectors on national, provincial, district and local level** are:
    - General government services
    - Finance and business services
    - Wholesale, retail trade, catering and accommodation
    - Mining

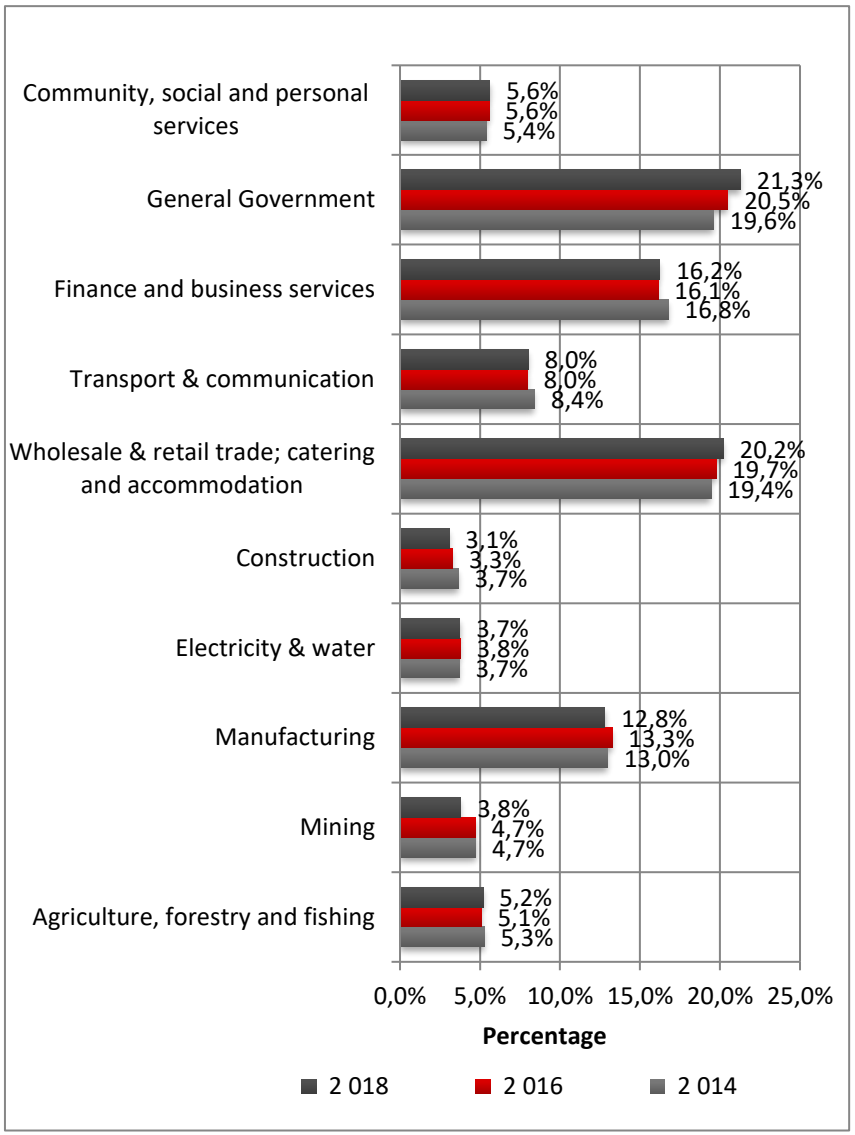
Figure 3.2 indicates the contribution of the ten major economic sectors to the total economic production of the local economy for 2014, 2016 and 2018 respectfully.

Findings (Figure 3.2)

The pillars of the **Bushbuckridge Local Economy** include the General Government, the Wholesale and retail trade, Finance &business sectors – contributing approximately **73.3%** towards the local economy.

- ✓ The **Finance & business** sector represents the first dominant sector with its share decreasing from **16.8%** to **16.2%** between 2014 and 2018.
- ✓ The **Wholesale and retail trade** sector represents the second dominant sector with its share increasing from **19.4%** in 2014 and to **20.2%** in 2018.
- ✓ The **General Government** Services represents the third dominant sector with its share increasing from **19.6%** to **21.3%** between 2014 and 2018.

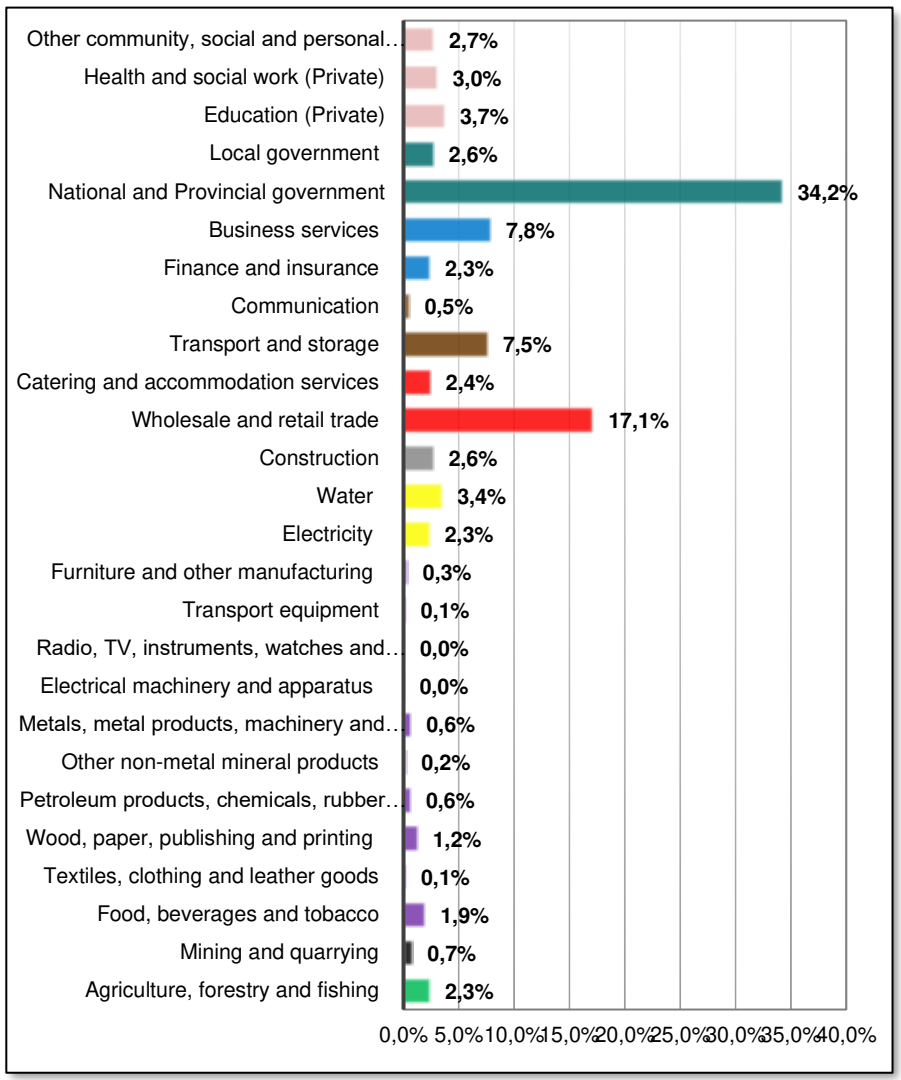
Figure 3.2: Economic Profile of Bushbuckridge Local Economy, 2014– 2018 (GVA at basic prices)



Source: DEMACON ex Stats SA, 2020

Figure 3.3 illustrates the sub-sectoral profile of the local economy.

Figure 3.3: Bushbuckridge Local Economy Sub-Sector Profile - GVA, 2018



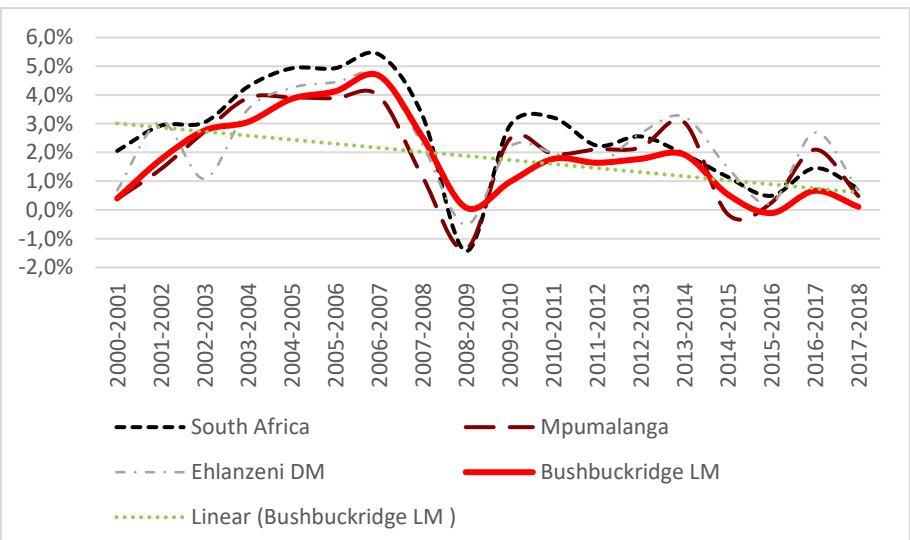
Source: DEMACON ex Stats SA, 2020

Subsequent economic indicators provide insight to the economic growth performance of the local economy in comparison to that of the national, provincial and district economies.

3.4.3 ECONOMIC GROWTH

Economic growth refers to the increase in the capacity of an area to produce goods and services and it is measured by the increase in gross value added (GVA). Faster economic growth than population growth is taken as an indicator of a healthy economy and an improvement in citizen's well-being. Figure 3.4 provides detail on the growth performance of the local economy since 2000 and the degree of correlation in economic up- and downturns between the national, provincial, district and local business cycle.

Figure 3.4: Economic Growth Performance, 2000 – 2018 (constant 2010 prices) – GVA



Source: DEMACON ex Stats SA, 2020

Findings: (Figure 3.4)

- ✓ As illustrated in Figure 3.4, the economy of South Africa has been very sensitive to the changes in global and regional arenas. The South Asian financial crisis in 1997-1998, Rand depreciation in 2001, slowdown of the European economy in 2003, and the major global financial and local electricity crises in 2008, all had an influence on the dynamics of the national economy one way or another. Fluctuations in the global and regional economies, as well as the spin-off effects of these trends experienced in the country, also affected the growth prospects of provincial and district municipal economies. The effect of the global and regional economic changes can be seen in the historical trends of the local economy.
- ✓ The global economy, as well as the economy of South Africa, is slowly recovering from the turmoil of the past few years, although it will take a few years before it reaches the level of economic growth that was observed before 2008.
- ✓ The average annual growth rate of the **South African Economy** over this time period (2000 to 2018) amounted to **2.6%** per annum. The average annual growth rate over the last five years **(2013-2018) was lower at 1.2%.**
- ✓ The average annual growth rate of the **Mpumalanga Provincial Economy** over this time period (2000 to 2018) amounted to **1.9%** per annum. The average annual growth rate over the last five years **(2013-2018) was 1.1%.**
- ✓ The average annual growth rate of **the Ehlanzeni DM** over this time period (2000 to 2018) amounted to **2.2%** per annum. The average annual growth rate over the last five years **(2013-2018) was 1.7%.**
- ✓ The average annual growth rate of the **Bushbuckridge LM economy** over this time period (2000 to 2017) amounted to **1.8%** per annum. The average annual growth rate over the last five years **(2013-2018) was 0.6%.**

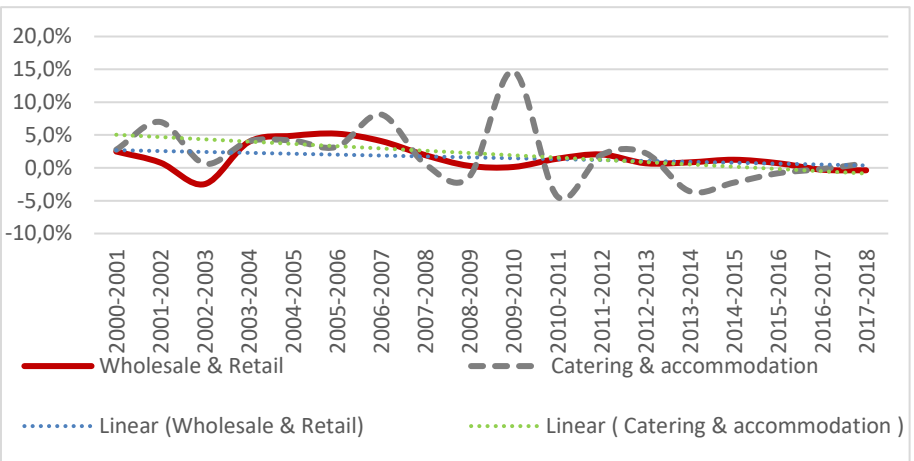
3.4.4 TRADE AREA SECTOR PERFORMANCE

The trade sector comprises establishments engaged in retailing merchandise, generally without transformation, and rendering of services to the sale of merchandise. Trade thus involves the selling or arranging the purchase or sale of goods from resale, and selling durable, semi-durable and non-durable consumer goods. The trade sector is sensitive to business cycle fluctuations, which in turn are extremely sensitive to global economic fluctuations.

The state of this sector is therefore an ultimate and direct reflection of consumer demand. The impact of macro and micro economic forces on the trade sector therefore extends to both supply and demand side dynamics of the product value chain. The trade sector is the all-important interface between producer, wholesaler and consumer.

Figure 3.5 illustrates trade sector growth in the market area since 2000.

Figure 3.5: Trade Sector Growth Performance, 2000 to 2018 (constant 2010 prices)



Source: DEMACON ex Stats SA, 2020

Findings: (Figure 3.5)

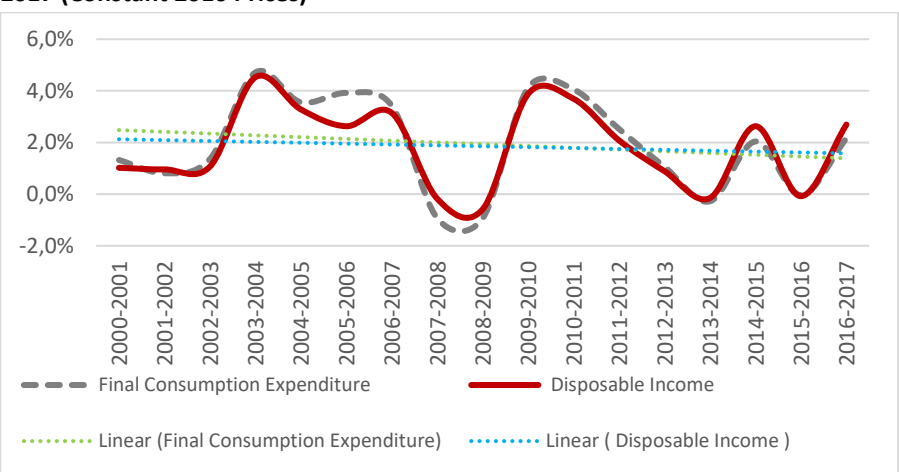
- ✓ The local economy's **wholesale and retail trade sector** reached an average growth rate of approximately **1.5%** over the long-term period (2000 – 2018). The short to medium term (2013 – 2018) recorded an average growth rate of approximately **0.4%.**

- ✓ The **catering and accommodation sector** reached an average growth rate of approximately **2.1%** over the long-term period (2000 – 2018). The short to medium term (2013 – 2018) recorded an average growth rate of approximately -**1.2%.** The catering and accommodation sector experienced significant growth during the 2009 to 2010 period, as a result of the 2010 FIFA Soccer World Cup.

3.4.5 GROWTH ON FINAL CONSUMPTION EXPENDITURE AND DISPOSABLE INCOME

The figures in the subsequent paragraphs illustrate the rate of *growth of final consumption expenditure* (on all goods and services) in relation to *growth in disposable household income*. The graph reveals a high degree of positive correlation between the two variables, which in turn reveals similar up- and downturns to the business cycle as a whole. Figure 3.6 illustrates the rate of growth in final consumption expenditure and disposable income in the **Bushbuckridge Local economy.**

Figure 3.6: Growth in Final Consumption Expenditure & Disposable Income, 2000-2017 (Constant 2010 Prices)



Source: DEMACON ex Stats SA, 2020

Findings: (Figure 3.6)

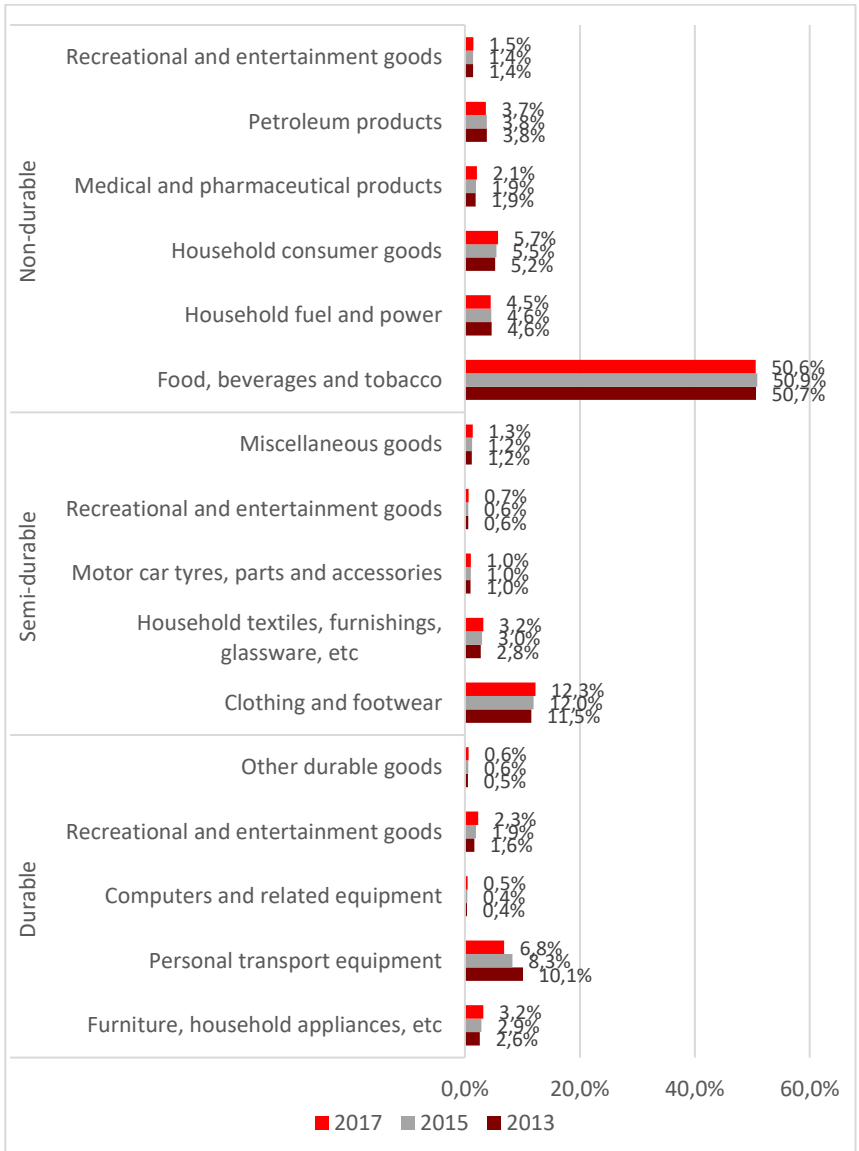
- ✓ The cyclical trend observed in the above figure correlates with the business cycle trend, i.e. a follow through on the 2000 / 2001 weakening of the Rand and subsequent growth to record high levels in 2005, continuing into 2006.
- ✓ **Final consumption expenditure** of Bushbuckridge Local Economy obtained an average annual growth rate of **1.9%** over the long term (2000 – 2018) and **1.0%** over the short term (2013 – 2018).
- ✓ **Disposable income** of Bushbuckridge Local Economy obtained an average annual growth rate of **1.9%** over the long term (2000 – 2018) and **1.2%** over the short term (2013 – 2018).

3.4.6 HOUSEHOLD EXPENDITURE PER CATEGORY

The trade sector is accounted for by a spectrum of consumer types, including private households, other businesses, government and exports. The household sector is by far the largest of these consumer markets, especially in the retail sub-sector. Retail sales refer to the amount of money spent on a variety of consumer goods. This includes for example non-perishable products, footwear, jewellery and hardware. Retail sales serve as an indication of the expenditure in certain categories. Retail sales figures provide an indication of current demand for specific categories of consumer goods, which can be divided into three broad groupings, namely:

1. Durable goods
   Durable goods include goods such as furniture, household appliances and personal transport equipment
2. Semi-durable goods
   Semi-durable goods include products such as footwear, clothing and household textiles
3. Non-durable goods
   Non-durable goods include food, beverages, and tobacco, and household consumer goods, medical and pharmaceutical products

Figure 3.7: Household Expenditure per Category (Constant 2010 Prices)



Source: DEMACON ex Stats SA, 2020

Findings: (Figure 3.7)

- ✓ A general urban South African trend indicates that the increase in expenditure directed towards non-durable goods is increasing year-on-year with a similar rise in consumption expenditure on semi durables including clothes and foot ware. These trends can be ascribed to, inter alia, the high rate of inflation on non-durables (especially meat) and unabated clothing and footwear deflation (mainly fuelled by imports from China). Bear in mind that the above reflects relative values. Under present market conditions, which include low interest rates and inflation, households are prone to spend relatively more on non-durables.
- ✓ The above figure discloses that **food, beverages and tobacco** is the largest sector of the retail categories, accounting for **50.6%** of the total household expenditure. The second largest sector is accounting for **clothing and footwear** accounting for **12.3%** of total household expenditure in 2018 and the third largest sector being **personal transport equipment 6.8%.**

3.5 SYNTHESIS

The local economy has experienced positive **economic growth** over the past few years with an average growth rate of **1.8%** from 2000 to 2018. This is lower than that of the national growth rate of **2.6%** for the corresponding period.

This chapter provided an overview of the economic status of the local economy compared to that of the national, provincial and district economies. The table below summarises the key economic indicators of the **Bushbuckridge Local Economy.**

Table 3.3: Key Economic Indicators of the Local Economy

Variable	Market Characteristics
Size of the local Economy (2018)	✓ The economic sector of Bushbuckridge Local Municipality Economy contributes **14.7%** towards the Ehlanzeni District
Dominant Economic Contributions (2018)	

Variable	Market Characteristics
	✓ National & Provincial Government – **34.2%** ✓ Wholesale trade and retail –**17.1%** ✓ Business Services –**7.8%** ✓ Transport & storage – **7.5%** ✓ Education (Private) – **3.7%**
Economic Growth Performance (Time Period 2000 – 2018)	✓ Growth in the local economy has averaged **1.8%** per annum since 2000 ✓ Since 2013, growth in the local economy has averaged **0.6%** per annum.
Business Sector Performance (Time Period 2000 – 2018)	✓ *Finance & insurance sector* obtained an average growth of **3.8%** over the time period between 2000 and 2018 and **-0.6%** since 2013. ✓ *The business services sector* obtained average growth of **2.6%** since 2000 and experienced a lower growth of **2.1%** since 2013.
Trade Sector Performance (Time Period 2000 – 2018)	✓ *Wholesale & retail trade sector* obtained an average growth of **1.5%** over the time period 2000 – 2018 and **0.4%** since 2013. ✓ *Catering and accommodation* obtained an average growth of **2.1%** since 2000 and experience a decrease to **-1.2%** since 2013
Final Consumption Expenditure & Disposable Income (Time Period 2000 – 2018)	✓ Final consumption expenditure cycle of the study area's local economy achieved economic growth of **1.9%** and disposable income achieved economic growth of **1.0%** over the long term (2000 – 2018). ✓ Over the shorter term (2013 to 2018) final consumption expenditure reached an average annual growth rate of **1.9%** while

Variable	Market Characteristics
	disposable income recorded 1**.2%** over the same period.
Dominant Household Expenditure per Category	✓ Food, beverages and tobacco is the largest sector of the retail categories **(50.6%)** ✓ The second largest sector is clothing and footwear goods **(12.3%)** ✓ The third largest sector is house personal transport equipment **(6.8%)**

Note: the latest local area economic data is only available up to 2017. The local business cycle follows the national cycle closely. In the context of the national recovery – including economic growth and retail sales – local economic growth and growth in disposable income is expected to reveal a similar trend since 2017.

The economic indicators of an area form the basis for current demand for residential and commercial product offering and also serve as drivers for future growth in demand. An improving economy has positive implications for disposable income growth and thus residential purchasing power in the near term.

Market potential is not influenced by economic and demographic trends alone, but also by macro and micro area dynamics. In the context of the above, Chapter Four provides a demographic profile of the study area under consideration.

DEMOGRAPHIC MARKET OVERVIEW

4

4.1 INTRODUCTION

The demand for commercial activities is a derived demand. Hence, the current level and depth, as well as anticipated future growth in demand are a function of the local consumer market profile. The purpose of this chapter is to delineate the trade area and to provide a concise overview of the local consumer market, its income and expenditure patterns.

The profile is outlined in terms of the following headings:

- ✓ Trade Area Delineation and Population Size
- ✓ Age and Gender Profile
- ✓ Highest Level of Education
- ✓ Employment Status
- ✓ Dwelling Types
- ✓ Type of Tenure
- ✓ Average Annual Household Income
- ✓ Living Standard Measurement
- ✓ Synthesis.

The following section provides an overview of the delineation of the market area as well as the population size.

4.2 TRADE AREA DELINEATION AND POPULATION SIZE

The population of any geographical area is the cornerstone of the development process, as it affects the economic growth through the provision of labour and entrepreneurial skills and determines the demand for the production output. Examining population dynamics is essential in gaining an accurate perspective of those who are likely to be affected by any prospective development or investment.

This chapter provides the key socio-economic indicators of the primary market, which was informed by, *inter alia,* the following aspects:

- ✓ Consumer market behaviour and expenditure trends
- ✓ Regional and sub-regional levels of accessibility
- ✓ Geographic barriers
- ✓ General consumer mobility and drive time
- ✓ Area background and market knowledge
- ✓ General SACSC criteria

Map 4.1 and Map 4.2 illustrate the trade area delineation. Table 4.1 indicates the population and household sizing of the primary market area.

Table 4.1: Primary Trade Area Population and Household Dynamics, 2020

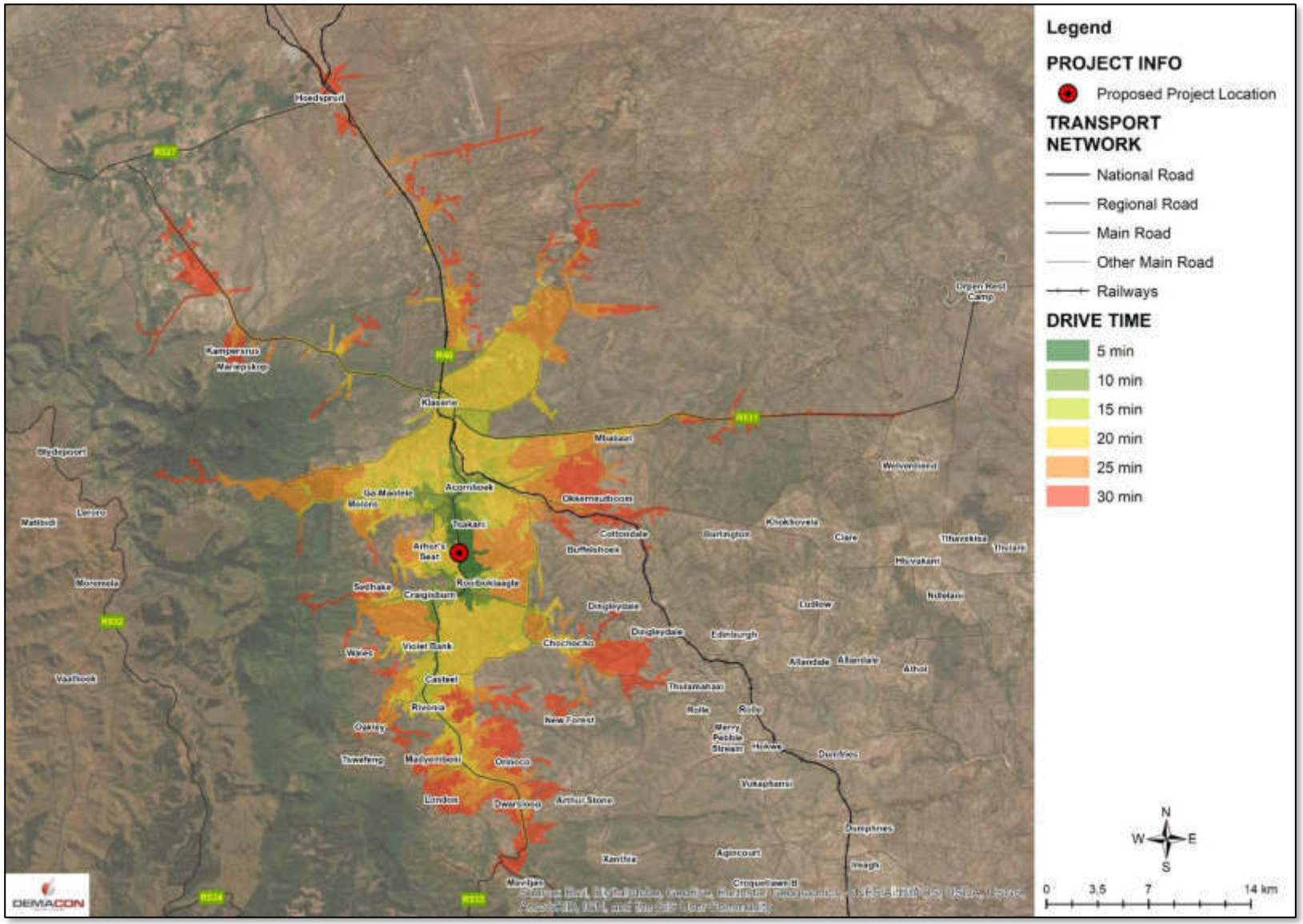
	Total
Number of People	219 053
Number of Households	60 218
Avg. Household Size	3.4

Source: DEMACON ex Stats SA, 2020

From the table it is clear that the proposed Acornhoek shopping centre will serve approximately **219 053 people** (2020) residing in the primary trade area, which translates to approximately **60 218 households** (2020).

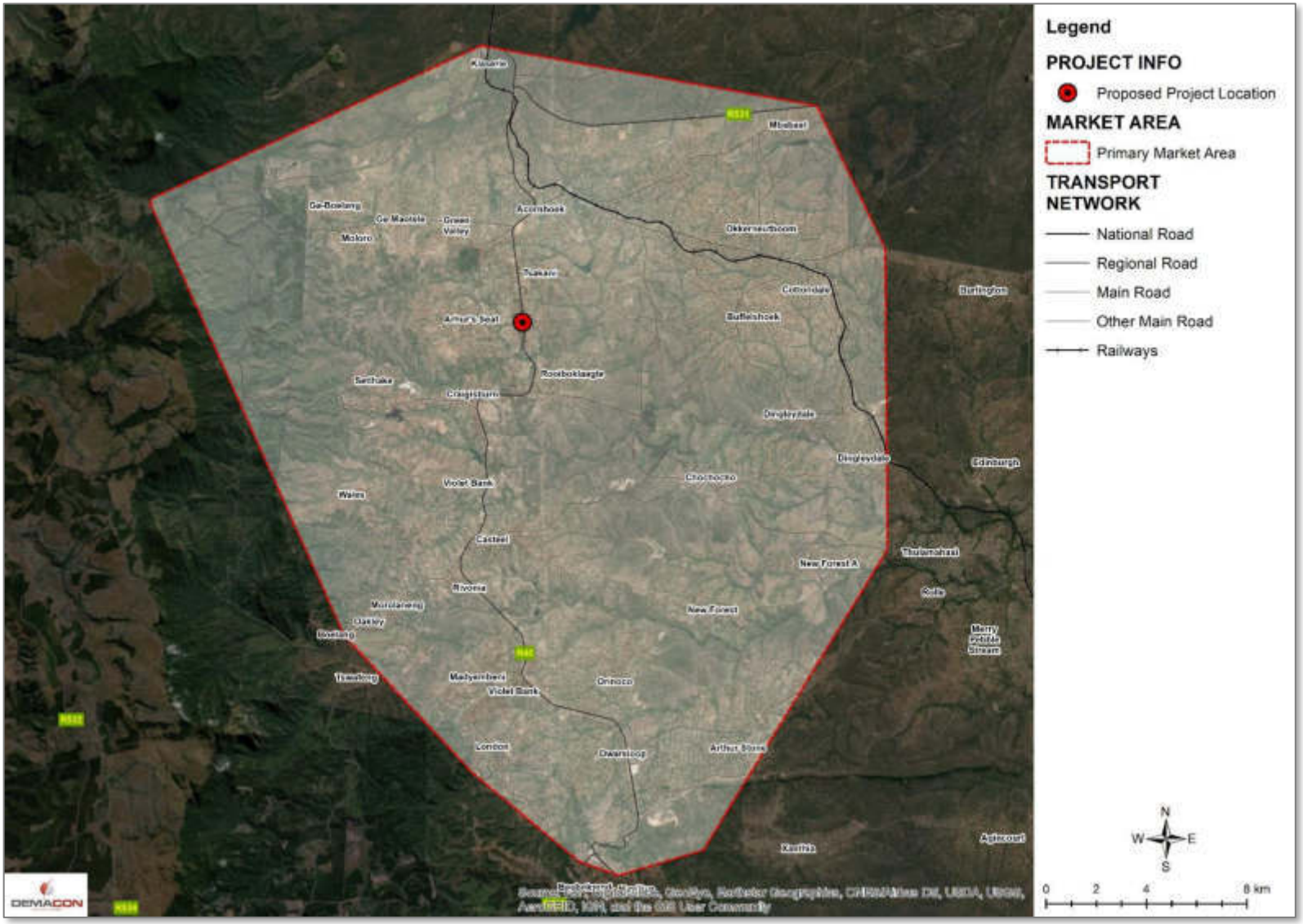
Map 4.3 and Map 4.4 illustrate the proposed retail development's population distribution and population growth

Map 4.1: Acorn City Proposed Retail Development – Drive Times



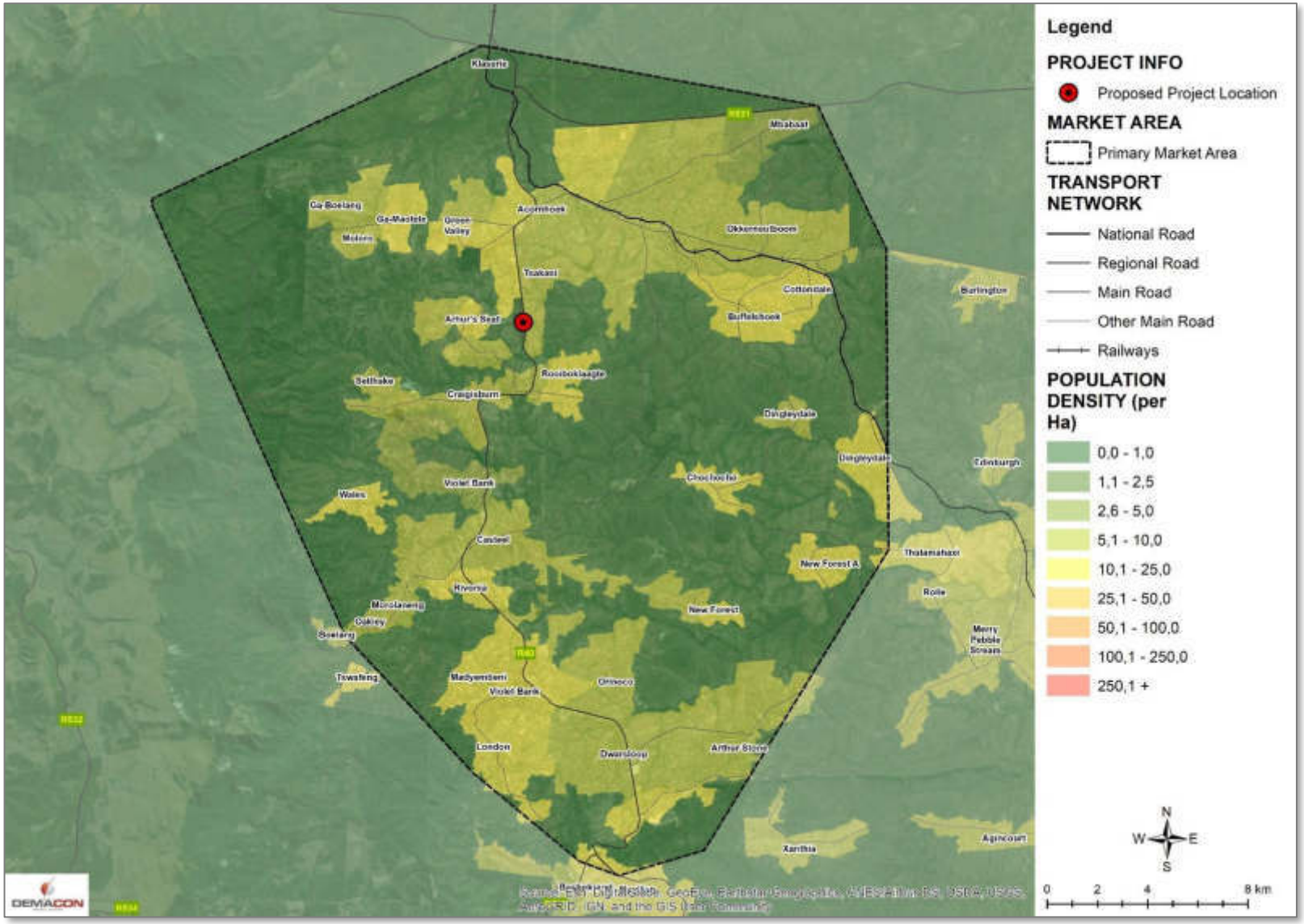
Source: DEMACON, 2020

Map 4.2: Acorn City Retail Development Primary Trade Area Delineation (Approximately 30-minute drive-time)



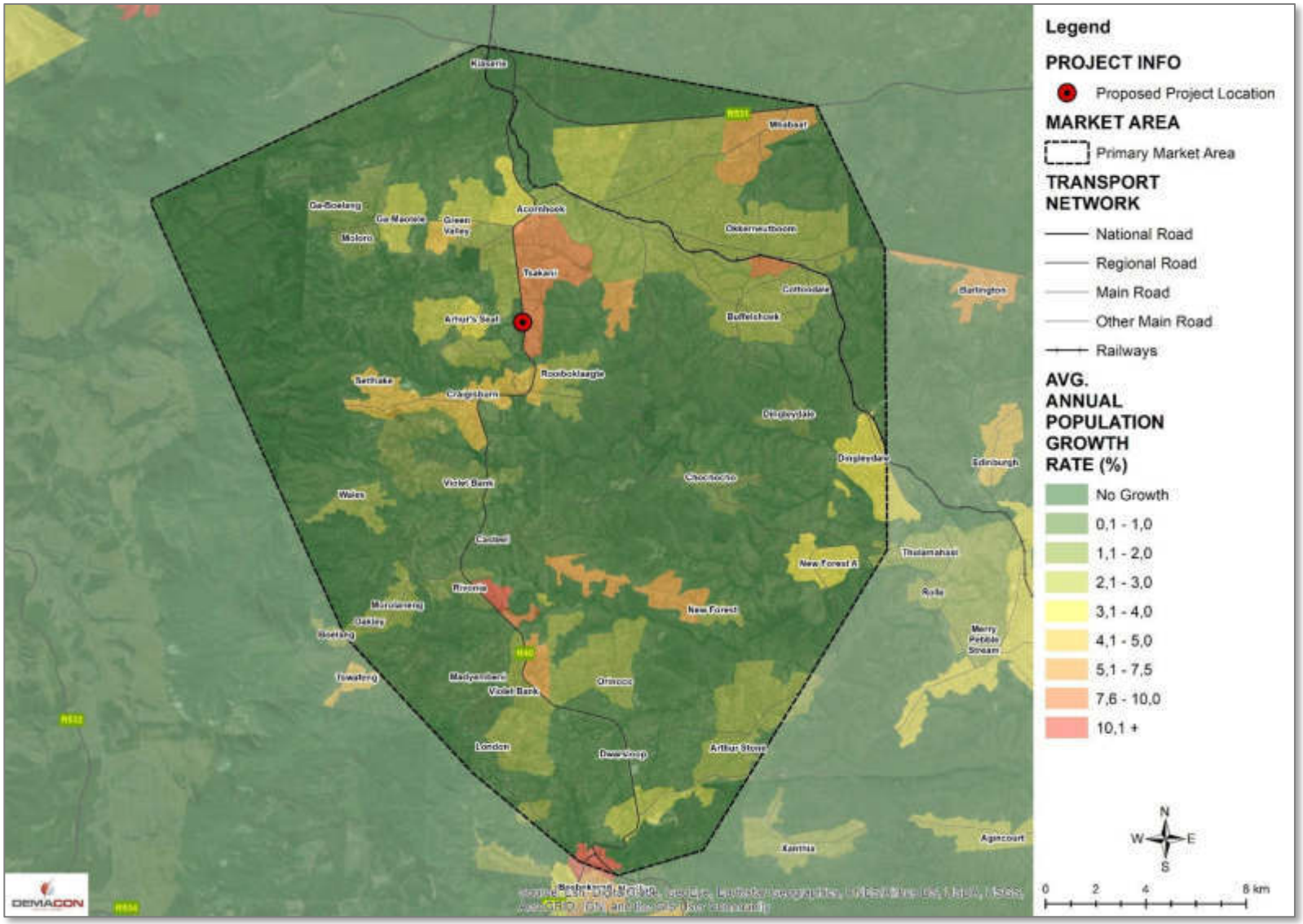
Source: DEMACON, 2020

Map 4.3: Acorn City Proposed Retail Development – Population Density



Source: DEMACON, 2020

Map 4.4: Acorn City Proposed Retail Development – Population Growth

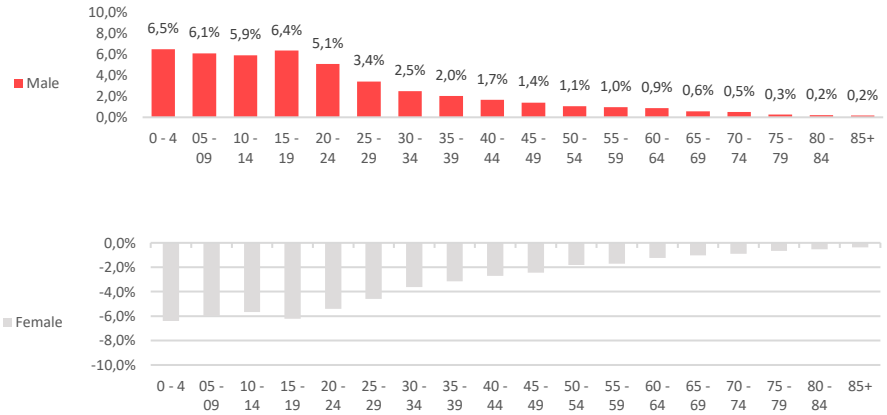


Source: DEMACON, 2020

4.3 AGE PROFILE

The age and gender distribution of a specific area also serves as an important indicator, with reference to consumer demand behaviour and preferences – in particular the dominant age groups. The following figures illustrates the age and gender distribution for the primary trade area.

