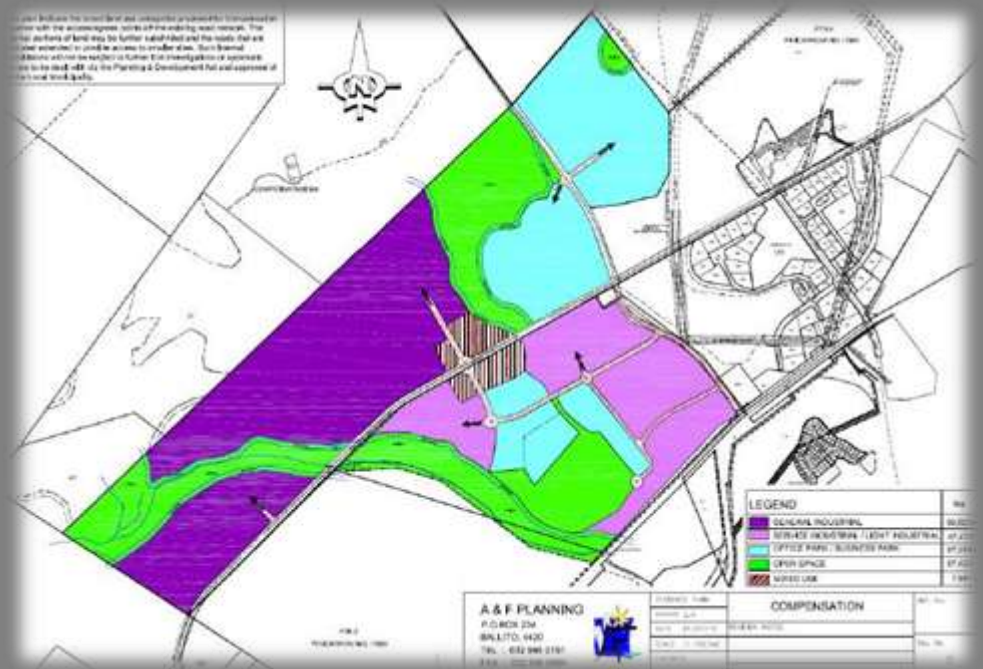


2012

# TONGAAT HULETT DEVELOPMENT



## **COMPENSATION FLATS: NEEDS AND DESIRABILITY AND IMPACT ASSESSMENT**



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## 1 SECTION 1: INTRODUCTION

### 1.1 BACKGROUND

Tongaat Hulett’s proposed Compensation Industrial and Business Estate (CIBE) is situated on either-side of the R102; inland from Ballito and located within KwaDukuza Local Municipality, KwaZulu-Natal. The proposed development layout comprises of 240ha on a site of 320ha (24% undevelopable). An Environmental Impact Assessment (EIA) has been undertaken, and submitted to the Department of Agriculture, Environmental Affairs and Rural Development (DAEA&RD). The response was to formulate a Needs and Desirability and Impact Assessment study for the development to assess the market demand and supply and socio-economic impacts of the proposed study.

### 1.2 PURPOSE OF THE STUDY

This study has therefore been commissioned by Tongaat Hulett Developments with the purpose of formulating a detailed and structured needs and desirability study that incorporates a detailed economic market demand and supply assessment (needs) and a socio-economic impact assessment (desirability) for the proposed CIBE development. As per the Draft EIA’s (20 October 2011) project description, it is anticipated that the proposed development will ultimately comprise of the following components which will be addressed independently.

**Table 1: Proposed Land-Uses at the Development Site**

Property Component	Description and Detail
<ul style="list-style-type: none"> <li>• Industrial including                             <ul style="list-style-type: none"> <li>○ <b>General Industrial,</b></li> <li>○ <b>Clean manufacturing;</b></li> <li>○ <b>Light and Service Industrial,</b></li> <li>○ <b>Logistics Centre,</b></li> <li>○ <b>Hybrid buildings known as <i>flex space</i>, and</b></li> <li>○ <b>Supply Chain related use.</b></li> </ul> </li> </ul>	On a combination of “Super Sites” and more conventional sized sites covering a net area of approximately 140ha;
<ul style="list-style-type: none"> <li>• Business Park and Mixed Use Precinct related use including <i>inter alia</i> :-                             <ul style="list-style-type: none"> <li>○ <b>Activity Zone,</b></li> <li>○ <b>Offices,</b></li> <li>○ <b>Corporate, and</b></li> <li>○ <b>Business Park related uses.</b></li> </ul> </li> </ul>	Covering a net area of approximately 80ha;
<ul style="list-style-type: none"> <li>• <b>An associated</b> Open Space System of Conservation Areas and Open Spaces</li> </ul>	Covering a net area of approximately 87ha and including intrusion into an isolated small portion of wetland;

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<ul style="list-style-type: none"> <li>• <b>Bulk, link and internal reticulation as it pertains to infrastructure and services provisioning associated with the development, including inter alia :-</b> <ul style="list-style-type: none"> <li>○ <b>Framework roads and access roads;</b></li> <li>○ <b>Sewer and water reticulation; and</b></li> <li>○ <b>Electricity provisioning.</b></li> </ul> </li> </ul>	
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*Source: CIBE Environmental Impact Assessment (2011)*

### 1.3 REPORT APPROACH AND METHODOLOGY

To undertake the ‘needs and desirability assessment’ the following are considered in accordance with the NEMA Environmental Impact Assessment Regulations; Guideline and Information Document Series; Guideline on Need and Desirability (2010).

- the urban and spatial development framework plans as contextual background to the socio-economic impact;
- the recently completed (Feb 2012) iLembe Spatial Economic Framework;
- iLembe Quarterly Reviews that detail the demographic and manufacturing growth patterns and trends from which the industrial and commercial market demand is derived;
- the competing and existing industrial and commercial development and the anticipated impact on other similar developments in reasonable proximity within KwaDukuza and iLembe and;
- Testing the market through survey, interview and discussion with officials.

Two distinct approaches for impact scoping will be adopted for the economic and social components of this study which will result in interrelated results for the outcomes of the economic market demand and the socio-economic impact assessment. This allows for a joint review of the anticipated socio-economic impact on the affected communities and businesses in close proximity to the CIBE.

Key activities that were undertaken are tabulated below into three distinct steps for data collection and collation and analysis.

Steps	Key Activities
<b>Desktop data and information collection to Determine Market Need</b>	<ul style="list-style-type: none"> <li>⊙ Record and analyse the proposed development and its components and gaining an initial understanding of the likely impacts.</li> <li>⊙ Determine the :               <ul style="list-style-type: none"> <li>➤ Existing industrial land developments</li> <li>➤ Existing commercial developments</li> </ul> </li> <li>⊙ In addition, a detailed model of the regional economic growth will be developed to test industrial land demand.</li> <li>⊙ Undertake interviews with local businesses, realtors, municipal officials and organized business</li> </ul>

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	<ul style="list-style-type: none"> <li>⊙ Define the development in terms of its components as indicated in the preceding section;</li> <li>⊙ Defining the impact areas on which the proposed development will impact both in terms of the types of impacts and the geographical and sectoral areas</li> <li>⊙ Provide an update of the socio-economic profile of the general area in which the proposed development is to be located including: employment profile, business profile and socio-economic trends</li> </ul>
<b>Analysis of Information and Socio-Economic Impact Modelling for Desirability</b>	<ul style="list-style-type: none"> <li>⊙ Identify and assess the nature, extent, duration and severity of the anticipated socio-economic impacts of the development as a whole and the individual components.</li> <li>⊙ Make use of impact tables to determine extent and locality of impact</li> <li>⊙ Identify clear areas and opportunity for mitigation activities where applicable</li> </ul>
<b>Finalisation of Report</b>	<p>The final conclusion and recommendations are formulated into suitable EIA formats.</p>

### 1.4 REPORT OUTLINE

**Section 1: Introduction:** providing a background, purpose and methodology adopted to this study.

**Section 2: Spatial Analysis:** provides a contextual analysis of related regional and local imperatives and a locational context with market delineation of the CIBE study area.

**Section 3: Socio-Economic profile:** provides a profile of the catchment populations to include demographics and socio-economic indicators in order to understand the characteristics of the market.

**Section 4: Market Assessment:** undertakes a market demand and supply for each of the proposed property components and includes an analysis of current trends in the property market.

**Section 5: Socio-Economic Impact Assessment:** undertakes a socio-economic impact assessment in order to identify and rate the social and economic impacts that are expected due to the proposed development and associated capital investment.

**Section 6: Conclusions and Recommendations:** concludes the report by providing some final considerations and recommendations for each of the property types and the development as a whole.

2 SECTION 2: SPATIAL ANALYSIS

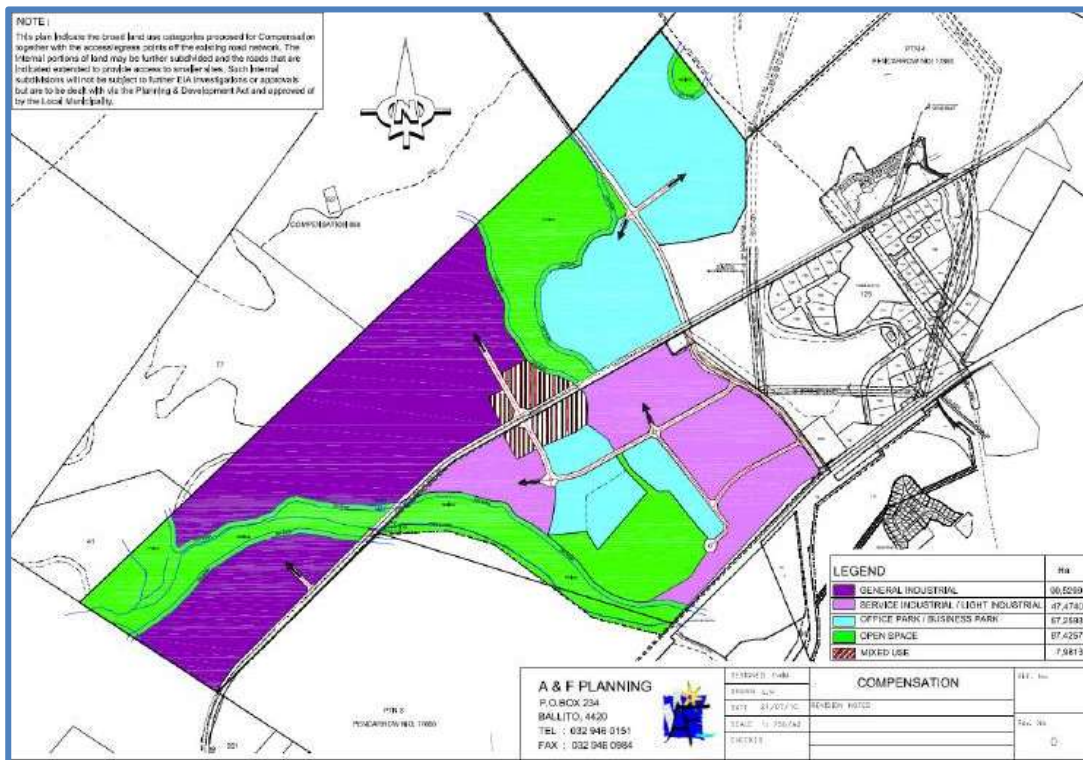
2.1 PROPOSED CONCEPT PLAN AND MOTIVATION

At present the site is poorly irrigated and under sugar cane. The site holds no formal zoning. The location of the Compensation Industrial and Business Estate is ideally positioned for Tongaat Hulett Developments to ensure that the following key objectives can be achieved:

