

Joburg's ever-changing city landscape has pockets of well run, vibey, cultural precincts such as Newtown, End Street and Maboneng, which offer residential, retail and commercial opportunities.



**Vinolia Mashiane**

**W**ithin walking distance of the city's eastern precinct at Maboneng is a 2 000 m<sup>2</sup> property at 424 Commissioner Street. The newly refurbished residential and retail block, funded by the Gauteng Partnership Fund (GPF) Entrepreneur Empowerment Property Fund Programme (EPPF), showcases Lazola and Zora Madikizela's R12,1 million project.

The brightly painted, ice green and white five storey building stands out from 500 m as



an exciting, smart location with the unmistakable Commissioner Street fire station tower only a block away. It offers 31 two bedroom 62 m<sup>2</sup> units, four bachelor apartments, three street-level retail stores 80 m<sup>2</sup> each: a graphic design studio, clothing boutique, a college counselling centre and the Madikizela's offices.

Lazola has a rich, broad background. He started out as a lawyer working at Anglo American in labour relations; then moved to Murray and Roberts in human resources, training and operations; before joining McCarthy's management team to handle corporate marketing and empowerment issues, and then moved on to Bidvest as a board member.

He says that he dabbled in property and student accommodation at

the University of Johannesburg. "I have a passion for property and to grow the company's portfolio and property is a decent investment." He heard about the Gauteng Partnership Fund's entrepreneur programme through the media, but it was his wife, Zora, who initiated and drove the project. She identified the residential block almost 18 months ago. The project's success is due to the team of architects, structural and electrical engineers and the quantity surveyor, who says Lazola, was almost glued to his leg as the key is to control costs. "That is," he says, "how you make sound decisions around a project."

The building was formerly a warehouse and converting the property into residential units meant demolishing the dry walling and redesigning



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the interior. Lazola opted for brick and mortar walls, bathrooms in the two-bedroom units, open plan lounge and kitchen facilities, and showers in the smaller bachelor units. Although brick and mortar proved more expensive than dry walling, the lower maintenance costs made them the better option. The refurbishment included prepaid meters, traditional geysers, tiled floors, glazing, built-in cupboards and baths equipped with shower attachments and sturdy wood panelled doors. The collaborative effort between the quantity surveyor, contractor and the Madikizelas' has paid off.

Rentals start at R3 900 for the larger apartments and R2 500 for bachelor units. This is in line with GPF's mandate to fund affordable

rental stock in the city. A managing agent has already been appointed to facilitate rentals and occupancy.

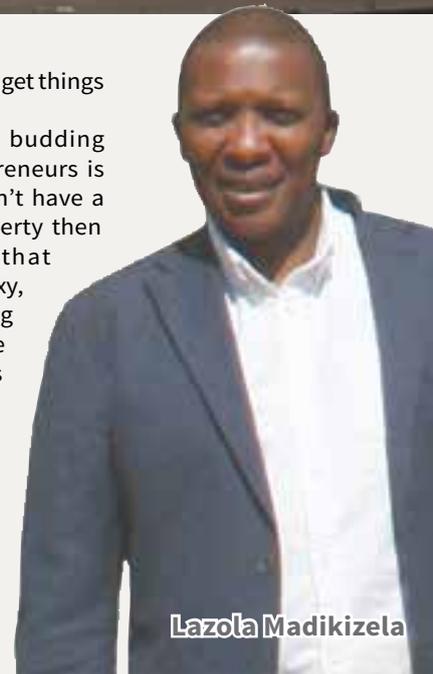
Lazola had a team of GPF mentors that he could call on to assist with advice and expertise throughout the project. But, he says, "We worked with the engineering mentors in the initial phase and they suggested the professional teams we partnered with on the project."

The clever and confident entrepreneur says that the lessons he learned relate to the building plans. In future, he would do this more timeously as they hold up the process. As the developer, it is important to cultivate relationships with the municipality, get to know the people, and be aware of the municipal compliance process. Sometimes, he believes, if you are a

nuisance you can get things done far quicker.