Figure 4.1: Trade Area Age and Gender Profile, 2020



Source: DEMACON ex Stats SA, 2020

Findings: (Figure 4.1)

- ✓ The trade area is characterised by a predominantly young population. More than half of the population is younger than 24 years old **(59.6%).**
- ✓ The majority of the population in the trade area **(12.9%)** are children aged between 0 and 4 years.
- ✓ The **working age population (15 year to 64 years)** of the trade area amounts to approximately **58.3%.** The female population is characterised by a larger working age population **(25.4%)** in comparison to that of the male population **(32.9%).**
- ✓ The **population aged 65 and older** amounts to approximately **5.2%** of the total population within the trade area.

Development Implications:

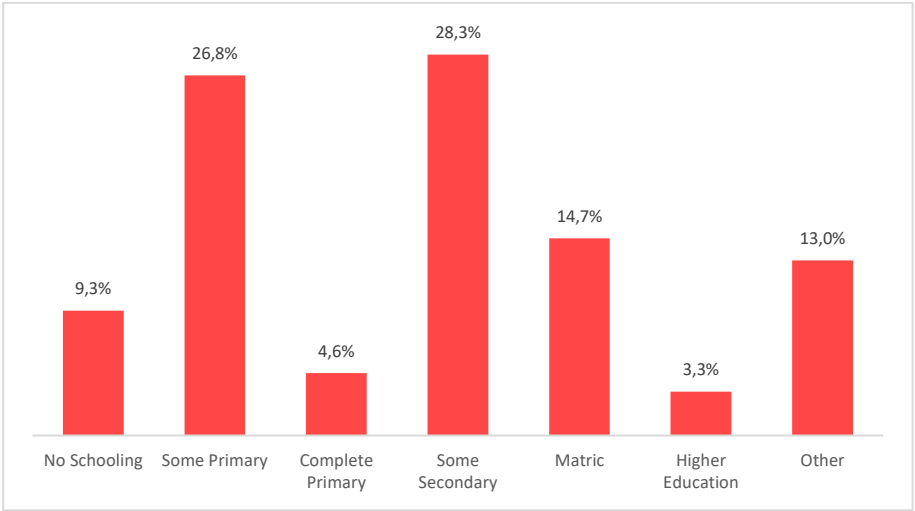
The trade area population is characterised by a young population segment, supported by a large number of people below the age of 30. The mature population has specific mind-sets in terms of demand for products and services. The younger up-coming market, on the other hand, has well defined aspirational values and brand consciousness.

4.4 HIGHEST LEVEL OF EDUCATION

The highest level of education achieved by the population is indicative of the level of human development. The level of education typically informs the employment and income potential of the local population.

Figure 4.2 indicates the highest level of education in the trade area.

Figure 4.2: Highest level of education (Population segment aged 20 years and older), 2020



Source: DEMACON ex Stats SA, 2020

Findings: (Figure 4.2)

- ✓ As seen from the above figure the population in the ***trade area*** falls within the following education levels:
  - Some secondary – ***28.3%***
  - Some primary – ***26.8%***
  - Std 10/Grade 12 – ***14.7%***
  - No schooling – **9.3%**
  - Complete primary – **4.6%**
  - Higher education – ***3.3%***
- ✓ There is **14.7%** of the trade area's population that has completed matric.
- ✓ The number of matriculants in the trade area is lower than that of the national statistics (18.0% of the national population has obtained matric).

Development Implications:

A number of factors contribute to the general property development climate in a specific geographical area. Of the socio-economic factors that provide an initial indication of market potential are levels of education and standards of living. A moderate segment of the adult market population is educated in one way or another and it is anticipated that this will be reflected in the employment and overall living standard profile of the market area.

4.5 EMPLOYMENT STATUS

Employment is the primary means by which individuals who are of working age may earn an income that will enable them to provide for their basic needs. As such, employment and unemployment rates are important indicators of socio-economic well-being. The level of employment also impacts on the disposable income patterns of the market area and is indicative of dependency ratios.

Figure 4.3 shows the labour force segments and employment status within the trade area. It describes the labour force from the official definition perspective, **where the unemployed are those people who:**

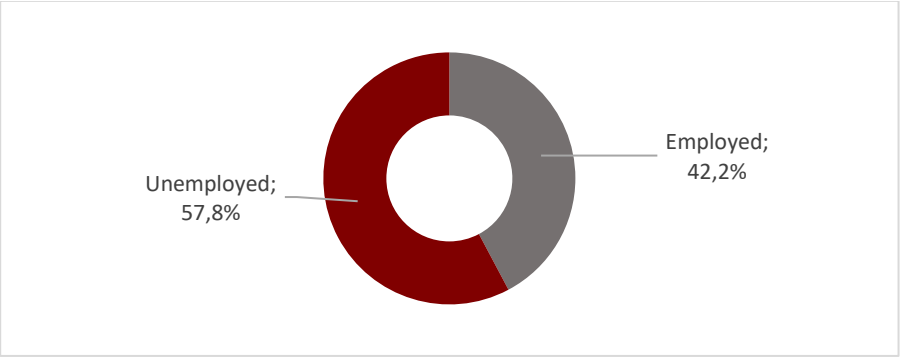
- ✓ Did not work during the seven days prior the interview
- ✓ Want to work and are available to start work within a week of the interview, and
- ✓ Have taken active steps to look for work or to start some form of self-employment in the four weeks prior to the interview

The **working age population** represents the population aged between **15 and 64**. However it does not mean that this entire portion of the population is prepared, willing or able to be employed, i.e. some prefer to stay at home as housekeepers, others are disabled, and some are full-time students. This portion of the population is referred to the **not economically active population**, although they do form part of the potential labour pool, and include:

- ✓ Individuals who choose not to work
- ✓ Retired or pensioners (younger than 64)
- ✓ Home-makers
- ✓ Scholars or students (older than 15)
- ✓ People with an illness or disability
- ✓ Seasonal Workers

The **economically active population** are those people prepared, able and willing to work. Therefore, the economically active population presents both the **employed** (formal and informal) as well as the **unemployed** (defined above) individuals.

Figure 4.3: Study Area Employment Status, 2020



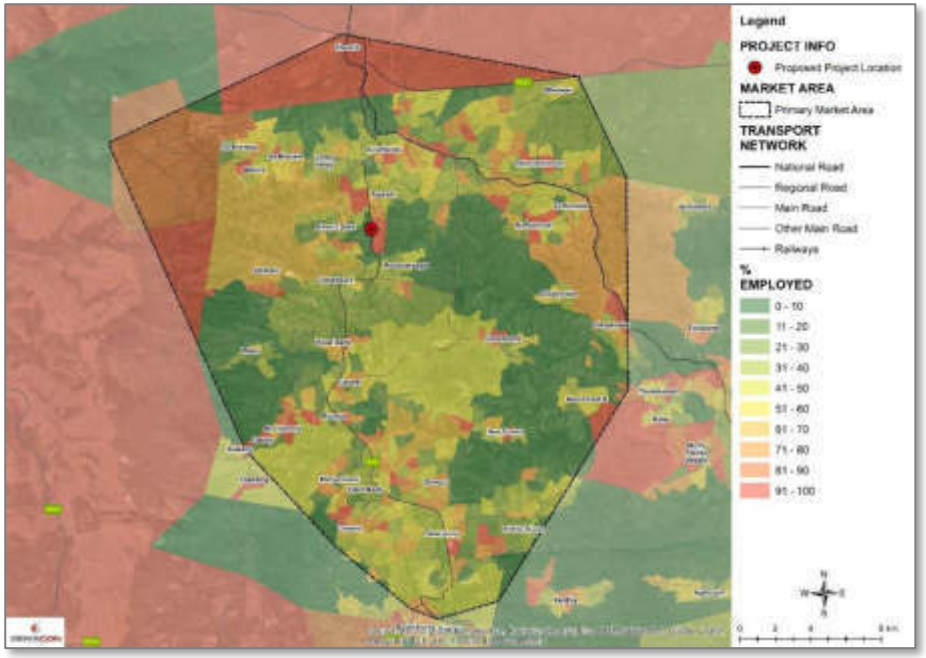
Source: DEMACON ex Stats SA, 2020

Findings: (Figure 4.3)

- ✓ **43.6%** of the population is economically active within the trade area. This means there is just about more than a half of the population that forms as supply of labour.
- ✓ The not economically active population **(56.4%)** represents children, the youth, the elderly and the disabled that are not able to be employed.
- ✓ Of the economically active segment of the population in the trade area, **42.2%** are currently employed, whereas **57.8%** are unemployed.

Map 4.5 geographically illustrates the employment profile of the trade area's population.

Map 4.5: Trade Area Employment Status, 2020



Source: DEMACON, 2020

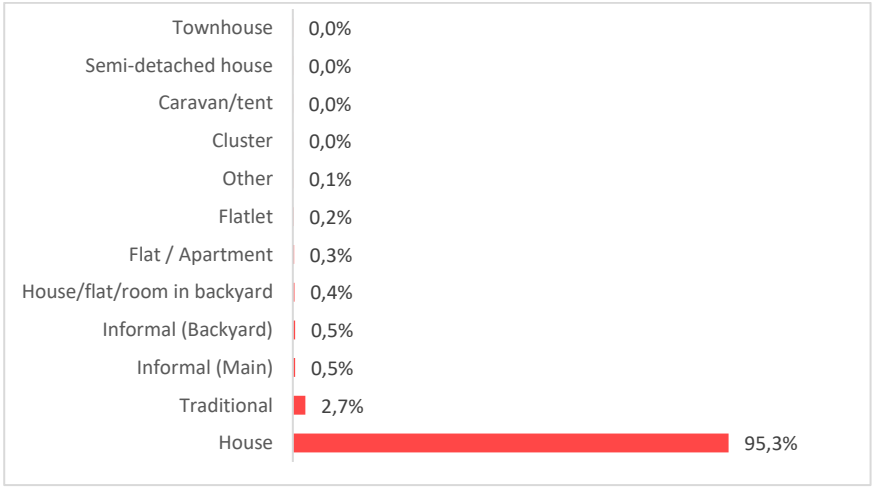
Development Implications:

High unemployment rate, coupled with larger family sizes and a large percentage of people not economically active, are indicative of higher dependency ratios. The trade area has higher unemployment rates than the national and provincial rates and a lower percentage of economically active population. The unemployment rate is indicative of relatively moderate dependency ratios and low to middle income communities.

4.6 DWELLING TYPE

The following figure illustrates the different dwelling types in the trade area.

Figure 4.4: Dwelling Type, 2020



Source: DEMACON ex Stats SA, 2020

Findings: (Figure 4.4)

- ✓ The majority of the population in the trade area is occupying a **house or brick structure** (**95.3%)** followed by **traditional dwelling (2.7%).**

- ✓ The **house or brick structure type (95.3%)** shows that the trade area is developing in terms of housing typology.

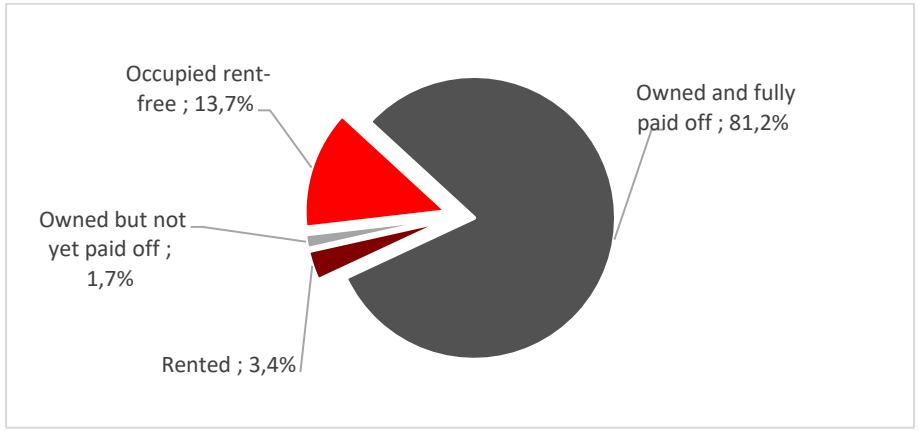
4.7 TENURE STATUS

Figure 4.5 indicates the tenure status of the population in the market area in terms of a residence that is owned and fully paid off, a residence owned but not yet paid off, rented or occupied rent free.

Findings (Figure 4.5):

- ✓ **81.2%** of the property in the trade area is **owned and fully paid off.**
- ✓ **13.7%** of the property in the trade area is **occupied rent-free**
- ✓ **3.4%** of the property in the trade area is **rented out.**
- ✓ **1.7%** of the households in the trade area are **owned but not yet fully paid off**.

Figure 4.5: Type of Tenure, 2020

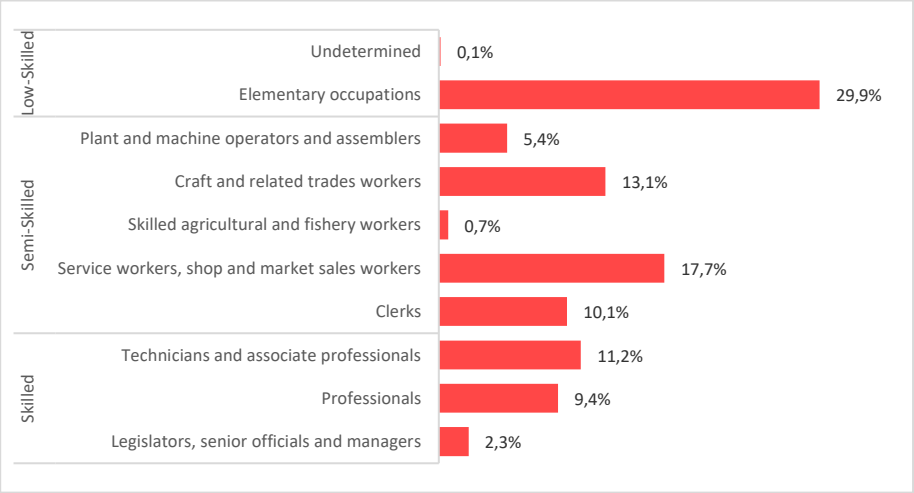


Source: DEMACON ex Stats SA, 2020

4.8 OCCUPATIONAL PROFILE

The occupational profile is an important indicator of the anticipated community income, serving as proxy for the level of community wealth and stability. The presence of white and blue-collar occupations serves as indication of a higher income profile or lower income profile consumer market. Figure 4.6 indicates the occupational profile of the consumer market.

Figure 4.6: Occupational Profile



Source: DEMACON ex Stats SA, 2020

Findings: (Figure 4.6)

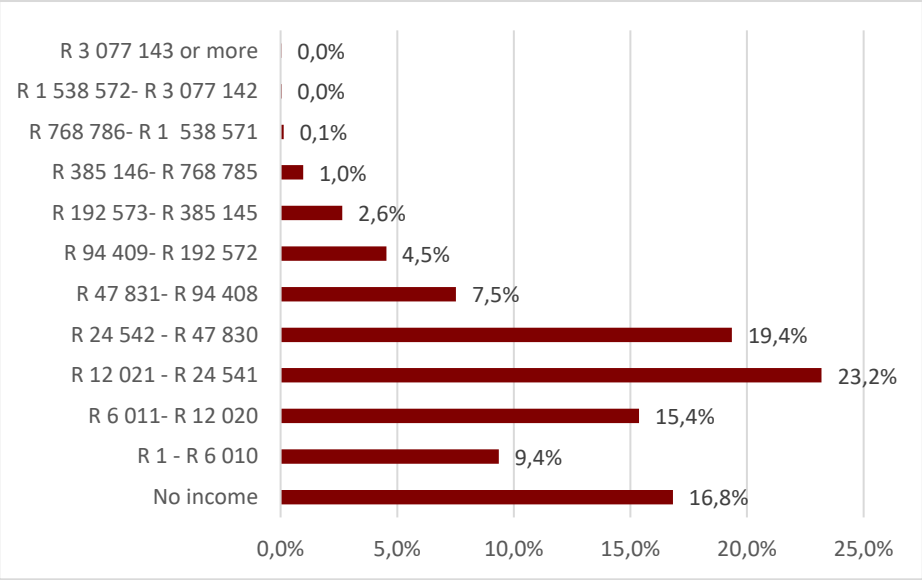
- ✓ The largest proportion of the population is employed in elementary occupations **(29.9%)**
- ✓ The *dominant occupation group is supported by:*
  - Service workers, shop and market sales workers – **17.7%**
  - Craft and related trades workers – **13.1%**
  - Technicians and associate professionals – **11.2%**

4.9 ANNUAL HOUSEHOLD INCOME

Average household income is a direct indicator of consumer demand for a broad spectrum of economic goods and services and the quantity of additional floor space that could be sustained by a given consumer market. Average household income, to an extent, also reflects the living standard of a household, and influences aspects such

as asset ownership. Figure 4.7 illustrates the annual household income profile of the market area.

Figure 4.7: Average annual household income of the Trade Area, 2020

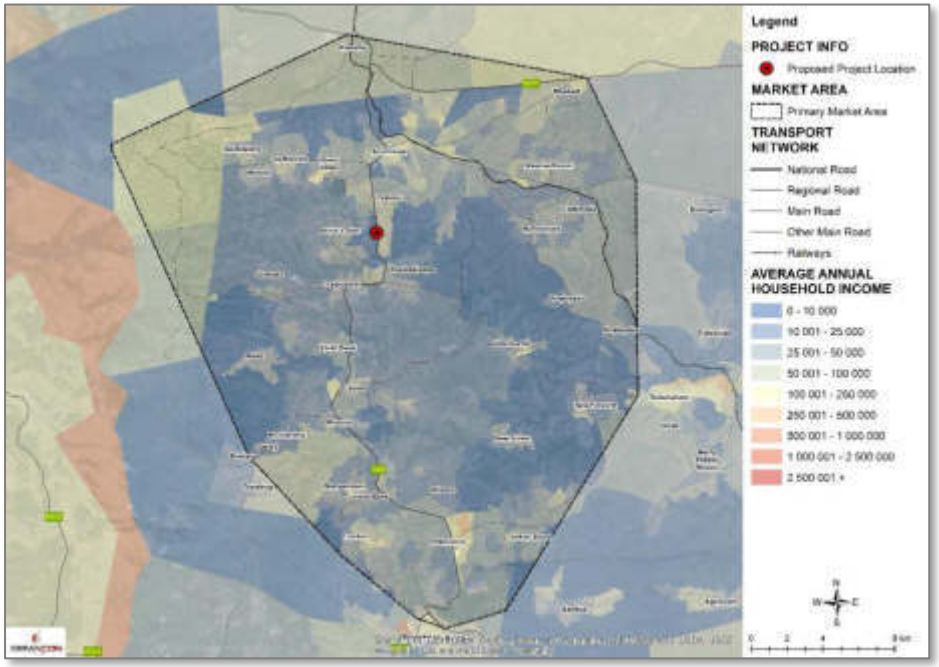


Source: DEMACON ex Stats SA, 2020

Findings: (Figure 4.7

- ✓ Within the primary trade area, **16.8%** of households earn no income.
- ✓ The dominant segment, at **23.2%** earn an income between R12 021 and R 24 541 followed by households that earn an income between R24 542 and R47 830 per annum **(19.4%).**
- ✓ The **weighted average household income** in the market area for 2020 amounts to:
    - **R 42 532 per annum,** which transates into **R 3 544 per month (All LSM groups)**
    - **R 103 899 annum,** which translates into **R 8 658 per month (LSM 4 to 10+)**
- ✓ The income profile of the trade area affirms a consumer market with a predominant demand profile for low- to middle-end residential and commercial products.

Map 4.6: Average Annual Household Income



Source: DEMACON, 2020

Development Implications:

The household income profile indicates that the trade area is located in a predominately middle income *earning* community, which indicates moderate buying power. Overall, these income trends correlate with the findings of the preceding sections and impact directly on the overall living standard measurement of the market.

4.10 LIVING STANDARD MEASUREMENT

The LSM index is an internationally recognised instrument designed to profile a market in terms of a continuum of progressively more developed and sophisticated market segments. The LSM system is based on a set of marketing differentiators, which group consumers according to their standard of living, using criteria such as degree of urbanisation and ownership of assets (predominantly luxury goods). Essentially, the LSM system is a wealth measure based on standard of living, rather than income alone. The market segmentation continuum is divided into ten LSM segments, where LSM 1 signifies the lowest living standard and LSM 10+ signifies the highest living standard. The LSM categories are defined and weighted in terms of the 29 variables (refer to Section 4.10.1). It is important to note that the LSM system is widely applied internationally for marketing and branding purposes, and that it is therefore not an instrument developed locally to label or stereotype certain market segments.

Figure 4.8 summarise the current status of the consumer market in terms of the LSM index. Essentially, the LSM index summarises the net result of market indicators discussed in preceding paragraphs..

Figure 4.8: Trade Area LSM Profile, 2020

Source: DEMACON calculations ex Stats SA, 2020

Note: The LSM profile presents the income defined segment of the market i.e. excluding households within the undetermined income category.

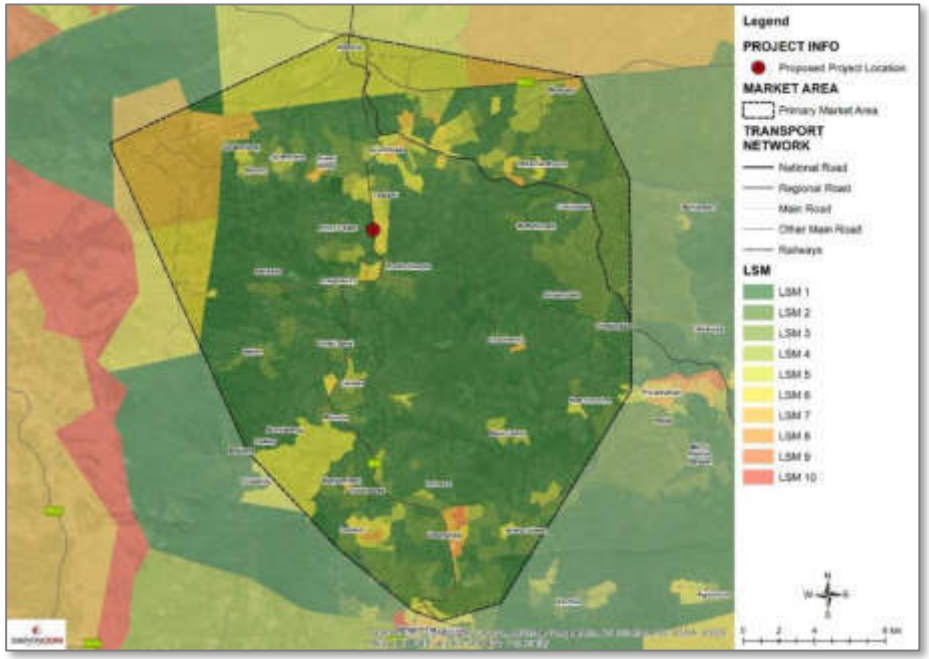
The objective is to assess whether *minimum demand thresholds* can be met by households within the study area sustaining the market potential, taking due cognizance of demand potential and effective competitive supply of commercial activities

Findings: (Figure 4.8)

- ✓ ***77.8%*** of the population within the trade area falls within the **LSM 1 – 3 category.**
- ✓ **22.2%** of the population within the trade area falls within the **LSM 4 –10+ category.**

The map below indicates the geographical distribution of LSM categories within the trade area. From the map, it is clear that the areas surrounding areas have a relatively higher LSM category than the overall trade area's LSM (Refer to Map 4.7).

Map 4.7: Trade Area LSM distribution



Source: DEMACON, 2020

4.10.1 LSM TO SEM

The discontinuation of the All Media Products Survey (by the South African Audience Research Foundation (SAARF)), on which the Living Standard Measure (LSM) classifications were based, gave way to a new measurement system called The Socio-Economic Measure model (SEM). The newly released SEM model is a more accurate reflection of South African society in terms of how people live and is not dependent solely on durables, as the historical LSMs have been. The new SEM offers marketers a statistical and technical solution that depicts how our citizens are living, not only what they have in their homes.

LSM

LATEST VARIABLES:

- Hot running water
- Fridge/freezer
- Flush toilet in house/on plot
- VCR in household
- Vacuum cleaner/floor polisher
- Have a washing machine
- Have a computer at home
- Have an electric stove
- Have TV set(s)
- Have a tumble dryer
- Have a Telkom telephone
- Hi-Fi or music centre
- Built-in kitchen sink
- Home security service
- Have a deep freeze
- Water in home/on stand
- Have M-Net and/or DSTV
- Have a dishwasher
- Metropolitan dweller
- Have a sewing machine
- DVD player
- House/cluster/townhouse
- 1/more motor vehicles
- No domestic worker
- No cellphone in household
- 1 cellphone in household
- None or only one radio
- Living in a non-urban area

LIMITATIONS OF LSM:

- LSM is not related to any specific brand or category
- LSM cannot accurately determine spending power
- Consumers have changed, LSM hasn't

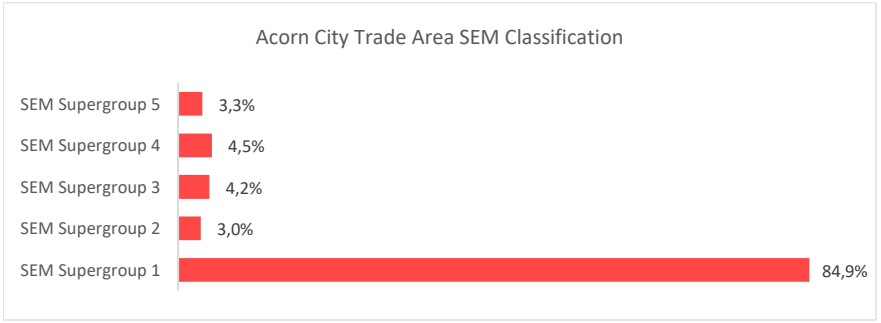
VS

SEM

FINAL VARIABLES:

- Post office nearby
- Police office nearby
- Built-in kitchen sink
- Home security service
- Motor car
- Deep freezer which is free standing
- Microwave oven
- Floor polisher or vacuum cleaner
- Washing machine
- Floor material
- Water source
- Type of toilet
- Roof material
- Number of sleeping rooms

- Focus on structural items
- Low reliance on durables
- No reliance on technology items
- Short and easy to use



4.11 CONSUMER SEGMENTS

Changes have been taking place within shopping centres, largely due to changes in their market segment's lifestyles. Increased emphasis is being placed on the creation of spaces and atmospheres within malls where people feel comfortable and are encouraged to linger longer. Focus is turned towards the experience and convenience of centres, offering consumers the opportunity to relax and interact with friends and family.

➢ Defining the Consumer Generations

Silent Generation - aged 65 years +. Shaped by major influences including the Great Depression and two world wars. Not surprisingly, this cohort values savings, morals and ethics, and tends to be very patriotic. Family togetherness and conformity are also very important attributes for them.

Baby Boomers - Born immediately after World War II, now aged between 50 and 64 years. Influenced in their upbringing by strong economic growth and generally full employment, they are generally considered to be adaptive and flexible. Baby Boomers are regarded as having defined themselves largely by their careers, with a high proportion considered to be workaholics. They are increasingly moving into the retirement phase of their life, but many plan to continue working.

Generation X - Aged between 35 and 49 years. A bridging generation, which joined the workforce generally during periods of economic prosperity (the mid to late 1980s onwards). Generation Xs are highly educated but more questioning of convention than the Baby Boomers. They are also generally more interested in balancing family, life and work, and much less inclined to sacrifice time, energy and relationships for career advancement like the Baby Boomers did.

Millennials - Aged 21 to 34 years. The majority of this generation has never known a world without mobile phones, laptops and cable television. This cohort is the one that tends to cop most criticism at the moment, with labels such as 'used to instant everything', 'believe they can separate effort from reward', 'do not live to work but work to live'. This segment is the most formally educated and most sophisticated of all the generations before it. Detailed research has shown that they are looking for brands that resonate with their peers. They are very image driven and so value, for example, electronic toys, piercings and tattoos. Other research shows that they pay less attention to quality than other generations.

Generation Z – Aged 15 to 20 years. The labels being attached to this generation include 'realistic', 'highly connected' and 'digital natives'. Generation Z s are seen to be wary with their money, having seen their parents lose jobs and their older siblings move back home because housing is so expensive. Via expert use of social media and the internet, they have already become demanding purchasers. They research diligently, are marketing savvy and are much less likely to make impulse purchases. They will find the best deals and will expect to test out products physically or virtually before they commit to buy. Generation Z will, apparently, want brands to show their long-term value.

➢ Consumer Market Segments to Consider

The following diagram reflects the dominant consumer market segments present within the primary trade area. Each of these market segments share similar characteristics and aspirational values. The important market segments to consider with regards to the target market include:

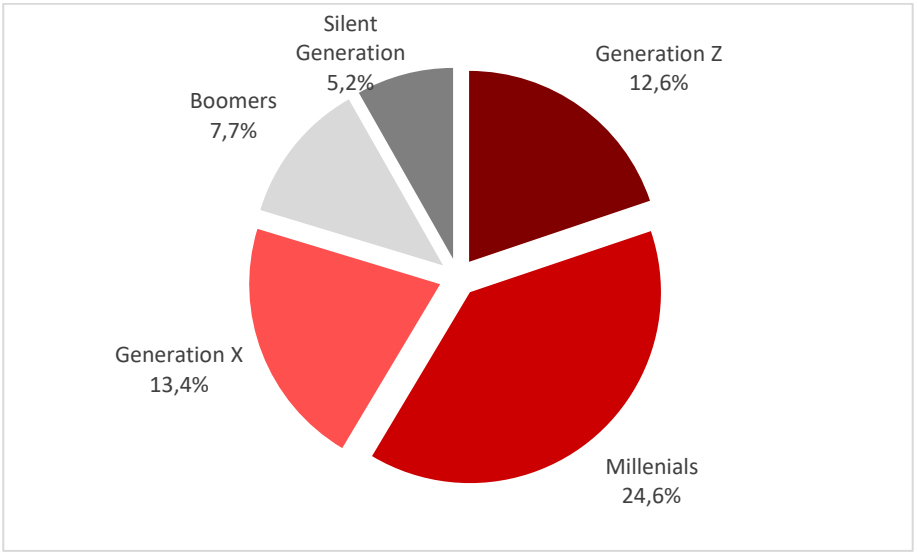
1 Millennials
2 Generation Z
3 Generation X

➢ Defining Market Segments & Relation to Retail Environment:

Millennials: Aged 21 to 34 years of age. They represent young people with more choice over what they spend their money on. They crave intuitive experiences and unique entertainment. Their focus is on convenience and price and they reflect lower levels of brand loyalty. They shop for bargains (take part in promotions) and seek inspiration (buy on impulse). They are less purpose driven than the older consumer segments and make use of the entertainment options to spend time with friends.

Main purposes for visits to a mall include shopping for clothes, shoes and accessories, followed by groceries and household goods. They also visit restaurants, cafés, spend leisure time and make use of services and entertainment offerings. They prefer not to shop alone. It is anticipated that they will want the following within shopping centres in future: a variety of smaller niche shops in authentic places where they can eat a variety of foods, drink coffee and hang out with their gadgets, friends and colleagues. This consumer segment is mobile and experience-driven.

Figure 4.9: Dominant Consumer Segments

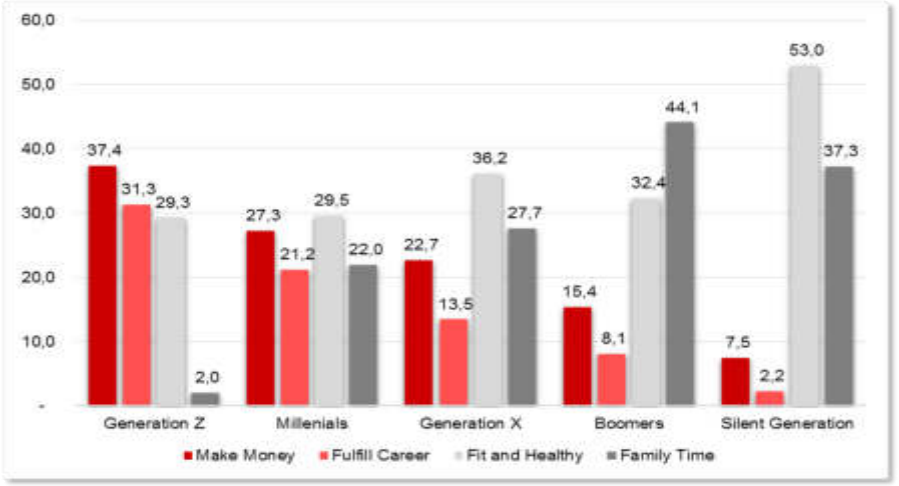


Source: DEMACON, 2020

Generation Z: The fact that many retailers are still grappling with how to attract millennial shoppers doesn't bode well for their success with post-millennials. Understanding Gen Zers' social and shopping behaviours is key to capturing this new wave of shoppers. Gen Z's allegiance to digital and video communication and predilection for intimate experiences is a challenge for traditional retailers — department stores in particular. This segment looks to video, especially YouTube, not only for inspiration but as a means of purchasing goods. In response, stores need to more fully integrate videos into stores, mobile apps, and other points of contact with customers, including the point of sale. Some department stores have already begun offering shoppable videos, recognizing that the next generation of consumers may prefer to skip the in-store experience altogether.

Generation X: Aged 35 to 49 years of age. Reflect slightly older more predictable and richer consumer segments. This market segment is relatively fixed, brand loyal and asset-holding. Consumers most often shop for grocery and household goods, followed by clothing, shoes and accessories. They try shopping with family members. They tend to perceive shopping as an obligation and necessity. They do support food courts, cafés and delis while shopping.

Figure 4.10: Main Aspirations of Consumer Segments



Source: DEMACON, Ex. Nielsen, 2020

The three key consumer market segments reflect the following main aspirations:

Millennials:

- ✓ Highest aspiration is to be fit and healthy
- ✓ Second aspiration is to make money
- ✓ Third aspiration is to make time for their families.

Generation Z:

- ✓ Highest aspiration is to make money

- ✓ Second aspiration is to fulfil career
- ✓ Third aspiration is to be fit and healthy.

Generation X:

- ✓ Highest aspiration is to be fit and healthy
- ✓ Second aspiration is to make time for their families
- ✓ Thirdly is to make money (with emphasis on the provision for retirement).

All of these market segments places emphasis on being **fit and healthy, and two of the segments emphasise spending time with their families**. Centres providing for facilities where they can fulfil these aspirations will attract the largest share of these segments.

These market segments also reflect lower risks pertaining to over-indebtedness, and much lower impacts to be induced by interest rate hikes. Generation Z, Millennials and Generation X represent higher spenders compared to the other categories. A strong focus for these segments is towards quality of products and services. They also reflect higher frequencies of restaurant and fast food visitations. That said, the ***buying power of the trade area should also be kept in mind***, in terms of the ***product offering / tenant mix of the proposed retail development***. From the above demographic profile analysis, it is evident that the trade area is defined by a predominantly low to middle income profile, which indicates ***low to moderate buying power***.