- Provide industrial / logistics, clean manufacturing, business park and office opportunities in close proximity to the new airport and with good accessibility to major routes.
- To create values by maximizing the potential of the land through development and help to create job opportunities in the Ilembe and KwaDukuza Municipality Area.
- Contribute towards positioning Ilembe/KwaDukuza as an industrial / logistics and business hub.
- To enable the potential of ‘super sites’ for large users.
- There will be a benefit in regards to the improvements of the roads which will be constructed to link up with the N2; therefore alternative routes will be created.
- Job opportunities will be created within the Northern Region of KwaZulu-Natal

The figure below provides the concept plan and broad land uses for the proposed CIBE Development. As shown by the diagram, 90.5299 hectares is allocated for ‘General Industry’, 47, 4740 hectares allocated for service/light industrial, 67.2593 hectares for office/business park development, 7, 9813 hectares for mixed used and 87.4257 hectares for open space.

Figure 1: Concept Plan for CIBE Development (Source: Draft CIBE Environmental Impact Assessment, 2011)

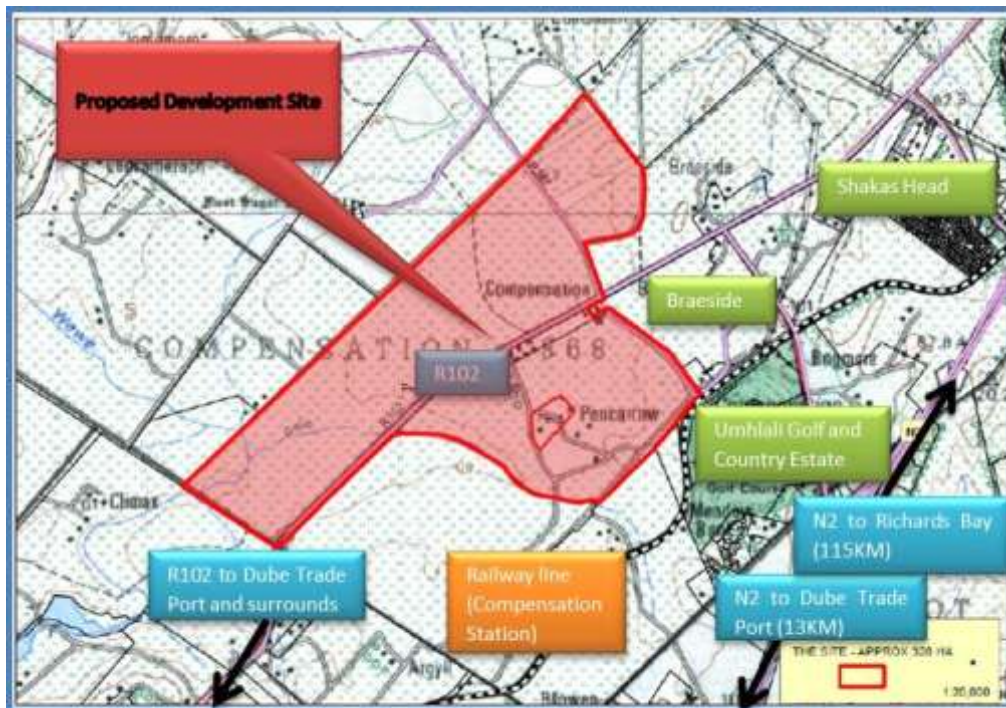


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### 2.2 LOCATION OF THE SITE

The proposed development site is located within the Compensation area in KwaDukuza Local Municipality off the North Coast of KwaZulu-Natal, comprised of two properties namely Remainder of the Farm Pencarrow No. 17860 and Portion 5 of the Farm Pencarrow No. 17860 within the Compensation flats area in KwaDukuza LM. The proposed site is approximately 320ha in extent, with 240ha developable. Map 1 below displays the location of the proposed site in context of the surrounding catchments and linkages. It indicates the strategic location adjacent to the R102 and close proximity to the N2. These are Nationally and regionally important routes linking Compensation to the major economic hubs of Durban, Richards Bay and Gauteng and more specifically Dube Trade Port (and King Shaka International Airport) to the South approximately 13kms away.

Figure 2 Locality Map (EIA: 2011, p4 and Urban-Econ)



The proposed development is situated immediately south of and adjoining the proposed Braeside service industrial park inland of Ballito. It is located  $\pm 5$ km west of Ballitoville economic node and Ballito Business Park. The site is situated adjacent to the main northern railway line that runs between the main economic hubs of Durban and Richards Bay and Gauteng and the nearest railway station is Compensation Station as shown on the locality map above. The proposed development runs parallel to and inland of the N2 freeway and the North Coast railway line. The nearest surrounding town and economic node is Ballito toward the coast. The site is accessible through the R102 on the South and North, and is situated south of Ballito Road. P 387 (Compensation / Isinembe Road) runs along most of the northern boundary of the property (EIAR and EMP for the Proposed CIBE, 2011).

2.3 MARKET DELINEATION

Before assessing the site in its regional and local context and the surrounding land-uses, it is important to delineate the impact areas that are expected from the proposed development. This will ensure that the extent of the development is accounted for and that no important (and conflicting) land-uses are omitted when assessing each property component. The anticipated impact areas for the development are delineated in the map below. As there are a variety of proposed components on the site and each property type attracts a different market segment, and requires different market characteristics to be supported. The market has been developed into a primary and secondary level catchment as shown below.

Market Area	Incorporates
Primary	<ul style="list-style-type: none"> <li>Ballito</li> <li>Surrounding Estates</li> <li>R102 Traffic</li> </ul>
Secondary	<ul style="list-style-type: none"> <li>DubeTrade Port</li> <li>N2/R102 Corridor</li> <li>Stanger</li> <li>KwaDukuza and iLembe</li> <li>Umhlanga</li> <li>Tongaat/Verulam</li> </ul>

The primary market is made up of the immediate surrounding catchment of estates (Imbonini Industrial Park, Ballito Business Park etc.) and Ballito precincts of similar characteristics and market potential within a 5km radius falling within the South of KwaDukuza stretching from Tinley Manor to Ballito Business Park. The secondary impact area consists of the N2 and R102 growth corridors due to significant regional impact including the Dube Trade Port as a major

economic hub as well as KwaDukuza LM and iLembe DM and surrounding economic nodes such as Tongaat/Verulam/Umhlanga.

Figure 3: Market Delineation (Source: Google Earth and Urban-Econ)





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### 2.4 SITE IN REGIONAL CONTEXT AND EXISTING SIMILAR DEVELOPMENTS ALONG R102 CORRIDOR AND N2 CORRIDOR

The site is assessed in this section in its regional and local context, with particular reference to existing land-uses. The map below displays the proposed development site in its regional context, and the existing major land-uses that are expected to impact on the development. As indicated Compensation lies within Kwadukuza Local Municipality within iLembe District Municipality strategically located along the R102 and in close proximity to the N2. The Map below shows the major industrial competing yet complementary sites of intense industrial activity in KZN, that is, Durban situated within eThekweni Municipality, Richards Bay situated within Umhlatuze Local Municipality, Pietermaritzburg situated within Msunduzi Local Municipality and the well-established Isithebe Industrial Park in Mandeni LM. The map below also shows the proposed site along the Provincial Corridor.

**Figure 4: Map showing the proposed Development in Regional Context-Areas of High Industrial Activity (Source: iLembe Industrial Development Strategy 2010 and Urban-Econ)**



According to the iLembe Industrial Development Strategy 2010, KwaDukuza is in a favourable position to attract and absorb investment opportunities due to its location between the two ports of Durban and Richards Bay as shown on the map above. Recent trends indicate that due to developer interest land has been rezoned and consolidated for industrial activity. It should be noted that available land in the iLembe district is typically not serviced. The following table provides a brief description of surrounding commercial development that may impact on the proposed CIBE development.

	<b>Characteristics</b>
<b>eThekweni</b>	Limited available greenfield sites for industrial development. The Tongaat Industrial Park(warehouses renting at R 350/m <sup>2</sup> ), Mt

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	Edgecombe Old Mill Industrial Estate (rental at R 55/m <sup>2</sup> and sales from R 6000/m <sup>2</sup> ), Canelands Industrial Park (all lots have been sold, <i>pers comm</i> , 2012 at ±R 480/m <sup>2</sup> with stand sizes of between 1.1 to 1.7 hectares) and the planned Cornubia development are also a prominent clusters of industrial activity which within the 10km radius of the Dube Trade Port/King Shaka Airport. To the south, only Cornubia which is currently undeveloped holds vacant land. There are some sites in Dube Trade Port but with specific requirements.
<b>Msunduzi</b>	Has extensive land potential and industrial land at relatively competitive prices (notably Ashburton corridor). Land along N3 is not adequately planned therefore not developer friendly.
<b>uMhlatuze</b>	Has ample land potential and industrial land at relatively competitive prices. Limited future development due to environmental constraints, existing zoned land is privately owned and is an extension of small scale industrial constrained within the urban fringe.
<b>KwaDukuza</b>	At present there is limited zoned land in KwaDukuza for industrial activity.
<b>Commercial development</b>	<b>Description</b>
<b>Cornubia</b>	15km from the new King Shaka International Airport at La Mercy, the estate lies less than 5km from Umhlanga's Town Centre and Gateway precincts, and will be highly accessible from the N2 freeway, M41 and R102. This is a medium to light industrial and mixed use development which is currently not developed setting aside 80ha and 36 industrial stands
<b>Tongaat Industrial</b>	Limited available industrial and commercial land
<b>Hambinati</b>	Currently being planned in Tongaat
<b>Canelands Industrial</b>	Located in Durban North, Canelands Industrial Park is well located with good access from the R102 Main Road and close to Tongaat, Verulam, Mt Moreland and Dube Trade Port. There is currently limited available space for commercial and industrial activity.