His advice to budding property entrepreneurs is simple if you don't have a passion for property then don't get into that space. It is not sexy, it is not like selling BMWs – you have to get your hands dirty and be a part of the process as a recipient of the GPF programme.

He explains, "It's key to take charge of the project since at the end of



Lazola Madikizela

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*'Property sellers often take advantage of new entrants and this is something that GPF is trying to address.'*

the day, the architect or engineer work for you and that relationship must never be confused. I have found that it's necessary to take control and ownership from day one."

Would he partner with GPF again? "Absolutely! It has been a fantastic experience. There is no truer empowerment fund in my opinion. It is fulfilling to have funders that trust and assist you to get the project off the ground. It is our responsibility to service our debt to the GPF, it must be our first commitment and this will pave the way for others to access funding."

With construction completed a month ago, Lazola already has tenants and retail occupants. He expects to be fully tenanted by September and plans to grow his residential portfolio, identify another property and, of course, seek funding from GPF. How was the deal structured?

The total project cost was R12,1 million, Madikizela contributed 2%, the GPF provided an interest free loan of R969 000 and an interest bearing loan of R3,4 million, or 28% and the National Housing Finance Corporation (NHFC) provided 62% senior debt funding of R7,3 million. GPF's

Acting Chief Investment Officer, Vinolia Mashiane explained that since the entrepreneur programme started three years ago 71 companies have been identified of which 32 companies have secured projects and their projects are in different stages of development.

One of the biggest advantages of the programme is that entrepreneurs have access to interest free loans of up to R2 million. The GPF looks at cash flow and feasibility and projects must cater for householders earning below R15 000. The residential units must be located close to amenities, schools etc, the Madikizela project Loan To Value was 71%, at the time



of funding - the value of the property was more than the loan. Developers are required to hold the property for five years and then sell but if they do, the NHFC and GPF debt will be settled first. GPF offers a 15 to 20 year loan term. Rentals escalate in line with inflation and the Consumer Price Index.

The fund's pioneering work includes offering new entrepreneurs a business plan framework on its website, help desk support and induction process and training programmes with GPF Mentors.

The GPF aims to fund sustainable enterprises and, although it offers a great deal of assistance, Vinolia says that developers must demonstrate through the business plan proposal that they can do it on their own. "It's only once we have selected the applicant that we can capacitate them. They need to do their own research and market analysis. A common mistake that new entrepreneurs make is relying on the professionals to run the project. This is a big mistake, we need a hands-on approach. Property sellers often take advantage of new entrants and this is something that GPF is trying to address. Before the deal is signed it has to be feasible and affordable."

The fund's in-house quantity surveyor and monitoring team oversee the project from start to completion. Development updates are required

before progress payments are made and post construction monitoring is undertaken to ensure the project is up and running. "The developers are required to submit financials on a quarterly basis for post investment monitoring purposes," says Vinolia.

Currently the GPF is planning to bring new senior debt funders on board.

According to GPF Marketing and Communications Executive, Ismail Carr, the recent entrepreneur property seminar for new entrants into the residential sector held at the Johannesburg Country Club was oversubscribed. The GPF is currently conducting a number of face to face initiatives with potential property entrepreneurs who are keen to provide rental and student accommodation in the affordable housing space.

The GPF aims to grow affordable housing units for the GAP housing market and provide rental options for those households earning less than R15 000 a month. Carr says that it is a myth that affordable housing is not profitable compared to other rental markets, there is much growth opportunity. In his view owing to the current economic climate, some people are more comfortable renting accommodation rather than buying.

"GPF has been set up to empower previously disadvantaged individuals (PDI) and those interested in starting in the property sector can come and talk to us," says Carr.

The next property seminar event will be held on September 17 in Pretoria. Diarise the date and find out more about the GPF and how to access funds to acquire and manage social and rental residential property. ■



Ismail Carr