4.12 SYNTHESIS

60 218 households (2020)
3.6 persons per household

219 053 persons (2020)

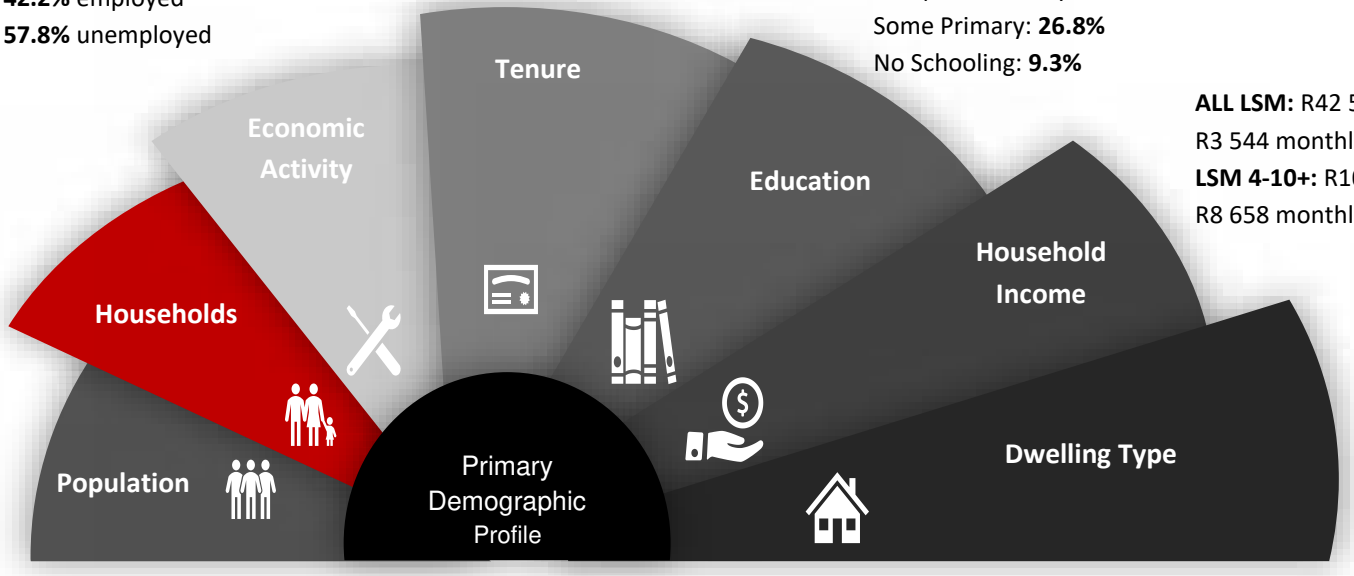
43.6% economically active population
42.2% employed
57.8% unemployed

Ownership (paid): **81.2%**
Occupied rent free: **13.7%**
Rented: **3.4%**
Ownership (not paid): **1.7%**

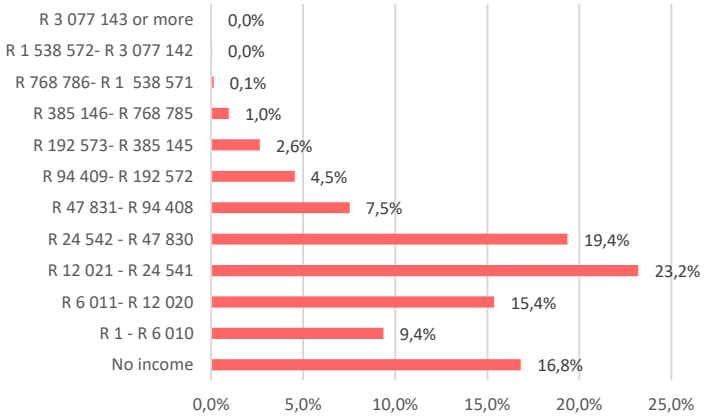
Higher education: **3.3%**
Grade 12: **14.7%**
Some Secondary: **28.3%**
Complete Primary: **4.6%**
Some Primary: **26.8%**
No Schooling: **9.3%**

ALL LSM: R42 532 annually, R3 544 monthly
LSM 4-10+: R103 899 annually, R8 658 monthly

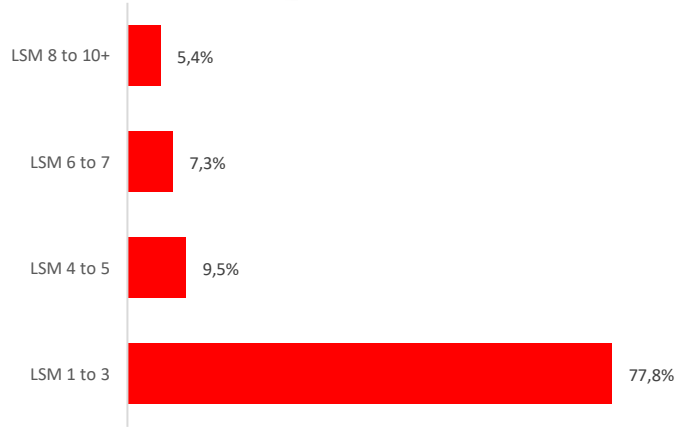
House or brick structure: **95.3%**
Traditional dwelling: **2.7%**



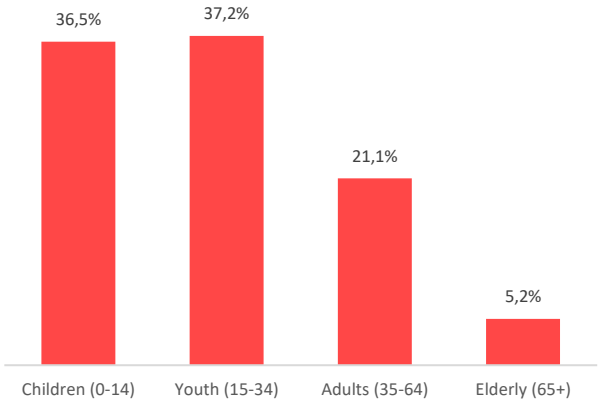
AVERAGE ANNUAL HOUSEHOLD INCOME (2020)



LSM PROFILE



AGE PROFILE



CONSUMER SURVEYS 5

5.1 INTRODUCTION

Subsequent paragraphs provide survey results to assess the potential support for a new mixed-use development located in **Acornhoek, Gauteng Province**. Random sample perception surveys were performed in the surrounding area, which represents a large captive market for potential buyers.

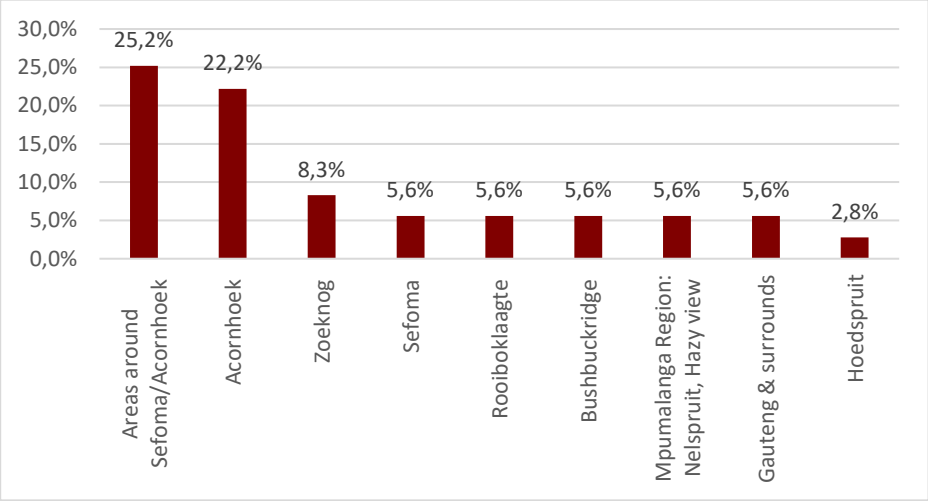
Subsequent paragraphs highlight the findings of the surveys and will be addressed under the following headings

1. Socio-Economic Information
2. Retail Support & Preferences
3. Residential Support & Preferences
4. Perceived Demand for Ancillary Uses
5. Income Profile
6. Synthesis

5.2 SOCIO ECONOMIC INFORMATION

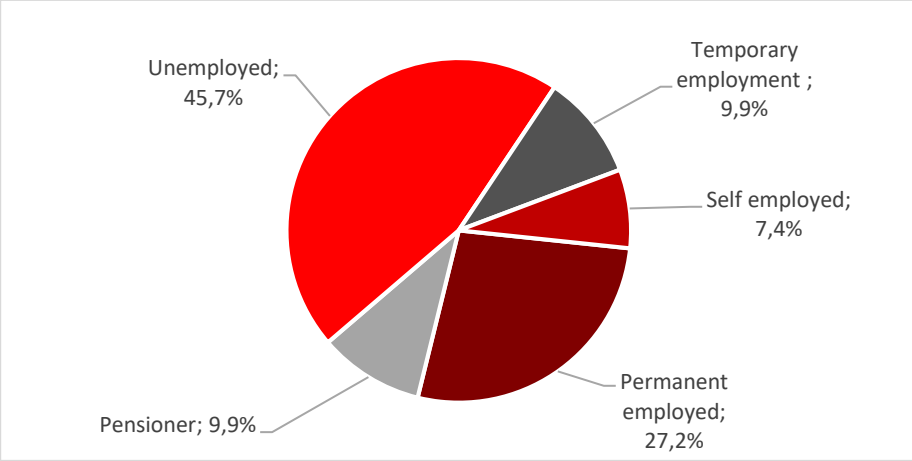
Subsequent paragraphs highlight information regarding suburb / area the respondent work in, how many members in household, breadwinners, current employment status, home language, and a description of their household.

Figure 5.1: In which suburb are you employed



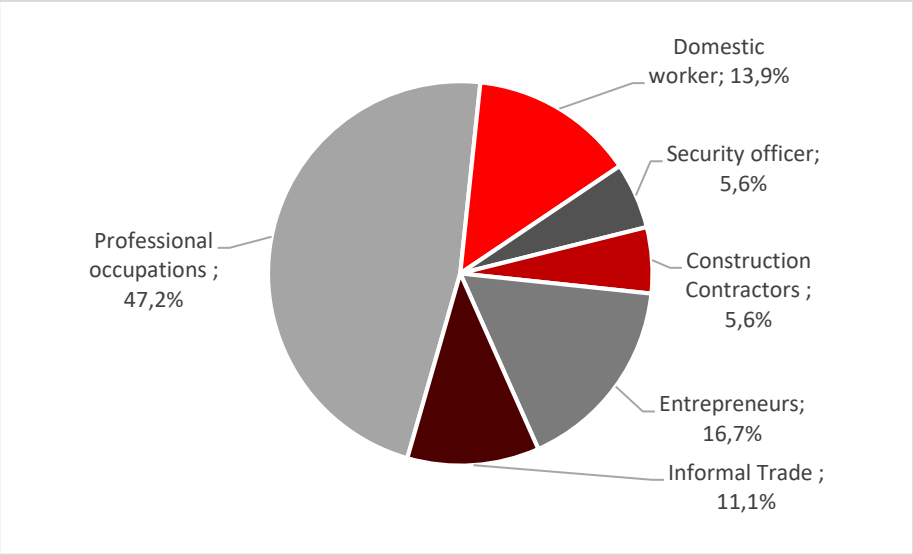
Source: Demacon, Household Survey, 2020

Figure 5.2: Indicate your current employment status



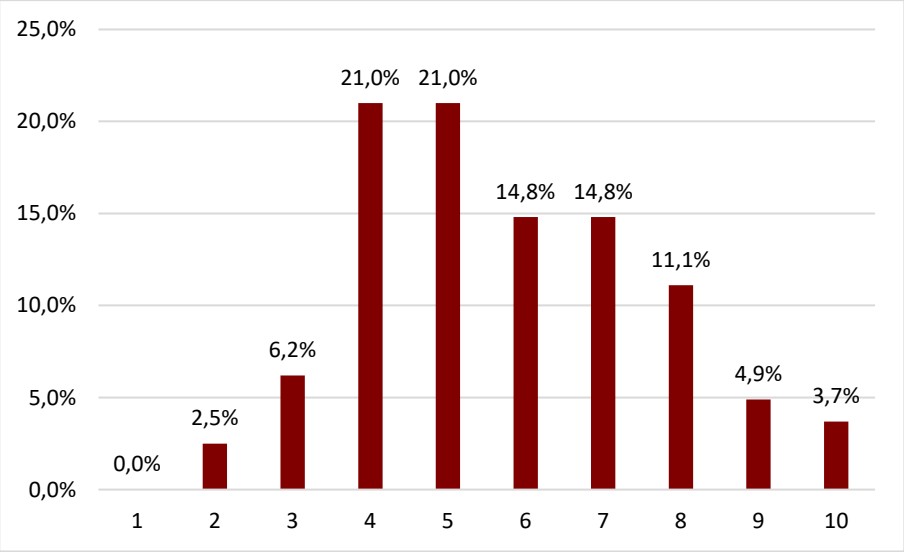
Source: Demacon, Household Survey, 2020

Figure 5.3: Please indicate your occupation



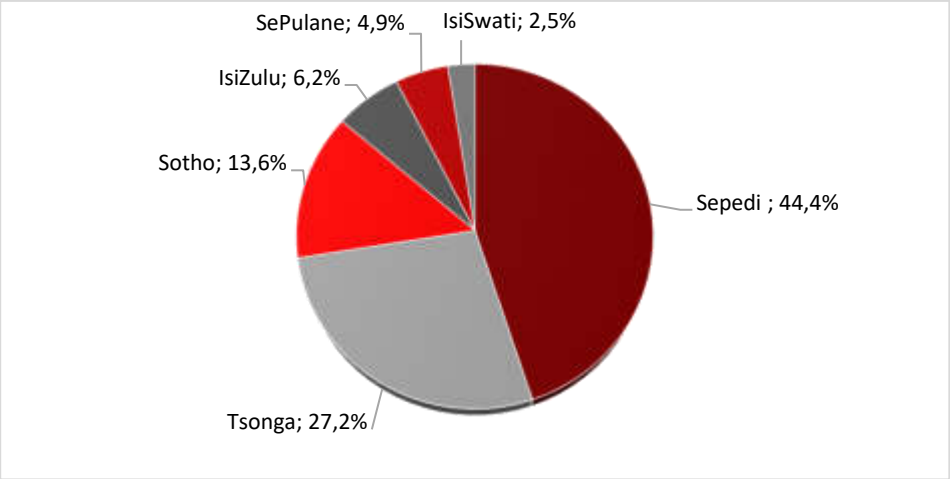
Source: Demacon, Household Survey, 2020

Figure 5.4: How many members do you have in your household *



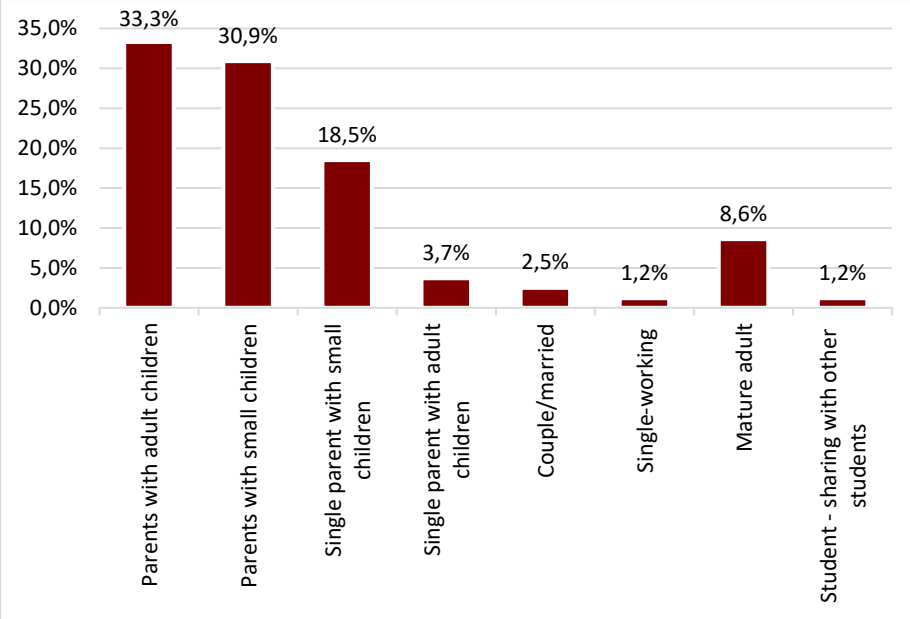
Source: Demacon, Household Survey, 2020

Figure 5.5: Home Language



Source: Demacon, Household Survey, 2020

Figure 5.6: Describe your household



Source: Demacon, Household Survey, 2020

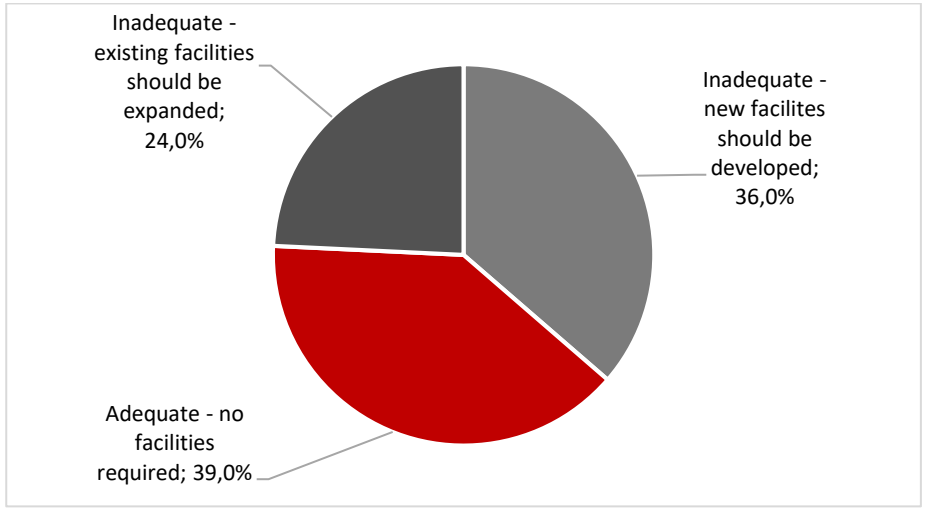
Findings: (Figure 5.1 to Figure 5.6)

- ✓ 27.8% of the respondents are permanently employed and working in Acornhoek, areas around Sefoma/Acornhoek areas (25.2%) and Dwarsloop / Zoeknog (8.3%) respectively.
- ✓ The majority of respondents indicated their **household size** is 5 and 6 members in the household (21% respectively), followed as by 6 & 7 members (14.8 %).
- ✓ 44.4% indicated their **home language** is Sepedi, 27.2% Tsonga, 13.6% Sesotho and 6.2% IsiZulu.
- ✓ **Occupation profile** – 47.2% of the respondents is occupied in professional occupations, 16.7% and entrepreneurs 13.9% is domestic workers.
- ✓ The majority of respondents **described their household** as:
  - Parents with adult children (33.3%)
  - Parents with small children (30.9%)
  - Single parent with small children (18.5%)

5.3 RETAIL SUPPORT & PREFERENCES

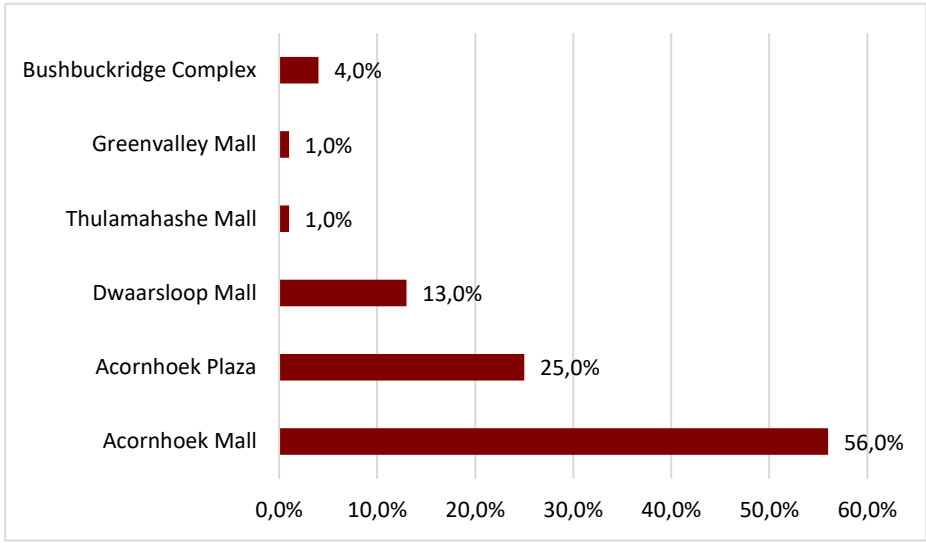
CURRENT RETAIL EXPENDITURE AND LEAKAGES

Figure 5.7: What would best describe your retail offering



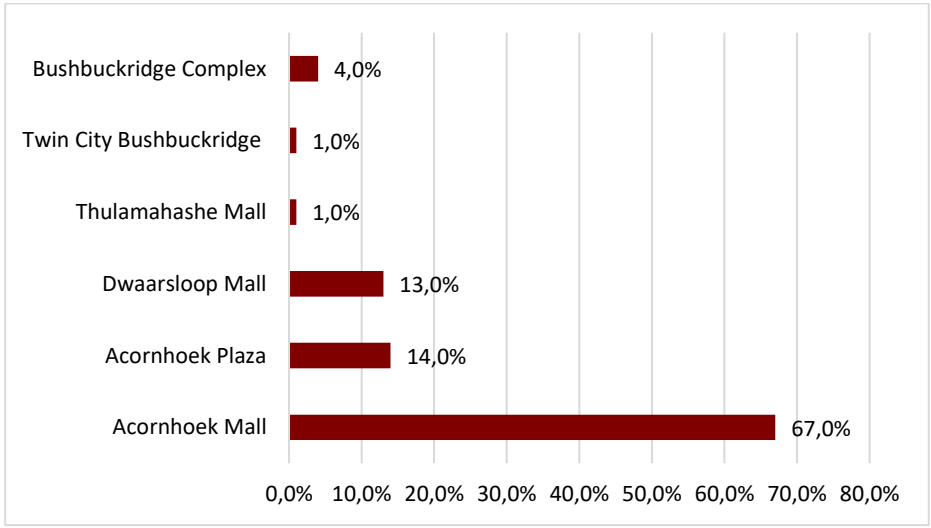
Source: Demacon Household Survey, 2020

Figure 5.8: Please indicate your preferred shopping centre for day-to-day and top up grocery purchases



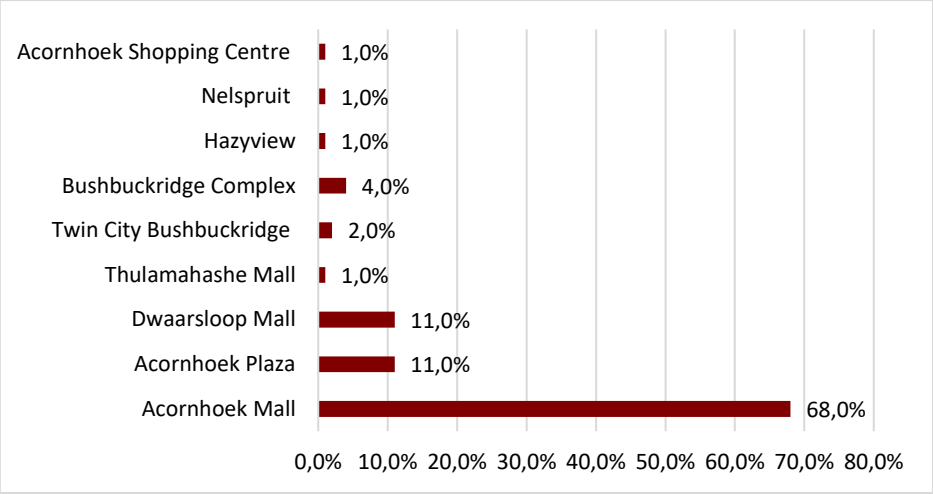
Source: Demacon Household Survey, 2020

Figure 5.9: Preferred shopping centre for MONTHLY grocery purchases?



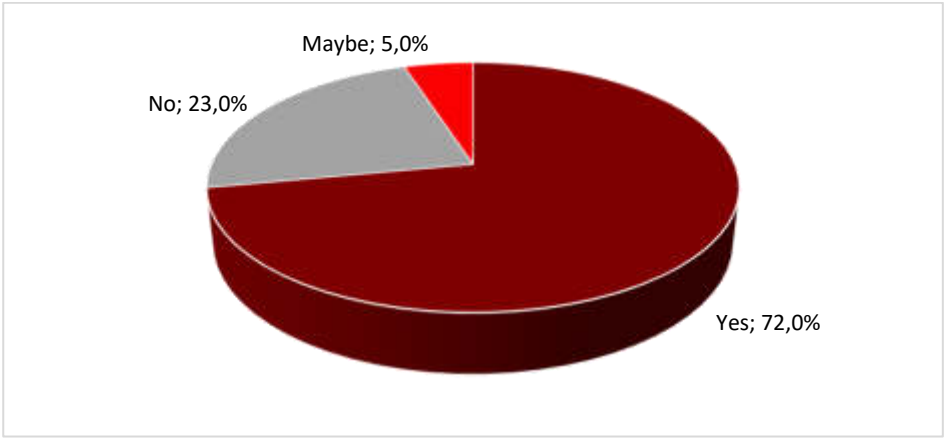
Source: Demacon Household Survey, 2020

Figure 5.10: Preferred shopping centre for clothing and other purchases



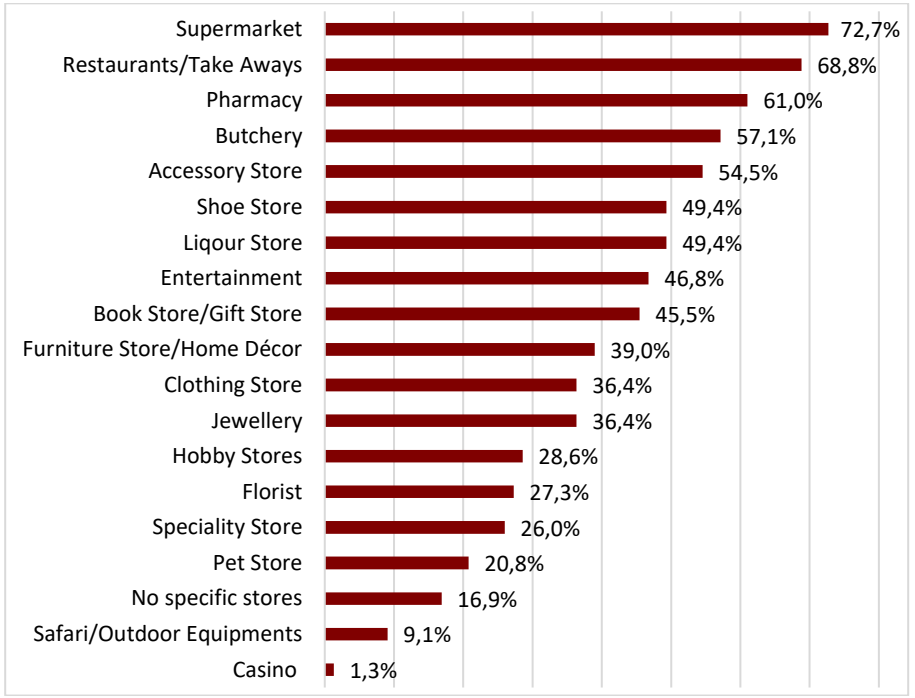
Source: Demacon Household Survey, 2020

Figure 5.11: Would you shop at a new shopping centre if it were built as part of a larger mixed-use precinct?



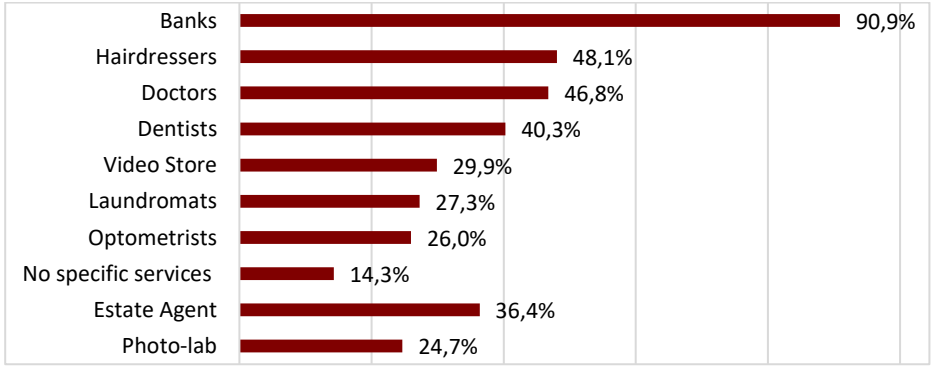
Source: Demacon Household Survey, 2020

Figure 5.12: If YES, what type of SHOPS do you feel are in demand in a new shopping centre?



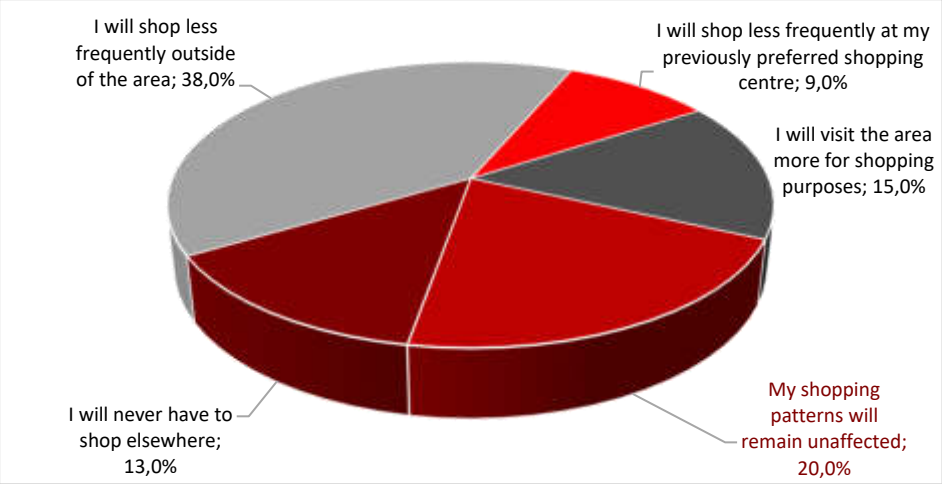
Source: Demacon Household Survey, 2020

Figure 5.13: If YES, what type of SERVICES do you feel are in demand in a new shopping centre?



Source: Demacon Household Survey, 2020

Figure 5.14: How would a new retail centre development in the area affect your current shopping behaviour?



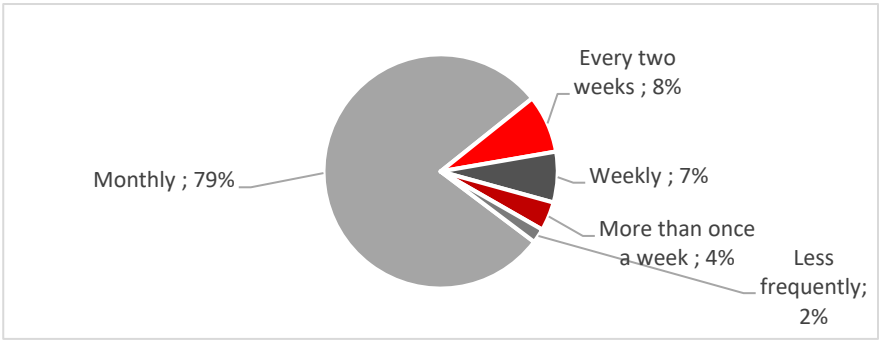
Source: Demacon Household Survey, 2020

Findings (Figure 5.7 to Figure 5.14):

- ✓ The respondents indicated the following regarding the current **retail offering** in the area:
  - Adequate, no new facilities required – 39.0%.
  - Inadequate, new facilities should be built – 36.0%
  - Inadequate existing facilities should be expanded – 24.0%
- ✓ The **preferred shopping centre** for purchasing **TOP-UP groceries** include
  - Acornhoek Mall – 56.0%
  - Acornhoek Plaza– 25%
  - Dwarsloop Mall – 13%
- ✓ The **preferred shopping centre** for purchasing **MONTHLY groceries** include
  - Acornhoek Mall – 67.0%
  - Acornhoek Plaza–14%
  - Dwarsloop Mall – 13%
- ✓ Please indicate your preferred shopping centre for **CLOTHING AND OTHER PURCHASES?**
  - Acornhoek Mall – 68.0%
  - Acornhoek Plaza–11%
  - Dwarsloop Mall – 11%
- ✓ 72% of the respondents indicated that they **would shop at the new shopping centre** if it were built as part of the mixed-use precinct.
- ✓ **Type of shops** the respondents feel there is a demand for includes:
  - Supermarket/Grocery store – 72.7%
  - Restaurant – 68.8%
  - Pharmacy – 61.0%
  - Butchery – 57.1%
  - Accessory store – 54.5%
  - Shoe Store – 49.4%
- ✓ **Type of services the respondents feel there is a demand for includes:**
  - Banks – 90.9%
  - Hairdresser – 48.1%
  - Doctors – 46.8%
  - Dentist – 40.3%
- ✓ **Generally, preferred grocer for purchasing grocery items:**
  - Shoprite – 49.0%
  - Spar – 26.0
  - Boxer – 19.0%
- ✓ **Shopping behaviour**
  - 38.0% of the respondents indicated they will shop less at their previously preferred shopping centres.
  - 15.0% of the respondents indicated that they will visit the area more for shopping purposes.
  - 13.0% of the respondents indicated that they will never shop elsewhere.
  - 9% of the respondents said they will shop less frequently at my previously preferred shopping centre
  - The above is indicative of a high anticipated degree of consumer behaviour elasticity.
  - Only 20% of respondents indicated that their shopping behaviour will remain unaffected should a new shopping centre be built, this could be attributed to the historic dominance of Acornhoek Mall/Dwarsloop and the subsequent support of the Acornhoek residents in view of the absence of sizeable destination retail-orientated centres in the local market.

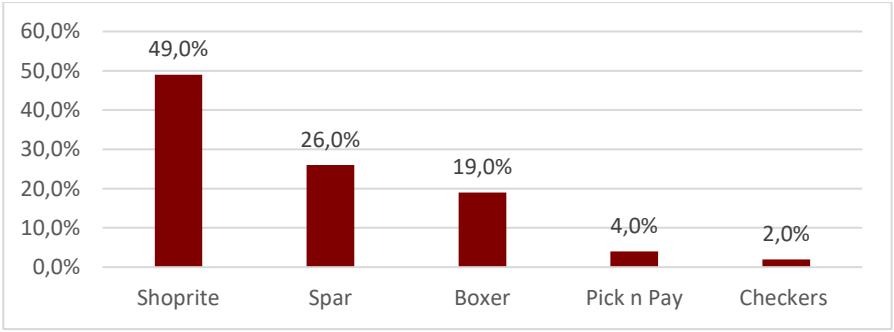
GROCERY ANCHOR PREFERENCES

Figure 5.15: Frequency of your grocery shopping



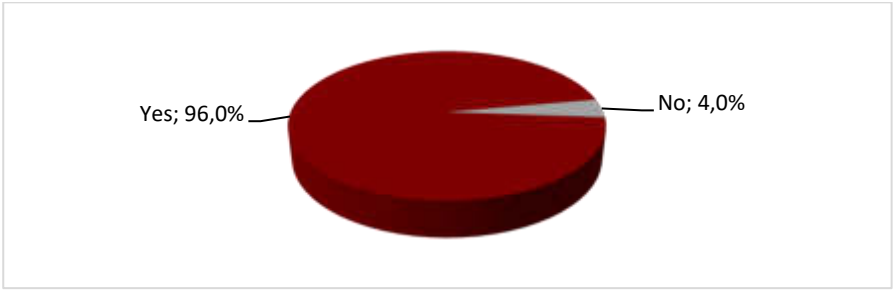
Source: Demacon Household Survey, 2020

Figure 5.16: Preferred grocer



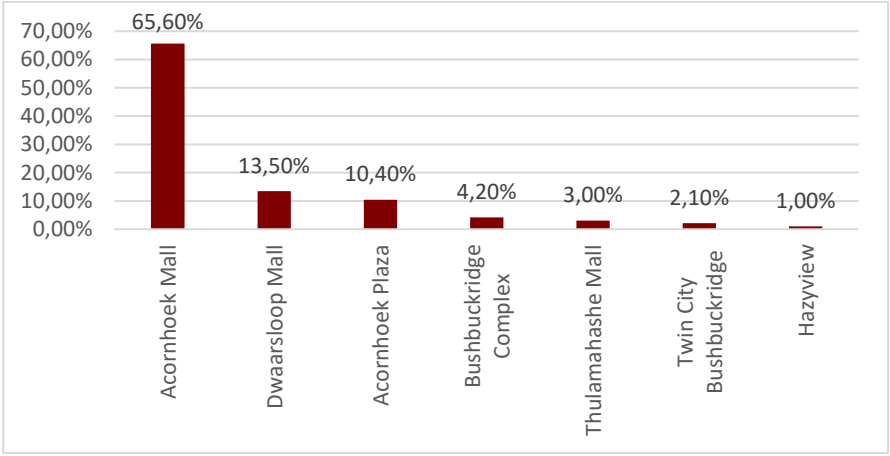
Source: Demacon Household Survey, 2020

Figure 5.17: Is this grocer present in the area



Source: Demacon Household Survey, 2020

Figure 5.18: If yes, in which shopping centre is the grocer located?



Source: Demacon Household Survey, 2020

Findings: (Figure 5.15 to Figure 5.18)

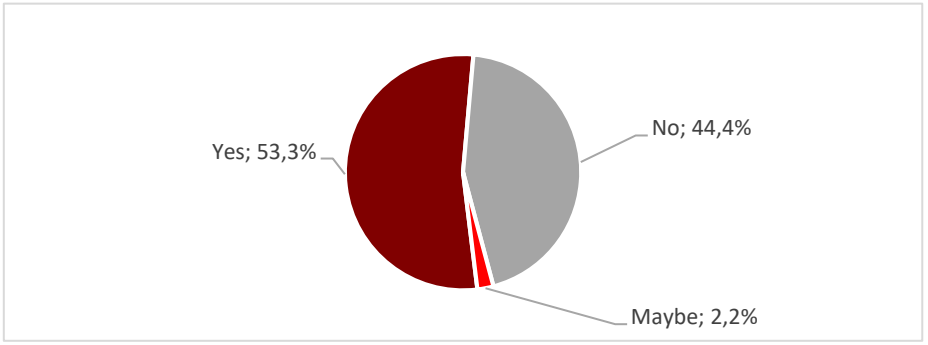
- ✓ Their **frequency of grocery shopping** is conducted on a monthly basis (79%) and every two weeks (8%), weekly (7%) and smaller percentages indicate more than once a week or weekly (6%).
- ✓ **Preferred grocer in general**
  Most of the respondents in the area, indicated that in general, their preferred grocer for purchasing grocery items include Shoprite (49.0%), Spar (26.0%), Boxer and other grocers include (19.0%) Pick n Pay (4.0%) and Checkers (2.03%),
- ✓ 95.7% of the respondents indicated that this **preferred grocery is present** in the market area and located within the following shopping centres:
  - Acornhoek Mall – 65.6%
  - Acornhoek Plaza– 10.4%
  - Dwarsloop Mall – 13.5%
  - Thulamahashe Mall – 3.00%
  - Twin City Bushbuckridge – 2.1%
  - Bushbuckridge Complex – 4.2%
  - Hazyview – 1.0%

5.4 RESIDENTIAL SUPPORT & PREFERENCES

This section focuses on the support, preferences and personal expectations regarding the residential market.