### **Implications for CIBE development:**

There lies a niche for larger mega stands due to existing supply in surrounding areas targeted at smaller to medium sized mini factories and warehouses. The close proximity to Dube Trade Port and to key corridors makes the CIBE development very desirable. This is unpacked in the supply analysis section.

### 2.5 URBAN AND SPATIAL ECONOMIC PLANNING PRIORITIES FOR KWADUKUZA AND SURROUNDS

#### a) Dube Aerotropolis Concept and Importance to CIBE

The Dube Trade Port and King Shaka International Airport is planned to function as a catalyst for economic growth based on vastly improved international air connectivity. An important regional and international characteristic of Dube Trade Port and the King Shaka International Airport is that they fall within the Dube Aerotropolis<sup>1</sup> and form the hub of the Aerotropolis. Studies indicate that the functional area of impact of the Aerotropolis is a radius of approximately 30km from the airport with more direct impact within the 15km radius stretching from Stanger in the north to the City Centre in the south and the 15km radius from Ballito in the north to Umhlanga in the south, within which the CIBE development is located (Dube Aerotropolis Development Framework, 2011).

The majority of the land surrounding the Aerotropolis is owned by a single landowner, Tongaat Hulett (TH) with ± 8,000 hectares (35%) and Dube Trade Port (DTP) and Airports Company South Africa (ACSA) own 2050 hectares (9%) of the region. TH and DTP are working in partnership, towards the production of a regional development plan for the Aerotropolis Region. The proposed CIBE development falls within this international and regional context contributing to the Dube Aerotropolis. The development of the Aerotropolis is envisaged to require investment in upgraded and new bulk infrastructure which developments such as CIBE contribute to. Given that a portion of the Aerotropolis falls within KwaDukuza, the current status of lack of serviced industrial land poses a major constraint to realising the Aerotropolis vision. The CIBE development allows for additional serviced and zoned industrial land available for future development.

The evolution from location to accessibility and connectivity also needs to be understood within perspective. The Aerotropolis is situated within a natural growth corridor (N2) identified for the region with national and international importance as well as near existing rail and sea ports. CIBE is in a desirable position with increased accessibility to air, sea, road and rail as well as increased connectivity internationally and regionally to contribute to the competitiveness of the region and economic growth and development given its strategic location within the Dube Aerotropolis. This increased connectivity to multi-modal transport systems allows for speed for delivery of goods and services as well as workers and hence economic growth of the region. The proximity to the Dube Trade Port, Durban and Richards Bay Ports ensures that land adjacent to regional development/growth corridors (N2 and R102) as well as parallel to an existing railway line and station place the CIBE development in a favourable position to absorb and promote regional growth.

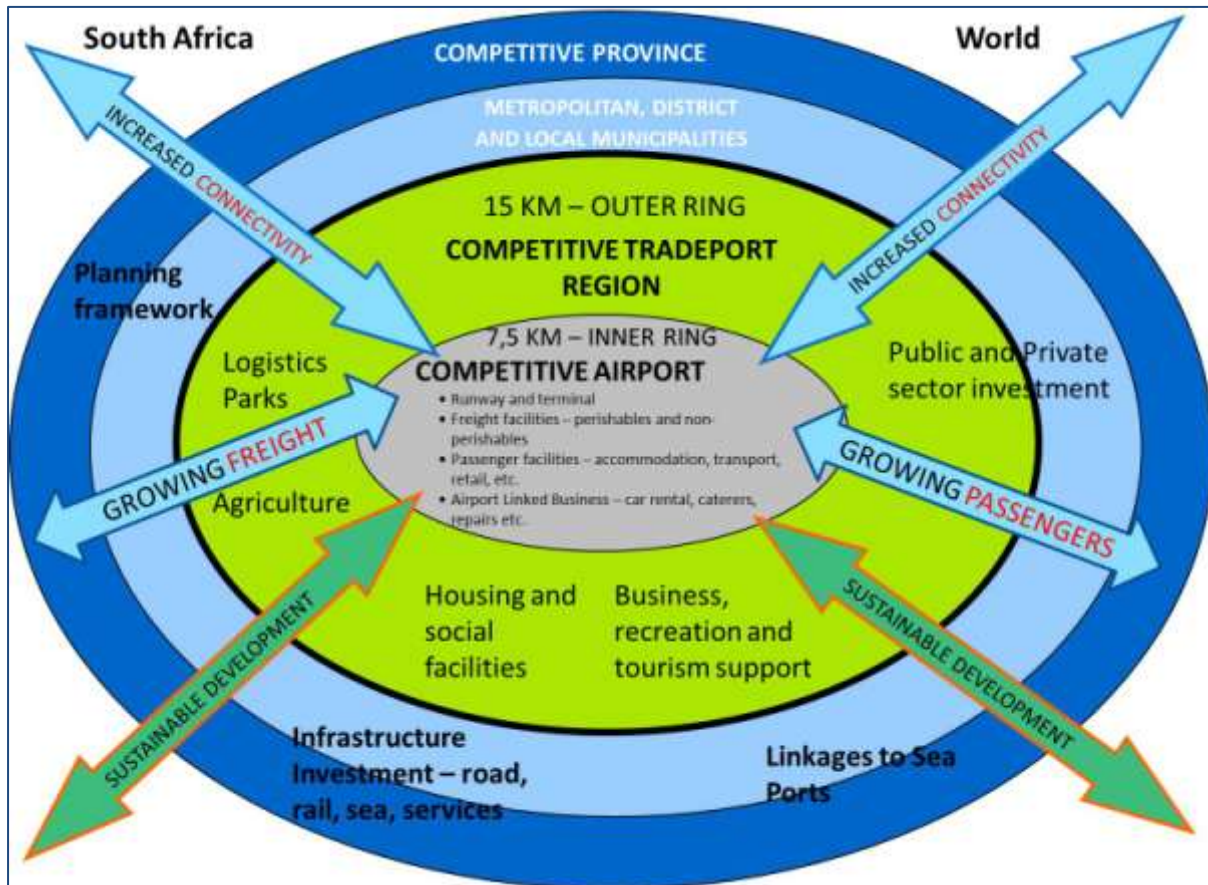
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<sup>1</sup> The role of airports have changed from points of arrival and departure to leading urban growth generators often referred to as an Aerotropolis or Aerotropolis/Region which is influenced by international business and accessibility. This is a regional development initiative specifically planned for growth with improved connectivity and accessibility, also seamlessly integrated into the urban fabric. Examples of airport planning to achieve regional growth and competitiveness can be seen in Kuala Lumpur Multimedia Super Corridor, Dallas Fort Worth, Amsterdam Airport Schipol, Stockholm Arlandastad.

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See diagram below for an illustration of the Aerotropolis concept and increased connectivity and accessibility globally and nationally with the proposed CIBE development falling within the 15km outer ring.

Figure 5: Aerotropolis Concept (Source: Tongaat Hulett Development, 2012)



KZN DEDT currently has a research process reviewing the role of the Aerotropolis in KZN. This speaks directly to the opportunities identified in the Compensation area. The Dube Aerotropolis Development in support of growing freight and is envisaged to contribute over 800 hectares to non-residential land use as potential development yield to support investment in the Aerotropolis and envisaged economic growth for the region.

In addition, clustering of activity in the Aerotropolis allows for collective marketing at a global scale rather than a purely local scale hence having the potential to offer a host of new and improved business opportunities integrating the region into the global village through increased connectivity and ease of accessibility. This will in turn increase future demand, hence placing CIBE in a favourable position to absorb opportunities as well as provide for increased serviced and zoned industrial land with varied industrial and logistic opportunities.

The CIBE development is therefore integrally linked to the broader long term strategy of the Dube Aerotropolis and vision of *'To Develop a Global Gateway to South Africa'* (Dube Aerotropolis Development Framework, 2011) setting it apart from any other ad hoc development currently taking

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place. With this in mind it is clear that the CIBE development is both of a regional and international significance and will set a standard/trend for future industrial development within the Dube Aerotropolis.

### **b) Industrial Policy Action Plan 2 (IPAP2)2011/12 – 2013/14**

In January 2007 Cabinet adopted the National Industrial Policy Framework (NIPF) which sets out Government's broad approach to industrialization. Implementation of industrial policy was set out in the Industrial Policy Action Plan (IPAP), which was later revised to incorporate a longer-term 10 year view of industrial development, to form the IPAP 2. This current iteration of the implementation of IPAP serves as an integral part of the New Growth Path to support industrial development and employment creation. The 'IPAP constitutes a central tool in the NGP job-creation strategy and is anticipated that IPAP 2 2011/12- 2012/13 interventions will lead to 43 000 direct jobs and 86 000 indirect jobs, totaling 129 000 jobs '. The CIBE development links to this strategy by supporting additional industrial development to create jobs linked to the New Growth Path job creation targets.

### **c) KwaZulu-Natal Industrial Development Strategy, 2011**

The KZN IDS aims at providing a framework for making KZN an attractive place for industrial development and job creation through the vision of; "A new KwaZulu-Natal through Productive Growth and Job Creation- leading to a better Quality of Life and Decent Work for all". In order to achieve this vision KZN prioritises implementation of critical projects to fast track economic growth and provide economic opportunities to citizens and to increase competitiveness through industrial development. The following specific drivers have been identified to achieve national and provincial industrial development goals; improving competition, promoting enterprise, supporting science and innovation, raising skills levels and ***encouraging investment to increase the stock of physical capital***. The KZN IDS identifies the economic and socio-economic advantages of industrial development through job creation and economic growth.