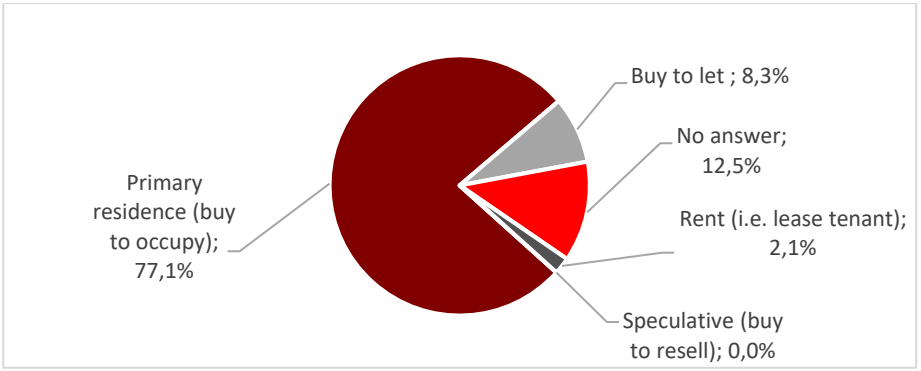
Potential Support towards New Residential Development

Figure 5.19: Demand for new residential development in Acornhoek area



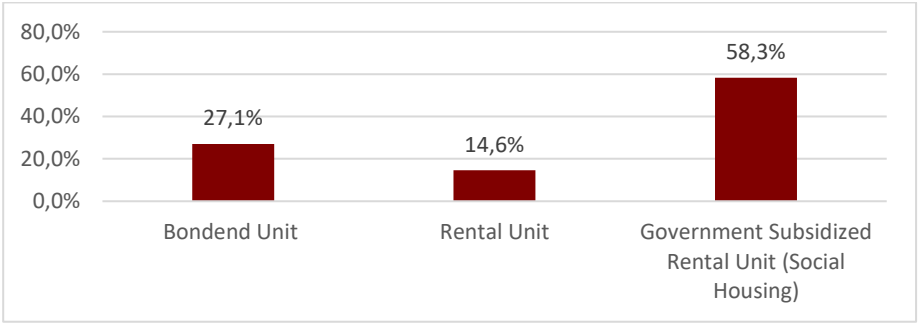
Source: Demacon, Household Survey, 2020

Figure 5.20: Envisaged ideal type of tenure in the new development



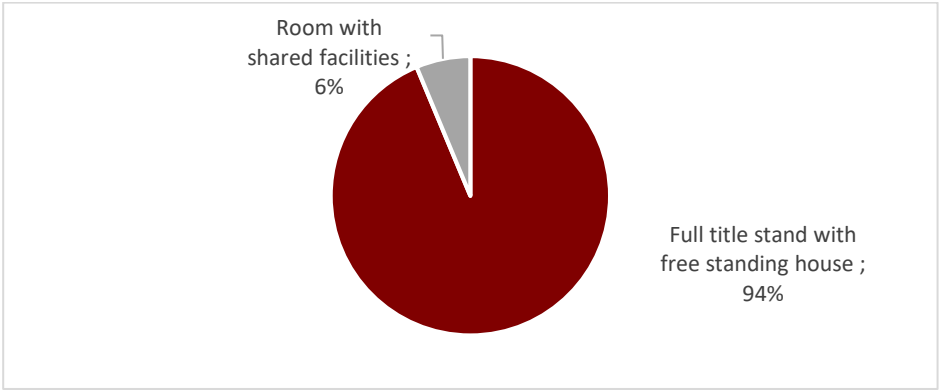
Source: Demacon Household Survey, 2020

Figure 5.21: Configuration of residential units



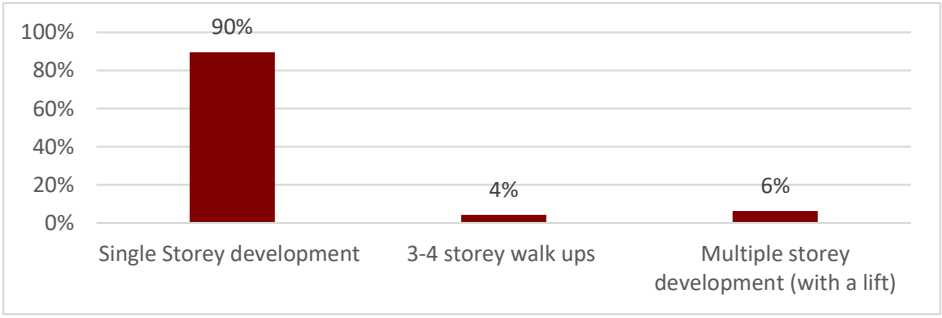
Source: Demacon Household Survey, 2020

Figure 5.22: Preferred type of dwelling units



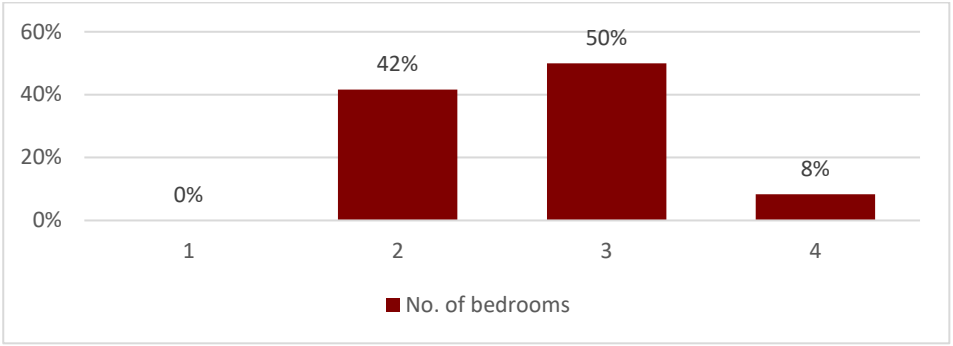
Source: Demacon Household Survey, 2020

Figure 5.23: Configuration of residential buildings



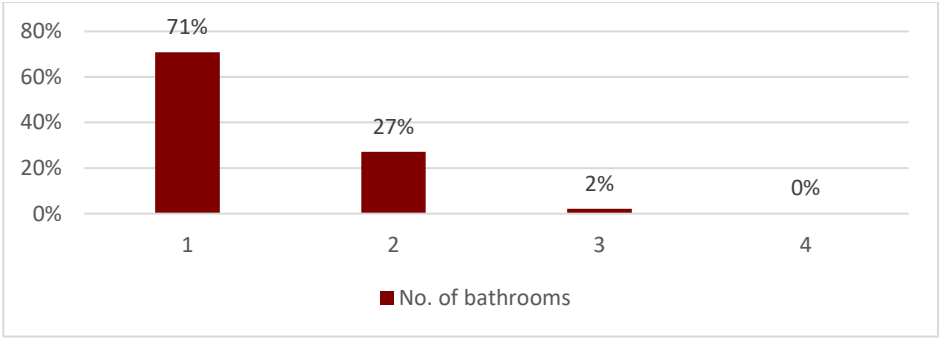
Source: Demacon Household Survey, 2020

Figure 5.24: Preferred composition of residential units (bedrooms)



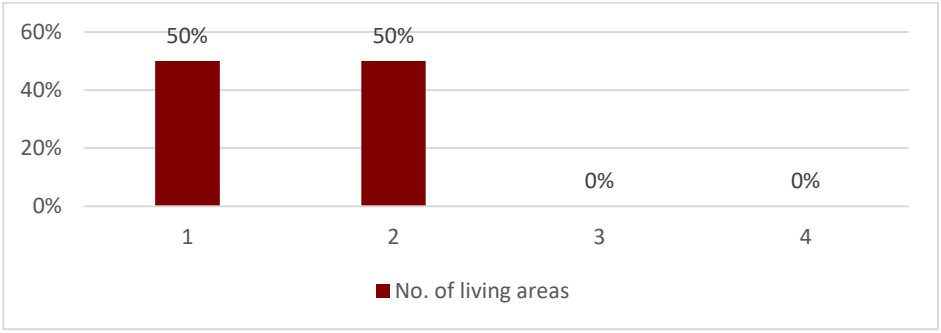
Source: Demacon Household Survey, 2020

Figure 5.25: Preferred composition of residential units (bathrooms)



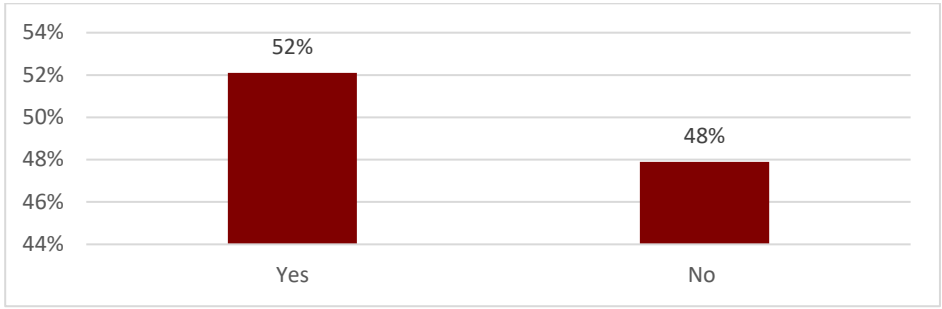
Source: Demacon Household Survey, 2020

Figure 5.26: Preferred composition of residential units (living areas)



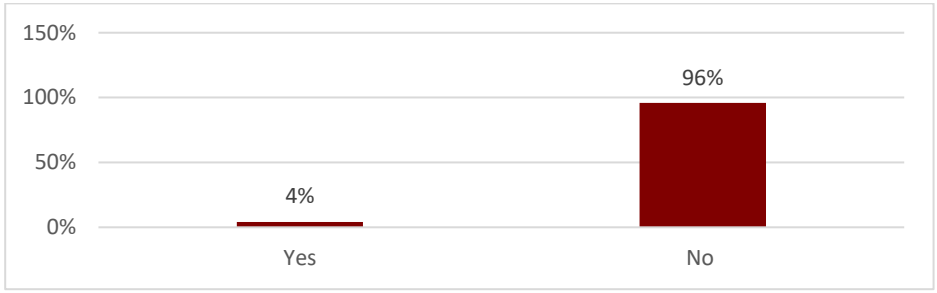
Source: Demacon Household Survey, 2020

Figure 5.27: Which of the following should also form part of the residential unit offering (garages)



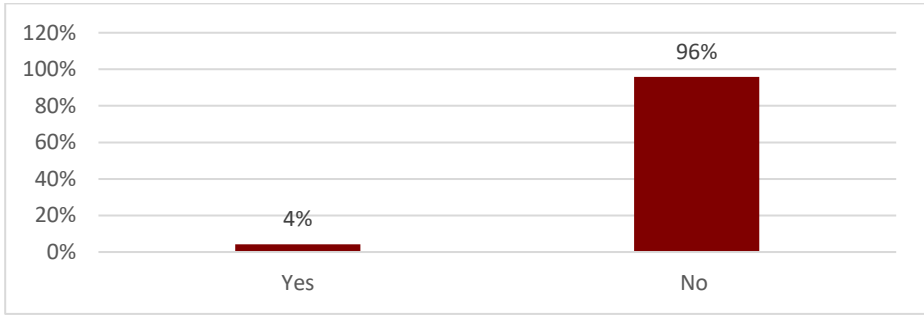
Source: Demacon Household Survey, 2020

Figure 5.28: Which of the following should also form part of the residential unit offering (carports)



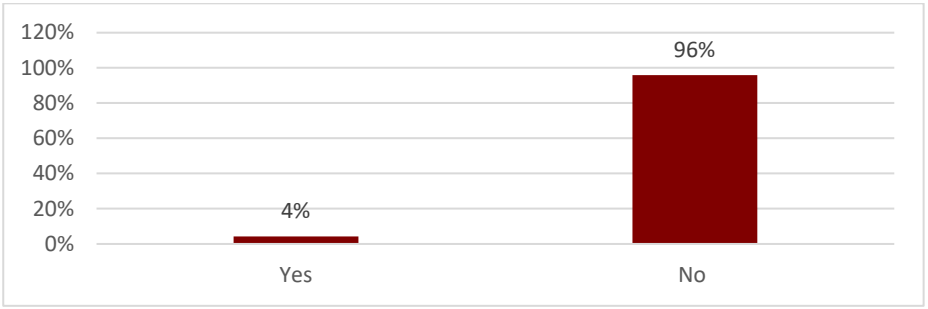
Source: Demacon Household Survey, 2020

Figure 5.29: Which of the following should also form part of the residential unit offering (domestic quarters)



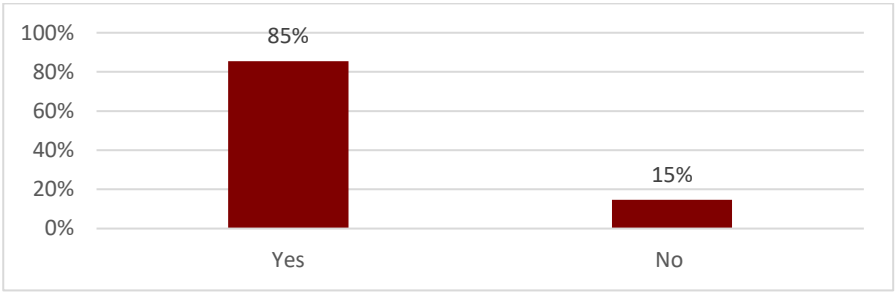
Source: Demacon Household Survey, 2020

Figure 5.30: Which of the following should also form part of the residential unit offering (patio)



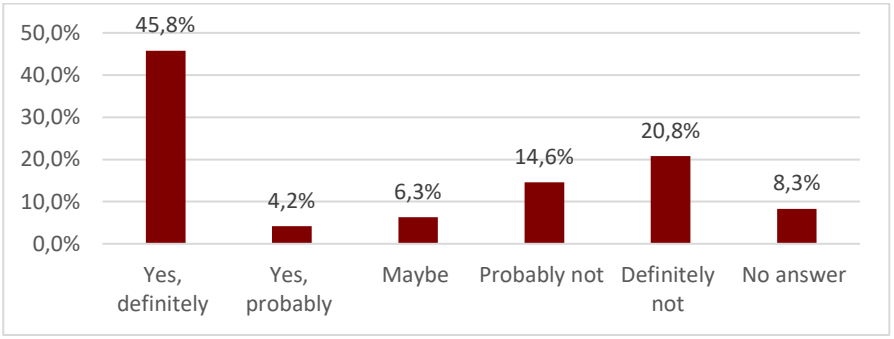
Source: Demacon Household Survey, 2020

Figure 5.31: Which of the following should also form part of the residential unit offering (garden)



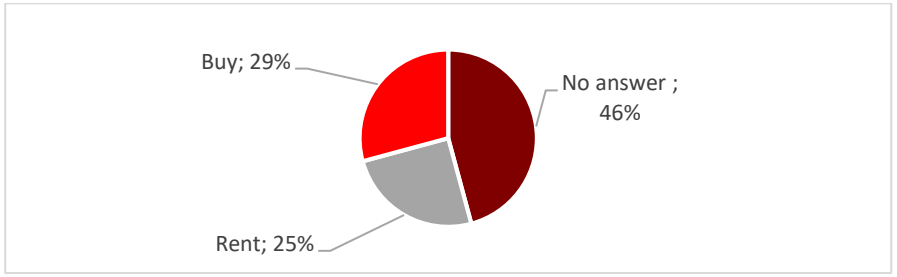
Source: Demacon Household Survey, 2020

Figure 5.32: Consider moving to new development



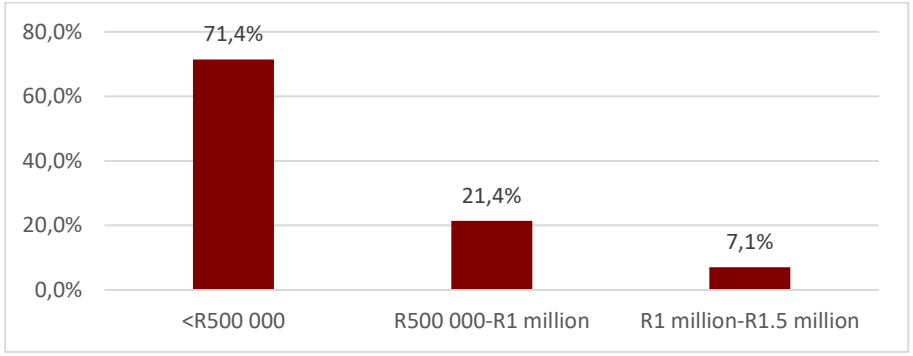
Source: Demacon Household Survey, 2020

Figure 5.33: Based on your current income profile, which option would you be able to afford?



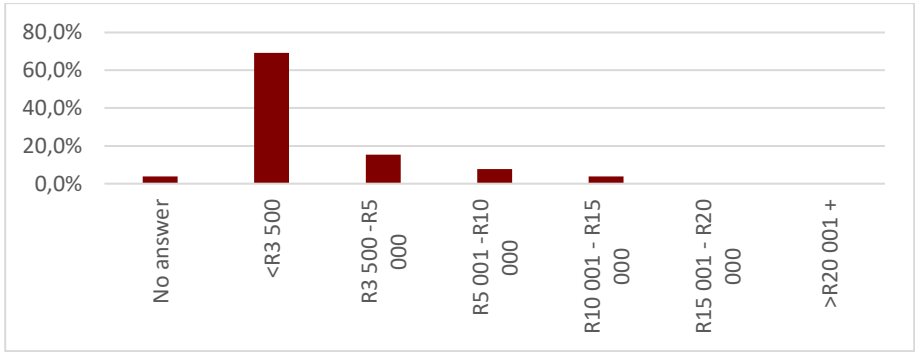
Source: Demacon Household Survey, 2020

Figure 5.34: Reasonable market price if you would buy



Source: Demacon Household Survey, 2020

Figure 5.35: Reasonable monthly rental



Source: Demacon Household Survey, 2020

Findings: (Figure 5.19 to Figure 5.35)

- ✓ The majority of respondents (53%) feel there is a **demand** for a new residential development in Acornhoek area and 45.8% would definitely **move** to this development if built.
- ✓ The majority (77%) **envisaged type of tenure** as indicated by the respondent, is a primary residence (buy to occupy), 8% would buy to let and 2% would rent.
- ✓ The **preferred type of unit** would be a government provided subsidy / RDP house (58%), bonded unit (27%) or a rental unit (15%).
- ✓ 94.% of the respondents indicated the preferred **configuration of residential units** should be a full title stand with free standing house and 6% a room with shared facilities.
- ✓ The preferred **configuration of residential buildings** to develop is indicated to be a single storey development (90%) or multiple storey and 3 to 4 storey walk-up (4%) and a multiple storey development (6%).
- ✓ **What composition of residential units would you prefer?**
  - 3 bedrooms (50%),
  - 1 bathroom (71%),
  - 1 living area (50%),
  - with a garden (85%)
  - with garages (52%),
  - domestic quarters (4%),
  - with patio (4%) and with carports (4%).
- ✓ **Based on your current income profile, which option would you be able to afford?**

  29% of the respondents indicated that they would be able to buy a property whereas 25% would rent a property.
- ✓ **The ideal and reasonable market price when BUYING a property, as indicated by the respondents are:**
  - Less than R500 000 – 71.4%
  - R500 000 to R1 million – 21.4%
  - R1 million to R1.5 million – 7.1%
- ✓ **The ideal and reasonable market price when RENTING a property, as indicated by the respondents are:**
  - Less than R3 500 per month – 69.2%
  - R3 500 to R5 000 per month – 15.4%
  - R5 000 to R10 000 per month – 7.7%

5.5 PERCEIVED DEMAND FOR ANCILLARY USES

Table 5.1: Offices

Offices	Very Low Demand	Low Demand	Moderate	High Demand	Very High Demand
Corporate headquarters/offices	13	20	10	12	30
Municipal Satellite Offices	15	15	13	20	22
Government offices	9	14	18	19	25
Parastatal offices	14	16	17	14	24
SMME offices with shared business centre	14	14	16	19	22
Call Centre	12	7	17	18	31
Small Business Offices (100 - 250)	14	12	11	17	31

Table 5.2: Automotive

Automotive facility	Very Low Demand	Low Demand	Moderate	High Demand	Very High Demand
Autotrade (new & second hand)	15	25	15	19	10
Motorcycle trade	17	21	17	18	11
Automotive/motorcycle parts & spares	14	19	23	18	10
Automotive fitness centres	15	19	22	19	9
Tyres & wheel alignment centres	15	21	22	16	10
Automotive workshops	20	18	20	17	9
Filling station	12	12	23	26	11

Table 5.3: Other facilities

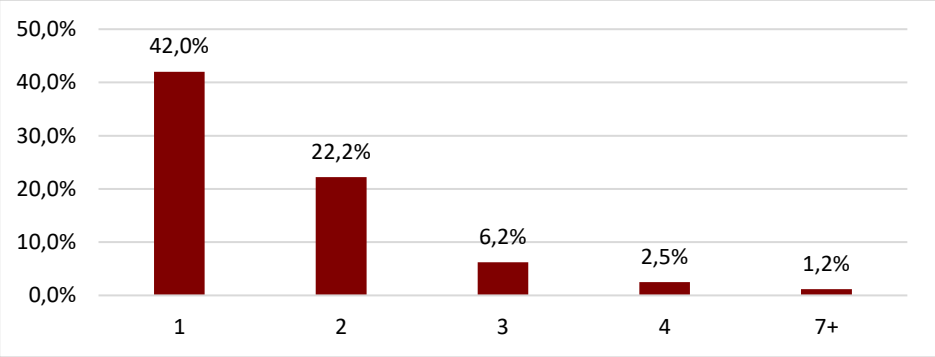
Other facilities	Very Low Demand	Low Demand	Moderate	High Demand	Very High Demand
Public Primary School	14	20	7	6	37
Public Secondary School	18	17	6	11	32
Private Pre-Primary School / Creche	13	22	5	7	37
Private School - Primary Phase	15	19	4	10	36
Private School - Secondary Phase	14	18	8	9	35
Private Hospital	6	12	12	15	40
Private Clinic	9	9	11	12	44
Hotel / Accommodation Facility	9	5	12	18	41
Public Primary School	14	20	7	6	37

Findings: (Table 5.1 to Table 5.3)

- ✓ There is **very high perceived demand** for the following:
  - Offices in general,
  - Facilities such as schools, a private hospital / clinic and a hotel
- ✓ There is **very low perceived demand** for the following:
  - Automotive and ancillary uses

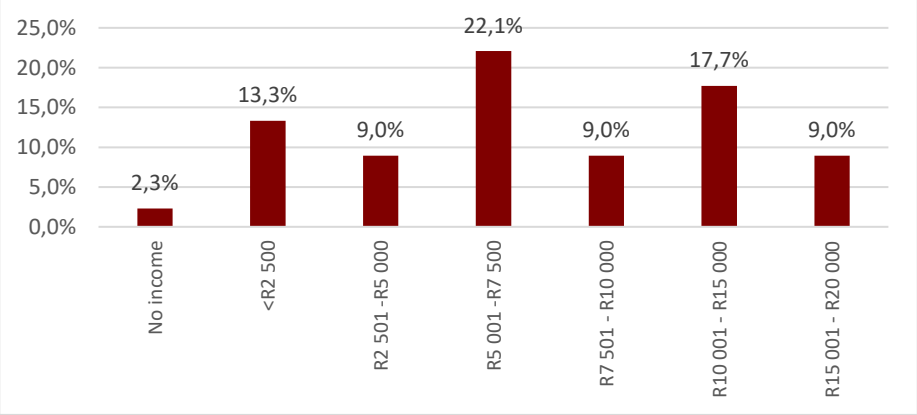
5.6 INCOME

Figure 5.36: Number of Breadwinners



Source: Demacon Household Survey, 2020

Figure 5.37: Average monthly income profile



Source: Demacon Household Survey, 2020

Findings: (Figure 5.36 to Figure 5.37)

- ✓ **Breadwinners**
  42% of the respondents indicated they have 1 breadwinner in the household, followed by 22% with 2 breadwinners in the household.
- ✓ **Average monthly household income**
  The majority of respondents indicated they earn less than R4 000, followed by 19% between R4 000 to R8 000 per month. 21% indicated that they earn R8 000 – R16 000. It is interesting to note than 18% of the respondents that were willing to disclose their income bracket indicated that they earn R32 001- R64 000.
- ✓ **Income sources**
  - 35% of the respondents indicated they earn income from social grant allowance ranging between R500 and R2 000/ month.
  - 25% of the respondents indicate their income primarily derives from their formal job which is between R1 501 to R7 500 per month.

5.7 SYNTHESIS

Subsequent paragraphs provide a synthesis of pertinent findings of the household market surveys conducted in the surrounding area.

SUMMARISED INTERPRETATION

SOCIO ECONOMIC INFORMATION

- ✓ 27.8% of the respondents are permanently employed and working in Acornhoek, areas around Sefoma/Acornhoek areas (25.2%) and Dwarsloop / Zoeknog (8.3%) respectively.
- ✓ The majority of respondents indicated their **household size** is 5 and 6 members in the household (21% respectively), followed as by 6 & 7 members (14.8 %).
- ✓ 44.4% indicated their **home language** is Sepedi, 27.2% Tsonga, 13.6% Sesotho and 6.2% IsiZulu.
- ✓ **Occupation profile** – 47.2% of the respondents is occupied in professional occupations, 16.7% and entrepreneurs 13.9% is domestic workers.
- ✓ The majority of respondents **described their household** as:
  - Parents with adult children (33.3%)
  - Parents with small children (30.9%)
  - Single parent with small children (18.5%)

RETAIL SUPPORT & PREFERENCES

- ✓ The respondents indicated the following regarding the current **retail offering** in the area:
  - Adequate, no new facilities required – 39.0%.
  - Inadequate, new facilities should be built – 36.0%
  - Inadequate existing facilities should be expanded – 24.0%
- ✓ The **preferred shopping centre** for purchasing **TOP-UP groceries** include
  - Acornhoek Mall – 56.0%
  - Acornhoek Plaza– 25%
  - Dwarsloop Mall – 13%
- ✓ The **preferred shopping centre** for purchasing **MONTHLY groceries** include
  - Acornhoek Mall – 67.0%
  - Acornhoek Plaza–14%
  - Dwarsloop Mall – 13%
- ✓ Please indicate your preferred shopping centre for **CLOTHING AND OTHER PURCHASES?**
  - Acornhoek Mall – 68.0%
  - Acornhoek Plaza–11%
  - Dwarsloop Mall – 11%
- ✓ 72% of the respondents indicated that they **would shop at the new shopping centre** if it were built as part of the mixed-use precinct.
- ✓ **Type of shops** the respondents feel there is a demand for includes:
  - Supermarket/Grocery store – 72.7%
  - Restaurant – 68.8%
  - Pharmacy – 61.0%
  - Butchery – 57.1%
  - Accessory store – 54.5%
  - Shoe Store – 49.4%
- ✓ **Type of services the respondents feel there is a demand for includes:**
  - Banks – 90.9%
  - Hairdresser – 48.1%
  - Doctors – 46.8%
  - Dentist – 40.3%
- ✓ **Generally, preferred grocer for purchasing grocery items:**
  - Shoprite – 49.0%
  - Spar – 26.0
  - Boxer – 19.0%
- ✓ **Shopping behaviour**
  - 38.0% of the respondents indicated they will shop less at their previously preferred shopping centres
  - 20% of respondents indicated that their shopping behaviour will remain unaffected should a new shopping centre be built, this could be attributed to the historic dominance of Acornhoek Mall/Dwarsloop and the subsequent support of the Acornhoek residents in view of the absence of sizeable destination retail-orientated centres in the local market.
  - 15.0% of the respondents indicated that they will visit the area more for shopping purposes.
  - 13.0% of the respondents indicated that they will never shop elsewhere.

Grocery Anchor Preferences

- ✓ Their **frequency of grocery shopping** is conducted on a monthly basis (79%) and every two weeks (8%), weekly (7%) and smaller percentages indicate more than once a week or weekly (6%).
- ✓ **Preferred grocer in general**
  Most of the respondents in the area, indicated that in general, their preferred grocer for purchasing grocery items include Shoprite (49.0%), Spar (26.0%), Boxer and other grocers include (19.0%) Pick n Pay (4.0%) and Checkers (2.03%),
- ✓ 95.7% of the respondents indicated that this **preferred grocery is present** in the market area and located within the following shopping centres:
  - Acornhoek Mall – 65.6%
  - Acornhoek Plaza– 10.4%
  - Dwarsloop Mall – 13.5%
  - Thulamahashe Mall – 3.00%
  - Twin City Bushbuckridge – 2.1%
  - Bushbuckridge Complex – 4.2%
  - Hazyview – 1.0%

RESIDENTIAL SUPPORT & PREFERENCES

- ✓ The majority of respondents (53%) feel there is a **demand** for a new residential development in Acornhoek area and 45.8% would definitely **move** to this development if built.

- ✓ The majority (77%) **envisaged type of tenure** as indicated by the respondent, is a primary residence (buy to occupy), 8% would buy to let and 2% would rent.
- ✓ The **preferred type of unit** would be a government provided subsidy / RDP house (58%), bonded unit (27%) or a rental unit (15%).
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  - with garages (52%),
  - domestic quarters (4%),
  - with patio (4%) and with carports (4%).
- ✓ **Based on your current income profile, which option would you be able to afford?**

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  - R5 000 to R10 000 per month – 7.7%

PERCEIVED DEMAND FOR ANCILLARY USES

- ✓ There is **very high perceived demand** for the following:
  - Offices in general,
  - Facilities such as schools, a private hospital / clinic and a hotel
- ✓ There is **very low perceived demand** for the following:
  - Automotive and ancillary uses

INCOME

- ✓ **Breadwinners**

  42% of the respondents indicated they have 1 breadwinner in the household, followed by 22% with 2 breadwinners in the household.
- ✓ **Average monthly household income**

  The majority of respondents indicated they earn less than R4 000, followed by 19% between R4 000 to R8 000 per month. 21% indicated that they earn R8 000 – R16 000. It is interesting to note than 18% of the respondents that were willing to disclose their income bracket indicated that they earn R32 001- R64 000.
- ✓ **Income sources**
  - 35% of the respondents indicated they earn income from social grant allowance ranging between R500 and R2 000/ month.
  - 25% of the respondents indicate their income primarily derives from their formal job which is between R1 501 to R7 500 per month.

RETAIL MARKET ANALYSIS 6

6.1 INTRODUCTION

This section of the report focusses on the retail market, with the objective of estimating the development potential within the designated area. In order to reach this objective, the supply and demand of retail development within the market area should be identified and assessed in light of current trends. Subsequent sections provide a concise overview of the retail market in terms of the following:

- ✓ Local Development Perspective
- ✓ Market Potential Assessment
  - Retail Market Supply
  - Retail Market Demand Estimation
  - Tenant Composition
- ✓ Synthesis

6.2 LOCAL DEVELOPMENT PERSPECTIVE

The development and overall sustainability of a retail facility relies in its location. The following requirements determine the success of a retail facility.

- ✓ *Visibility and exposure:* Retail facilities should be highly visible and accessible to potential consumers. It should be located in proximity to efficient road and transport networks.
- ✓ *Accessibility:* Retail facilities must be accessible to local labour force as well as consumers. It should be accessible on a local and regional level, as well as on a site-specific basis referring to the ingress and egress from the development.
- ✓ *Functionality & complimentary:* The centre should fit the urban context and should be functionally compatible.
- ✓ *Sufficient buying power:* Total disposable income of the market area population that is available to be spent at a specific retail facility.
- ✓ *Competition:* Existing shopping centres present competition and has an impact on the sustainability of future developments.
- ✓ *Role & function in hierarchy:* Should fit in with existing retail hierarchy of the area.
- ✓ *Address value:* Retail locates in areas where household expenditure is high, where it is accessible and visible.
- ✓ *Growth:* Growth in market population, disposable income and retail support impact on developments.
- ✓ *Traffic volume:* Level of traffic volumes contribute to level of support and exposure.

6.3 RETAIL MARKET POTENTIAL ASSESSMENT

The demand-side dynamics within the market have been concisely described in preceding chapters. An assessment of the net effective demand for additional retail floor space, supported by a retail market growth assessment, will be made in this chapter. A growth forecast, respectively for a five and ten-year horizon are provided based on economic, population and income growth prevalent in the market. Retail demand modelling has become increasingly specialised over the past decade. One particular aspect that has changed is a notable shift away from broad based supply-demand estimations to multivariate, differentiated models. Contemporary models focus on specific expenditure patterns of selected LSM market segments.

The retail development potential estimations will be addressed under the following headings:

- ✓ Retail Supply
- ✓ Retail Demand

✓ Development Potential

The supply and demand side of the retail market can be defined in terms of the following:

Defining Supply

The supply of retail markets entails the following:

$$S_{ret} = f\{D_{ret}; GLA_{ret}; R; S_c; C_c; L_u; I_a; S_p; V_{ret}\}$$

Where:

D_{ret}	=	Demand
GLA_{ret}	=	Current rentable/useable area
R	=	Rent/m^2
S_c	=	Competition
C_c	=	Construction cost
L_u	=	Surrounding land uses
I_a	=	Infrastructure availability
S_p	=	Speculative climate
V_{ret}	=	Vacancy

Defining Demand

Retail demand depends on a variety of customer-related aspects. It can be conceptualised as follows:

$$D_{ret} = f\{P_o; P_{\%}; Q; Y; R_e; C_p; S_f\}$$

Where:

P_o	=	Population size
$P_{\%}$	=	Population growth
Q	=	Existing quality of retail space
Y	=	Household income
R_e	=	Household expenditure patterns
C_p	=	Consumer preferences
S_f	=	Seasonality factors

❖ RETAIL SUPPLY

6.3.1 RETAIL SUPPLY IN THE MARKET AREA

The findings of the assessment are based on the following sources of information:

✓ Shopping Centre Directory, SA Council of Shopping Centres, 2018
✓ DEMACON GIS, 2020

The subsequent table provides an overview of the existing retail centres within the trade area (refer to overleaf Map 6.1.)

Table 6.1: Existing retail supply (within the primary trade area)

Shopping Centre	Address	Size (m^2)	Classification	Main Anchors
Acornhoek Mall	R40 (between Hazyiew & Hoedspruit)	40 000	Minor Regional Centre	Shoprite, Spar, Edgars, Game
Dwarsloop Mall	40	35 000	Small regional Centre/Large Community Centre	Shoprite, Spar
Ascension Mall	Cnr R40 and Road to Thulamashe	32 763	Large Community Centre	Shoprite, Game
Acornhoek Plaza	Farm Green Valley 213 KU	26 600	Large Community Centre	Pick n Pay Supermarket, Shoprite, Edgars, Shoprite, Truworths, Jet, Foschini, Mr Price
Twin City Bushbuckridge	Cnr Main & Graskop Streets	22 186	Community Centre	Superspar, Standard Bank, FNB, Pep, Ackermans, Jet, Town Talk, JDG , Lewis Group, Woolworths, Vodacom, KFC

Shopping Centre	Address	Size (m²)	Classification	Main Anchors
Bushbuckridge Shopping Centre	Cnr Graskop & R40 Roads	16 899	Community Centre	Shoprite, Cashbuild
Acornhoek Shopping Centre	Acornhoek Station Site	5 403	Local Convenience Centre	Spar, Pep, Edgars Active
Total SQM		**178 851**		

Source: DEMACON, 2020

Primary Catchment: Retail Supply Findings

Existing Shopping Centres within the trade area:

- ✓ There are various retail centres within the trade area.
- ✓ The total existing supply of shopping centre floor space in the market area amounts to approximately **178 851m²** (as built). The retail centres include:
  - Acornhoek Mall (Minor Regional Centre),
  - Acornhoek Plaza (Large Community Centre)
  - Acornhoek Shopping Centre (Large Convenience Centre)
  - Dwarsloop Mall (Small regional Centre/Large Community Centre)
  - Ascension Mall (Large Community Centre)
  - Twin City Bushbuckridge (Community Centre)
  - Bushbuckridge Shopping Centre (Local Convenience Centres)
- ✓ To conclude, the above supply figures cannot directly be correlated with the demand of the market area due to the fact that most of the centres are trading off multiple trade areas and trade area overlap is present.

Wider Catchment: Retail Supply Findings

A number of centres are encountered in the wider catchment, including but not limited to:

- Thula Plaza (13 453 m²)
- Mkhuhlu Plaza (11 071 m²)

Proposed Retail Centres

There are proposals for larger shopping centre formats in the regional catchment, including a ±20 000 -25 000 m² mall in Hoedspruit, a proposed ±30 000 m² expansion to the Twin City Bushbuckridge Centre. Two other proposed centres are to be located in Bushbuckridge, The Ridge Mall (±35 938 m²) & Ridgeview Mall (±20 000 m²).

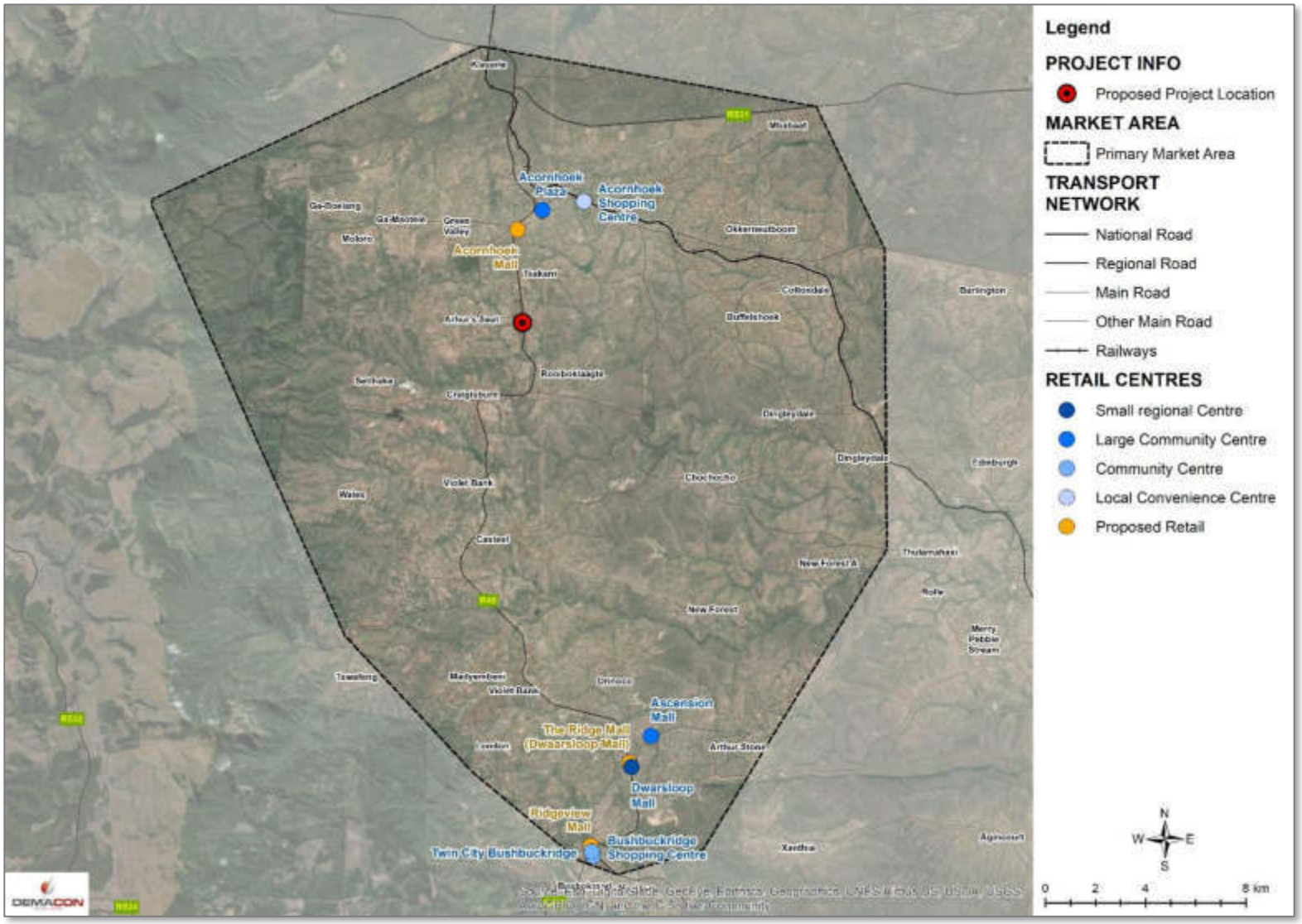
6.3.2 RETAIL MARKET DEMAND ESTIMATIONS

GAP ANALYSIS

In terms of the retail demand modelling scenarios, the recommended market gap analysis indicates the options for the project according to the retail demand modelling.

Development Type	Effective Market Gap	Development Prospects
Large Community/ Small Regional Centre.	Yes	Moderate

Map 6.1: Shopping Centre Supply



Source: DEMACON, 2020

The retail demand estimations are conducted based on population and income growth trends (all values: 2020 constant prices). The demand estimations are considered conservative and realistic. Subsequent paragraphs indicate the market potential analysis of the proposed development. The retail market estimations are based on a trade area-based technique.

The following tables summarise the current and forecast market expenditure and the retail floor space for retail facilities within the retail node. Demand values are presented for **2020, 2025 and 2030 (all values: constant 2020 prices).**

❖ RETAIL EXPENDITURE

Table 6.2: Market Area Retail Expenditure, 2020, 2025, 2030

Retail Category	2020 R/annum	2025 R/annum	2030 R/annum
Bulk groceries	R 501 271 650	R 550 380 048	R 604 299 480
Top-up groceries	R 149 851 049	R 164 531 602	R 180 650 374
Clothing, shoes, accessories	R 221 461 285	R 243 157 323	R 266 978 871
Furniture and home ware	R 64 979 658	R 71 345 562	R 78 335 118
Hardware goods	R 23 870 079	R 26 208 574	R 28 776 166
Gifts, books and confectionary	R 49 066 273	R 53 873 179	R 59 151 007
Specialty / value goods	R 15 913 386	R 17 472 382	R 19 184 110
Restaurants, entertainment	R 164 438 319	R 180 547 952	R 198 235 808
Personal care	R 51 718 504	R 56 785 243	R 62 348 359
Other personal goods & services	R 83 545 275	R 91 730 008	R 100 716 580
TOTAL	**R 1 326 115 476**	**R 1 456 031 873**	**R 1 598 675 872**

Source: DEMACON Retail Demand Model, 2020

From the table above, it can be seen that the market area for **All LSM+** group spends approximately **R 1.3 billion p.a.** (2020 NPV) on retail goods and services of which **±R 651.1 million** (**49.1%** of the total retail expenditure) is directed towards food and groceries.

Potential scenarios for retail development at the proposed site in Acornhoek were modelled: on short-medium as well as a long-term potential basis**.**

SHORT-MEDIUM TERM SCENARIO

❖ TENANT COMPOSITION & APPORTIONMENT

Given the above market potential, based on the Residual Demand Technique, the Market Share Model could assist in refining the tenant composition of the proposed upgrade of the centre. PhD research conducted by the author indicates that the share technique should not be applied in isolation, but only once market potential has been established, to inform centre composition and tenant mix.

In the context of the market potential analysis, empirical data was utilised to estimate the apportionment of additional floor space. Table 6.3 indicates the retail tenant mix apportionment and findings provide guidelines for centre tenanting and merchandising in within the **All LSM+** category.

Table 6.3: Total Retail Tenant Mix Apportionment, 2020

Retail Category	Min Demand (m²)	Max Demand (m²)	Midpoint (m²)	Floor space apportionment (%)
Bulk groceries	988	1 234	1 111	31,8%
Top-up groceries	295	369	332	9,5%
Clothing, shoes, accessories	603	754	679	19,4%
Furniture and home ware	177	221	199	5,7%
Hardware goods	65	81	73	2,1%
Gifts, books and confectionary	120	149	135	3,9%
Specialty / value goods	39	48	44	1,2%
Restaurants, entertainment	448	560	504	14,4%
Personal care	141	176	158	4,5%
Other personal goods & services	228	284	256	7,3%
TOTAL	**3 103**	**3 878**	**3 490**	**100,0%**

Source: DEMACON Retail Demand Model, 2020

The table above indicates that the **market potential** for retail (in 2020) is in the region of approximately **3 490m² retail GLA**. The potential is calculated on average

benchmark trading densities and market shares for similar centres in comparable market areas. The optimum centre size should take into account the short-term growth in demand, as well as the acceptable addition of 10% – 20% for non-retail services. Based on the demand modelling results, the following table indicates the recommended centre options.

Table 6.4: Ideal Tenant Mix Apportionment at Optimum Point of Market Entry

Retail Category	Min Demand (m²)
Groceries	2 916
Clothing, shoes, accessories	1 371
Furniture and home ware	402
Hardware goods	148
Gifts, books and confectionary	272
Specialty / value goods	88
Restaurants, entertainment	1 018
Personal care	320
Other personal goods & services	517
TOTAL	**7 054**

Source: DEMACON Retail Demand Model, 2020

❑ THE DEMAND ANALYSIS

The following table summarises the demand analysis for the retail component for the proposed Acorn City Retail in a short-medium term scenario.

Table 6.5: Recommended centre options

	ALL LSM (Rand / sqm)
Point of market entry	2022+
Retail GLA at OPME	5 643
Services GLA at OPME	1 411
OPME Centre Size (sqm GLA)	**7 054**
On-site job creation	235
Retail Sales potential (R 2020 value)	182 582 714
Total capital investment (R 2020 value)	134 017 706
Additional Parking bays required	282
Parking infrastructure & landscaping cost (Rand value)	6 714 992

Source: DEMACON Retail Demand Model, 2020

LONG TERM SCENARIO

❖ TENANT COMPOSITION & APPORTIONMENT

Based on the Residual Demand Technique, the Market Share Model could assist in refining the tenant composition of the proposed upgrade of the centre. PhD research conducted by the author indicates that the share technique should not be applied in isolation, but only once market potential has been established, to inform centre composition and tenant mix.

In the context of the market potential analysis, empirical data was utilised to estimate the apportionment of additional floor space. Table 6.6 indicates the retail tenant mix apportionment and findings provide guidelines for centre tenanting and merchandising in within the **All LSM+** category.

Table 6.6: Total Retail Tenant Mix Apportionment, 2020

Retail Category	Min Demand (m²)	Max Demand (m²)	Midpoint (m²)	Floor space apportionment (%)
Bulk groceries	4 623	6 164	5 393	31,8%
Top-up groceries	1 382	1 843	1 612	9,5%
Clothing, shoes, accessories	2 823	3 764	3 294	19,4%
Furniture and home ware	828	1 105	966	5,7%
Hardware goods	304	406	355	2,1%
Gifts, books and confectionary	560	746	653	3,9%
Specialty / value goods	182	242	212	1,2%
Restaurants, entertainment	2 096	2 795	2 446	14,4%
Personal care	659	879	769	4,5%
Other personal goods & services	1 065	1 420	1 243	7,3%
TOTAL	**14 523**	**19 364**	**16 943**	**100,0%**

Source: DEMACON Retail Demand Model, 2020

The table above indicates that the **market potential** for retail (in 2020) is in the region of approximately **16 943m² retail GLA**. The potential is calculated on average benchmark trading densities and market shares for similar centres in comparable

market areas. The optimum centre size should take into account the short-term growth in demand, as well as the acceptable addition of 10% – 20% for non-retail services. Based on the demand modelling results, the following table indicates the recommended centre options.

Table 6.7: Ideal Tenant Mix Apportionment at Optimum Point of Market Entry

Retail Category	Min Demand (m²)
Groceries	9 696
Clothing, shoes, accessories	4 559
Furniture and home ware	1 338
Hardware goods	491
Gifts, books and confectionary	904
Specialty / value goods	293
Restaurants, entertainment	3 385
Personal care	1 065
Other personal goods & services	1 720
TOTAL	**23 450**

Source: DEMACON Retail Demand Model, 2020

❑ THE DEMAND ANALYSIS

The following table summarises the demand analysis for the retail component for the proposed Acorn City Retail.

Table 6.8: Recommended centre options

	ALL LSM (Rand / sqm)
Point of market entry	2030+
Retail GLA at OPME	18 760
Services GLA at OPME	4 690
OPME Centre Size (sqm GLA)	**23 450**
On-site job creation	782
Retail Sales potential (R 2020 value)	607 015 079
Total capital investment (R 2020 value)	445 555 699
Additional Parking bays required	938
Parking infrastructure & landscaping cost (Rand value)	22 324 686

Source: DEMACON Retail Demand Model, 2020

6.4 SYNTHESIS

The findings of the preceding Chapter are integrated into an empirical assessment of retail market potential.

Primary Catchment: Retail Supply Findings

Existing Shopping Centres within the trade area:

- ✓ There are various retail centres within the trade area.
- ✓ The total existing supply of shopping centre floor space in the market area amounts to approximately **178 851m²** (as built). The retail centres include:
  - Acornhoek Mall (Minor Regional Centre),
  - Acornhoek Plaza (Large Community Centre)
  - Acornhoek Shopping Centre (Large Convenience Centre)
  - Dwarsloop Mall (Small regional Centre/Large Community Centre)
  - Ascension Mall (Large Community Centre)
  - Twin City Bushbuckridge (Community Centre)
  - Bushbuckridge Shopping Centre (Local Convenience Centres)
- ✓ To conclude, the above supply figures cannot directly be correlated with the demand of the market area due to the fact that most of the centres are trading off multiple trade areas and trade area overlap is present.

Wider Catchment: Retail Supply Findings

A number of centres are encountered in the wider catchment, including but not limited to:

- Thula Plaza (13 453 m²)
- Mkhuhlu Plaza (11 071 m²)

Proposed Retail Centres

There are proposals for larger shopping centre formats in the regional catchment, including a ±20 000 -25 000 m² mall in Hoedspruit, a proposed ±30 000 m² expansion to the Twin City Bushbuckridge Centre. Two other proposed centres are to be located in Bushbuckridge, The Ridge Mall (±35 938 m²) & Ridgeview Mall (±20 000 m²).

The development and overall sustainability of a retail facility relies strongly on its location. The following **location requirements** determine the success of a retail facility:

- ✓ **Sufficient buying power –** this refers to the disposable income per household in the catchment area of a retail facility, which is available to be spent at the specific retail facility.
- ✓ **Competition –** this plays an important role in the location of a retail facility. The sustainability and viability of a retail facility is higher with no competition than in an area with competition.
- ✓ **Competitive shopping / clustering –** this refers to the location of similar retail facilities in close proximity of each other. The result is lower prices as well as the improvement of services and products to the benefit of the consumer.
- ✓ **Accessibility –** the accessibility of a retail location to the labour force as well as consumers is an important locational factor in the development of retail facilities.
- ✓ **Land –** land as a locational factor refers to the market value of land or the lease value of structures. Lower values provide better development opportunities.
- ✓ **Role and function in shopping centre hierarchy –** retail facilities in a given geographical area are ranked in a hierarchy that services a given portion of the consumer population, according to each centre's unique size, composition, role and function.

❑ SUMMARY OF THE DEMAND ANALYSIS

The following table summarises the demand analysis for the retail component for the proposed Acorn City Retail.

Table 6.9: Recommended centre options

	SHORT-MEDIUM ALL LSM (Rand / sqm)	LONG TERM ALL LSM (Rand / sqm)
Point of market entry	2022+	2030+
Retail GLA at OPME	5 643	18 760
Services GLA at OPME	1 411	4 690
OPME Centre Size (sqm GLA)	**7 054**	**23 450**
On-site job creation	235	782
Retail Sales potential (R 2020 value)	182 582 714	607 015 079
Total capital investment (R 2020 value)	134 017 706	445 555 699
Additional Parking bays required	282	938
Parking infrastructure & landscaping cost (Rand value)	6 714 992	22 324 686

Source: DEMACON Retail Demand Model, 2020

❑ SHORT-MEDIUM TERM CENTRE SIZE AND RECOMMENDATIONS

- ✓ In the context of the above calculations, indications suggest the initial size of the proposed Acorn City Shopping Centre could range between approximately **7 054m² GLA. (Say 7 837 GBA).** The centre would be classified as a **Neighbourhood/Covinience Centre**
- ✓ The optimum point of market entry is **2022+.**
- ✓ The proposed centre will be able to attain annual sales of approximately **R 182.5 million** (based on benchmark trading densities) and permanent on-site jobs of **±235** people.
- ✓ The centre could include between **25-50** shops.
- ✓ Ample parking should be provided at a ratio of **4 bays per 100m² retail GLA**.
- ✓ The parking area should be accessible, convenient, paved and well-lit in the evenings.
- ✓ Performance will be dependent on, inter alia, appropriate tenant composition.
- ✓ Main **Tenants:**
    - Supermarket(s)
    - Convenience stores
    - Small specialised stores.

❑ LONG TERM CENTRE SIZE AND RECOMMENDATIONS

- ✓ In terms of the long-term scenario, the Acorn City Shopping Centre could be expanded to ±**25 000m² GLA.** The centre would be classified as a **Large Community Shopping Centre.**
- ✓ The optimum point of market entry is **2030+.**
- ✓ The proposed centre should be able to attain annual sales of approximately **R 607 million** (based on benchmark trading densities) and permanent on-site jobs of **±782** people.
- ✓ The centre could include between **50-100 shops.**
- ✓ Ample parking should be provided at a ratio of **4 bays per 100m² retail GLA**.
- ✓ The parking area should be accessible, convenient, paved and well-lit in the evenings.
- ✓ Performance will be dependent on, inter alia, appropriate tenant composition.
- ✓ Main **Tenants:**
    - Large Supermarket (s)
    - Small national clothing stores
    - Restaurants & Takeaways
    - Services

The challenge will be to find a balance between market demand (as revealed by consumer income and spending patterns) and tenant demand (i.e. the expressed desire by tenants to occupy space in the centre) and investor demand (i.e. the need for capital growth).

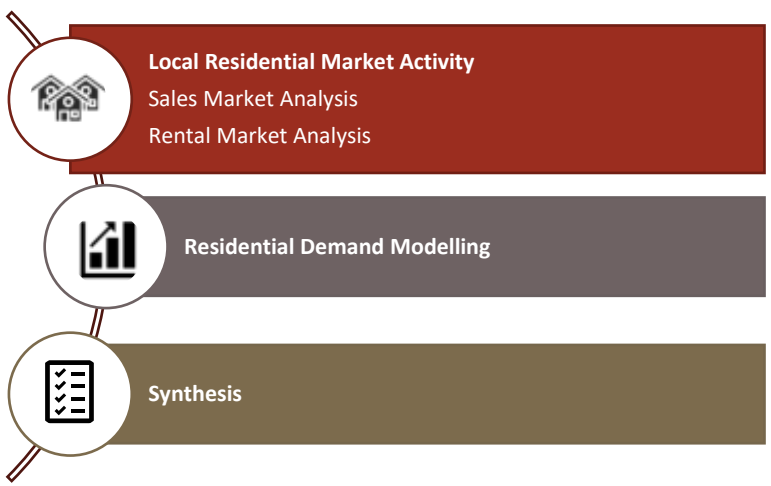
Appropriate tenanting would remain a vitally important consideration to the viability of the **proposed Acorn City** Retail Development.

RESIDENTIAL MARKET ANALYSIS 7

7.1 INTRODUCTION

This section of the report focuses on the residential market, with the objective of estimating the development potential within the designated area. In order to reach this objective, the supply and demand for residential facilities within the market area should be identified and assessed in terms of current trends.

Subsequent paragraphs highlight the following main headings in order to identify the aforesaid beneficiaries:



7.2 RESIDENTIAL SUPPLY

There is no transactional data for property transactions in the larger Acornhoek. However localised observations reveal appreciable modernised housing stock being added to the market within the past decade.

The images below illustrate the building footprint growth and densification within the primary trade area over the years.

Image 7.1: The Housing Footprint (East Of Acorn City Site)-2003

Source: DEMACON, 2020

Image 7.2: The Housing Footprint (East Of Acorn City Site)-2014

Source: DEMACON, 2020

Image 7.3: The Housing Footprint (East Of Acorn City Site)-2019

Source: DEMACON, 2020

Perspective on Residential Potential in Acornhoek:

The absence of transaction data affirms the existence of a predominantly traditional/informal property market in which property sales do occur, but property changes hands on an informal basis, and are typically not registered in the Deed's Office. Property prices in such markets also tend to be appreciably lower compared to the formal market. The above suggests that, although there would be a demand for residential products, prices would be comparatively low and take-up would in all probability be slow if the new market-based residential development were to be introduced in Acornhoek.

Considering case studies of developments in similar market environments, a smaller affordable development with rental stock could be considered- prices would have to be extremely competitive in order to compete effectively within the local market. The development of Acornhoek Mall coupled with provincial government offices and associated government facilities in the larger market area (including hospitals, magistrates courts, etc.) would create a demand for formalized and modern housing in the area.

There is therefore a case to be made for a small mixed-use development, although the project scale and pricing would have to be carefully considered in order to mitigate financial risk.

Informal land purchases are typically between R5 000 and R10 000 per plot whereas a typical home of **200-300 m²** is constructed at a rate of **R4 000- R4 500 per m².**

7.1.1 TRADITIONAL AREAS' HOUSING DEVELOPMENT TRENDS

Traditional Authority Areas in the Mpumalanga and Limpopo appear to have a growing residential market. There are trends that have been noted over time, as well as critical success factors for upmarket housing development in these areas. The current housing development/property within the immediate surrounds o the site has shown built footprint growth and densification over the two decades.

The following images illustrate the typical housing typology in these areas:

Image 7.4-7.5: Traditional area's housing typology

Source: DEMACON, 2020

Image 7.6-7.7: Traditional area's housing typology

Source: DEMACON, 2020

Source: DEMACON, 2020

ACORNHOEK HOUSING DEVELOPMENT TRENDS

Image 7.8: Acornhoek area 2003

Source: DEMACON, 2020

Image 7.9: Acornhoek area: 2014

Source: DEMACON, 2020

Image 7.10: Acornhoek area 2019

Source: DEMACON, 2020

Image 7.11: Housing footprint (East of proposed site)

Source: DEMACON, 2020

Images 7.12 : Estimated House Values (East of proposed site)

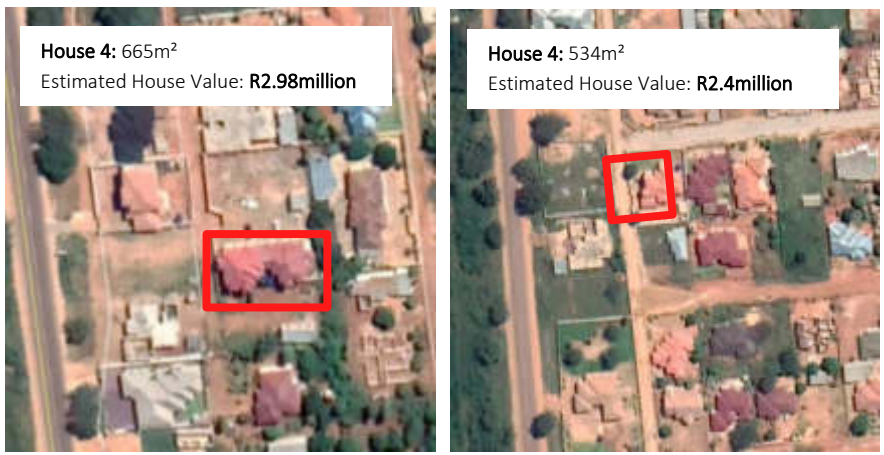
Source: DEMACON, 2020

Image 7.13 & 7.14: Estimated House

House 5:335m²
Estimated House Value: **R2.9million**

House 6:385m²
Estimated House Value: **R1.7million**

Images 7.15-7.18 : Estimated House Values (East of proposed site)



Source: DEMACON, 2020

Source: DEMACON, 2020

Findings:

Property/Housing development data should be interpreted accurately. Acornhoek is predominantly tribal and therefore not characterised by full title property transactions. Aerial photography nevertheless reveals appreciable investment in residential real estate (as seen in the images), which is not reflected in official data. This trend seems to be particularly prevalent, but not necessarily limited to former subsidy housing schemes. This trend introduces affordability and competitiveness challenges for new formal, market based residential development.

The presence of the mall and hospital can be considered to be an advantage for future formal residential development.

Typical critical success factors of similar developments include inter alia:

- ✓ Proximity to modern shopping facilities in an emerging node,
- ✓ Proximity to urban centres
- ✓ Proximity to major transport routes that connect to urban centres
- ✓ Affordability
- ✓ Safety and security within and around the development
- ✓ Configuration as a branded residential estate,
- ✓ Timeous introduction of ancillary facilities and amenities including private school, clinic, post office, etc.

7.3 RESIDENTIAL DEMAND MODELLING

This section of the report focuses on the residential market, with the objective of estimating the development potential within the market area. The diagram below illustrates the effective market gap:

❑ **GAP ANALYSIS**

Development Type	Effective Market Gap	Development Prospects
• Apartments	• Yes	• Moderate to High

It is evident that there is a market for middle to higher income apartments. There are, however, locational realities that need to be borne in mind. Sensible layout and design principles will have to be incorporated to ensure optimal functioning of the typologies

In order to reach this objective, the supply and demand for residential facilities within the market segment should be identified and assessed in light of current trends.

Table 7.1: Household Income Categories

Income Category	Type of Housing
R0 – R1 500	Subsidy
R1 500 – R3 500	Subsidy & CRU Housing
R3 500 – R7 500*	FLSIP / GAP & Social Housing
R7 500 – R15 000	FLSIP / GAP & Affordable Bonded
R15 000+	Bonded

Source: Centre for Affordable Housing Finance in Africa

**Note: The upper Social Housing limit has recently been adjusted from R7 500 to R15 000*

Demand for residential units can be stated as follows:

Definition

The residential market refers to land uses associated with human habitation such as housing or dwelling units. Residential use can vary in typology, density, tenure, structure, layout and affordability. 'Residential' does not include hotels or guesthouses, which are defined as being 'short-stay' accommodation.

Defining demand

Residential demand depends on a variety of factors. In this context, residential demand can be conceptualised as follows:

Dres. = f {Po; P%; Q; Pr; Pr%, ROI, I, Tx; Y; Hs; R; Ci; Hs; Hp}

Where:

Po	=	Population Size
P%	=	Population growth rate
Q	=	Existing quality of residential environment
Pr	=	House prices
Pr%	=	Growth in house prices
ROI	=	Return on investment
I	=	Interest rates
Tx	=	Rates and Taxes
Y	=	Household income
Hs	=	Household size
R	=	Rent
Ci	=	Cap Rates
Hs	=	Housing shortage
Hp	=	Housing preferences

BONDED HOUSING

❖ **Income and Housing Affordability**

Table 7.2 indicates a range of income midpoints, midpoint house prices and classifications attainable by the source market area.

- ✓ The core target market of households earning on average between R288 554 and R577 107 annually.
- ✓ This segment can afford houses between R833 382 and R1 666 762
- ✓ The total units recommended for the project is a maximum of approximately **400 units.**

Figure 7.1 indicates the target market housing profile based on the affordability analysis within the delineated source market.

Table 7.2: Residential Affordability Profile

Income Midpoint 2020 (R)	House Price (Midpoint)	Generic Indicative Unit Size	(%)	Number of Units (40)	Classification
R0	R0	40m² - 50m²	0.0%	0	Subsidy / Social Housing
R3 006	R8 683	40m² - 50m²		0	Subsidy / Social Housing
R9 018	R26 045	40m² - 50m²		0	Subsidy / Social Housing
R18 035	R52 088	40m² - 50m²		0	Subsidy / Social Housing
R36 070	R104 174	50m² - 60m²		0	Subsidy / Social Housing
R72 139	R208 347	60m² - 70m²	0.0%	0	FLISP / Gap
R144 277	R416 692	80m² - 90m²	0.0%	0	FLISP / Gap
R288 554	R833 382	120m² - 140m²	73.3%	293	Middle to Higher Income
R577 107	R1 666 762	140m² - 400m²	26.7%	107	Middle to Higher Income
R1 154 214	R3 333 523	420m² - 750m²	0.0%	0	Higher Income
R2 308 428	R6 667 044	780m² - 1000m²	0.0%	0	Top-End
R4 616 855	R13 334 089	1 000m²+	0.0%	0	Top-End

Figure 7.1: Market Area Housing Affordability Profile

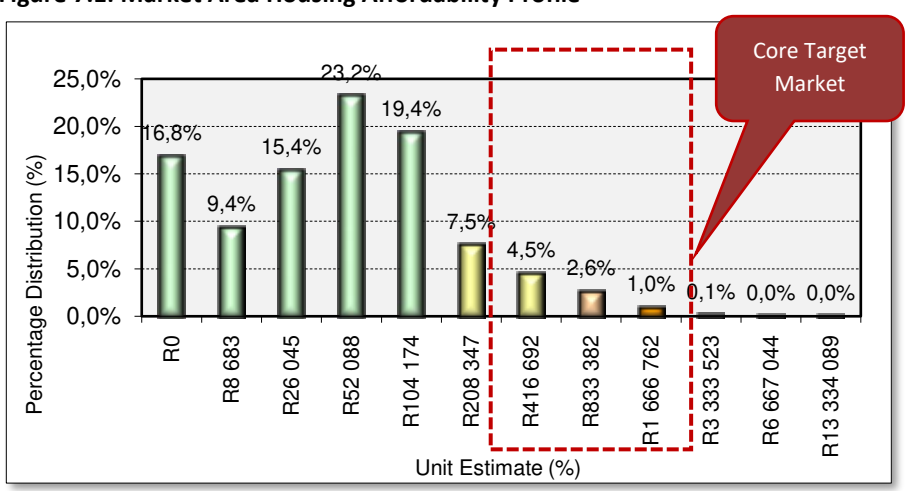
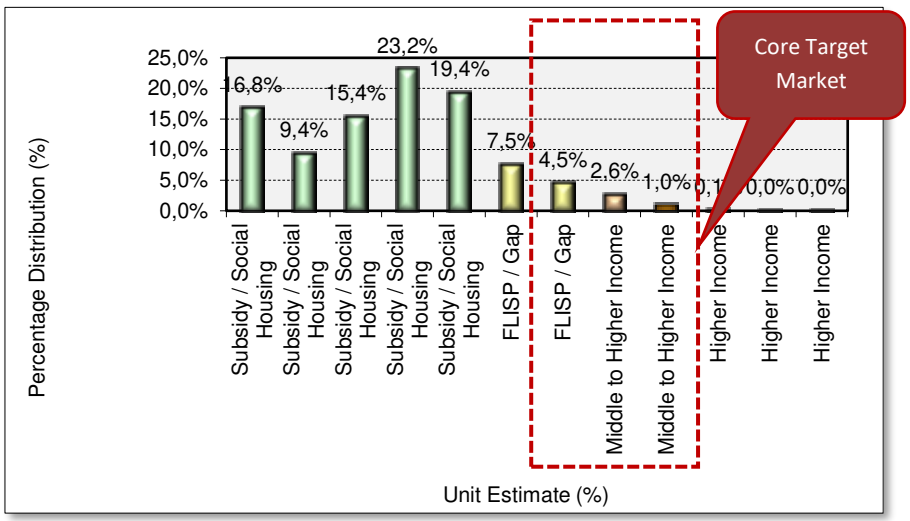
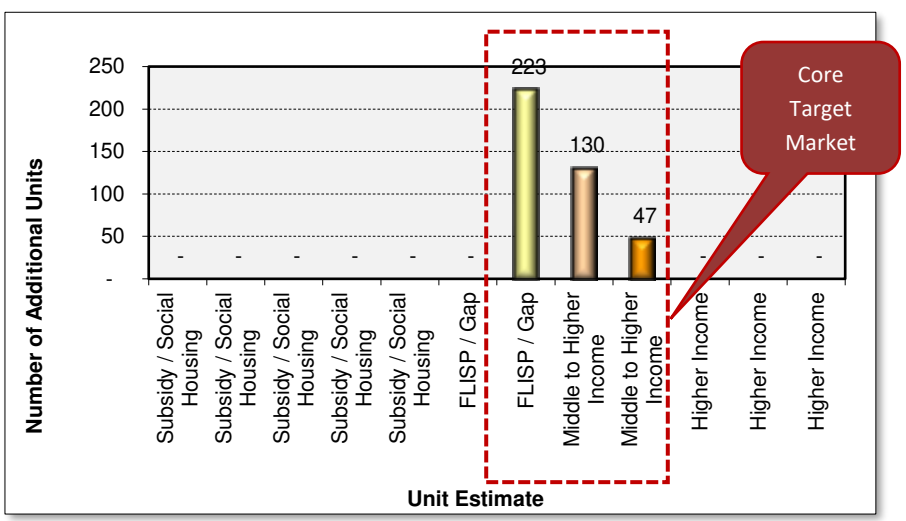


Figure 7.2: Market Unit Typology Profile (Percentages)



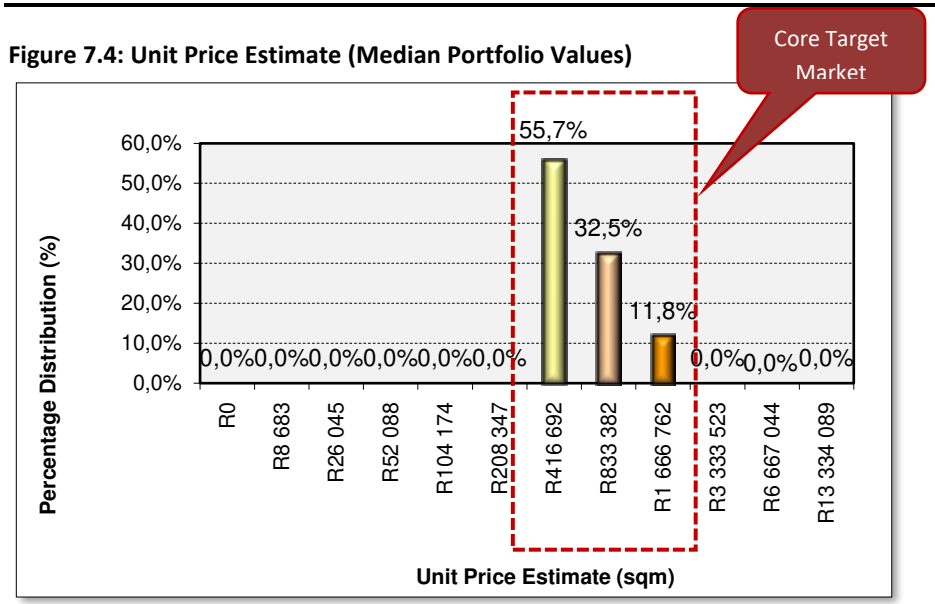
Source: Demacon Demand Modelling, 2020

Figure 7.3: Project Optimum Unit Typology Profile (Units)



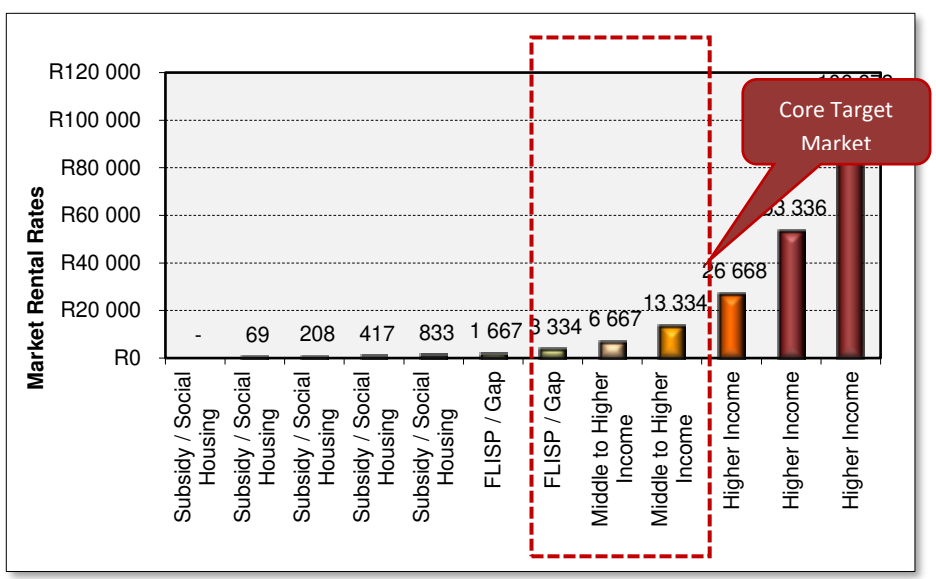
Source: Demacon Demand Modelling, 2020

Figure 7.4: Unit Price Estimate (Median Portfolio Values)



Source: Demacon Demand Modelling, 2020

Figure 7.5: Market Forecast Rental Rates



Source: Demacon Demand Modelling, 2020

❖ Summary of Market Recommendations

Table 7.3: Summary of Market Recommendations

	TOTAL MARKET		
A	Additional HH: base yr + 5yrs		1 010
B	Annualised Market growth (full housing spectrum)		202
C	Bonded units		15.9%
D	Bonded take-up per annum		32
E	Annual secondary market contribution (units / annum)	Min	63
F		Max	192
G	Total annual bonded demand	Min	128
H		Max	224
	PROJECT SPECIFIC – BONDED UNITS		
I	Project Bonded Units		400
J	Forecast market share of total market sales	Min	20%
K		Max	30%
L	Project forecast total annual take-up rate (units / annum)	Min	26
M		Max	67
N	Years to 80% take-up (bonded units)	Min	6.0
O		Max	15.6
P		Avg	10.8
	Optimum point of market entry		2021+

Source: Demacon, Modelling 2020

Explanatory Notes:
A = increase in demand for new rental units, 2020 – 2024
B = Annualised market growth, i.e. of A/5
D = B x C
E & F = Annual secondary market contribution (i.e. the contribution made by re-sales in the target affordability income brackets)
G & H = Annual new entry-level to executive flat/ apartment demand; D + E and D + F
I = Project entry-level to executive flat/ apartment units
J & K = assumed market share of market area
L = G x J

M = H x K
N = I / L
O = I / M

Explanatory Notes:

[2] – Reflects the percentage of the local population with incomes and affordability levels aligned to bonded units

[3] – Number of potential buyers through local secondary market transactions, e.g. qualifying local potential buyers selling existing homes to move to new area.

Findings:

- ✓ The modelling portrays market-based take-up over a medium to longer-term market growth trends.
- ✓ Albeit that there is a demand for bonded products, the total segment of the market that can afford a bonded/FLISP home in the relevant price bracket does not exceed **10%.**
- ✓ A similar size segment could be added if **FLISP** products were to be introduced. This would be a house to first time home-owners only typically priced between **R450 000 and R650 000** (calculated on the basis of beneficiary income).
- ✓ On account of market profile, break of growth, etc. approximately **400** bonded units could be developed.

SOCIAL HOUSING

Table 7.4 indicates the current market performance and the market share that social housing within the primary catchment area could attract to the site over the short term.

Table 7.4: Market Recommendations – Social Housing Units

Variable	Value
Total Market	
Market growth (annual new households - total)[1]	202
Social Housing Market Segment[2]	54,6%
Social Housing Demand Per Annum	101
Annual Social Housing Secondary Market Contribution (units / annum)[3]	329 to 658
Total Social Housing Market take-up	430 to 760
Project Specific – Short Term Development Potential	
Project Social Housing Units	**350**
Forecast market share of total market sales	10% to 20%
Project forecast total annual take-up rate (units / annum)	43 to 152
Years to 80% take-up (social housing units)	2.3 to 8.1
Average Years to take-up (social housing units)	5.2

[1] – Total Annual take-up of Target Market

[2] – Reflects the percentage of the local population with incomes and affordability levels aligned to social housing units

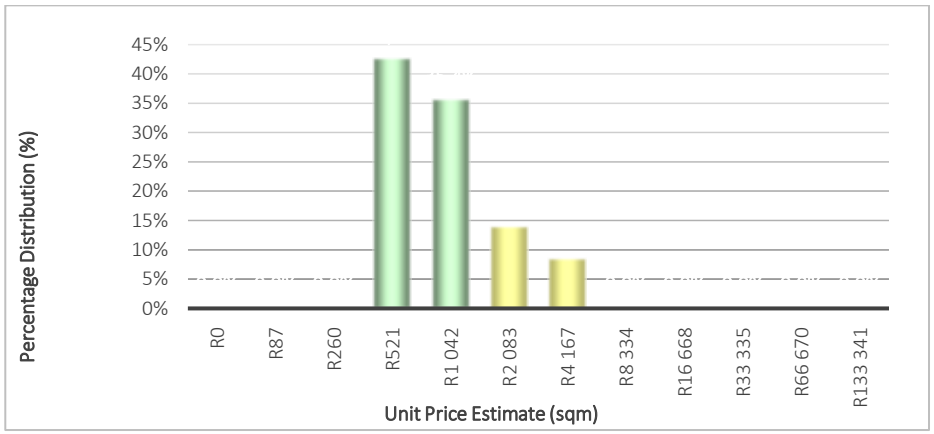
5 – Number of potential buyers through local secondary market transactions, e.g. qualifying local potential buyers selling existing homes to move to new project.

Findings:

- ✓ In terms of the consumer profile, the market can sustain approximately 350 social housing units over the medium term. Once a commercial component has been successfully established this demand can be expected to increase. .
- ✓ The table above shows two sections, 1) total market and 2) project specific. Between 2020 and 2025 an estimated **1 011** new households will seek accommodation in the target geographic market area, resulting in an annual growth in demand of approximately **202** units per annum (across the full housing spectrum, including informal and subsidy).
- ✓ Under present market conditions, the social housing segment **(54.6%)** will yield a take-up rate of **101** units per annum.
- ✓ Short term potential: A total of **350** social housing opportunities could be absorbed within the market over a time period of **± 2.3 years.**

The following pricing distribution could be applied to the Social Housing Development.

Figure 7.6: Unit rental estimation (Median Portfolio Values)



Source: DEMACON, 2018

Table 7.5 Social Housing Rental Distribution

Unit	Size (sqm)	Rental Bracket (Rand/ month)	% Units	Number of Units (short term)
Bachelor	40 to 45	R380 - R750	42.5%	149
Bachelor to 1 Bedroom	50 to 55	R750 - R1 500	35.4%	124
2-Bedrooms	65 to 70	R1 500 - R3 000	13.8%	48
2 to 3 bedrooms	80 to 85	R3 000 - R6 000	8.3%	29

Source: DEMACON, 2018

7.4 SYNTHESIS

This chapter provided an overview of the residential market trends underlining the source market area. The following summarise the findings of the residential supply and demand in terms of the housing affordability and the net demand modelling.

❑ DEVELOPMENT RECOMMENDATIONS:

Bonded Housing:

- ✓ In the context of the above, it is evident that there is market potential for the proposed **±400 apartment units** as part of the mixed-use development. The forecast take-up period is between 1 and 2 years.
- ✓ The target market of this residential segment is middle to high-income households.
- ✓ Configuration of units: **apartments**
- ✓ Unit sizes: **±120m² - 400m².**
- ✓ The optimum point of market entry based on the market demand analysis would be 2021+.
- ✓ In the context of the target market profile, the optimum unit composition for residential units in the proposed development (to facilitate optimum take-up) would be:

Table 7.6: Bonded-Optimum Distribution Range Configuration

%	Total Units	Price Range	Building Configuration	Square metres
32.5%	78	R650 000 – R1 million	1 bedroom, 1 bathroom, 1 carport	$50m^2 – 70m^2$
	52	R1.1 million -R1.35 million	2 bedrooms, 1 bathroom, 1 garage, 1 carport	$70m^2 – 90m^2$
11.8%	33	R1.7 million -R2.0 million	2 bedrooms, 2 bathroom, 1 garages, 1 carport	$90m^2 – 110m^2$
	14	R2.1 million – R2.7 million	3 bedrooms, 2 bathrooms, 2 garages, 2 carports	$120m^2$ +
Total	**177**			

Source: Demacon Demand Modelling, 2020

- ✓ The demand split is between FLISP (±223 units) and middle to higher income bonded housing (±177 units).

Social Units:

- ✓ Between 2020 and 2025 an estimated **1 011** new households will seek accommodation in the target geographic market area, resulting in an annual growth in demand of approximately **202** units per annum (across the full housing spectrum, including informal and subsidy).
- ✓ Under present market conditions, the social housing segment **(54.6%)** will yield a take-up rate of **101** units per annum.
- ✓ Short term potential: A total of **350** social housing opportunities could be absorbed within the market over a time period of **± 2.3 years.**

Table 7.7 Social Housing- Rental Distribution

Unit	Size (sqm)	Rental Bracket (Rand/ month)	% Units	Number of Units (short term)
Bachelor	40 to 45	R380 - R750	42.5%	149
Bachelor to 1 Bedroom	50 to 55	R750 - R1 500	35.4%	124
2-Bedrooms	65 to 70	R1 500 - R3 000	13.8%	48
2 to 3 bedrooms	80 to 85	R3 000 - R6 000	8.3%	29

Source: DEMACON, 2020

TRADE (AUTOMOTIVE) MARKET ANALYSIS 8

8.1 INTRODUCTION

This section of the report focuses on the trade market, to determine automotive demand, potential of fitment centres and workshops etc. In order to reach this objective, the supply and demand for trade development within the market area should be identified and assessed in light of current trends.