In particular alignment the CIBE development directly relates to Cluster 1: Sub programme 4(industrial; infrastructure development) of the KZN IDS which indicates the strategic intervention: Spatial planning and identification and rezoning of new industrial land linking with The Critical Infrastructure Programme for development of basic infrastructure in newly zoned land (electricity, water, link roads, etc.) and development of specific Industrial Parks and Hubs.

### **d) Provincial Spatial Economic Development Strategy (PSEDS) and Provincial Growth and Development Strategy (PGDS, 2011)**

The KZN Provincial Planning Commission's Provincial Growth and Development Strategy (PGDS, 2011) supports the Province's commitment to achieving the vision of KwaZulu-Natal as a "Prosperous Province with a healthy, secure and skilled population, acting as a gateway to Africa and the World". The key strategic goals identified under the auspices of sustainable and integrated development framework, include job creation, human resource development, human and community development, strategic infrastructure, spatial equity etc.

## COMPENSATION FLATS: NEEDS AND DESIRABILITY AND IMPACT ASSESSMENT

The PGDS aims at 'promoting absorptive capacity and is premised on the accepted policies operating in KZN – such as the Industrial Policy and Action Plan [IPAP]<sup>2</sup>, the New Growth Path and the KZN Industrial Development Strategy. These create opportunities in the economy for employment by promoting absorptive capacity in the labour market through the promotion of industrial development, facilitating business success to ensure a vibrant service sector'. This places emphasis on the urgency for industrial development to be promoted in KZN. The PGDS also identifies that the expansion of industry requires a value-chain cluster approach and the attendant mechanisms (training, support, **release of zoned, serviced land** and entrepreneurial support at small, medium and large scales) to grow businesses within specific value chains.

Specifically, enhancing industrial development through trade, investments and exports is identified as a strategic job creation objective under the job creation goal in order to stimulate economic growth and job creation. This objective aims at facilitating a process of unlocking opportunities and promoting the formation of new industries by emerging participants in the economy in order to focus on the creation of employment with one of the interventions being '**targeted identification and release of affordable zoned land including sector-specific industrial parks**'.

In addition, the PGDS identifies Dube Trade Port Aerotropolis<sup>2</sup> as one of the priority infrastructure developments in KZN which is set to enhance KZN's competitive advantage in transportation and logistics. The PGDS also sees this as a commercial and transportation hub as a platform to forge national and international trade linkages and needs to be enhanced through infrastructure investments into the Port. This can be seen through Strategic objective 4.1: Development of Harbours and Ports with a key performance indicator being the amount of new investment made into the Aerotropolis.

The PGDS also identifies the Ballito Business Park and the Wewe Driefontein in the iLembe District as well as industrial support services and industrial regeneration in the district.

The PSEDS provides a framework for development within the province in relation to the PGDS, with particular applicability to the main spatially based economic nodes and corridors that impact on the economic development potential of the province. The PSEDS identifies the N2 corridor Umhlathuze-iLembe-eThekweni Corridor as a primary Provincial investment corridor. The PSEDS also aims to develop the Durban–Stanger Corridor to ensure sustainable management of industrial and residential land development between eThekweni and Kwadukuza municipalities. Industry and services has been identified by the PSEDS for iLembe as priority to link to and plan and manage development related to the Dube Trade Port. The PSEDS identifies the Compensation Industrial Node as a Special Economic Zone as well as future large scale industrial development as a plan for long term growth in iLembe district indicating the need for the CIBE development for long term strategic planning imperatives.

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<sup>2</sup> The Aerotropolis concept further detailed above.

**Implications for CIBE development:**

The implications of this on the proposed development are twofold. Firstly, the site is located in close proximity to this provincial priority corridor (N2) and therefore falls within the jurisdiction which supports economic growth and development. This will enhance the desirability of the proposed development on a provincial and national level. Secondly, the key element of development relevant to this proposed development (industrial) has been identified therefore enhancing the need and desirability of this proposed development.

The CIBE development links directly to the desired indicators specified in the PGDS for provincial growth by creating new investment into the Dube Trade Port Aerotropolis as well as increasing the amount and release of zoned, serviced industrial land in KZN.

**e) KwaDukuza Integrated Development Plan**

The KwaDukuza Vision and Mission are as follows:

“By 2030, KwaDukuza shall be a vibrant city competing in the global village both economically, socially, politically and in a sustainable manner.’

The mission of the KwaDukuza Municipality is to achieve highest economic status through:

- Driving local economic development;
- Delivering a high standard of essential services;
- Encouraging public participation;
- Overcoming debt and achieving cost recovery on services provided.”

In keeping with the vision and mission of KwaDukuza LM, the proposed development aims to become a driver of competitive local economic development, and delivery of services within the development and absorb the effects of the business retention and attraction strategy.

**Implications on CIBE Development:**

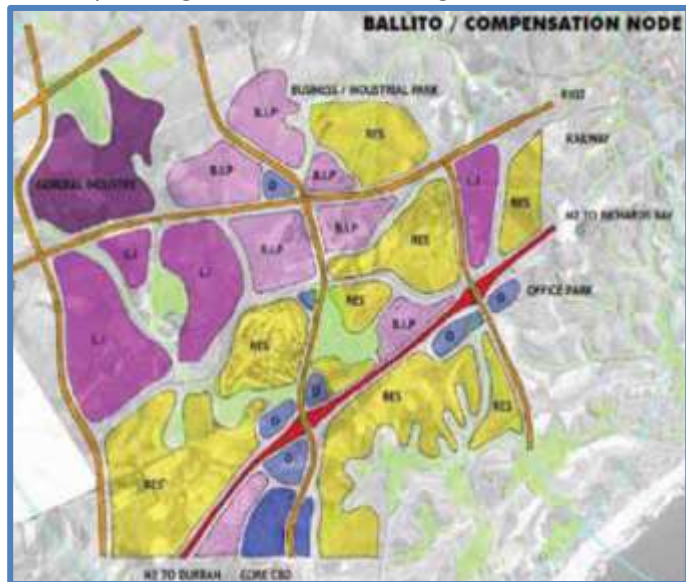
The implication of this is that the proposed CIBE development directly aligns to the KwaDukuza IDP by contributing to achieving its mission of achieving high economic status by taking advantage of the opportunities evolving from the strategic location between the Dube Trade Port and Richards Bay Port.

## COMPENSATION FLATS: NEEDS AND DESIRABILITY AND IMPACT ASSESSMENT

### f) KwaDukuza Spatial Development Framework (2008)

The KwaDukuza SDF identifies a range of nodes amongst which is the Ballito/Compensation Node as shown by the conceptual figure below. According to the KwaDukuza SDF, this is the most Southerly Node of KwaDukuza Municipality. It seeks to exploit opportunities offered by its close proximity to the eThekweni Municipality and the Dube Trade Port (King Shaka International). The KwaDukuza SDF seeks to find a balance between reasonable and realistic development opportunities offered by this node with development needs and opportunities of other parts of the Municipality. The land along either side of the R102 is conceptualised as 'Light Industry' and 'Business and Industrial Park'.

Figure 6: Ballito/Compensation Node Conceptual Land Use Activity (Source: KwaDukuza IDP, 2011)



#### Implication for CIBE Development:

This indicates an important alignment as the conceptualisation directly links to the proposed development therefore direct alignment is made with the strategic plans of the local municipality.

### g) iLembe District Spatial Economic Development Strategy (DSEDS, 2012)

The recently compiled iLembe DSEDS provides direction for future investment and it is important that this study is aligned to it. The DSEDS provides a spatial economic framework to direct local municipal and private sector development and investment. The iLembe Spatial development Framework as shown by figure 6 below feeds into the principles of the DSEDS. Three types of corridors have been identified and defined which include the R102 which the proposed CIBE development is centered on. The map below shows the Compensation area as being earmarked as 'Zone 1-Accelerate Growth' and is a primary node of importance at a district level.

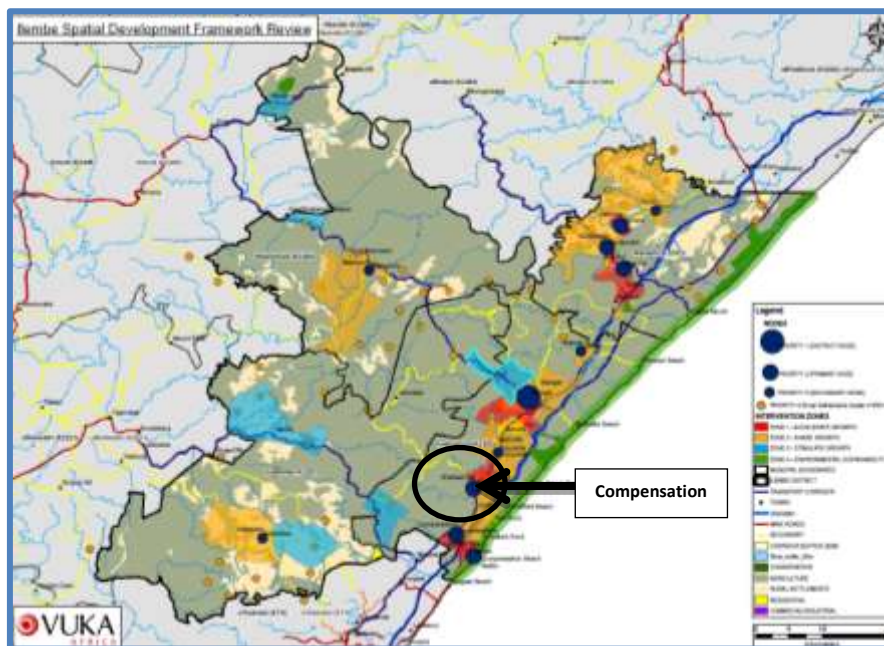
The DSEDS identifies the following requirements for the prosperity of the manufacturing corridor identified.

- **Increase light service industry base to meet growing local demand by** encouraging development of mini-factories and workshops.
- **Promote medium and large scale industrial development** through Enterprise iLembe.
- **Improved planning and provision of infrastructure.** Particularly, the packaging of correctly zoned industrial land with appropriate electricity and water infrastructure in place.
- **Creation and expansion of agri-processing plants & markets** in order take advantage of new value adding opportunities created by a re-invented agricultural industry.