Subsequent sub-sections provide a concise overview of the market in terms of the following aspects:

- ✓ Defining of Sector and Sub-Sectors
- ✓ Market Potential Assessment
    - ✓ Market Supply
    - ✓ Space Demand Modelling
- ✓ Synthesis

8.2 DEFINING OF SECTOR AND SUBSECTOR

The formal definition of the wholesale and retail trade sector according to the Stats SA SIC (Standard Industrial Classification and all Economic Activities (SIC)) is:

MAJOR DIVISION 6: Wholesale and retail trade, repair of motor vehicles, motor cycles and personal and household goods, hotels and restaurants. The formal definitions of the sub-sectors according to the Stats SIC are:

SIC 61 - Wholesale and commission trade, except of motor vehicles and motor cycles
This sector (61) includes the following activities:
611 wholesale trade on a fee or contract basis
612 wholesale trade in agricultural raw materials, livestock, food, beverages and tobacco
613 wholesale trade in household goods
614 wholesale trade in non-agricultural intermediate products, waste and scrap
615 wholesale trade in machinery, equipment and supplies
616 other wholesale trade
SIC 62 - Retail trade, except of motor vehicle and motor cycles; repair of personal household goods
This sector (62) includes the following activities:
621 non-specialised retail trade in stores
622 retail trade in food, beverages and tobacco in specialised stores
623 other retail trade in new goods in specialised stores
624 retail trade in second-hand goods in stores
625 retail trade not in stores
626 retail trade of personal and household goods
SIC 63 - Sale, maintenance and repair of motor vehicles and motorcycle; retail trade in automotive fuel
This sector (63) includes the following activities:
631 sale of motor vehicles
632 maintenance and repair of motor vehicles
633 sale of motor vehicle parts and accessories
634 sale, maintenance and repair of motorcycles and related parts and accessories
635 retail sale of automotive fuel
SIC 64 - Hotels and restaurants
This sector (64) includes the following activities:
641 hotels, camping sites and other provision of short-stay accommodation
642 restaurants, bars and canteens

8.3 MARKET POTENTIAL ASSESSMENT

The demand-side dynamics within the market have been concisely described in preceding chapters, supported by a retail market growth assessment. An assessment of the net effective demand for additional retail floor space will be made in this

chapter. A growth forecast, respectively for a five and ten year horizon are provided based on economic, population and income growth prevalent in the market.

Demand modelling has become increasingly specialised over the past decade. One particular aspect that has changed is a notable shift away from broad based supply-demand estimations to multivariate, differentiated models. Contemporary models focus on specific expenditure patterns of selected LSM market segments.

The market potential estimations will be addressed under the following headings:

- ✓ Trade Supply
- ✓ Trade Space Demand
- ✓ Development Potential

8.3.1 MARKET SUPPLY

There are no formal automotive dealerships and workshops in the Acornhoek area. The supply of formal fitment centres is limited.

Subsequent table summarises competitive supply within the market area in terms of automotive dealerships, fitment centres, and related ancillary services.

Table 8.1: Automotive supply in and around market area

Automotive Business	Address	Suburb
T S Tyres Services	Canhook Drive, Mooiset	Thulamahashe
Osika Tyres	R40	Tsakani
Dunlop Express	1063A, Main Road	Dwarsloop
Acornhoek Spares Centre	R40, Greenvalley	Acornhoek
JZ Motorspares	Rolle Main Road	Thulamahashe
Dumisani Tyres	Rolle Main Road	Thulamahashe

Source: Demacon Demand Modelling, 2020

8.3.2 SPACE DEMAND ESTIMATIONS

The following diagram illustrates the effective market gap.

GAP ANALYSIS

Space demand modelling has become increasingly specialised. One particular aspect that has changed is a notable shift away from broad based supply-demand estimations to multivariate, differentiated models. In the context of preceding chapters, the trade development potential in the market is subsequently determined, based on a specialist econometric model. It is known that the demand of space depends on the production function of a market area.

Defining Demand

Retail demand depends on a variety of customer-related aspects. It can be conceptualised as follows:

$$D_{ret} = f\{P_o; P_{\%}; Q; Y; R_e; C_p; S_f\}$$

Where:

P_o	=	Population size
$P_{\%}$	=	Population growth
Q	=	Existing quality of retail space

Y	=	Household income
R_e	=	Household expenditure patterns
C_p	=	Consumer preferences
S_f	=	Seasonality factors

Defining Supply

The supply of the markets entails the following:

$$S_{ret} = f\{D_{ret}; GLA_{ret}; R; S_c; C_c; L_u; I_a; S_p; V_{ret}\}$$

Where:

D_{ret}	=	Demand
GLA_{ret}	=	Current rentable/useable area
R	=	Rent/m^2
S_c	=	Competition
C_c	=	Construction cost
L_u	=	Surrounding land uses
I_a	=	Infrastructure availability
S_p	=	Speculative climate
V_{ret}	=	Vacancy

Trade demand modelling has become increasingly specialised. One particular aspect that has changed is a notable shift away from broad based supply-demand estimations to multivariate, differentiated models. In the context of preceding chapters, the development potential for trade in the market is subsequently determined, based on a specialist econometric model. To develop a model, *inter alia* three data sets are required in time series format. *They are:*

- ✓ Total employment of the market area,
- ✓ Trade sector employment,
- ✓ Trade sector productivity indicator.

Related property market indicators, together with the four data series were used in the following formula.

FORMULA:

The following equation is used to determine office space absorption:

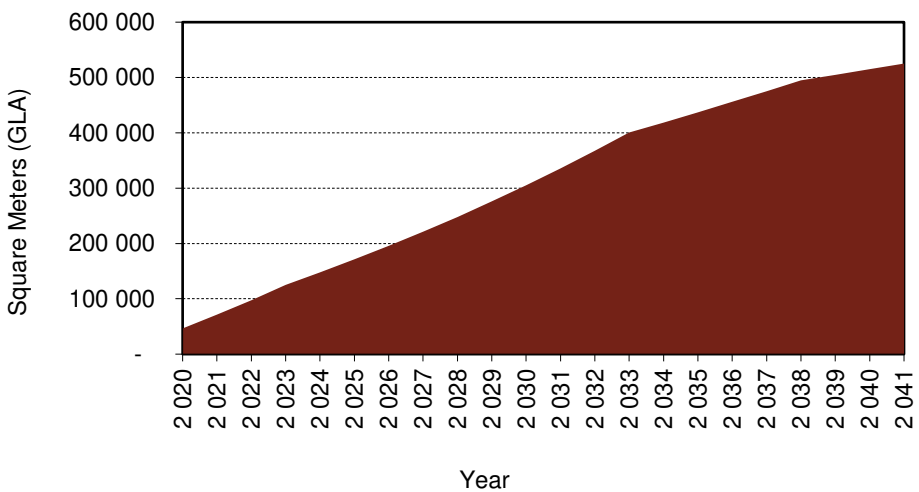
$$AB_t = \tilde{l}(OC^*_t - OC_{t-1})$$
$$= \tilde{l}(\alpha_0 + \alpha_1 EM_1 + \alpha_2 EW_t + \alpha_3 Q_t - \alpha_4 R_{t-2}) - \tilde{l}_1 OC_{t-1}$$

Key:

AB	=	Net absorption of space
OC	=	Occupied Space
EM	=	Employment in Wholesale & Retail sector
EW	=	Employment in Catering & Accommodation sector
Q	=	Trade Sector Output per Worker
R	=	Rental Rate for Retail Space

It is known that the demand for trade space depends on the level of activity in terms of wholesale and retail trade, (including automotive and fuel retail sales), as well as catering and accommodation within the Bushbuckridge Local Economy. Figure 7.1 illustrates cumulative additional trade space demand for the area.

Figure 8.1: Cumulative Additional Space Demand (sqm GLA)



Source: Demacon Demand Modelling, 2020

The following table summarised the space demand modelling results for wholesale & retail trade, catering & accommodation as well as automotive sales.

8.3.3 DEMAND MODELLING

Demacon's Demand Modelling results illustrate that the consumer market can sustain automotive fitment centres / ancillary services / sales / motorcycles / trailers / roof racks, 4x4 safari / outdoor type of services of approximately 4 681m2 with the optimum point of market entry in 2020+. The following tables indicate the space demand modelling result of the trade sector.

Table 8.2: Synthesis of Space Demand Modelling Results (nodal potential) – m2 GLA (constant values)

Cumulative Additional Space Demand	2025	2030	2035	2040
Wholesale & Retail Trade (sqm GLA)	111 829	193 072	275 886	330 911
Catering & Accommodation (sqm GLA)	59 398	112 193	161 312	184 053
TOTAL: Bushbuckridge Local Municipality	**171 227**	**305 265**	**437 198**	**514 964**
At 28.58% automotive	13 300	48 937	87 245	124 951
Project Share - min	1 330	4 894	8 724	12 495
Project Share - max	1 995	7 341	13 087	18 743
Average	**1 662**	**6 117**	**10 906**	**15 619**

Source: Demacon Demand Modelling, 2020

Table 8.3: Project Space Demand Results - m2 GLA (cumulative)

Forecast	Square metre (m^2)
Up to 2025	1000 m^2 – 2 000m^2
2025 – 2030	5 000 m^2 – 8 000m^2
2035 – 2040	9 000 m^2 – 13 000m^2
2040+	13 000 m^2– 19 000m^2

Source: Demacon Demand Modelling, 2020

Table 8.4: Recommended Sizes

Recommended Sizes	Rand per annum /m^2
Capital investment (constant values)	R103 990 511
Employment opportunities	204
Parking	245
Parking infrastructure & landscaping cost (2011 constant values)	R5 823 469
Point of Market Entry	2022+
Size of development (sqm) (up to 2040)	6 117m^2

Source: Demacon Demand Modelling, 2020

The following is evident from the above tables:

- ✓ Trade sector market demand in Bushbuckridge Local Economy increases cumulatively from **171 227m² GLA** in 2025 to **514 964m²** GLA in 2040.
- ✓ Market demand for automotive floor space in the trade area increases cumulatively from **1 662m²** in 2025 up to **15 169m²** GLA in 2040.
- ✓ Proposed size of development over the short to medium term amounts to approximately **6 117m².**
- ✓ This floor space could include:
  - Selected automotive dealerships
  - workshops & fitment centres,
  - speciality shops and services,
  - Motorcycles, quads,
  - Outdoor, 4x4 ,camping and adventure.
- ✓ Optimum point of market entry: 2022+

8.4 SYNTHESIS

The findings of the preceding Chapter are integrated into an empirical assessment of the market potential.

Table 8.5: Recommended Sizes

Recommended Sizes	Rand per annum /m²
Capital investment (constant values)	R103 990 511
Employment opportunities	204
Parking	245
Parking infrastructure & landscaping cost (2011 constant values)	R5 823 469
Point of Market Entry	2022+
Size of development (sqm) (up to 2040)	6 117m²

Source: Demacon Demand Modelling, 2020

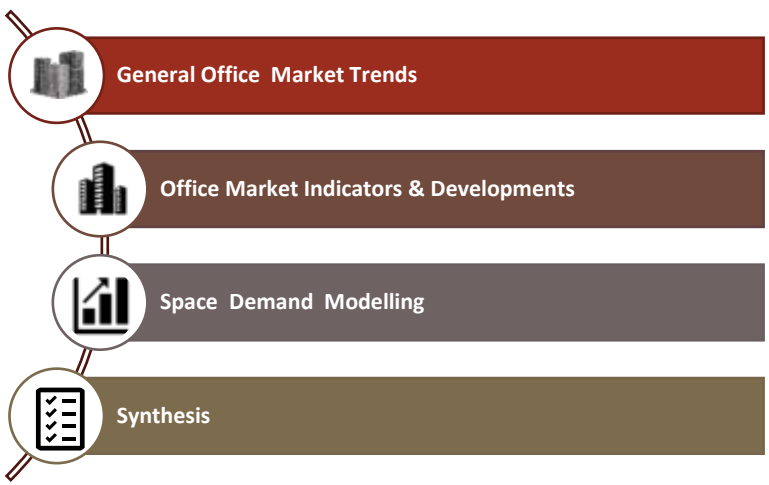
Demacon's Demand Modelling results illustrate that the consumer market can sustain automotive fitment centres / ancillary services / sales / motorcycles / trailers / roof racks, 4x4 safari / outdoor type of services of approximately **6 117m²** with the optimum point of market entry in **2022+.**

OFFICE MARKET ANALYSIS 9

9.1 INTRODUCTION

This section of the report focuses on the office market, with the objective of estimating the development potential within the designated area. In order to reach this objective, the supply and demand for offices within the market area should be identified and assessed in light of current trends.

Subsequent sub-sections provide a concise overview of the office market in terms of the following aspects:



9.2 LOCAL MARKET INDICATORS

Neither Bushbuckridge, Acornhoek nor Hoedspruit and Hazyview are monitored office nodes. The closest monitored nodes to the greater Bushbuckridge area are **Nelspruit** and Polokwane. In terms of the demographics it is evident that the market is predominantly lower LSM orientated. The demand for formal office space is therefore expected to be limited.

9.3 OFFICE MARKET INDICATORS

❖ OFFICE MARKET RENTAL RATES

The office market is still struggling to record rental growth higher than building-cost inflation (BER BCI) amid high and rising vacancy rates. Encouragingly, nominal rentals grew at a slightly faster rate in the third quarter of 2020, even in Cape Town, but generally weak fundamentals suggest that faster rental growth on a national level won't be sustained.

National rental growth

Nationally, nominal market rentals for grade-A office space grew by 4% in the third quarter of 2020 compared to the third quarter of 2018, according to Rode's office market survey. This is somewhat better than the 3% growth recorded in the second quarter of 2020. This implies that rentals continued to decline in real terms, after accounting for building-cost inflation of about 6%. The last time rentals beat inflation was in the fourth quarter of 2016.

Rentals in decentralized nodes

In the third quarter of 2020, Cape Town decentralized office rentals grew by 6% year on year in nominal terms, picking up from the 5% pace in the second quarter. This is

a welcome sign after rentals slowed for three consecutive quarters. This implies that rentals grew at the same rate as building cost inflation. This is in line with slightly improving vacancy rates, which averaged 4,7% in the second quarter of 2020 compared to 5% in the first quarter of 2020.

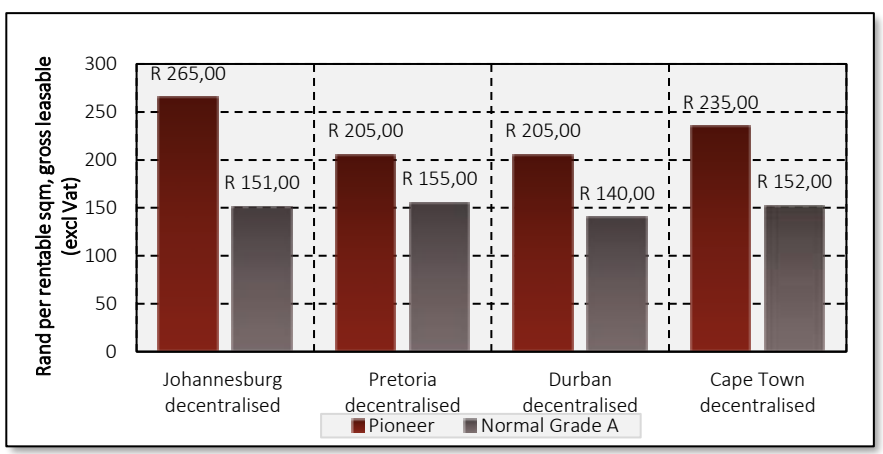
This is the lowest vacancy rate of the major cities by a comfortable margin. However, it's not all rosy, with vacancy rates and rent-free periods rising in some nodes.
Pioneer rental levels often represent leases signed on newly erected on-demand buildings like leaseback developments, and these reflect today's building costs as developers naturally expect a fair initial yield on their development costs. Thus, when the economy eventually climbs out of its current lethargy, market rentals will shoot up to the levels of these pioneer rentals in the wake of renewed economic growth.

Table 9.1: Pioneer office rentals

	Pioneer	Normal Grade A	Difference %
Johannesburg decentralised	305	152	100%
Pretoria decentralised	205	153	34%
Durban decentralised	205	141	45%
Cape Town decentralised	235	154	53%

Source: Demacon ex Sapoa, 2020:Q4

Figure 9.1: Pioneer office rentals

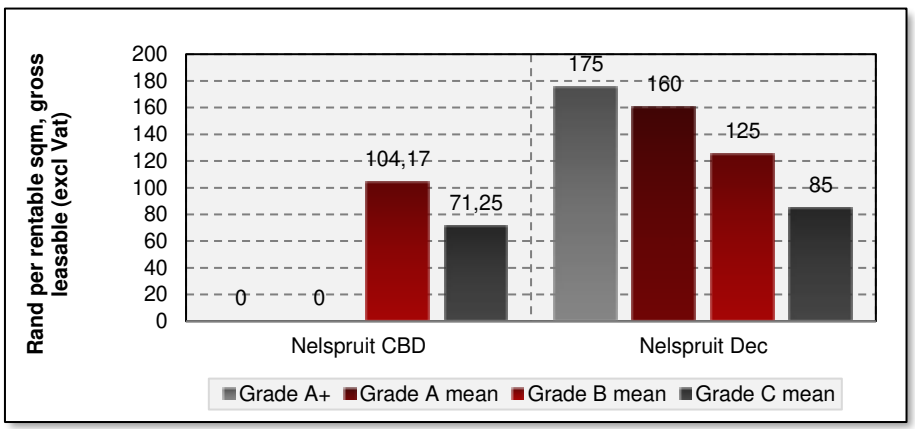


Source: Demacon ex Sapoa, 2019:Q4

❖ LOCAL OFFICE RENTAL PRICES

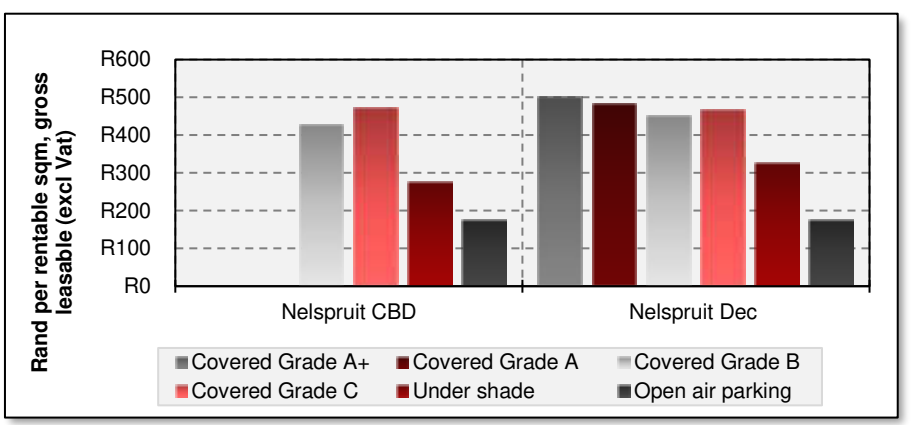
There are no monitored office nodes situated within the primary trade area. Based on the current market conditions in **Nelspruit**, the following indicators could inform the project cash flow forecast (2019 values).

Figure 9.2: Market rental rates for office buildings



Source: Demacon ex Sapoa, 2019: Q4

Figure 9.3: Parking rentals for office buildings



Source: Demacon ex Sapoa, 2019: Q4

There are no monitored office nodes situated within the primary trade area. Based on the current market conditions in **Nelspruit**, the following indicators could inform the project cash flow forecast (2019 values):

Office Rentals (Grade A and Grade A+): R160 per m^2 – R175 per m^2
Office Rental Escalation rates on new leases: 8%

Parking costs:

Depending on the type of parking provided:

- *Covered Parking – R480 to R500 per bay per month*
- *Shade-net Parking – R275 to R325per bay per month*
- *Open-air Parking – R175 per bay per month.*

Operating costs: R25.5 per m^2 – R35 per m^2

May include the following:

- *Cleaning*
- *Repairs and maintenance*
- *Common-area electricity and water*
- *Security*
- *Management fee (excluding head office overheads)*
- *All leasing expenses: broker's commission and in-house payroll, advertising, tenant installations & relocations (unless recovered), buy-outs, etc.*
- *Municipal tax*
- *Insurance (fire & SASRIA). In the case of self-insurance, the market average should be included.*
- *Refuse and sewerage less recoverable amount*
- *External and common area repairs and maintenance*
- *Audit fees*
- *Office park levies*

9.4 OFFICE SPACE DEMAND MODELLING

❑ **GAP ANALYSIS**

The following figure illustrates cumulative additional office space demand for the **Local Economy**

Office demand modelling has become increasingly specialized. One particular aspect that has changed is a notable shift away from broad based supply-demand estimations to multivariate, differentiated models.

In the context of preceding chapters, the development potential for a business park in the market is subsequently determined, based on a specialist econometric model. It is known that the demand office space depends on the production function of a market area. To develop a model, *inter alia* three data sets are required in time series format.

They are:

- ✓ Total employment of the market area,
- ✓ Finance and business services employment,
- ✓ Finance and business services productivity indicator.

Related property market indicators, together with the four data series were used in the following formula.

FORMULA:

The following equation is used to determine office space absorption:

$$AB_t = \lambda(OC^*_t - OC_{t-1})$$
$$= \lambda(\alpha_0 + \alpha_1 EM_1 + \alpha_2 EW_t + \alpha_3 Q_t - \alpha_4 R_{t-2}) - \lambda_1 OC_{t-1}$$

Key:

AB	=	Net absorption of space
OC	=	Occupied Space
EM	=	Employment in Finance sector
EW	=	Employment in Business sector

RATIONALE

The net absorption of space, AB_t will be an adjustment between the desired amount of occupied space, OC^*_t and that used last period, OC_{t-1}. The desired amount of space will be a linear function of current lagged employment in the finance and business sectors (EW_t, EM_t) together with the level of office output per worker (Q).

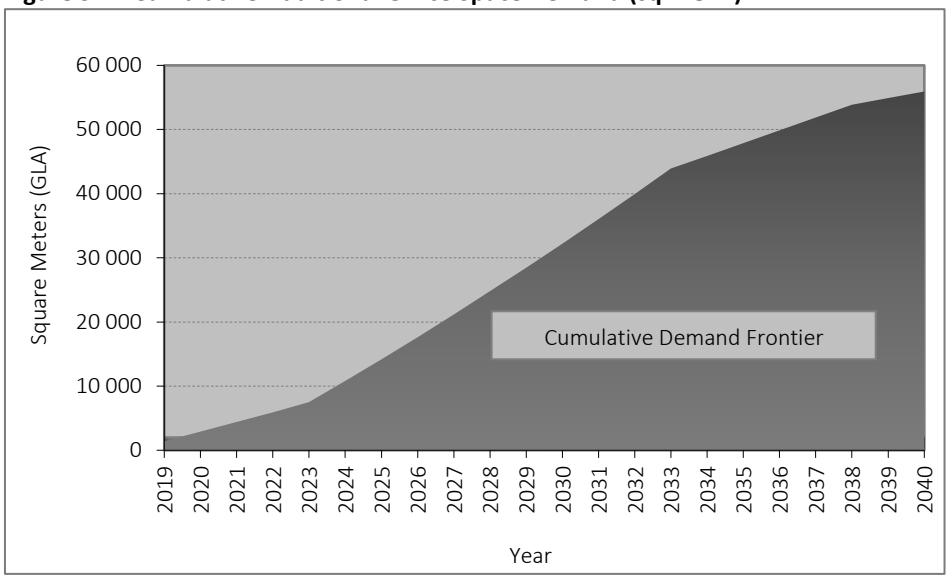
Finance employment and output per worker is used as separate variables (instead of total office production), recognizing that the space demand, which originates from more workers can be quite different from that arising when firms use more capital and knowledge to generate additional output. To estimate an office rental elasticity of space demand, the rental rate for office space (R_t) is entered directly into the equation for the desired stock of space.

(The long-term square metre demanded per finance and business workers are the parameters α_1, α_2 in the Equation above. The actual estimated statistical coefficients on finance and business employment are the parameters multiplied by the estimated parameters multiplied by the estimated parameter on the lagged occupied stock).

SPACE DEMAND MODELING

The aim of the following is to determine whether there would be a demand for certain types of floor space in the future and if so, how much. This can be determined by taking into account GGP, employment and output per worker.

Figure 9.4: Cumulative Additional Office Space Demand (sqm GLA)



Source: Demacon Demand Model, 2020

The following table summarised the space demand modelling results for the office sector.

❑ **DEMAND MODELLING**

Demacon's demand modelling indicated office potential of approximately **8 054m^2 (say 8 000m^2) office GLA over the short to medium term**. This space includes GLA for offices and related facilities, but excludes parking, storage and basements. The optimum point of market entry would be **2025+**.

Table 9.2: Synthesis of Space Demand Modelling Results – m^2 GLA (cumulative)

Cumulative Additional Space Demand	Up to 2025	2030	2035	2040
Finance & Insurance *(sqm GLA)*	3 168	3 345	3 834	4 413
Business services *(sqm GLA)*	11 028	28 869	44 024	51 516

Cumulative Additional Space Demand	Up to 2025	2030	2035	2040
TOTAL: Bushbuckridge Local Economy	14 196	32 214	47 858	55 929
Nodal Share - Min	2 839	6 443	9 572	11 186
Nodal Share - Max	4 259	9 664	14 357	16 779
Average*	3 549	8 054	11 965	13 982
Site	**3 549**	**8 054**	**11 965**	**13 982**

Source: Demacon Demand Model, 2020

** Note: the nodal shares and the average figures are cumulative*

Table 9.3: Space Demand Results - m^2 GLA (cumulative values – maximum share)

Forecast	Square metres
Up to 2025	3 500m^2 – 4 500m^2
2025 – 2030	6500m^2 – 9 000m^2
2035 – 2040	11 000m^2 – 14 500m^2
2040+	15 000m^2 – 17 000m^2

Source: Demacon Demand Model, 2020

The table below provides the recommended office options.

Table 9.4: Recommended office space options (ten-year timeframe)

Variables	Rand per annum / m^2
Capital Investment (2020 constant values)	R 161 070 630
Optimum size (GLA – 2030)	**8 054m^2**
Employment (on-site)	403
Parking bays	322
Parking infrastructure & landscaping cost (2020 constant values)	R 7 666 962
Point of market entry	2025+

Source: Demacon Demand Model, 2020

There are no monitored office nodes situated within the primary trade area. Based on the current market conditions in **Nelspruit**, the following indicators could serve as proxy should new offices be developed as part of Acornhoek city. Given the socio-economic profile of the area, it is more likely that the demand for office space would originate from local and provincial government administrative functions.

Office Rentals (Grade A and Grade A+): R160 per m^2 – R175 per m^2
Office Rental Escalation rates on new leases: 8%

Parking costs:

Depending on the type of parking provided:

- *Covered Parking – R480 to R500 per bay per month*
- *Shade-net Parking – R275 to R325per bay per month*
- *Open-air Parking – R175 per bay per month.*

Operating costs: R25.5 per m^2 – R35 per m^2

May include the following:

- *Cleaning*
- *Repairs and maintenance*
- *Common-area electricity and water*
- *Security*
- *Management fee (excluding head office overheads)*
- *All leasing expenses: broker's commission and in-house payroll, advertising, tenant installations & relocations (unless recovered), buy-outs, etc.*
- *Municipal tax*
- *Insurance (fire & SASRIA). In the case of self-insurance, the market average should be included.*
- *Refuse and sewerage less recoverable amount*
- *External and common area repairs and maintenance*
- *Audit fees*
- *Office park levies*

The ideal, would be to attract government tenants (potentially a combination of local, district and provincial offices/administrative functions). The private sector interest might be limited on account of the LSM profile of the area.

9.5 SYNTHESIS

Final remarks:

- ✓ Market demand for office floor space in **Bushbuckridge Local Economy** increases cumulatively from 14 196m^2 GLA in 2025 to 55 929m^2 GLA in 2040.
- ✓ The maximum nodal absorption increases from 4 259m^2 in 2025 to 16 779m^2 in 2040.
- ✓ Over the short to medium term, the project could attract office take-up of approximately **8 054m^2** (say 8 000m^2)
- ✓ Optimum point of market entry: **2025+**
- ✓ Configuration of offices: Low rise, **medium density offices**
- ✓ The ideal, would be to attract government tenants (potentially a combination of local, district and provincial offices/administrative functions). The private sector interest might be limited on account of the LSM profile of the area.

PRIVATE HEALTHCARE ANALYSIS 10

10.1 INTRODUCTION

The purpose of this chapter is to provide an **overview** of the **healthcare market** with specific focus on the **private healthcare** sector of the area. Subsequent sub-sections provide a concise overview of the medical market in general, followed by an overview of local private medical market trends. This chapter will therefore investigate the local medical market in terms of the following aspects:

- Public and Private Healthcare
- Healthcare Facilities and various levels of care
- Market Potential Assessment
- Synthesis.

10.2 PUBLIC vs. PRIVATE HEALTHCARE FACILITIES

The public sector is primarily funded by national and provincial government and generally struggle with capacity, funding and acquiring adequate staff. Recruiting doctors and nurses for the public sector is often difficult since public healthcare facilities generally pay lower wages than the private sector and working conditions are often poor.

Public Sector medical/healthcare facilities include:

- Public hospitals
  - District
  - Regional
  - Provincial
  - Tertiary
  - National
  - Central
- Specialized hospitals (E.g. and psychiatric care)
- Public clinics
- Community health centres
- Community based services (including school health services, home based care etc.)
- Ambulance and patient transport services

Private health care is provided by a large “for profit” sector and a small, but significant workplace-based health care system. Private “for profit” hospitals are predominantly located in urban areas and has expanded rapidly over the past ten years. Private doctors are generally not employed by hospitals but operate as independent contractors with relatively loose affiliations to hospitals. Approximately 56% of doctors work in the private sector and is generally better qualified and more experienced (on average) than doctors in the public sector. A wave of mergers between health insurers, pharmaceuticals, manufacturers and hospital groups have resulted in a significantly smaller group of companies controlling the majority of the private health care industry.

Private sector medical/healthcare facilities include:

- Private hospitals
- Private ambulances
- Private laboratories
- Radiologists
- Private medical and dental specialists
- Private general practitioners
- Private dentists
- Retail pharmacies

Private Medical/Healthcare Facility

“A unit delivering health services where the staff delivering the service is employed by any organisation that is not part of Government. Private medical/healthcare facilities may be for profit or not-for-profit in nature.”

- Supplementary and allied health professionals (including dieticians, psychologists, optometrists, physiotherapist etc.)
- Complementary medicine practitioners (including homeopaths and chiropractors etc.)
- Services such as drug rehabilitation and hospice care

Private medical/healthcare facilities can be categorised as for profit or not-for-profit facilities. Private for profit are facilities where the staff delivering health services are employed by the trade, partnership or registered business and the cost of the service are recovered from fees charged for the services rendered. Private not-for-profit includes facilities where the staff delivering health services is employed by a charitable or non-profit institute or organisation registered under Section 21 of the Companies Act.

Broad levels of care include:

- Public medical facilities
- Private medical facilities
    - Private for profit
    - Private not for profit

10.3 HEALTHCARE FACILITIES, LEVELS OF CARE AND SPECIALTY

Healthcare facilities are classified according to the various types of services provides. Certain facilities provide basic care and others offer more specialised services. This section provides a brief overview of the various types of healthcare facilities, the various levels of care as well as the different services offered by medical/healthcare facilities.

10.3.1 HEALTHCARE FACILITIES

Table 10.1 provides a summary of the various healthcare facilities and a brief description of their facilities and services.

Table 10.1: Healthcare Facility Classification and Description

Providing Inpatient Services	
Facility	**Description**
Hospitals	
Level 1 Hospital	A facility at which a range of outpatient and inpatient services are offered mostly within the scope of general medical practitioners. It has a functional operating theatre in which operations are performed regularly under general anaesthesia
Level 2 Hospital	A facility that provides care requiring the intervention of specialists as well as general medical practitioner services. A hospital providing a single specialist service would be classified as a specialised level 2 hospital. A general level 2 hospital should provide and the staffed permanently in the following 6 basic specialties of surgery: • Medicine • Orthopaedics • Paediatrics • Obstetrics • Gynaecology • Psychiatry • Diagnostic radiology and anaesthetics
Level 3 hospital	Provides specialist and sub-specialist care as defined for level 3 services. A specialised level 3 hospital will only have one or two specialties from group 1, 2 or 3 represented (e.g. cardiology and respiratory medicine plus associated anaesthetics and diagnostic facilities). A general level 3 hospital will have sub specialty representation in at least 50% of the range of the group 1 specialities listed in Table
Specialised hospitals	There are a wide range of possible specialties that could be focused in hospital, the two most common being TB

Providing Inpatient Services	
Facility	**Description**
	and Psychiatry, but they also include spinal injuries, maternity, heart, infectious diseases etc. These units may also provide either acute, sub-acute or chronic care for all of those levels of care.
Sub-Acute Facilities (Step Down)	
Convalescent unit	Cater for patients who need ongoing treatment requiring supervision or respite care. They will be staffed either by professions allied to medicine (physical rehab) or specialist nurses (psychiatric rehab) These specialised units may be on or off hospital site. Patients may be discharged from hospital into off site units.
Hospice Unit	These cater for terminally ill patients requiring palliative care or respite care. They will be staffed by allied professions and specialist nurses. These specialised units may often be on or off hospital site. Patients may be discharged from hospital into off site units
Transit Units	These units cater for patients who are awaiting treatment from a hospital but do not require admission. They may also cater for patients who have been discharged from hospital but for social reasons cannot go home.
Other Medical/Healthcare Facilities	
Health Post	Room in a house or other structure in a community from which a range of elementary PHC services are provided
Mobile	Temporary service from which a range of PHC services are provided and where a mobile unit/bus/car provides the resources of the services. This service is provided on fixed routes and at a number of strategic points which are visited on a regular basis. Some visiting points may involve the use of a room in a building, but the resources (equipment, stock etc.) are provided from the mobile when the service is available and are not maintained at the visiting point.

Providing Inpatient Services	
Facility	**Description**
Clinics and Health Centres	
Satellite Clinic	A facility that is a fixed building where one or more rooms are permanently equipped and from which a range of PHC services are provided. It is open for up to 8 hours per day and less than 4 days per week.
Clinic	An appropriately permanently equipped facility at which a range of primary health care services are provided. It is open at least 8 hours a day and at least 4 days a week
Community day centre	A facility which is not open 24 hours a day, 7 days a week but at which a broad range of primary healthcare services are provided. It also offers accident and emergency but not midwifery services or surgery under general anaesthesia
Community health centre	A facility which is open 24 hours a day, 7 days a week at which a broad range of primary healthcare services are provided. It also offers accident and emergency and midwifery services but not surgery under general anaesthesia
Specialised health centre	A facility that provides specialised care to particular groups of patients usually for less than 24 hours at a time. There are many possibilities for such units, but the most common are obstetric units and renal dialysis units
Independent consulting rooms	A facility that is not part of a hospital or clinic and is used by one or more independent practitioners to see ambulatory patients for consultation, examination, investigation and treatment General practitioner consulting rooms – one or more professionals registered as medical practitioners and who are not registered as specialist deliver health services

Providing Inpatient Services	
Facility	**Description**
	Specialist consulting rooms – one or more professionals register as medical practitioners and who are registered as specialists deliver health services Registered practitioner consulting rooms – where one or more professionals registered in any of the allied health professions deliver health services
Traditional Health practitioners consulting rooms	Where one or more professionals are registered as traditional health practitioners and deliver health services

10.3.2 VARIOUS LEVELS OF CARE

This section provides a brief overview of the various levels of care offered by different medical/healthcare facilities. The various levels of medical care are listed in Table 11.2 together with a brief description.

Table 10.2: Level of Care and Description

Level of Care	Description
Ambulatory Care	Non Admitted care, generally includes consultations, interventions or tests
Primary Healthcare	A set of prescribed services, generally falling within the skill base of professional nurse, technician, mid-level worker, counsellor, community health worker, midwife and emergency medical practitioner. These services may be first point of contact or for follow-up care
Referred outpatient care	Services provided by the requiring the skills of a general medical practitioner, a medical specialist or an allied health professional to which patients are referred, usually by appointment, for more specialised opinions or care. These will include referrals to general medical or surgical outpatients as well as the referrals to specialist clinics. They will also include referrals within a primary health care facility with or without appointment where there professionals deliver outreach services and/or where they provide services from private rooms or surgeries.
Day care	Treatment, observation or assessment that requires an extended stay, usually beyond the treatment or consultation as an outpatient, but less than 1 day. Day-case patients do not get counted in midnight bed count.
Impatient Care	Patients are admitted to hospital for at least one night for diagnosis, investigation or treatment Level 1 care Services which are within the skill base of a general medical practitioner and do not require the intervention of a specialist. Includes simple surgery requiring general anaesthetics Level 2 care (secondary) Services which at some time during the intervention are beyond the normal scope of a generalist and required the input of a registered specialist. Level 3 care (tertiary) Services which at some time during the intervention are beyond the normal scope of a specialist and requires the input of a registered sub-specialist
Acute care	Care of conditions that may change within a few hours or days and that require prompt investigations, diagnosis and treatment
Step-down or Sub-acute	Inpatient care that follows or forms the latter part of an acute episode in which the patient has been investigated, diagnosed, is in a stable condition and has a treatment plan but require ongoing inpatient nursing or rehabilitation care for less than 90 days

Level of Care	Description
Chronic Care	Long term inpatient care and or treatment of patients relating to chronic conditions that require extended care over 90 days

10.3.3 SERVICES AND SPECIALTIES

Table 10.3 provides an overview of various services classified as Group 1, Group 2 and Group 3 specialties. Specialty services are usually only offered by selective healthcare/medical facilities due to cost and availability of skilled and experienced individuals.

Table 10.3: Services and Specialties as Part of Level 3 Services

Group 1 Specialties	Group 2 Specialties	Group 3 Specialties
Burns	**N/A**	**N/A**
N/A	**Cardiology** ✓ Echocardiolography ✓ Ultrasound ✓ Electrocardiography ✓ Stress testing ✓ ECH holter ✓ Pacemaker follow up ✓ Catch lab ✓ Electrophysiology ablation	**Cardiology** ✓ Cardioberter defribulator ✓ LV assist devices
Critical Care	**N/A**	**N/A**
Dermatology	**N/A**	**N/A**
Diagnostic Radiology ✓ Multi-slice CT scan ✓ Fluoroscope ✓ Mammography ✓ Colour Doppler US ✓ Interventional radiology ✓ Angiography	**Diagnostic Radiology** ✓ MRI ✓ Interventional neuroradiology	**Diagnostic Radiology** ✓ PET scan ✓ Cardiac imaging
Ear, Nose and Throat	**Ear Nose and Throat**	**Ear, Nose and Throat**
✓ General Surgery	✓ Specialised services	✓ Skull base surgery ✓ Cochlear implants
Gastroenterology ✓ Angiography ✓ AT scan ✓ Coronary care ✓ Echocardiolography ✓ Stress ECG ✓ Endoscopy ✓ Proctoscopy ✓ Colonoscopy	**N/A**	**N/A**
N/A	**Endocrinology**	**N/A**
General Surgery ✓ Complex and high acuity care	**N/A**	**General Surgery** ✓ Liver and pancreatic resections ✓ TME
N/A	**Geriatrics**	**N/A**
N/A	**Haematology**	**Haematology** ✓ Bone marrow transplant
N/A	**N/A**	**Hepatology** ✓ Specialist liver unit ✓ Liver transplant
N/A	**Human Genetics**	**N/A**
Infectious Diseases ✓ Tertiary infectious diseases ✓ Pathology ✓ Infection control	**Infectious Diseases** ✓ Clinical research	**Infectious Diseases** ✓ National institute for communicable diseases
Dietician ✓ Counselling services ✓ Social worker	**N/A**	**N/A**
N/A	**Medical Radiation Oncology**	**Medical Radiation Oncology** ✓ Bone marrow transplant

Group 1 Specialties	Group 2 Specialties	Group 3 Specialties
		✓ IMRT ✓ Intra-operative radiation ✓ Stereotactic radiation ✓ PET scan planning ✓ Laminar flow ✓ Cryopreservation ✓ Stem cell harvesting ✓ T-cell depletion facilities
Mental Health ✓ Old age psychiatry ✓ Forensic psychiatry ✓ Substance abuse ✓ Liaison psychiatry ✓ Eating disorders ✓ Inpatient psychotherapy ✓ Social psychiatry ✓ Acute psychotic ✓ Acute non-psychotic	**N/A**	**N/A**
Neo-Nathology ✓ Neo-natal intensive care	**N/A**	**N/A**
Nephrology	**N/A**	**Nephrology** ✓ Pancreas ✓ Kidney ✓ Liver ✓ Transplants
N/A	**Neurosurgery**	**N/A**
N/A	**Nuclear Medicine**	**Nuclear Medicine** ✓ PET or gamma PET
Obstetrics and Gynaecology ✓ Foetal and maternal medicine	**Obstetrics and Gynaecology** ✓ Oncology ✓ Urogynaecology	**N/A**
	✓ Reproductive medicine	
Ophthalmology	**Ophthalmology** ✓ Specialised	**Ophthalmology** ✓ Super specialised
Paediatrics ✓ Specialist paediatric medicine ✓ Surgery service ✓ Paediatric ICU	**Paediatrics** ✓ Paediatric cardiology ✓ Endocrinology ✓ Gastroenterology ✓ Haematology ✓ Oncology ✓ Nephrology ✓ Neurology	**Paediatrics** ✓ Organ transplant ✓ Epilepsy surgery ✓ Craniofacial surgery ✓ High cost/complex medical interventions ✓ Metabolic laboratory ✓ Bone marrow transplants
N/A	**Respiratory Medicine**	**N/A**
Plastic and Reconstructive Surgery	**Plastic and Reconstructive Surgery** ✓ Specialised ✓ General	**N/A**
Rehabilitation Centre	**Rehabilitation Centre** ✓ Audiology ✓ Spinal injuries ✓ Stroke units	

10.4 MARKET POTENTIAL ASSESSMENT

This section provides insight into the current supply of medical facilities (hospitals and clinics in the trade area) as well as the demand for additional medical facilities in the trade area.

10.4.1 LOCAL MEDICAL MARKET OVERVIEW

❑ EXISTING HOSPITAL AND CLINIC SUPPLY

The following assessment provides the supply side input into the market potential model. The supply of hospitals and clinics within market area are summarised in the table below and their locality illustrated on Map 10.1 for the medical supply.

Table 10.4: Medical supply within the trade area (30 minute-drive time)

Facility Name	Location	Description
Public Hospitals		

Tintswalo Hospital	Acornhoek-A, Mpumalanga	• **Type of Facility**
		  ○ Government institution – distri
		• **Facilities and Services**
		  ○ Beds – 423
		  ○ Day clinic
		  ○ 24 hour emergency services
		  ○ Rehabilitation
		  ○ Medicine
		  ○ Surgery
		  ○ Obstetrics
		  ○ Paediatrics
		  ○ Psychiatry
		  ○ Eye care
		  ○ Geriatics

Source: Demacon, 2020

The supply of hospitals and clinics within the wider region are summarised in the table below

Table 10.5: Medical supply within the wider region

Facility Name	Location
Ganchabeleng Hospital	Ga-Nchabeleng
Lebowakgomo Hospital	Lebowakgomo
Jane Furse Hospital	Jane Furse
Van Velden Hospital - Tzaneen	Tzaneen
Mecklenburg Hospital	Mecklenburg
Letaba Hospital	Letaba
Dilokong Hospital	Dilokong
Phalaborwa Hospital	Phalaborwa
Health Centre - Hoedspruit	Hoedspruit
Saint Ritas Hospital	
Mankweng Hospital	Mankweng
Penge Hospital	Penge
Shiluvana Hospital	Makhwibidung
Sekororo Hospital	
Q57 Centre	Polokwane
Airport Clinic	Polokwane
Q58 Centre	Polokwane
Limpopo Medical Centre	Polokwane
Amnaz Medical Centre	Polokwane
Hopewell Medical Centre	Polokwane
Nobody Clinic	Turfloop
Sabie Hospital Main Entrance	Sabie
Lydenburg Hospital	Lydenburg
Matibidi District Hospital	
Mashishing Clinic	Mashishing

Medi Response - Lydenburg	Lydenburg
MediCross - Nelmed Clinic	Nelspruit
Themba Hospital	
Prime Care Clinic	Nelspruit
Nelspruit Provincial Hospital - Gate	Nelspruit
Mapulaneng Regional Hospital	Bosbokrand
Area Military Health Unit - Mpumalanga Headquarters	Nelspruit
Lowveld Medi-Nurse	Nelspruit
Medical Clinic - Medical Suites	Nelspruit
Rob Ferreira Hospital	Nelspruit

From The preceding analysis of the local medical market, the following is evident:

- There is one **public hospital** in the trade area, Tintswalo Hospital in the Acornhoek node.
- The medical facilities within the trade area is public / municipal clinics
- There are **no private hospitals** or **private clinics** within the trade area.
- There are three (closest) private hospitals in the greater region (Nelspruit & Tzaneen). Consumers currently travel to neighbouring towns to access private healthcare services.

Map 10.1 (overleaf) shows the location and distribution of healthcare facilities – hospitals– within the greater trade area.

10.5 HEALTHCARE MARKET DEMAND MODELLING

GAP ANALYSIS

The diagram below reflects the market gap for the private medical market. It is evident that a **market gap does exist** for a private healthcare facility. Development prospects are rated as **moderate,** attributed to the limited supply of private medical facilities local and greater region, as well as favourable household income characteristics.

The **residual / net demand technique** provides an indication of overall market capacity, whereas the **share technique** provides a more accurate estimation of the number of sustainable / viable beds in demand for the particular private hospital under consideration. **Table 10.6** indicates the market potential for a private medical facility.

Table 10.6: Market Potential & Growth Forecast Model (Private Facility)

MARKET DEMAND (LSM 4 - 10+)			
PRIMARY DEMAND	**2020**	**2025**	**2030**
2020 Medically insured population (people)	19 839	23 449	27 716
Additional insured lives per annum		722	853
Population growth rate (% / annum-compound growth)	3,40%	3,40%	3,40%
Beds / 1000 population medically insured (private beds)	4,6	4,6	4,6
Private beds in demand (LSM 4-10+)	91	108	127
SECONDARY DEMAND			
Injection	30%	30%	30%
Secondary demand	8 465	10 006	11 826
Private beds in demand (LSM 4-10+)	39	46	54
TOTAL MARKET DEMAND			
Number of beds (private beds)	130	154	182
MARKET SUPPLY (COMPETITION)[1]			
(No private medical facilities in the primary trade area)			

EFFECTIVE COMPETITIVE SUPPLY			
Total competing beds in primary market	0	0	0
MARKET POTENTIAL			
Net effective demand (residual market capacity - additional beds)	130	154	182
Market share (% market share of total beds for facility)	40%	40%	40%
Market potential (total number of viable beds for facility)	**52**	**62**	**73**
Total additional area requirement (sqm hospital floor space)	3 906	4 617	5 457
Model Calibration & Sensitivity			
Beds / 1000 total population as benchmark:			
Population ('000)	19,8	23,4	27,7
National Average (Public beds per 1000 population)	4,80	4,80	4,80
Study area beds per 1000 total population (as per Demacon Model)	2,63	2,63	2,63
Model accuracy (over / under estimation)	**54,7%**	**54,7%**	**54,7%**

Source: Demacon Demacon Modelling, 2020

Interpretation:

<100% = Conservative market potential estimation

>100% = Liberal market potential estimation (likely to produce oversupply in market)

Key Findings and Recommendations

- Based on preceding demand modelling results, it is evident that demand does exist for a private medical facility
- Given locational and trade area dynamics, it is proposed that if a medical facility were to be considered as part of the proposed development it be in the form of a **small private hospital or walk-in healthcare centre.**
- Market demand revealed a potential of **60 to 80 beds** which could be developed over the coming 5 to 10 years.
- Optimum point of market entry: **2021+**

10.6 SYNTHESIS

10.6.1 LOCAL MARKET OVERVIEW

Investigation into the local medical and healthcare market revealed that there are no private healthcare facilities evident within the trade area. Neighbouring towns such as Nelspruit offer private healthcare services.

10.6.2 RECOMMENDATIONS

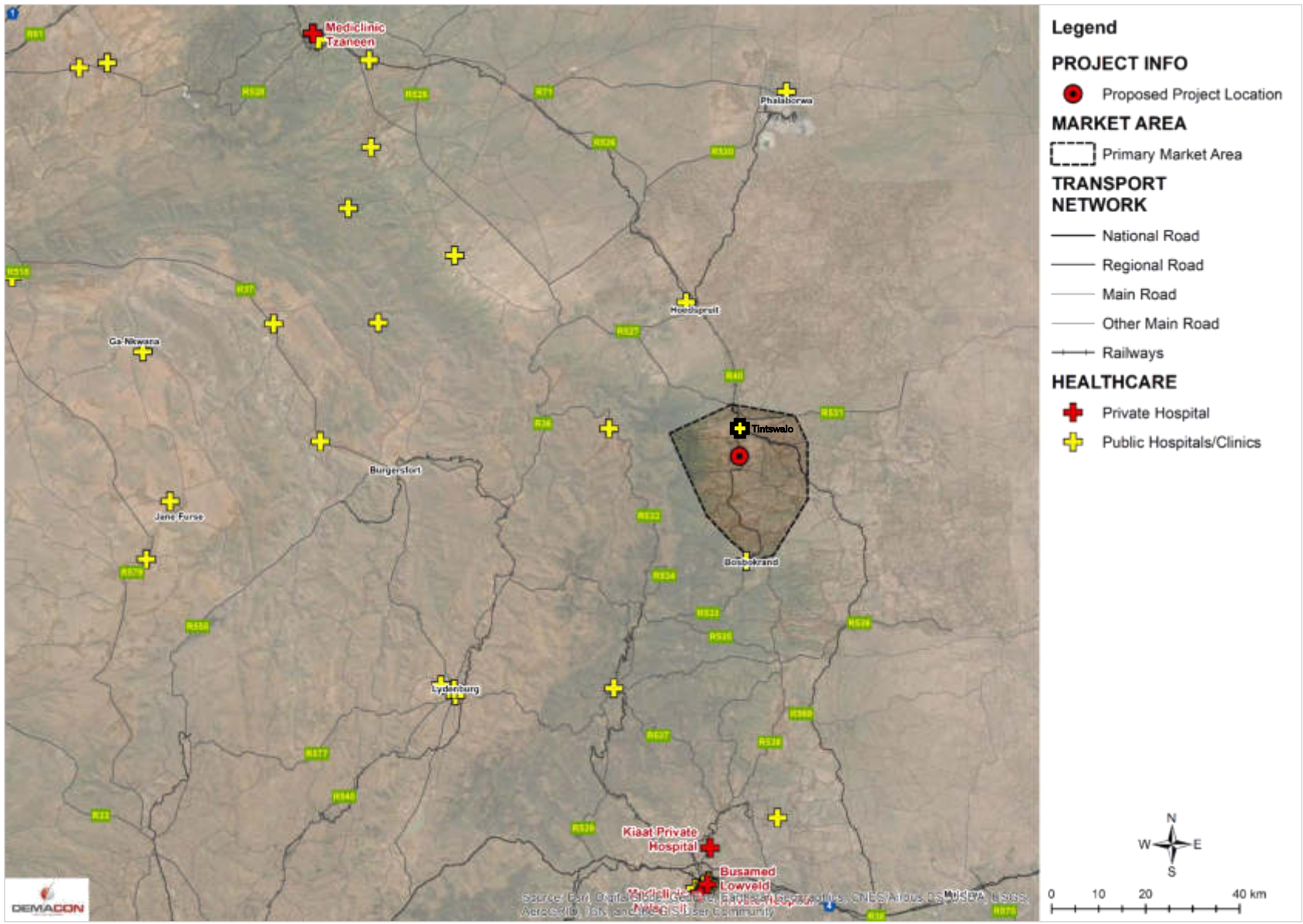
This chapter investigated the **private healthcare market** associated with the proposed development site with the aim of determining the **development potential** of a **private healthcare facility**. It is evident from the investigation that market dynamics and local development trends, are conducive for a possible private healthcare fact.

The following table provides a summary of the **key findings and recommendations** if a healthcare component is to be considered as part of the proposed development.

Table 10.7: Key Findings and Recommendations

Aspect	Finding or Recommendations
Market Gap	• Market gap is evident and development prospects are rated as moderate
Market Demand	• Facility of 60 to 80 beds (2030)
Type of Facility	• Private Hospital
Possible Services	• General Practitioner • Dentist • Optometrist • Pharmacy etc.
Optimum Point of Market Entry	• Suggested to be 2021 and beyond

Map 10.1: Trade area with private Healthcare Facilities



PRIVATE EDUCATION ANALYSIS 11

11.1 INTRODUCTION

This chapter focuses on the private school market with the objective of estimating the development potential within the designated market area. In order to reach this objective, the competitive supply as well as demand drivers within the market area are assessed and incorporated into a private school demand model. The market is differentiated by a permanent daily population and an appreciable daily section of employees active in local markets, industries and businesses, but whom originate from beyond the primary captive market. Both these market segments are incorporated in the model.

This chapter is addressed under the following headings:

01 **Private School Sector**

02 **Private School Market Supply**

03 **Private School Market Demand**

04 **Synthesis**

11.2 PRIVATE SCHOOL SECTOR

PRIVATE SCHOOLS IN SOUTH AFRICA : DEFINING PRIVATE / INDEPENDENT SCHOOLS

In terms of the South African Schools Act (SASA) in 1996 a national schooling system was introduced and recognised two categories of schools: public and independent. Public schools are state controlled and independent schools are privately governed.

Within the public-school category, SASA created a sub-category of “public schools on private property” comprising state schools on private land owned by religious bodies, farmers, mines and forestry companies. All private schools were included in the independent school category.

The South African definition of independent (private) schools is a narrow one compared to other developing countries, especially as it does not include the “public schools on private property”.

In terms of Section 29 of the Constitution of South Africa, everyone has the right to establish, at his or her own expense, independent educational institutions. These institutions may not discriminate on the basis of race, must be registered with the state, and must maintain standards not inferior to those of comparable public institutions. State subsidies to independent institutions are permitted, but not guaranteed.

Most independent schools are community schools. Another large category is not-for-profit religious schools: Christian, Muslim, Hindu and Jewish. There is a growing category of secular independent schools, which may be either not-for-profit or for-profit.

THE SOUTH AFRICAN INDEPENDENT SCHOOL SECTOR

Since the collapse of the apartheid state and the advent of democracy in South Africa, dramatic changes have occurred in the independent (private) school sector. In 1990, there were approximately 550 registered independent schools in the country. The dominant public perception of independent schools at that time was "white, affluent and exclusive". This perception was largely true.

According to a recent HSRC Quantitative Survey there are now at least 1290 independent schools in South Africa – more if primary and secondary schools are counted separately. Over 60% of all independent schools have therefore been established since 1990.

The sector now educates more than 400,000 learners, of which 70% are black (58% are African). The majority of schools charge fees below R8 500 per annum. Only 14% of schools charge fees of more than R27 000 per annum.

What has caused this dramatic change? Research has confirmed that both excess (unmet) and differentiated (different or better) demand for education are found in South Africa.

Historically, excess demand was found in black communities and differentiated demand in white communities. A new demand from black communities for differentiated education is largely responsible for the growth of the independent school sector since 1990.

Despite an increase in the number of for-profit independent schools, the sector remains overwhelmingly not-for-profit. Most independent schools are also small schools, with 350 learners per school or less. This is partly because so many of them are newly established.

The sector serves a wide range of different religions, philosophies and educational approaches across the full socio-economic spectrum. Religious schools, at 43% of sector, are the largest subcategory of independent school.

Most independent schools arise out of a community need and have strong links to their community of origin. Over 64% of independent schools, both well- and poorly-resourced, have community development programmes. These programmes reach more learners than the total number educated in all independent schools.

ISASA GOVERNANCE STRUCTURES

ISASA's General Council, which includes its office-bearers and delegates from its five regions, determines the Association's policy. The Executive Committee expedites policy decisions of the Council. Each region also has a Regional Committee, as well as a Chair and a Regional Director.

When ISASA was established in 1999, the heads' and the bursars' associations changed their names and constitutions to become constituent members of ISASA, as the Southern African Heads of Independent Schools Association (SAHISA) and the Southern African Bursars of Independent Schools Association (SABISA) respectively.

Prior to 2001, a national consultative body for all the independent school associations, known as the National Joint Liaison Committee (JLC) existed. At the end of 2000, the JLC drew up a constitution to cement the good working relationships between these associations and to facilitate interaction with government. The new body is known as the National Alliance of Independent School Associations of Southern Africa (NAISA).

11.3 PRIVATE EDUCATION MARKET SUPPLY

MARKET SUPPLY

As part of the market potential assessment, a comprehensive overview of existing facilities is required. Subsequent sections provide insight regarding public schools and private schools within the trade area as well as a more localised context. The overview also includes insight regarding private schools in the greater region.

❑ PUBLIC SCHOOL OVERVIEW

This section provides an overview of public schools within the trade area and surrounds. The aim is to gain insight regarding the current supply of educational institutions within the trade area. Table 11.1 (below) summarises the current **educational facilities** evident within the **Acorn City trade area**.

Table 11.1: Educational Facilities within the Trade Area

Facility Name	Type of Facility
High Schools	
Nkotobona High School	High School
Ben W Mashego Secondary School	High School
Germans Chiloane High School	High School
Keledi Senior Secondary School	High School
Moseterata Secondary School	High School
Makata High School	High School
Lethipele Senior Secondary School	High School
Reti Secondary School	High School
Ben Matloshe High School	High School
Maripe Senior Secondary School	High School
Maphuthaditshaba Secondary School	High School
Letshele Senior Secondary School	High School
Mosipa Secondary School	High School
Alfred Matshine Commercial School	High School
Mmasekobe Secondary School	High School
Mahashe Secondary School	High School
Lehlasedi High School	High School
N.P. Mathabela Secondary School	High School
Ditau Secondary School	High School
Lekete High School	High School
Serisha Secondary School	High School
Puledi Secondary School	High School
Ndlamakhosi Secondary School	High School
Mzangedwa Secondary School	High School
Sekhukhusa Senior School	High School
E.S. Malele Secondary School	High School
Shobiyana Senior Secondary School	High School
Mkhweyantaba High School	High School
Magwagwaza Secondary School	High School
Sehlakabje High School	High School
Moholoholo Secondary School	High School
Masana Secondary School	High School
Qokiso Senoir Secondary School	High School
Masilela Secondary School	High School
Kufakwezwe Secondary School	High School
Masingitana Secondary School	High School
Freddy Sithole High School	High School
Tladishi High School	
Phendulane Secondary School	
Soshangana High School	
Moses Mnisi High School	
Babinatau Senior Secondary School	
Nghunghunyana Secondary School	
Thepang Chiloane Secondary School	
Bombani Senior Secondary School	
Dumphies Combined School	
Orhovelani High School	

Facility Name	Type of Facility
Primary Schools	
Mapalane Primary School	Primary School
Masenyane Primary School	Primary School
Matlushe Primary School	Primary School
Mokgomana Lower & Higher Primary School	Primary School
Maoloshe Primary School	Primary School
Craigieburn Primary School	Primary School
Mamosebo Lower And Higher Primary School	Primary School
Setlhare Higher Primary School	Primary School
Mamosodi Primary School	Primary School
Lekanang Primary School	Primary School
Aplos Chiloane Primary School	Primary School
Hloala Chiloane Primary School	Primary School
Motlamogale Lower And Higher Primary School	Primary School
Mokgawane Primary School	Primary School
Phatsedi Lower And Higher Primary School	Primary School
Shatale Primary School	Primary School
Motlamogatsane Primary School	Primary School
Seganyane Primary School	Primary School
Kennen Primary School	Primary School
Mapateletse Primary School	Primary School
M.O. Mashego Lower Primary School	Primary School
Farel Primary School	Primary School
Matlalong Primary School	Primary School
Narishe Primary School	Primary School
Lesedi Lower And Higher Primary School	Primary School
Ngwarele Primary School	Primary School
Arthurseat Primary School	Primary School

Facility Name	Type of Facility
Thabakgolo Primary School	Primary School
Green Valley Lower & Higher Primary School	Primary School
Kgwaditiba Primary School	Primary School
Senone Primary School	Primary School
Makwetse Primary School	Primary School
Boikhutso Primary-2 School	Primary School
Sedibeng Primary School	Primary School
D.G. Mashego Primary School	Primary School
Mathule Primary-1 School	Primary School
Ntsoelemolodi Primary School	Primary School
Maswameni Primary School	Primary School
Mathambo Primary School	Primary School
Powerline Primary School	Primary School
Majembeni Primary School	Primary School
Chayiwe Lower Primary School	Primary School
Senianya Primary School	Primary School
Tshokolo Primary School	Primary School
Lumukisa Preparatory School	Primary School
Funjwa Primary School	Primary School
Simbambayana Primary School	Primary School
Ndabeni H Primary School	Primary School
Matlolane Primary School	Primary School
Relane Lower Primary School	Primary School
Caste+A2:B53el Primary School	Primary School
Hlamalani Primary School	Primary School
Moratiseng Primary School	Primary School
Esselman Primary School	Primary School
Chueu Primary School	Primary School

Facility Name	Type of Facility
Madile Lower Higher Primary School	Primary School
Nkwenkwezi Primary School	Primary School
Twalakule Primary School	Primary School
Mugidi Primary School	Primary School
Saselani Primary School	Primary School
Paulos Primary School	Primary School
Beretta Primary School	Primary School
Eckson Masotja Chiloane Primary School	Primary School
Casteel Primary School	Primary School
Mpisane Primary School	Primary School
Beng Ba Lona Primary School	Primary School
Morei Primary School	Primary School
Morei Primary School	
Jameyana Higher Primary School	
Mpisi Junior Primary School	
Nkothasi Primary School	
Morage Lower Primary School	
Panyana School	
Xingala-Makamu Primary School	
Buyisonto Primary School	
Sihlekisi Primary School	
Mawuvana Primary School	
Sebosegolo Sa Mapulana Primary School	
Letsamaile Chiloane Primary School	
Mpikaniso Primary School	
Makgahlishe Primary School	
Mabonwana Primary School	
Andover Primary School	
Songeni Primary School	
Other Schools	
Timbavati Combined Primary School	School
Maakere High School	Senior High School
Siboyiye Combined School	Senior High School

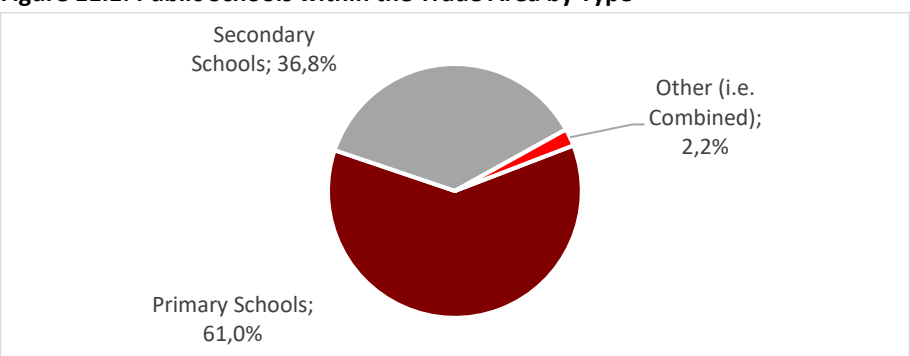
Findings:

It is evident that the Acornhoek trade area currently accommodates a total of **136 schools** including:

- 83 Primary schools
- 50 Secondary schools
- 3 Other

The numerous schools supplied in the greater trade area can be attributed to the dispersed nature of residential villages and settlements, and the importance of accessible educational facilities. The figure below provides a breakdown of the current supply of public schools within the trade area by type of facility – high school, primary school and other.

Figure 11.1: Public Schools within the Trade Area by Type



Source: Demacon, 2018

Map 11.1 (to follow), reflects the distribution of schools within the trade area and within a more localised context respectively. The location of public schools correspond with the distribution of residential settlements and villages spread throughout the trade area. It is evident that the proposed development site is located within close proximity to an existing high school and primary school, located in the neighbouring settlements..

❑ PRIVATE SCHOOLS

Map 11.2 shows the location of **private schools** within the **trade area**. It is evident the **trade area** itself accommodates **three private schools**. The **private schools** are located within the town of **Acornhoek**.

The subsequent table provides an overview of private schools within the trade area context.

Table 11.2: Private School Supply

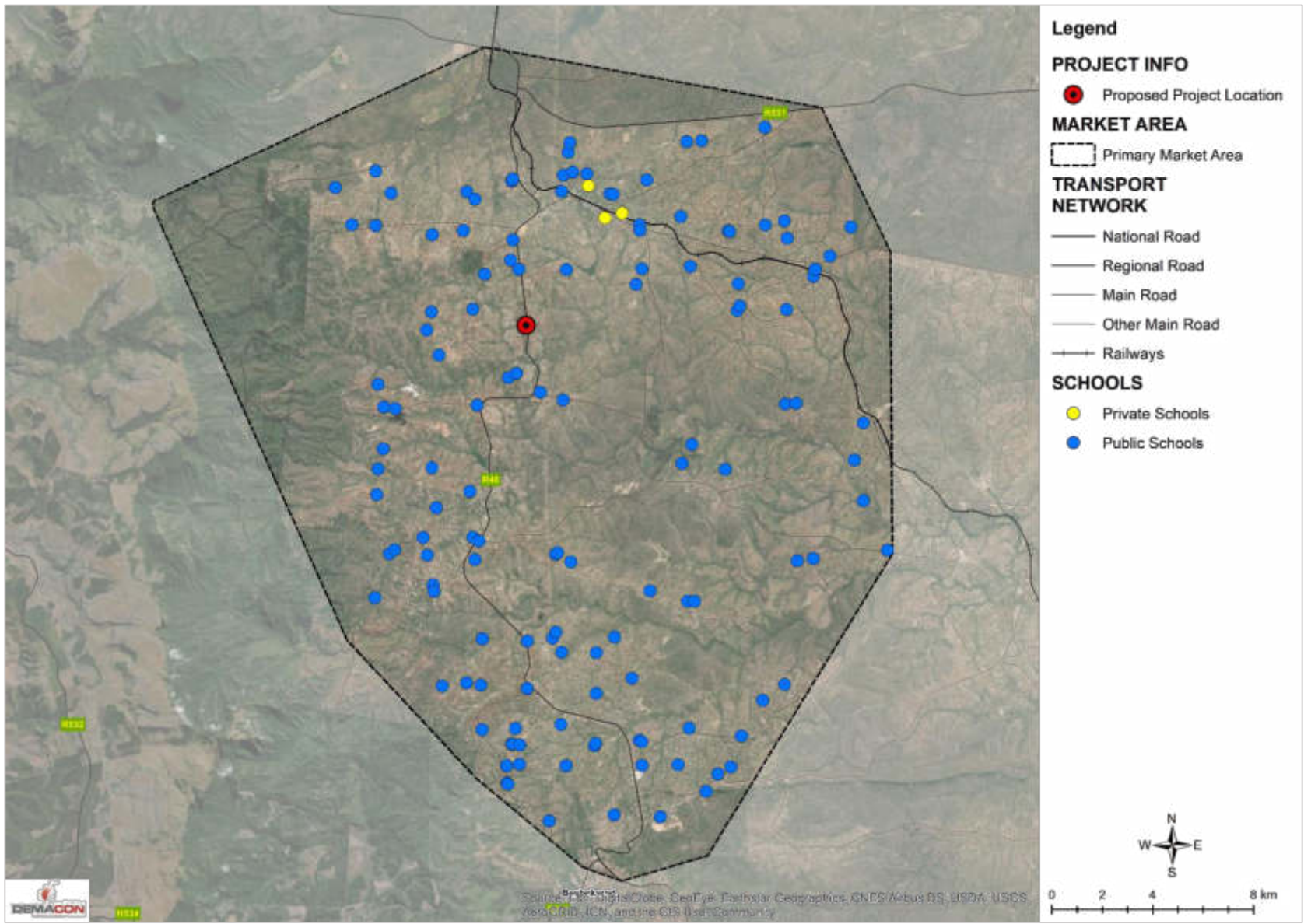
School Name	Physical Address	Category
Wem School - Acornhoek	Tsakani, Acornhoek	Secondary School
Acornhoek Academy School	7 Main Street, Acornhoek,	Secondary School
Jubilee English Medium School	Barnas, Tsakane, Acornhoek	Secondary School

❑ CONCLUDING REMARKS REGARDING SCHOOL SUPPLY

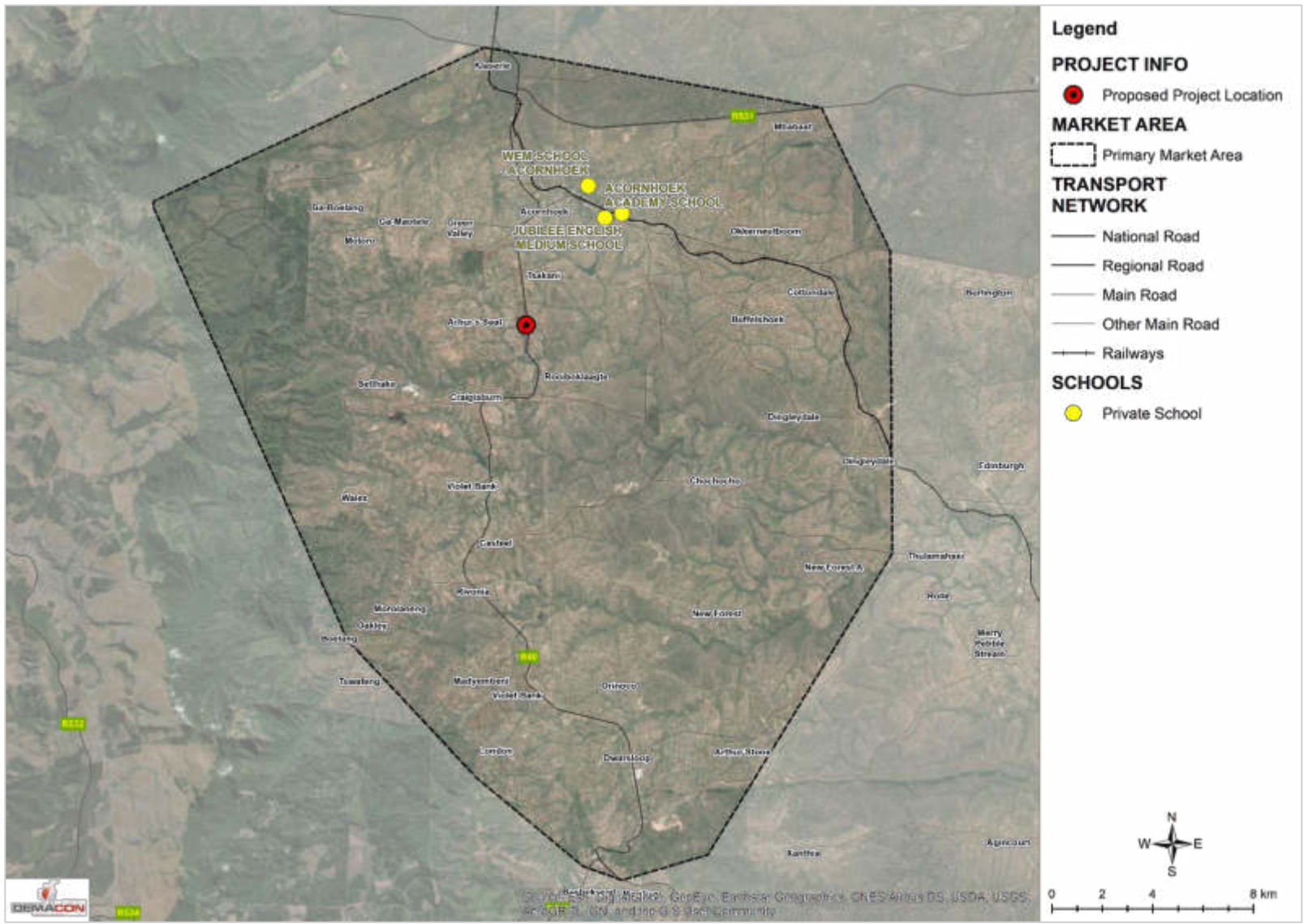
In terms of school supply – public and private– it is evident that the trade area is well-supplied in terms of primary and high schools. There are three private schools within the trade area.

The distribution of public schools throughout the region corresponds with the scattered nature of residential settlements and villages. Private schools are concentrated primarily in the Acornhoek node – attributed to the different demographic dynamic evident in the town. Middle to higher income households are more likely to support private school facilities than lower income environments.

Map 11.1: Trade Area School Overview



Map 11.2: Private School Supply within the trade area



11.4 PRIVATE SCHOOL DEMAND MODELLING

GAP ANALYSIS

The diagram below reflects the market gap for the private school market. It is evident that a market gap does exist and that development prospects are rated as moderate. The trade area is characterised by predominantly low to middle income households with pockets of middle and higher-middle income households that could support a potential small private school.

Medical Gap Analysis

Demacon's Demand Modelling results illustrate that the market can sustain a possible integrated **private school**. The following series of tables - Table 11.3 to Table 11.5 – provides an overview of the market area population and age indictors, together with private school attendance estimates as well as the potential market share of a potential private school as part of the proposed Acorn City development.

Table 11.3: Market Area

Market Area	%	2020	2025	2030	2035	2040
Total number of people		219 053	222 802	226 615	230 494	234 439
Ages 18 months - 4 years	9,7%	21 182	21 545	21 913	22 288	22 670
Ages 5 - 9	12,1%	26 475	26 928	27 389	27 858	28 335
Ages 10 - 14	11,6%	25 306	25 739	26 180	26 628	27 084
Ages 15 - 19	12,6%	27 551	28 023	28 502	28 990	29 486
		100 514	102 235	103 985	105 764	107 575

Source: Demacon Demand Modelling 2020

Table 11.4: Private school attendance

Private School Attendance	2020	2025	2030	2035	2040	%
Ages 18 months - 4 years	763	775,60	789	802	816	21,1%
Ages 5 - 9	953	969	986	1 003	1 020	26,3%
Ages 10 - 14	911	927	942	959	975	25,2%
Ages 15 - 19	992	1 009	1 026	1 044	1 062	27,4%
Total (Pupils)	3 619	3 680	3 743	3 808	3 873	100.0 %

Source: Demacon Demand Modelling 2020

Table 11.5: Market shares (minimum and maximum)

Private School Attendance	2020	2025	2030	2035	2040	%
Ages 18 months - 4 years	153 -229	155-233	158-237	160-241	163-245	21.1%
Ages 5 - 9	191-286	194-291	197-296	201-301	204-306	26.3%
Ages 10 - 14	182-273	185-278	188-283	192-288	195-293	25.2%
Ages 15 - 19	198-298	202-303	205-308	209-313	212-318	27.4%
Total (Pupils)	724-1 086	736-1 104	749-1 123	762-1 142	775-1 162	100%

Source: Demacon Demand Modelling 2020

Key Findings (Table 11.3 to Table 11.5)

- It can be concluded that there is demand for a private school as part of the large trade area.
- Potential exists for the development of **one private school** catering for **800-1 000** pupils (2040) at full capacity.

- It is recommended that the facility should be developed in phases as demand increases.
- The optimum point of market entry should be **2021+.**

11.5 SYNTHESIS

GAP ANALYSIS

The distribution of public schools throughout the region corresponds with the scattered nature of residential settlements and villages. Private schools are concentrated primarily in the Acornhoek node – attributed to the different demographic dynamic evident in the town. Middle to higher income households are more likely to support private school facilities than lower income environments.

DEMAND MODELLING RESULTS

The subsequent table provides a summary of demand modelling results relating to the private education market. It is evident that the market could potentially accommodate a private school for of **800-1000 pupils at full capacity over the medium to longer term**.

Table 11.6: Market shares (minimum and maximum)

Private School Attendance	2020	2025	2030	2035	2040	%
Ages 18 months - 4 years	153-229	155-233	158-237	160-241	163-245	--21.1%
Ages 5 - 9	191-286	194-291	197-296	201-301	204-306	26.3%
Ages 10 - 14	182-273	185-278	188-283	192-288	195-293	25.2%
Ages 15 - 19	198-298	202-303	205-308	209-313	212-318	27.4%
Total (Pupils)	**724-**	**736-**	**749-**	**762-**	**775-**	**100%**
	1 086	**1 104**	**1 123**	**1 142**	**1 162**	

Source: Demacon Demand Modelling 2020

RECOMMENDATIONS

This chapter investigated the **private education market** associated with the proposed development site with the aim of determining the **development potential** of a **private school component**.

The following table provides a summary of the **key findings and recommendations** if a private school component were to be considered as part of the proposed development.

Table 11.7: Key Findings and Recommendations

Aspect	Finding or Recommendations
Market Gap	• Market gap is evident and development prospects are rated as moderate
Market Demand	• 800-1000 pupils at full capacity (2040)
Type of Facility	• Small, combined private school ○ Pre-primary, primary and secondary school offering
Design Considerations	• Simple yet modern design requiring minimal maintenance
Optimum Point of Market Entry	• Suggested to be 2021 and beyond

SOCIAL AMENITIES ANALYSIS 12

12.1 INTRODUCTION

This chapter focuses on the social facilities within the market area with the objective of estimating the development potential for social facilities within the designated area. In order to reach this objective, the supply and demand within the market area should be identified and assessed in light of current trends.

12.2 SOCIAL FACILITIES GUIDELINES

12.2.1 SOCIAL FACILITY DEMAND GUIDELINES

This section provides guidelines on the planning of public facilities within residential settlements. Public facilities are defined as those basic services, which cannot be supplied directly to the individual dwelling unit and as a result are utilised away from the individual residential dwelling unit within the public environment. Public facilities satisfy specific individual or community needs, including safety and security, communication, recreation, sport, education, health, public administration, religious, cultural and social.

Public facilities quantitative guidelines:

Public facilities can be classified as higher-order, middle-order, lower-order and mobile, depending on the size of the area that they serve.

Higher-order public facilities: these facilities generally serve the entire region, metropolitan area or city (e.g. Hospitals and universities) and are not provided for in the layout planning process for single residential settlements.

- ✓ **Middle-order public facilities:** these are facilities, which serve a number of diverse and different communities (eg. High schools and clinics).
- ✓ These facilites are essential to individual residential settlements, but the facilities serve a threshold population, which exceeds an individual settlement, and therefore are supported by a number of settlements.
- ✓ **Lower-order public facilities:** these are facilities, which are utilised by a single or a limited number of residential communities (eg. A crèche or pre-primary school),
- ✓ **Mobile public facilities:** these area facilities, which move from one location to another, serving a large number of communities. Many problems with regard to the spatial location of public facilities are increasingly being solved through the use of mobile public facilities, such as clinics, post offices and public telephones. Through mobile facilities, the ideal of allocating scarce resources, whilst at the same time serving the greatest number of people, can be achieved.