## COMPENSATION FLATS: NEEDS AND DESIRABILITY AND IMPACT ASSESSMENT

Figure 7: Compensation in relation to iLembe Spatial Development Framework (Source: iLembe Spatial Economic Development Strategy, 2012)



In light of these requirements, strategies 6.2.2 and 6.2.3 of the iLembe DSEDS identify the need for an increase in light service industry base to meet growing local demand and promotion of medium to large scale industrial development. This is attributed by medium and large scale industrial development being 'iLembe's largest contributor to GGP' and identifies the advantages of clustering and proximity to the ports would particularly useful to import/export industries. Key interventions include 'enhance investment promotion and facilitation capacity through Enterprise iLembe, increase and promote incentives for locating in Mandeni, Isithebe and Kwadukuza (large industry- especially targeted at import/export industries) and KwaDukuza Town (medium industry) and release of affordable zoned land including sector-specific industrial parks as per IDS, as well as new sector-specific "special economic zones" focused on specific niche sub-sectors, such as renewable energy and agri-parks'.

### Implications for CIBE Development:

The proposed CIBE development is therefore directly aligned to the requirements and principles as set out through the iLembe DSEDS.

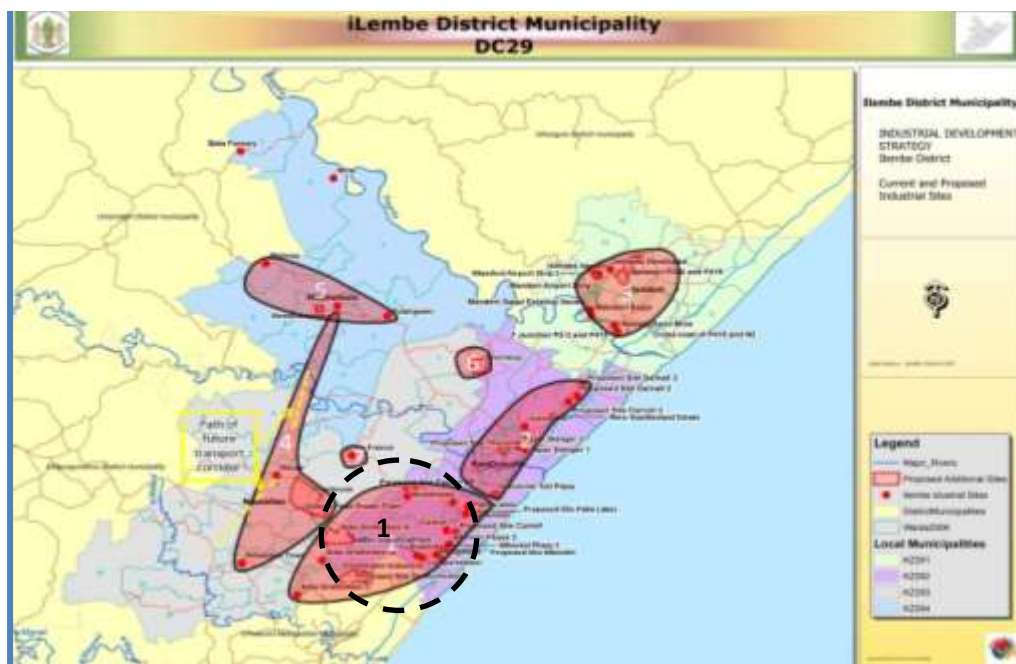
**h) iLembe Industrial Development Strategy 2010**

The District has also formulated an Industrial Development Strategy and highlights that by 2030, based on current demand projections, the District will experience a shortage in the supply of land for industrial development. The strategy suggests provision for access to land for further industrial development in suggested areas including **Compensation**.

The map below provides an illustration of the Industrial Development Strategy priority spatial development areas and existing industrial sites throughout iLembe. The primary catchment is illustrated in the figure below within which there is a concentration of existing industrial sites. Specific areas have been identified for industry placement in iLembe with the compensation/ Ballito area north of the new King Shaka International Airport being identified as a likely economic opportunity zone, especially for light industry, due to its proximity to the Dube Tradeport and Durban as shown by the figure below located in key Node 1.

This node has been characterized as small to medium sized industrial, high value and time-sensitive goods mainly for export markets, such as electronics, agri-products and horticultural products,

Figure 8: Primary catchment showing existing industrial sites (Source: iLembe Industrial Development Strategy 2010 and Urban-Econ)



benefits from proximity to Dube Tradeport, Durban and King Shaka International Airport. Manufacturing incubators, manufacturing centres of excellence and manufacturing parks as well as technology centers may also be established within this node to facilitate industrial and business development. Node 1 has been identified by the iLembe Industrial Development Strategy as situated in an area that is experiencing high demand for land.

It has the highest potential to respond to the northward urban growth and expansion of eThekweni Municipality and in the short term to medium term it is most likely that industrial developments will be related to the King Shaka International Airport and Dube Trade Port. Other areas falling within

## COMPENSATION FLATS: NEEDS AND DESIRABILITY AND IMPACT ASSESSMENT

Node 1 which were strategically identified for industrial development are Bogmore, Braeside, Driefontein, Imbonini, Woodmead, Ballito Industrial Park as shown on the map above.

### **Implications for the CIBE Development:**

The iLembe Industrial Development Strategy identifies intervention at Compensation in the medium to long term based on current demand projections and a high demand for land in the Node within which compensation falls. It also suggests potential for future industrial development in the Compensation area in 'Node 1' due to proximity to Dube Trade Port and within manufacturing parks within this node.

#### **i) Regional Development Drivers**

- **Dube Trade Port / King Shaka International Airport**

The demand for industrial and commercial property in the northern areas of eThekweni and southern areas of KwaDukuza will be both directly and indirectly affected by the King Shaka International Airport and Dube Trade Port as it will greatly expand the capacity of KwaZulu-Natal to import and export goods. The principal component of the Dube Trade Port is a new international passenger and cargo airport, but it is in close proximity to the harbours of Durban and Richards Bay that make it a transport and logistics hub.

### **Implication's for CIBE Development:**

The Compensation area is close to the eThekweni border and the long term strategic planning placing the newly established Dube Trade Port and Richards Bay Industrial Complex which presents itself as a significant driver of future industrial and business investment attraction within the catchment areas.

## 2.6 CONCLUSION

The above plans and strategic framework provide a contextual understanding for the proposed development. It identifies key areas of alignment with broader imperatives and strategic decision making and investment promotion. The Compensation Flats area has been identified for industrial development through the iLembe and KwaDukuza strategic plans and frameworks such as the;

- iLembe District Spatial Economic Development Strategy 2012 (DSEDS),
- the iLembe and KwaDukuza Spatial Development Frameworks (2011/2012) and
- most importantly the iLembe Industrial Development Strategy 2010.

Importantly, this section outlined the location of the site in its regional and local contexts and delineated the market catchment areas for analysis taking into consideration the development drivers that influence the proposed CIBE Development. Outcomes include:

- ✓ The CIBE development is directly aligned to local and regional strategic frameworks and investment plans,

## COMPENSATION FLATS: NEEDS AND DESIRABILITY AND IMPACT ASSESSMENT

- ✓ Strategic location on regionally important growth corridors allows for future growth taking into consideration development pressure and development trends along the North Coast (Source: iLembe Industrial Development Strategy),
- ✓ CIBE development needs to be developed in the medium to long term to make provision for an anticipated shortage of industrial land in the district as indicated by the above strategic frameworks (as indicated by the iLembe Industrial Development Strategy),
- ✓ Suggestions uses for the node within which the CIBE development falls includes industrial developments that respond to demand derived mainly from King Shaka International Airport and Dube Trade Port, business incubators, industrial hives, manufacturing incubators, manufacturing centres of excellence and manufacturing parks as well as technology centers to facilitate industrial and business development.

### 3 SECTION 3: SOCIO-ECONOMIC PROFILE

This section details the social and economic attributes of KwaDukuza Local Municipality, within its regional context and also provides a comparison in relation to the surrounding local municipalities. The data presented and analysed in this section include a statistical demographic profile of the local municipality and an economic analysis. The demographic analysis summaries the population, household growth, age and gender profile. The economic analysis includes income and expenditure, employment and unemployment and production. The socio-economic profile will be used to understand the characteristics of the market drivers for industrial and commercial land demand.

#### 3.1 DEMOGRAPHICS OVERVIEW

Table 3 on the following page displays the demographic profile for iLembe District and the local municipalities of KwaDukuza, Mandeni, Ndwedwe, and Maphumulo. The total population of the iLembe District Municipality 562,815 people in 2010 and grew at an average annual growth rate of -0.14% over a ten year period and the total number of households was 134 275 in 2010 growing at an average rate of -0.27%. KwaDukuza LM makes up majority of the district population at 31%. A possible reason for this is migration into these areas due to increased economic activity, formal employment and labour intensive industries creating favourable employment and other opportunities. According to the iLembe Quarterly report, this is consistent with provincial and national trends.

This trend corresponds with household numbers with KwaDukuza having the highest percentage of households at 35% for the district. Interestingly, KwaDukuza household average growth rate is – 0.44%. Possible reasons being that migrant labour is either settling in informal settlements or are renting in a room, outbuilding etc. therefore not establishing a new permanent household. Table 2 shows the number of households in Greater Ballito (Ballito Bay, Compensation Beach, Deepdale, Deepdene, Tugela, Willard’s Beach, Blythedale Beach, Darnall, Salt Rock, Shaka’s Rock, Shakaskraal, Tinley Manor beach, Zinkwazi Beach) and Greater KwaDukuza Town (Blowhard Estate, Chris Hani, Etete, Glen Hills, Ntabaningi, Shakaville, UCC informal, Groutville amongst other smaller areas) in 2010 (iLembe Quarterly Report, 1<sup>st</sup> Quarter 2012). This provides an indication of the concentration of settlement in these two areas, and emphasizes the significance of KwaDukuza town as an urban node(iLembe District Spatial Economic Development Strategy, 2012).

Table 2: Number of Households for Greater Ballito and KwaDukuza Town (Source: iLembe Quarterly Report, 1<sup>st</sup> Quarter 2012)

Main Place	Number of Households
Greater Ballito <sup>3</sup>	7 546
Greater KwaDukuza Town <sup>4</sup>	25 229

<sup>3</sup> Greater Ballito includes Ballito Bay, Compensation Beach, Deepdale, Deepdene, Tugela, Willard’s Beach, Blythedale Beach, Darnall, Salt Rock, Shaka’s Rock, Shakaskraal, Tinley Manor beach, Zinkwazi Beach

<sup>4</sup> Greater KwaDukuza town includes Blowhard Estate, Chris Hani, Etete, Glen Hills, Ntabaningi, Shakaville, UCC informal, Groutville amongst other smaller areas

## COMPENSATION FLATS: NEEDS AND DESIRABILITY AND IMPACT ASSESSMENT

In terms of age distribution, 33% of the district population are under the age of 15 years, 62% are between 15 – 64 years of age (the working population), and 5% are over 65 years of age. This pattern is similar for most of the local municipalities with all LMs having an over 50% working age population. As shown on the table below, KwaDukuza has the highest percentage of working age population at 67% and the lowest percentage of the 0-14 year old age group at 29%. This comparison further iterates the labour migration pattern into the urbanized areas of KwaDukuza LM from the rural hinterland of Maphumulo LM which causes an increase in working age population. This also indicates that children are born and grow up with family in rural areas and people of working age population migrate to find employment opportunities in KwaDukuza as mentioned above.

KwaDukuza LM and Mandeni have the lowest percentages of no schooling at 10.9% each as compared to Maphumulo, Ndwedwe and iLembe at 19.3%, 16.7% and 14.09% respectively which is lower than the provincial average at 18% for all except Maphumulo. Over 60% of the population have some schooling in all LMs and the district. Only 4.3% have a tertiary education in KwaDukuza which is the highest in comparison to the district and other LMs.

## COMPENSATION FLATS: NEEDS AND DESIRABILITY AND IMPACT ASSESSMENT

Table 3: Demographic Profile of KwaDukuza LM in relation to iLembe District and associated local municipalities (Source: Quantec and Urban-Econ, 2012)

Municipality	Population	Population Average Annual Growth Rate (2005-2010)	No of Households	Household Average Annual Growth Rate (2005-2010)	Age Distribution (%)			Gender (%)		Race (%)			
					0 - 14 years	15 - 64 years	65 years +	Male	Female	African	Coloured	Indian or Asian	White
iLembe	562,815	-0.14%	134,275	-0.27%	33%	62%	5%	48.30%	51.70%	90.50%	0.50%	6.90%	2.10%
Mandeni Local Municipality	131,570 (23%)	0.16%	36,483 (27%)	1.36%	31%	66%	3%	47.40%	52.60%	93.70%	0.70%	4.30%	1.40%
KwaDukuza Local Municipality	171,984 (31%)	0.77%	46,773 (35%)	-0.44%	29%	67%	4%	49.60%	50.40%	75.30%	0.90%	18.50 %	5.40%
Ndwedwe Local Municipality	144,568 (26%)	-0.90%	29,542 (22%)	-1.22%	34%	61%	5%	50.50%	49.50%	98.20%	0.10%	1.00%	0.70%
Maphumulo Local Municipality	114,692 (20%)	-0.82%	21,476 (16%)	-1.15%	41%	54%	5%	44.70%	55.30%	99.90%	0.10%	0.00%	0.00%

3.2 EMPLOYMENT AND GVA

The gross value added, GVA, economic indicators given for KwaDukuza local municipality are shown in the graph below for the period of 1995-2010. From the graph below it can be seen that the primary sector<sup>5</sup> has decreased from R 653 million in 1995 to R 541 million in 2010, resulting in an average annual growth rate of – 1.3%. The secondary<sup>6</sup> sector has increased from R 1289 million in 1995 to R 1617 million in 2010 at an average annual growth rate of 1.5%, however there was a decrease between 2008-2009 which can be explained by the global economic downturn that occurred during this period.

The tertiary sector<sup>7</sup> has increased from R 1331 million in 1995 to R 2718 million in 2010, resulting in an average annual growth rate of 4.9%. Taking into consideration the primary and secondary growth rates and production values, this indicates that the tertiary sector has been growing the most and the primary sector contributes the least to gross geographic product in KwaDukuza. This trend is similar to the iLembe District and the province of KwaZulu-Natal.

Figure 9: Gross Geographic Product for KwaDukuza LM 1995-2010 (Source: Source: Quantec Database & Urban-Econ Calculations 2012)

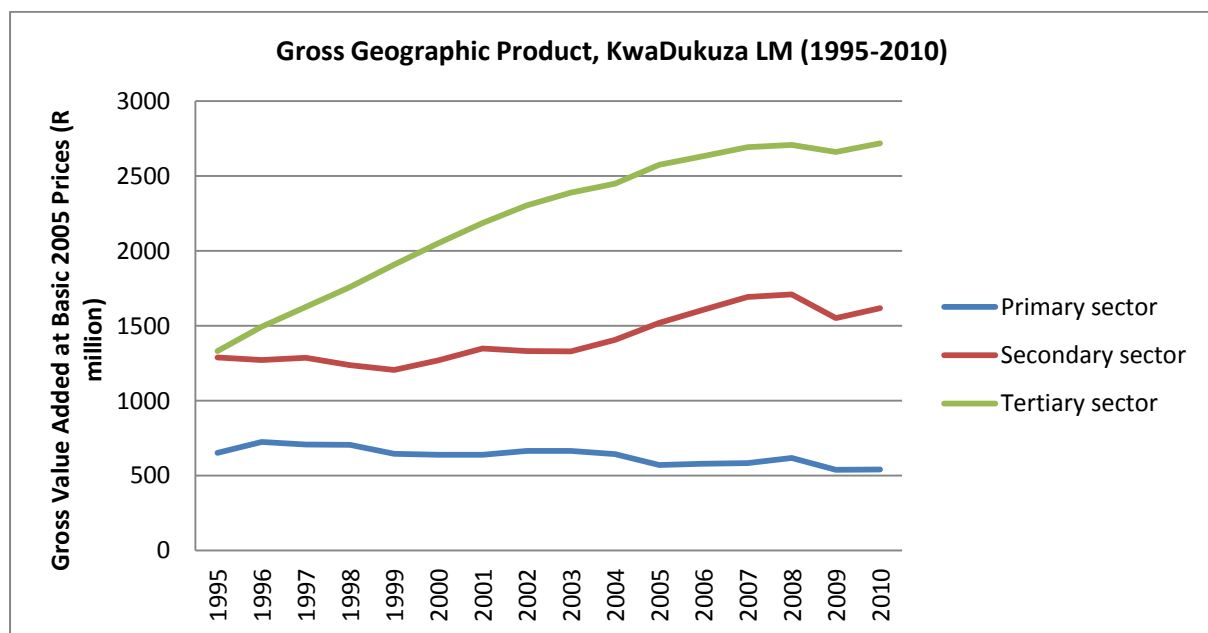


Figure 9 below displays the percentage of the total population for each municipality that fall within the working age bracket. 62% of the entire district population falls within the working age bracket. KwaDukuza LM and Mandeni LM have the highest contribution with 67% and 66% of their respective populations falling within the working age bracket. The graph below displays the employment distribution for each of the municipalities, based on the total working age population presented

<sup>5</sup> Primary economic sector refers to natural resource based economic activity like mining and agricultural activities.

<sup>6</sup> Secondary economic sector refers to beneficiation activities, like manufacturing and agri-processing of raw materials.

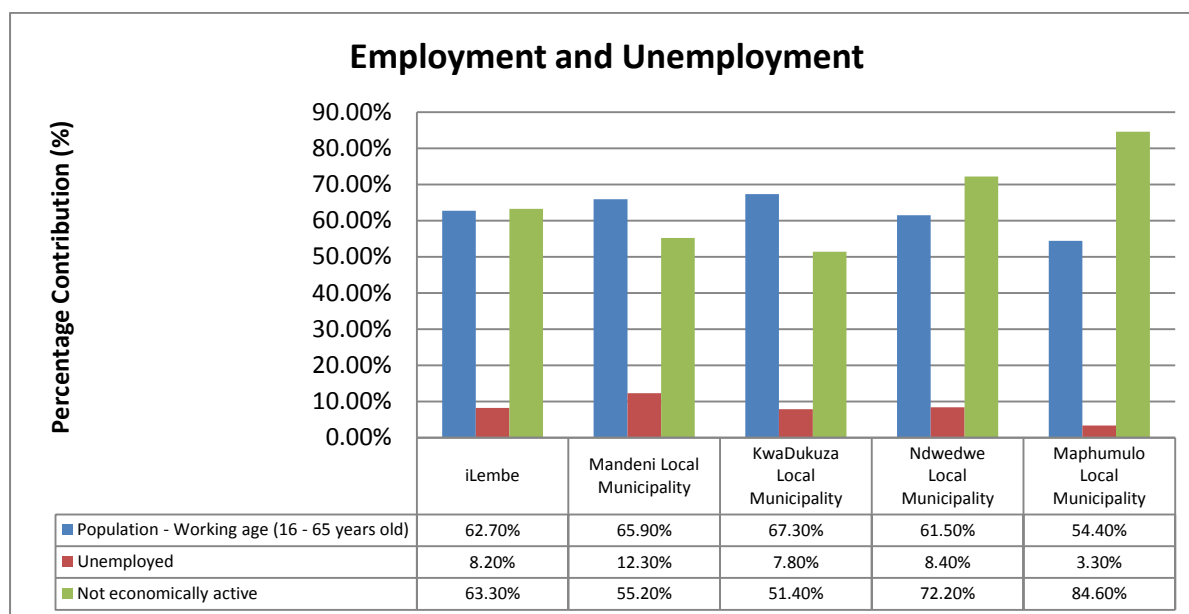
<sup>7</sup> Tertiary economic sector refers to services, like financial, retail and government sector activities.



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above. 40.8% of the working age population in KwaDukuza is employed either formally or informally, 7.8% unemployed and 51.4% not economically active. KwaDukuza displays the least amount of 'not economically active' population which is lower than the district figure at 63.3% indicating that less people of working age population are neither unemployed nor employed and therefore suggests that over half of the population within the district that are eligible for employment are currently not actively seeking work. The percentage of unemployed people is low, between 3% and 12%, however this does not give a true reflection of the current employment situation due to the high number of not-economically active persons (iLembe Quarterly Report, 1<sup>st</sup> Quarter 2012).