Table 12.1 indicates the quantitative guidelines for social services

Table 12.1: Quantitative Guidelines for Social Service Facilities

Facility	Location	Access	Size and Dimensions
Crèche / Nursery School	Community specific facilities which should be walking distance of residential units can be clustered with pre-primary schools, primary schools, community centres etc.	Maximum travel time: 10 minutes Maximum walking distance: 750m	Minimum size of facility: 130m^2
Primary School	Should be located within easy reach of the local areas which it is intended to serve – needs to be located close to public transport route and can be combined with a number of other facilities	Maximum travel time: 20 minutes Maximum walking distance:1,5km	Minimum size of facility: 2.4ha

Facility	Location	Access	Size and Dimensions
High School	School should be situated on a major transport route with public transport stops	Maximum travel time: 30 minutes Maximum walking distance: 2.25km	Minimum size for facility: 4.6ha
Clinic	Should be located close to public transport stops but need not be located along a major route	Maximum walking distance: 2km	0.1ha per 5 000 people 0.2ha per 10 000 people 0.5ha per 20 000 people 1ha per 40 000 people 1.5ha per 60 000 to 80 000 people
Libraries	Should be easily accessible, preferably on main thoroughfare convenient to main traffic and transportation routes	Maximum travel time: 20 to 30 minutes Maximum walking diatance:1.5km to 2.25km	Minimum size for facility: 130m^2
Community Centres	Provides a variety of services to a number of residential communities – should be easily accessible to these communities	Maximum travel time: 20 to 30 minutes Maximum walking distance: 1.5km to 2.25km	Minimum size of facility: 5 000m^2
Religious	Churches can be clustered with other public facilities in order to promote multi-functionality.	Maximum travel time: 20 minutes Maximum walking distance: 1.5km	Site can range from 150m^2 to 3 000m^2
Municipal Offices / Pay Points	Require high levels of exposure and must be easily accessible by public transport	Maximum travel time: 30 minutes	Minimum size for facility: 3 000m^2
Post offices	Needs to be visible and accessible and located along activity routes within easy walking distance of public transport stops	Maximum travel time: 30 to 40 minutes Maximum walking distance: 2lm	Minimum size for facility: 500m^2
Police Station	Should be located central to all the communities which they are required to serve and should be on a main thoroughfare	Maximum travel time: 20 minutes Maximum walking distance: 1.5km	Varies between 0.1ha to 1 ha
Fire Stations	Should be located on higher-order multifunctional routes	Not generally planned within a residential community	Average erf size of 1.2ha
Children's Home	Regional facility and would be provided in terms of a development framework based on statistics regarding homeless children	Not applicable to the planning of residential settlements	Average erf size: 2ha
Community Information Centres	Should be easily accessible and visible to as many people as possible	Maximum walking distance: 1km	Need not be bigger than 100m^2

With the above guidelines for social facilities, the existing market supply and market gap for the area can be determined. From the table it is also evident that social facilities should be located within a convenient distance from residents who should be able to easily access these facilities. Since the majority of residents are of lower income households, walking is the most preferred and convenient manner of

accessing social facilities and hence these facilities should be within a comfortable walking distance.

12.3 SOCIAL FACILITY MARKET DEMAND ESTIMATIONS

This section provides the results for the demand in social facilities in the market area. The social following facilitiess were included in the modelling:

It is important to remember that these are guidelines and it is not always feasible to address the entire market gap although the analysis remains useful to identify social facility shortfalls.

Table 12.2 shows the social facility market gap for the project.

Table 12.2 Social Amenities Market Gap – (Project Specific)

	Parameter	Land Required Per Amenity	Market Gap	Hectares
HEALTH AND EMERGENCY SERVICES				
District Hospital L1	300 000	5,00	0,0	0,0
Community Health Centre	100 000	1,50	0,0	0,0
Primary Health Clinic	24 000	0,50	0,0	0,0
Fire Station	60 000	1,20	0,0	0,0
Police Station	60 000	1,00	0,0	0,0
SOCIAL & CULTURAL (PUBLIC SERVICE FACILITIES)				
Community Performing Arts Centre	50 000	0,05	0,1	0,0
Regional Library – Reference	450 000	0,03	0,0	0,0
Regional Library	200 000	0,03	0,0	0,0
Local Library	70 000	0,05	0,0	0,0
Mobile Library	20 000	0,03	0,0	0,0
CIVIC				
Major Public Event Venue	1 000 000	4,00	0,0	0,0
Home Affairs – large office	400 000	0,02	0,0	0,0
Home Affairs – medium office	160 000	0,02	0,0	0,0
Home Affairs – small office	40 000	0,02	0,0	0,0
SOCIAL SERVICES				
Community Hall – large	60 000	0,50	0,0	0,0
Community Hall - medium / small (fringe areas)	10 000	0,20	0,2	0,0
ICT Access point	10 000	1,50	0,3	0,4
Post office / agent with post boxes	10 000	0,03	0,3	0,0
Social Grant Pay Point	40 000	0,03	0,1	0,0
EDUCATION				
Small Creche / early childhood development centre	3 000	0,02	0,9	0,0
Grade R Class at primary school	1 000	0,01	2,7	0,0
Primary School	7 000	2,80	0,4	1,1
Secondary School	12 500	4,80	0,2	1,0
ECD Resource Hub and Care Centre	20 000	0,10	0,1	0,0
RECREATION PROVISION (SPORT & PARKS)				
Indoor Sports Hall (medium/large)	500 000	0,50	0,0	0,0
Regional Sports Stadium	300 000	3,00	0,0	0,0
Grassed surface (2 football fields	15 000	0,50	0,2	0,1
Sports Complex (grouping of fields	60 000	0,18	0,0	0,0
"Sports Complex with 9 - 12 court	200 000	0,80	0,0	0,0
TOTAL HECTARES				**2.9ha**

Note: Parameter reflects the number of people required to support development of a specific facility.
Source: Demacon, 2019

12.4 SYNTHESIS

Chapter 12 provided an empirical assessment of the development potential of a range of community and social facilities. This is supported by a gap analysis of social facilities. These assessments provide a useful indication of possible future developments within the area.

From the social facility modelling, it is evident that there is a gap for several facilities in the primary trade area. The table indicates that the social amenities that are feasible, necessary and compatible with the site configuration are:

- ✓ Primary School (1)
- ✓ Secondary School (1)

The development of other amenities would depend on future population growth in the market area – current demand thresholds can only partially sustain additional amenities.

DEVELOPMENT RECOMMENDATIONS 13

13.1 INTRODUCTION

The purpose of this chapter is to integrate the findings of the previous chapters into a concise set of development recommendations with reference to the optimum capacity of the proposed Acornhoek Mixed-Use Development.

13.2 SUMMARY OF DEMOGRAPHICS AND KEY LOCATION ATTRIBUTES

- ✓ There approximately **219 053 people** residing in the **trade area** which amounts to **60 218 households**.
- ✓ The average household size within the trade area amounts to approximately **3.6 people per household.**
- ✓ Of the total trade area population, a mere ***43.6%*** are within the economically active market segment of which ***42.2%*** are formally employed.
- ✓ The **weighted average household income** in the market area for 2020 amounts to
  - **R 42 532 annum,** which transates into **R 3 544per month (All LSM groups)**
  - **R 103 899 annum,** which translates into **R 8 658 per month (LSM 4 to 10+)**

13.3 FACTORS THAT INFLUENCE CONSUMER BEHAVIOUR

It has been established through empirical research that the factors listed below impact directly on a centres power of attraction. In addition to proven market demand, centre design should accommodate these values. These aspects affirm that physical factors are only one dimension of consumer behaviour patterns. Other factors such as cognitive, emotional and experiential factors are increasingly contributing to the viability of retail centres. The sustainability of a centre is dominated by level one, thus the importance of providing the correct tenant mix as part of the shopping centre. The tenant mix should adhere to the demands and preferences of the market population.

Diagram 13.1: Factors that Influence Consumer Behaviour

13.4 RETAIL MARKET & RECOMMENDATIONS

❑ RETAIL MARKET SUPPLY

Primary Catchment: Retail Supply Findings

Existing Shopping Centres within the trade area:

- ✓ There are various retail centres within the trade area.
- ✓ The total existing supply of shopping centre floor space in the market area amounts to approximately **178 851m²** (as built). The retail centres include:
  - Acornhoek Mall (Minor Regional Centre),
  - Acornhoek Plaza (Large Community Centre)
  - Acornhoek Shopping Centre (Large Convenience Centre)
  - Dwarsloop Mall (Small regional Centre/Large Community Centre)
  - Ascension Mall (Large Community Centre)
  - Twin City Bushbuckridge (Community Centre)
  - Bushbuckridge Shopping Centre (Local Convenience Centres)
- ✓ To conclude, the above supply figures cannot directly be correlated with the demand of the market area due to the fact that most of the centres are trading off multiple trade areas and trade area overlap is present.

Wider Catchment: Retail Supply Findings

A number of centres are encountered in the wider catchment, including but not limited to:

- Thula Plaza (13 453 m²)
- Mkhuhlu Plaza (11 071 m²)

Proposed Retail Centres

There are proposals for larger shopping centre formats in the regional catchment, including a ±20 000 -25 000 m² mall in Hoedspruit, a proposed ±30 000 m² expansion to the Twin City Bushbuckridge Centre. Two other proposed centres are to be located in Bushbuckridge, The Ridge Mall (±35 938 m²) & Ridgeview Mall (±20 000 m²).

❑ GAP ANALYSIS

In terms of the retail demand modelling scenario, the recommended market gap analysis indicates the options for the project according to the retail demand modelling.

Development Type	Effective Market Gap	Development Prospects
Large Community/ Small Regional Centre.	Yes	Moderate

❑ SUMMARY OF THE DEMAND ANALYSIS

The following table summarises the demand analysis for the retail component.

Table 13.1: Recommended centre options

	SHORT-MEDIUM ALL LSM (Rand / sqm)	LONG TERM ALL LSM (Rand / sqm)
Point of market entry	2022+	2030+
Retail GLA at OPME	5 643	18 760
Services GLA at OPME	1 411	4 690
OPME Centre Size (sqm GLA)	**7 054**	**23 450**
On-site job creation	235	782
Retail Sales potential (R 2020 value)	182 582 714	607 015 079
Total capital investment (R 2020 value)	134 017 706	445 555 699
Additional Parking bays required	282	938
Parking infrastructure & landscaping cost (Rand value)	6 714 992	22 324 686

Source: DEMACON Retail Demand Model, 2020

❑ SHORT-MEDIUM TERM CENTRE SIZE AND RECOMMENDATIONS

- ✓ In the context of the above calculations, indications suggest the initial size of the proposed Acorn City Shopping Centre could range between approximately **7 054m² GLA. (Say 7 837 GBA).** The centre would be classified as a **Neighbourhood/Covinience Centre**
- ✓ The optimum point of market entry is **2022+.**
- ✓ The proposed centre will be able to attain annual sales of approximately **R 182.5 million** (based on benchmark trading densities) and permanent on-site jobs of **±235** people.
- ✓ The centre could include between **25-50** shops.
- ✓ Ample parking should be provided at a ratio of **4 bays per 100m² retail GLA**.
- ✓ The parking area should be accessible, convenient, paved and well-lit in the evenings.
- ✓ Performance will be dependent on, inter alia, appropriate tenant composition.

Main Tenants:

- ✓ Supermarket(s)
- ✓ Convenience stores
- ✓ Small specialised stores.

❑ LONG TERM CENTRE SIZE AND RECOMMENDATIONS

- ✓ In terms of the long-term scenario, the Acorn City Shopping Centre could be expanded to **±25 000m² GLA.** The centre would be classified as a **Large Community Shopping Centre.**
- ✓ The optimum point of market entry is **2030+.**
- ✓ The proposed centre should be able to attain annual sales of approximately **R 607 million** (based on benchmark trading densities) and permanent on-site jobs of **±782** people.
- ✓ The centre could include between **50-100 shops.**
- ✓ Ample parking should be provided at a ratio of **4 bays per 100m² retail GLA**.
- ✓ The parking area should be accessible, convenient, paved and well-lit in the evenings.

- ✓ Performance will be dependent on, inter alia, appropriate tenant composition.

Main Tenants:

- ✓ Large Supermarket (s)
- ✓ Small national clothing stores
- ✓ Restaurants & Takeaways
- ✓ Services

The challenge will be to find a balance between market demand (as revealed by consumer income and spending patterns) and tenant demand (i.e. the expressed desire by tenants to occupy space in the centre) and investor demand (i.e. the need for capital growth).

Appropriate tenanting would remain a vitally important consideration to the viability of the **proposed Acorn City** Retail Development.

13.5 RESIDENTIAL DEMAND & RECOMMENDATIONS

BONDED HOUSING

Project Size and Anticipated Take-Up

Table 13.2 indicates the current market performance and the market share that bonded housing component of the proposed project could attract

Table 13.2: Total Market Share

	TOTAL MARKET		
A	Additional HH: base yr + 5yrs		1 010
B	Annualised Market growth (full housing spectrum)		202
C	Bonded units		15.9%
D	Bonded take-up per annum		32
E	Annual secondary market contribution (units / annum)	Min	63
F		Max	192
G	Total annual bonded demand	Min	128
H		Max	224
	PROJECT SPECIFIC – BONDED UNITS		
I	Project Bonded Units		400
J	Forecast market share of total market sales	Min	20%
K		Max	30%
L	Project forecast total annual take-up rate (units / annum)	Min	26
M		Max	67
N	Years to 80% take-up (bonded units)	Min	6.0
O		Max	15.6
P		Avg	10.8
	Optimum point of market entry		2021+

Explanatory Notes:
A = increase in demand for new rental units, 2020 – 2024
B = Annualised market growth, i.e. of A/5
D = B x C
E & F = Annual secondary market contribution (i.e. the contribution made by re-sales in the target affordability income brackets)
G & H = Annual new entry-level to executive flat/ apartment demand; D + E and D + F
I = Project entry-level to executive flat/ apartment units
J & K = assumed market share of market area
L = G x J
M = H x K
N = I / L
O = I / M

Explanatory Notes:
[2] – Reflects the percentage of the local population with incomes and affordability levels aligned to bonded units
[3] – Number of potential buyers through local secondary market transactions, e.g. qualifying local potential buyers selling existing homes to move to new area.

Findings:

- ✓ The modelling portrays market-based take-up over a medium to longer-term market growth trends.
- ✓ Albeit that there is a demand for bonded products, the total segment of the market that can afford a bonded/FLISP home in the relevant price bracket does not exceed **10%.**
- ✓ A similar size segment could be added if **FLISP** products were to be introduced. This would be a house to first time home-owners only typically priced between **R450 000 and R650 000** (calculated on the basis of beneficiary income).
- ✓ On account of market profile, break of growth, etc. approximately **400** bonded units could be developed.

SOCIAL HOUSING

Table 13.3 indicates the current market performance and the market share that social housing within the primary catchment area could attract to the site over the short term.

Table 13.3: Market Recommendations – Social Housing Units

Variable	Value
Total Market	
Market growth (annual new households - total)[1]	202
Social Housing Market Segment[2]	54,6%
Social Housing Demand Per Annum	101
Annual Social Housing Secondary Market Contribution (units / annum)[3]	329 to 658
Total Social Housing Market take-up	430 to 760
Project Specific – Short Term Development Potential	
Project Social Housing Units	**350**
Forecast market share of total market sales	10% to 20%
Project forecast total annual take-up rate (units / annum)	43 to 152
Years to 80% take-up (social housing units)	2.3 to 8.1
Average Years to take-up (social housing units)	5.2

[1] – Total Annual take-up of Target Market

[2] – Reflects the percentage of the local population with incomes and affordability levels aligned to social housing units

[3] – Number of potential buyers through local secondary market transactions, e.g. qualifying local potential buyers selling existing homes to move to new project.

Findings:

- ✓ In terms of the consumer profile, the market can sustain approximately 350 social housing units over the medium term. Once a commercial component has been successfully established this demand can be expected to increase. .
- ✓ The table above shows two sections, 1) total market and 2) project specific. Between 2020 and 2025 an estimated **1 011** new households will seek accommodation in the target geographic market area, resulting in an annual growth in demand of approximately **202** units per annum (across the full housing spectrum, including informal and subsidy).
- ✓ Under present market conditions, the social housing segment **(54.6%)** will yield a take-up rate of **101** units per annum.
- ✓ Short term potential: A total of **350** social housing opportunities could be absorbed within the market over a time period of **± 2.3 years.**

❑ DEVELOPMENT RECOMMENDATIONS:

Bonded Housing:

- ✓ In the context of the above, it is evident that there is market potential for the proposed **±400 apartment units (including ±223 FLISP units)** as part of the mixed-use development. The forecast take-up period is between 1 and 2 years.
- ✓ The target market of this residential segment is middle to high-income households.
- ✓ Configuration of units: **apartments**
- ✓ Unit sizes: **±120m² - 400m².**
- ✓ The optimum point of market entry based on the market demand analysis would be 2021+.
- ✓ In the context of the target market profile, the optimum unit composition for residential units in the proposed development (to facilitate optimum take-up) would be:

Table 13.4: Bonded-Optimum Distribution Range Configuration

%	Total Units	Price Range	Building Configuration	Square metres
32.5%	78	R650 000 – R1 million	1 bedroom, 1 bathroom, 1 carport	$50m^2 – 70m^2$
	52	R1.1 million -R1.35 million	2 bedrooms, 1 bathroom, 1 garage, 1 carport	$70m^2 – 90m^2$
11.8%	33	R1.7 million -R2.0 million	2 bedrooms, 2 bathroom, 1 garages, 1 carport	$90m^2 – 110m^2$
	14	R2.1 million – R2.7 million	3 bedrooms, 2 bathrooms, 2 garages, 2 carports	$120m^2$ +
Total	**177**			

Source: Demacon Demand Modelling, 2020

Table 13.5 Social Housing- Rental Distribution

Unit	Size (sqm)	Rental Bracket (Rand/ month)	% Units	Number of Units (short term)
Bachelor	40 to 45	R380 - R750	42.5%	149
Bachelor to 1 Bedroom	50 to 55	R750 - R1 500	35.4%	124
2-Bedrooms	65 to 70	R1 500 - R3 000	13.8%	48
2 to 3 bedrooms	80 to 85	R3 000 - R6 000	8.3%	29

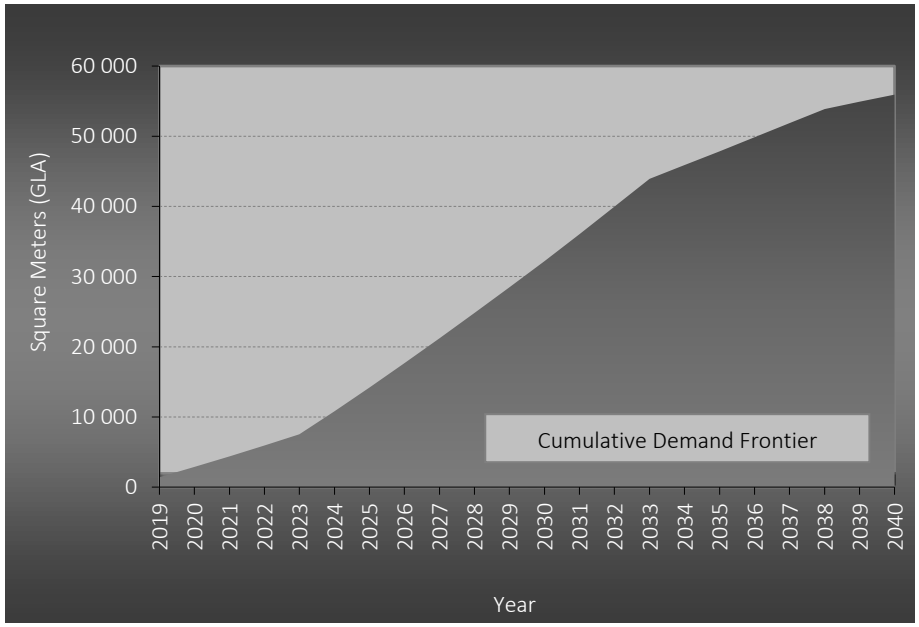
Social Units:

- ✓ Between 2020 and 2025 an estimated **1 011** new households will seek accommodation in the target geographic market area, resulting in an annual growth in demand of approximately **202** units per annum (across the full housing spectrum, including informal and subsidy).
- ✓ Under present market conditions, the social housing segment **(54.6%)** will yield a take-up rate of **101** units per annum.
- ✓ Short term potential: A total of **350** social housing opportunities could be absorbed within the market over a time period of **± 2.3 years.**

13.6 OFFICE MARKET DEMAND & ESTIMATIONS

❑ GAP ANALYSIS

Figure 13.1: Cumulative Additional Office Space Demand (sqm GLA)



Source: Demacon Demand Model, 2020

❑ DEMAND MODELLING

Demacon's demand modelling indicated office potential of approximately **8 054m^2 (say 8 000m^2) office GLA over the short to medium term**. This space includes GLA for offices and related facilities, but excludes parking, storage and basements. The optimum point of market entry would be **2025+**.

The following table summarises the space demand modelling.

Table 13.7: Synthesis of Space Demand Modelling Results – m^2 GLA (cumulative)

Cumulative Additional Space Demand	Up to 2025	2030	2035	2040
Finance & Insurance *(sqm GLA)*	3 168	3 345	3 834	4 413
Business services *(sqm GLA)*	11 028	28 869	44 024	51 516
TOTAL: Bushbuckridge Local Economy	14 196	32 214	47 858	55 929
Nodal Share - Min	2 839	6 443	9 572	11 186
Nodal Share - Max	4 259	9 664	14 357	16 779
Average*	3 549	8 054	11 965	13 982
Site	**3 549**	**8 054**	**11 965**	**13 982**

Source: Demacon Demand Model, 2020

** Note: the nodal shares and the average figures are cumulative*

Table 13.8: Space Demand Results - m^2 GLA (cumulative values – maximum share)

Forecast	Square metres
Up to 2025	3 500m^2 – 4 500m^2
2025 – 2030	6500m^2 – 9 000m^2
2035 – 2040	11 000m^2 – 14 500m^2
2040+	15 000m^2 – 17 000m^2

Source: Demacon Demand Model, 2020

The table below provides the recommended office options.

Table 13.9: Recommended office space options (ten-year timeframe)

Variables	Rand per annum / m^2
Capital Investment (2020 constant values)	R 161 070 630
Optimum size (GLA – 2030)	**8 054m^2**
Employment (on-site)	403
Parking bays	322
Parking infrastructure & landscaping cost (2020 constant values)	R 7 666 962
Point of market entry	2025+

Source: Demacon Demand Model, 2020

There are no monitored office nodes situated within the primary trade area. Based on the current market conditions in **Nelspruit**, the following indicators could serve as proxy should new offices be developed as part of Acornhoek city. Given the socio-economic profile of the area, it is more likely that the demand for office space would originate from local and provincial government administrative functions.

Office Rentals (Grade A and Grade A+): R160 per m^2 – R175 per m^2
Office Rental Escalation rates on new leases: 8%

Parking costs:

Depending on the type of parking provided:

- *Covered Parking – R480 to R500 per bay per month*
- *Shade-net Parking – R275 to R325per bay per month*
- *Open-air Parking – R175 per bay per month.*

Operating costs: R25.5 per m^2 – R35 per m^2

May include the following:

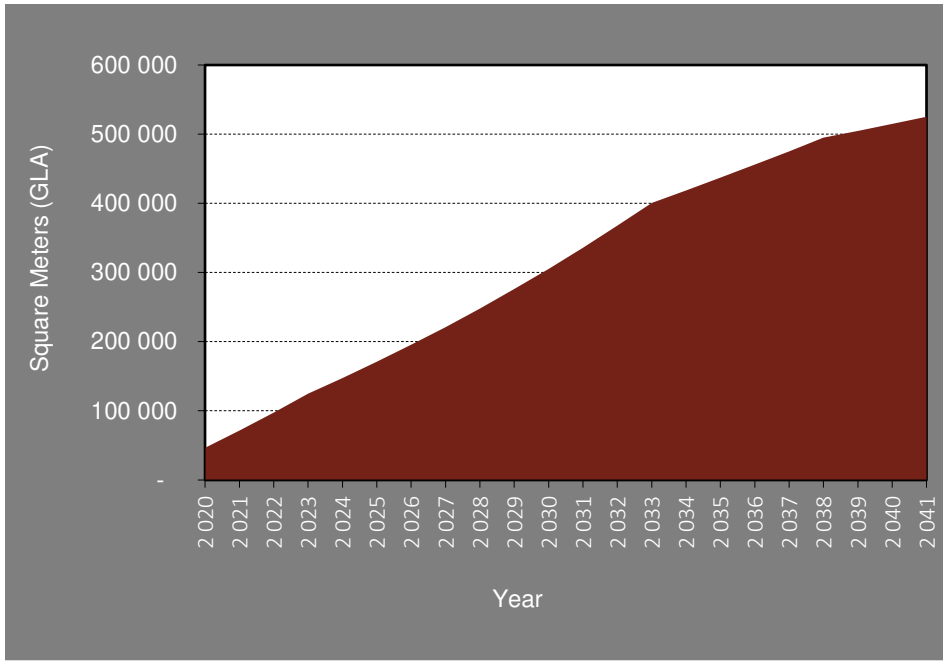
- *Cleaning*
- *Repairs and maintenance*
- *Common-area electricity and water*
- *Security*
- *Management fee (excluding head office overheads)*
- *All leasing expenses: broker's commission and in-house payroll, advertising, tenant installations & relocations (unless recovered), buy-outs, etc.*
- *Municipal tax*
- *Insurance (fire & SASRIA). In the case of self-insurance, the market average should be included.*
- *Refuse and sewerage less recoverable amount*
- *External and common area repairs and maintenance*
- *Audit fees*
- *Office park levies*

The ideal, would be to attract government tenants (potentially a combination of local, district and provincial offices/administrative functions). The private sector interest might be limited on account of the LSM profile of the area.

13.7 TRADE (AUTOMOTIVE) MARKET DEMAND & ESTIMATIONS

It is known that the demand for trade space depends on the level of activity in terms of wholesale and retail trade, (including automotive and fuel retail sales), as well as catering and accommodation within the Bushbuckridge Local Economy. Figure 13.2 illustrates cumulative additional trade space demand for the area.

Figure 13.2 Cumulative Additional Space Demand (sqm GLA)



Source: Demacon Demand Modelling, 2020

The following figure illustrates the forecast take-up for the trade sector

Table 13.10: Synthesis of Space Demand Modelling Results (nodal potential) – m² GLA (constant values)

Cumulative Additional Space Demand	2025	2030	2035	2040
Wholesale & Retail Trade (sqm GLA)	111 829	193 072	275 886	330 911
Catering & Accommodation (sqm GLA)	59 398	112 193	161 312	184 053
TOTAL: Bushbuckridge Local Municipality	**171 227**	**305 265**	**437 198**	**514 964**
At 28.58% automotive	13 300	48 937	87 245	124 951
Project Share - min	1 330	4 894	8 724	12 495
Project Share - max	1 995	7 341	13 087	18 743
Average	**1 662**	**6 117**	**10 906**	**15 619**

Source: Demacon Demand Modelling, 2020

Table 13.11: Recommended Sizes

Recommended Sizes	Rand per annum /m²
Capital investment (constant values)	R103 990 511
Employment opportunities	204
Parking	245
Parking infrastructure & landscaping cost (2011 constant values)	R5 823 469
Point of Market Entry	2030+
Size of development (sqm) (up to 2040)	**6 117m²**

Source: Demacon Demand Modelling, 2020

The following is evident from the above tables:

- ✓ Trade sector market demand in Bushbuckridge Local Economy increases cumulatively from **171 227m² GLA** in 2025 to **514 964m²** GLA in 2040.
- ✓ Market demand for automotive floor space in the trade area increases cumulatively from **1 662m²** in 2025 up to **15 169m²** GLA in 2040.
- ✓ Proposed size of development over the short to medium term amounts to approximately **6 117m².**
- ✓ This floor space could include:
  - Selected high end automotive dealerships
  - workshops & fitment centres,
  - speciality shops and services,
  - Motorcycles, quads,
  - Outdoor, 4x4, camping and adventure.
- ✓ Optimum point of market entry: 2022+

13.8 PRIVATE HEALTHCARE DEMAND & ESTIMATIONS

DEMAND MODELLING RESULTS

Table 13.12 provides a summary of the market potential assessment associated with a possible private healthcare facility as part of the proposed development.

Table 13.12 Market Potential & Growth Forecast Model (Private Facility)

MARKET DEMAND (LSM 4 - 10+)			
PRIMARY DEMAND	**2020**	**2025**	**2030**
2020 Medically insured population (people)	19 839	23 449	27 716
Additional insured lives per annum		722	853
Population growth rate (% / annum-compound growth)	3,40%	3,40%	3,40%
Beds / 1000 population medically insured (private beds)	4,6	4,6	4,6
Private beds in demand (LSM 4-10+)	91	108	127
SECONDARY DEMAND			
Injection	30%	30%	30%
Secondary demand	8 465	10 006	11 826
Private beds in demand (LSM 4-10+)	39	46	54
TOTAL MARKET DEMAND			
Number of beds (private beds)	130	154	182
MARKET SUPPLY (COMPETITION)[1]			
(No private medical facilities in the primary trade area)			
EFFECTIVE COMPETITIVE SUPPLY			
Total competing beds in primary market	0	0	0
MARKET POTENTIAL			
Net effective demand (residual market capacity - additional beds)	130	154	182
Market share (% market share of total beds for facility)	40%	40%	40%
Market potential (total number of viable beds for facility)	**52**	**62**	**73**
Total additional area requirement (sqm hospital floor space)	3 906	4 617	5 457
Model Calibration & Sensitivity			
Beds / 1000 total population as benchmark:			
Population ('000)	19,8	23,4	27,7
National Average (Public beds per 1000 population)	4,80	4,80	4,80
Study area beds per 1000 total population (as per Demacon Model)	2,63	2,63	2,63
Model accuracy (over / under estimation)	**54,7%**	**54,7%**	**54,7 %**

Source: Demacon Demacon Modelling, 2018

Interpretation:

<100% = Conservative market potential estimation

>100% = Liberal market potential estimation (likely to produce oversupply in market)

RECOMMENDATIONS

This chapter investigated the **private healthcare market** associated with the proposed development site with the aim of determining the **development potential** of a **private healthcare facility**. It is evident from the investigation that market dynamics and local development trends, are conducive for a possible private healthcare fact.

The following table provides a summary of the **key findings and recommendations** if a healthcare component is to be considered as part of the proposed development.

Table 13.13: Key Findings and Recommendations

Aspect	Finding or Recommendations
Market Gap	• Market gap is evident and development prospects are rated as moderate
Market Demand	• Facility of 60 to 80 beds (2030)
Type of Facility	• Private Hospital

Possible Services	• General Practitioner • Dentist • Optometrist • Pharmacy etc.
Optimum Point of Market Entry	• Suggested to be 2021 and beyond

13.9 PRIVATE EDUCATION DEMAND & ESTIMATIONS

DEMAND MODELLING RESULTS

The subsequent table provides a summary of demand modelling results relating to the private education market. It is evident that the market could potentially accommodate a private school for of **800-1000 pupils at full capacity over the medium to longer term**.

Table 13.14: Market shares (minimum and maximum)

Private School Attendance	2020	2025	2030	2035	2040	%
Ages 18 months - 4 years	153-229	155-233	158-237	160-241	163-245	--21.1%
Ages 5 - 9	191-286	194-291	197-296	201-301	204-306	26.3%
Ages 10 - 14	182-273	185-278	188-283	192-288	195-293	25.2%
Ages 15 - 19	198-298	202-303	205-308	209-313	212-318	27.4%
Total (Pupils)	**724-1 086**	**736-1 104**	**749-1 123**	**762-1 142**	**775-1 162**	**100%**

Source: Demacon Demand Modelling 2020

RECOMMENDATIONS

This chapter investigated the **private education market** associated with the proposed development site with the aim of determining the **development potential** of a **private school component**.

The following table provides a summary of the **key findings and recommendations** if a private school component were to be considered as part of the proposed development.

Table 13.15: Key Findings and Recommendations

Aspect	Finding or Recommendations
Market Gap	• Market gap is evident and development prospects are rated as moderate
Market Demand	• 800-1000 pupils at full capacity (2040)
Type of Facility	• Small, combined private school ○ Pre-primary, primary and secondary school offering
Design Considerations	• Simple yet modern design requiring minimal maintenance
Optimum Point of Market Entry	• Suggested to be 2021 and beyond

13.10 SOCIAL FACILITIES DEMAND & ESTIMATIONS

Chapter 12 provided an empirical assessment of the development potential of a range of community and social facilities. This is supported by a gap analysis of social facilities. These assessments provide a useful indication of possible future developments within the area.

From the social facility modelling, it is evident that there is a gap for several facilities in the primary trade area. The table indicates that the social amenities that are feasible, necessary and compatible with the site configuration are:

- ✓ Primary School (1)
- ✓ Secondary School (1)

The development of other amenities would depend on future population growth in the market area – current demand thresholds can only partially sustain additional amenities.

13.11 LAND USE BUDGET

❑ LAND REQUIREMENTS

The table below provides the ideal land use budget, given forecast take-up rates for the various land uses.

Table 13.16: Long-Term (10-15 Year) Land Use Budget

Land use	Net Demand up to 2030 (m²)	Internal Circulation Roads	Percentage of Development
Residential - Bonded	22,2	26,7	48,3%
Residential - Social / Rental Stock	2,92	3,5	6,3%
Retail (Community Shopping Centre)	7,1	8,5	15,4%
Trade (Automotive)	1,5	1,8	3,3%
Private Education	6,0 ha	7,2	13,0%
Private Healthcare	1,4	1,6	3,0%
Offices	2,0	2,4	4,4%
Social Amenities	2,9 ha	3,5	6,3%
Hectare Take-up	**46,1**	**55,3**	**100%**

Source: Demacon Demand Modelling, 2020

Table 13.17: Estimated Timeframe Optimum Point Of Market Entry

Land Use	Proposed Size (sqm)	Total Proposed Size	Optimum point of market entry
Residential - Bonded	400	26,7	2020 / 2021+
Residential - Social	350	3,5	2020 / 2021+
Retail (Community Shopping Centre)	23 450	8,5	2030+
Trade (Automotive)	6 117	1,8	2022+
Private Education	6 ha	7,2	2021+
Private Healthcare	5 457	1,6	2021+
Offices / Administrative Functions	8 054	2,4	2025+
Social Amenities	2,9 ha	3,5	2022+
Total		**55,3**	

Source: Demacon Demand Modelling, 2020

In terms of the demand forecast, approximately could potentially be fully developed over the next 10-15 years.

13.12 CONCLUDING REMARKS

From experience, it is evident that a combination of appropriate product mix, product offering, design considerations, market related pricing and creative brand identity could potentially accelerate project take-up and sales.

ANNEXTURE A: CASE STUDIES

ANNEXURE A: CASE STUDIES

An increasing number of mixed-used developments are being developed in and around traditional areas. Numerous examples can be sighted in the traditional areas of Limpopo and Mpumalanga, including developments around Karino (e.g. Karino Lifestyle Estate), Summerain and Elim-Lakitha near Makhado in Limpopo.

The mixed-use developments in these areas (based on various factors) typically include the following uses:

- ✓ Residential Development (FLISP & bonded units and Social housing units)
- ✓ Retail/Trade Development
- ✓ Filling Station
- ✓ Fitment Centre
- ✓ Schools
- ✓ Healthcare centres
- ✓ Sports fields
- ✓ Recreational centres
- ✓ Library
- ✓ Community Halls

Over and above, formal estate type developments, appreciable residential modernisation can be observed in terms of new stock developed over the past decade.

Typical product mixes are reflected in subsequent tables.

FLISP / Bonded

In view of the residential analysis of a project that tends to have a typical mix, the site was found to be ideally situated to accommodate a portion for **FLISP / Bonded** housing development. In the context of the target market profile, the optimum unit composition for a residential development (to facilitate optimum take-up) would typically include different building products with various price ranges:

Table A.1 Residential product and price distribution- Bonded Units:

Building Configuration	Unit Configuration	Percentage Distribution	Price Range
1 & 1.5 bedroom units	80m² - 120m²	40-50%	R 300 000 to R 600 000
2 bedroom units	125 m² - 165 m²	30-40%	R 600 000 to R1.2 million
3 & 3.5 bedroom units	165m² - 220m²	10-15%	R 1.2 million to R 2.4 million
4 bedroom units	220m²+	3-5%	R 2.4 million+
	RENTAL STOCK		
1 & 1.5 bedroom units	80m²- 120m²	50-60%	R 3 000 to R 4 700
2 bedroom units	125m² - 165m²	30-40%	R 4 700 to R 9 400
3 & 3.5 bedroom units	125m² - 165m²	10-15%	R 9 400 to R 18 800
4 bedroom units	220m² +	0-5%	R 18 800+

Source: Demacon, 2020

Social Housing Units:

In view of a similar project that has a typical mix, the site is ideally situated to accommodate a portion for **social housing** development. In the context of the target market profile, the optimum unit composition for the project (to facilitate optimum take-up) would typically include different building products with various price ranges:

Table A.2 Residential product and price distribution- Bonded Units:-Social Housing

Building Configuration (Walk-up apartments)	Unit Configuration	Percentage Distribution	Monthly Rental
Bachelor Multi-storey developments	30 m² - 35m²	30-40%	R380 to R750
1 Bedroom Multi-storey developments	35m² - 40m±	30-40%	R750- R1 500
2 Bedroom Multi-storey developments	40m²- 45m²	10-15%	R1 500 to R3 000
3 Bedroom Multi-storey developments	45m² – 60m²	10-15%	R3 000 to R6 000

Source: Demacon, 2020

Below is a proposed development plan for a residential development of a particular mixed-use project. The proposed development consists of 550 units and includes

2 bedroom units ranging from 57m² to 83m², and 3 bedroom units ranging from 64m²to 98m².

Successful developments of such estates depend on a broad spectrum of factors, including but not limited to the following:

- ✓ Development of up-scale, quality, free-standing bonded type homes.
- ✓ Development of modern estate and facilities, including recreational areas.
- ✓ Safe estate security.
- ✓ Convenience retail.
- ✓ Private school.
- ✓ Health clinic.
- ✓ Higher density residential stock (4 storey walk-ups) only once a commercial node has been established.
- ✓ FLSP homes could be incorporated as part of the scheme.
- ✓ The development of RDP Units is considered to be highly undesirable by such communities.

The following pictures depict the residential and environmental quality within such estates.

The case studies referred to are projects that tend to have a typical mix; however, the project specific mix would depend on local area income and affordability profiles.

ADDENDUM DEMACON LETTER

DEMACON Market Studies

P.O. Box 95530

WATERKLOOF

Pretoria

South Africa

0145

14 February 2022

Sir/ Madam

RE – ACORN CITY MIXED USE DEVELOPMENT COMMENTARY

We have considered the scoping report and the issues raised by interested and affected parties as requested.

Introduction:

Retail markets in general and township retail markets in particular are systematically maturing and densifying (in regards supply side dynamics). The larger Bushbuckridge market in general (and also the trade area for the proposed development) is mostly underdeveloped from a retail supply side perspective. Various components of the retail hierarchy have not yet emerged in the area.

Formal Shopping Centre Supply per Capita:

The total existing supply of formal shopping centre floor space in the primary trade area amounts to approximately 178 851 m² (as in built). The population threshold in the primary trade area is ±219 053 people, which translates to ±0.82 m² per capita for the trade area. The larger centres in the trade area cater to a market beyond the trade area for the proposed development.

Bushbuckridge Local Municipality has approximately 182 817 m² of formal shopping centre supply and ±583 716 people. This translates to ±0.31 m² per capita for the municipal area.

In more mature markets, the per capita supply is typically around 2 m² up to as high as 4.2 m² shopping centre floor space per capita. These numbers suggest that the Bushbuckridge market is still largely underdeveloped from retail supply side perspective. Albeit that income levels may be comparatively low, increased investor interest indicate that future supply side densification can be expected.

Impact on existing retail supply:

The proposed new development (first phase of ±7 054 m²) adds ±3.94% of additional shopping centre floor space to the existing offering in the primary trade area. Considering that centres such as Acornhoek Mall, Dwarsloop and Acorn Plaza draw off a larger regional catchment area, the combined impact of the new development on these centres should not exceed 3.94%, and is likely to be in proportion to the size and distance of the centre. In this manner, the largest centre - Acornhoek Mall sales, are not likely to be impacted by more than ±1.5% over the short term. Considering area growth, this impact is likely to be offset over the short to medium term.

Principle of Business Centre Hierarchies

According to the hierarchy of business centres a lower order centre can coexist harmoniously in the trade area of larger centres. From a developmental perspective it would be ideal to promote the development of an expanded retail offering in a particular market area. This approach is pro-development, pro-investment, pro-job creation, and anti-monopolistic behaviour.

There are no convenience orientated centres in the immediate vicinity and a centre of this nature could enable consumers to incur certain savings.

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