Figure 10: Employment and Unemployment 2010 (Source: Quantec Database & Urban-Econ Calculations)



As indicated by the table below, KwaDukuza has the lowest unemployment rate at 16.1% as compared to the district at 22.4% and the highest unemployment rate being for Ndwedwe at 30.3%. Maphumulo is lower for possible reasons such as the population not actively seeking work opportunities and 84% are not economically active as shown by figure 11 above.

Table 4: Unemployment Rate 2010 (Source: Quantec Database & Urban-Econ Calculations 2012)

	iLembe	Mandeni Local Municipality	KwaDukuza Local Municipality	Ndwedwe Local Municipality	Maphumulo Local Municipality
<b>Unemployment Rate</b>	22.4%	27.5%	16.1%	30.3%	21.5%
<b>Employment (Formal + Informal)</b>	28.50%	32.40%	40.80%	19.40%	12.10%

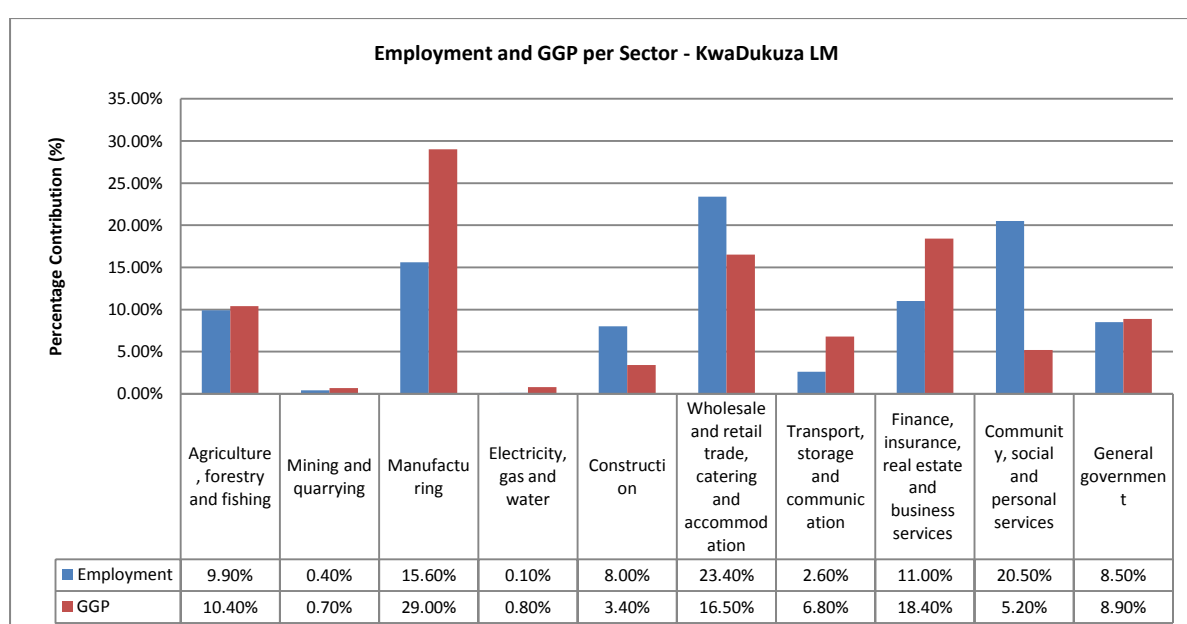
Figure 10 below shows the percentage contribution for Employment and Gross Geographic Product for KwaDukuza LM. KwaDukuza contributes 10% less than Mandeni to Gross Geographic Product with regard to manufacturing activity to the district economy. KwaDukuza and Mandeni are the

## COMPENSATION FLATS: NEEDS AND DESIRABILITY AND IMPACT ASSESSMENT

highest performing LMs in terms of production and are the highest contributors to employment in the region.

According to the iLembe 1<sup>st</sup> Quarterly Report, 2012, there were manufacturing and agricultural losses in employment which were due to external factors. The wholesale, retail, catering and accommodation sector is the largest contributing sector to employment in KwaDukuza at 23%. KwaDukuza is the economic hub of the district and possesses most of the formal retail, wholesale and accommodation facilities within the district, and therefore is the largest contributing municipality with about 11271 people employed in the sector. Manufacturing is another significant sector within the district, and creates approximately 17 017 jobs which comprise 16.8% of total employment in the district. Manufacturing, finance, insurance, real estate and business services and wholesale and retail trade contributes the most to production in KwaDukuza LM.

Figure 11: Employment and GGP per economic sector for KwaDukuza LM (Source: Quantec Database & Urban-Econ Calculations 2012)



### 3.3 INCOME & EXPENDITURE

Tables 5 on the following pages display the monthly household income distribution and annual household expenditure purchase categories for the district and local municipalities respectively.

Average annual income per household for iLembe is R112,034 (R9114 per month) which is lower than the province which has an average annual income of R156,251 per year (R13,020 per month). Of total income, remuneration in iLembe DM accounted for 64% and whole unearned income accounted for 37% of total income which suggests that a third of households in the district are surviving on government grants and remittance(iLembe Quarterly Report, 1<sup>st</sup> Quarter 2012). Mandeni and KwaDukuza accounted for 72% of total household income in the district which again shows the spatial economic dynamics of the district. Total expenditure in KwaDukuza is 99.84 %, and of the total income earned per household, 67% is made up of remuneration, and the lowest portion of unearned income at 33% in comparison to the other local municipalities. In comparison,

## COMPENSATION FLATS: NEEDS AND DESIRABILITY AND IMPACT ASSESSMENT

Maphumulo has the lowest percentage of remuneration at 59% and highest proportion of unearned income at 41% which indicates that a relatively large portion of households received grants. These highlighted comparative trends reiterate the socio-economic and economic differences KwaDukuza has due to the favourable economic environment as compared to other LMs.

Table 5: Monthly Household Income Distribution (Source: Quantec Database & Urban-Econ Calculations 2012)

Rand Millions	iLembe	Mandeni Local Municipality	KwaDukuza Local Municipality	Ndwedwe Local Municipality	Maphumulo Local Municipality
<b>Total Income</b>	R 9,114	R 2,950	R 3,683	R 1,430	R 1,051
<b>Remuneration</b>	R 5,787 (63.5%)	R 1,832 (62.1%)	R 2,467 (67%)	R 869 (60.8%)	R 618 (58.9%)
<b>Unearned Income</b>	R 3,327 (36.5%)	R 1,118 (37.9%)	R 1,216 (33%)	R 561 (39.2%)	R 432 (41.1%)
<b>Total Expenditure</b>	R 8,783 (96.38%)	R 2,846 (96.47%)	R 3,678 (99.84%)	R 1,301 (91.01%)	R 959 (91.27%)

Expenditure in KwaDukuza LM is dominated by the services sector (rent, household services, transport, communication, etc.) at the highest percentage in the district at 46%. This is followed by non-durable goods (food, beverages, household consumer goods, etc.) at 32%. This trend is similar to the district trend, with most expenditure being in the services followed by the non-durable goods.

Expenditure on durable goods (furniture, vehicles, etc.) accounts for 10.3% which is the same for iLembe District. 11.6% is spent on semi-durable goods (clothing, footwear, household textiles, etc.) which is the lowest in comparison to the other local municipalities in iLembe with Maphumulo with a 15.8% expenditure, 2.7% higher than iLembe District expenditure.

Food, beverages and tobacco is the largest expenditure category contributing 22% to total expenditure in KwaDukuza, which correlates with iLembe and the other LMs. This also relates to the GGP production figures discussed above which indicate that the largest production is generated from the food, beverage and tobacco category of manufacturing indicating a directly proportional relationship and a demand for this type of manufacturing in KwaDukuza. The second highest expenditure in KwaDukuza is on rent at 12% which is higher than the district average. Expenditure on transport and communication, contributed to 10.8% of total expenditure in KwaDukuza, which was the highest in the district and higher than the district average.

On both the district and local level, the majority of expenditure patterns remain fairly similar. As seen by the information provided, 78% of total expenditure is used on necessity items such as rental, food & beverages, and transport and communication.

### 3.4 CHARACTERISTICS OF THE LOCAL AREA

The main settlements of urban development in the surrounding area include the formally established towns of KwaDukuza (Stanger), Ballito, uMhlali, Shaka's Kraal, Prince's Grant, Blythedale Beach, Tinley Manor, Zinkwazi as well as portions of Groutville. The KwaDukuza main town is situated  $\pm$  17km North from the site with the Dube trade port 13km to the South and the booming town of Ballito  $\pm$  5km to the East.

Ballito, catering for higher income earners contains a mix of land uses including industry, commerce, residential and holiday estates and falls within the Dolphin Coast tourist destination which saw a development boom over the past 3 years. The District has a number of existing industrial and business parks including the Ballito Business Park, Shaka's Head Industrial Park (Ballito), Shaka's Kraal Industrial Development, Stanger Industrial Development (Extension 15), Stanger Moolla Industrial Park, Stanger Mixed Use Area and Mandeni/Isithebe Industrial Area, Imbonini Industrial park, Braeside Office Park, Bogmore Office Park, Woodmead, Private Industrial along R102 near Umhlali and Ballito Business Park amongst others. The business sector is currently concentrated in KwaDukuza, Ballito and Mandeni/Sundumbili within iLembe district.

### 3.5 CONCLUSION

The four local municipalities of iLembe have varying characteristics with KwaDukuza and Mandeni displaying similar characteristics for many aspects due to the similarity in terms of industrial and commercial activity. KwaDukuza LM makes up majority of the district population at 31%. 62% of the entire district population falls within the working age bracket and 67% of KwaDukuza LM and falling within the working age bracket which is expected as it is one of the two main economic nodes within the district. KwaDukuza has a population growth rate of 0.77% which is higher than the district growth rate. A possible reason for this is migration into KwaDukuza due to increased economic activity, formal employment and labour intensive industries creating favourable employment and other opportunities.

KwaDukuza has the highest percentage of households at 35%. Interestingly, KwaDukuza household average growth rate is – 0.44%. This provides an indication of the concentration of settlement in these two areas, and emphasizes the significance of KwaDukuza town as an urban node.

40.8% of the working age population in KwaDukuza is employed either formally or informally, 7.8% unemployed and 51.4% not economically active. KwaDukuza displays the least amount of 'not economically active' population which is lower than the district figure at 63.3% indicating that less people of working age population are neither unemployed nor employed and therefore suggests that over half of the population within the district that are eligible for employment are currently not actively seeking work. KwaDukuza has the lowest unemployment rate at 16.1% as compared to the district at 22.4%.

Average annual income per household for iLembe is R112,034 (R9,114 per month) which is lower than the province which has an average annual income of R156,251 per year (R13,020 per month).

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KwaDukuza accounted for 40% of total household income in the district which again shows the spatial economic dynamics of the district. Total expenditure in KwaDukuza is 99.84 %, and of the total income earned per household, 67% is made up of remuneration, and the lowest portion of unearned income at 33% in comparison to the other local municipalities.

Expenditure on durable goods (furniture, vehicles, etc.) accounts for 10.3%. 11.6% is spent on semi-durable goods (clothing, footwear, household textiles, etc.). Food, beverages and tobacco is the largest expenditure category contributing 22% to total expenditure in KwaDukuza. The second highest expenditure in KwaDukuza is on rent at 12% which is higher than the district average. Expenditure on transport and communication, contributed to 10.8% of total expenditure in KwaDukuza this indicates that for the majority of the population, expenditure is focused on necessity items. The report will now move onto a market assessment for each of the proposed property components, bearing in mind the underlying district and local municipal socio-economic characteristics.

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Profiles	
<b>Household Income profile</b>	The households residing in the KwaDukuza LM is slightly wealthier than the households in the iLembe district municipality and associated local municipalities.
<b>Employment Profile</b>	KwaDukuza LM has the highest number of people employed and lowest unemployment rate compared to the iLembe district Municipality and associated local municipalities.

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4 SECTION 4: MARKET ASSESSMENT

Reviewing market demand requires the evaluation of existing industrial and commercial developments available in the catchment area and comparing that to the current and projected growth in industrial and commercial related economic activities.

Specifically market demand as a function of the following will be determined:

- The Northern eThekweni / Dube Trade Port to KwaDukuza Corridor Growth and notably the existing lack of available land within KwaDukuza to support this northward growth.
- Significant demand for warehousing and distribution in the area promoted by residential and retail growth in KwaDukuza and along the R102 and N2 Corridor North
- Existing availability of small to medium stand sizes in Cornubia, Canelands, Mt Edgecombe Industrial and other mixed use and industrial areas
- Availability of existing zoned land in iLembe
- Level of take-up in Ballito Business Park
- Level of related growth in iLembe and KwaDukuza

This will be rigorously tested through interviews with commercial and industrial business owners as well as with organized business. This will allow for net-effective commercial and industrial land demand to be determined.

4.1 GENERAL TRENDS IN THE PROPERTY MARKET

The proposed development consists of light industry and commercial property. A general property market analysis is undertaken to inform the trends in the overall market. The recent economic crisis has had a significant impact on the national, provincial and local property markets. However, although property returns in South Africa have declined for the second consecutive year, property returns did weather the global downturn relatively well. Supported by relatively strong fundamentals and propped up by higher inflation, South African returns read well in the global context.

According to FNB Property Barometer,

Commercial Property Review 2012 (15 May 2012), the all Commercial Property Performance Indices have started to point to weakening performance ahead (due to a predicted economic slowdown in the global economy). This has not as yet, fed through into the commercial property market. There has been positive commercial property performance in 2011 and the first quarter of 2012 with South Africa experiencing an improved short run economic performance.

Figure 12: Commercial Property Vacancy Rates (Source: FNB Property Barometer, Commercial Property Review. Q1)



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In addition, slightly lower vacancy rates would suggest slightly improved rental growth on commercial property.

In terms of office space, A grade office space is in higher demand than B and C grade office space. The Investment Property Databank has reported a significantly more rapid rise in office vacancies of Central Business Districts (18.1% in H1 of 2011) compared to de-centralised nodes (10.4%). The table below illustrates that for Ballito there is a 26.2% current available space for A grade office space, 32.3% for B grade office space and 10% of C grade office space available in Ballito CBD indicating an oversupply of office space in this area. There has been a marked decentralisation of office space throughout KwaDukuza LM.

Figure 13: Office Space in Ballito (Source: SAPOA Office Vacancy Survey Q1, 2012)

	TOTAL RENTABLE AREA (M <sup>2</sup> )	AREA AVAILABLE FOR LEASING (M <sup>2</sup> )	CURRENT %	PREVIOUS MONTHS			GROSS ASKING RENTALS - RAND/M <sup>2</sup>			COMMITTED NEW DEVELOPMENTS		
				3	6	9	MIN	MAX	MED	TOTAL RENTABLE AREA (M <sup>2</sup> )	AREA AVAILABLE FOR LEASING (M <sup>2</sup> )	MEDIAN ASKING RENTAL
<b>BALLITO</b>												
A	11,706	3,067	26.2	-	-	-	70.00	143.00	75.00	-	-	-
B	12,102	3,907	32.3	-	-	-	55.00	75.00	65.00	-	-	-
C	5,000	498	10.0	-	-	-	53.00	88.00	70.50	-	-	-
TOTAL	28,808	7,472	25.9									

### Implications for CIBE

There has been an improved national short run performance in the commercial property market for the past three years with lower vacancy rates since 2010. A grade office space is in higher demand in more decentralised nodes such as Ballito, which is a good indication for future office development in CIBE development. At present, there is an oversupply of offices around the Ballito area which the CIBE development will have to take into consideration in terms of project phasing and time frames (discussed in section 4.5 below).

## 4.2 CURRENT COMMUNITY AND LOCAL MARKET TRENDS

The underlying property trends in KwaDukuza are examined in this section of the report.

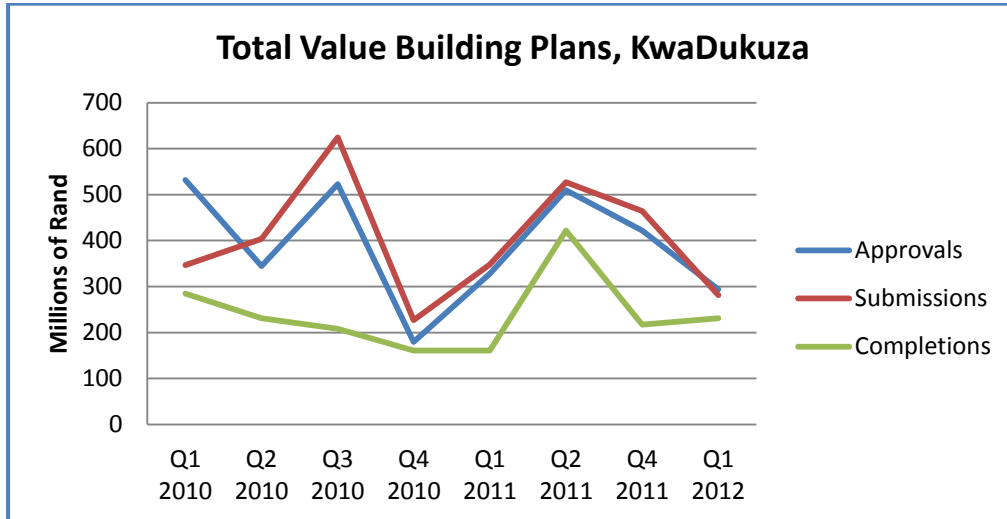
The building plans passed and completed for KwaDukuza are tabulated below. The number of building plans approved in a region is a good proxy for the level of property investment in the area. The data on the number of business plans passed in KwaDukuza extends to March 2012 which is the most recent information available.

The graph below shows the total value (millions of rand) of building plans (including additions, alterations and deviations) approved, submitted and completed since January 2010 as indicated through the iLembe Quarterly Economic Indicators and Intelligence report First Quarter 2012. The total value of building plans approved in Quarter 1 is R293, 816, 000, the total value submitted is R281, 526, 177, and the total value completed is R230, 909, 400. While there has been a decreasing trend in approvals and submissions since Quarter 2, 2011, the levels for Q1 2012 match those

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experienced this time last year. The value of completions has increased slightly from the previous quarter and the previous year, showing recovery in the local market.

Figure 14: Total Value of Building Plans in KwaDukuza, 2010-2012 (Source: iLembe Quarterly Economic Indicators and Intelligence report First Quarter 2012)



*Info for July and September not supplied \*total includes additions, alterations and deviations*

The table below provides a breakdown of the total area (m<sup>2</sup>) of approvals, submissions and completions from January 2011 to March 2012. According to the iLembe Quarterly Economic Indicators and Intelligence report First Quarter 2012, the increase in June 2011 can be explained by a new residential complex of 33,598m<sup>2</sup> (R235,186,000) being approved to be built and completed. A large amount of commercial building plans were submitted in March, May, June, August and November 2011, with only ± 2500 m<sup>2</sup> of commercial property being completed in the 4<sup>th</sup> Quarter of 2011, and a further 4914m<sup>2</sup> of commercial property completed in February and March 2012 which consists of a showroom and a service station.

This indicates that there is a demand for commercial property development and is a positive sign for future commercial developments. There have been very limited submissions, approvals and completions with regard to industrial activity since 2011 in comparison to commercial developments indicating more of a demand for commercial than industrial development which is in line with the economic slowdown and recovery trends. 1955m<sup>2</sup> of industrial development was approved in December, and 1498m<sup>2</sup> was submitted over February and March 2012. Residential development continues to take majority of market share and is in much higher demand than commercial and industrial development. This however means that with increased residential development, there needs to be substantial commercial and industrial development to offset and cater for increases in density and population growth.



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Table 6: Total area (m<sup>2</sup>) of Residential, Commercial and Industrial Building Plans for KwaDukuza (Source: iLembe Quarterly Economic Indicators and Intelligence report First Quarter 2012)

	APPROVED				SUBMITTED				COMPLETED			
	Residential	Commercial	Industrial	Total*	Residential	Commercial	Industrial	Total*	Residential	Commercial	Industrial	Total*
Jan-11	14 118	12 900	4 355	34 696	5 652	0	0	7 158	3 141	0	0	6 012
Feb-11	7 694	0	1 456	10 730	8 254	185	0	12 274	7 876	0	1 818	10 132
Mar-11	6 967	0	0	10 115	16 308	2 201	479	21 325	10 220	0	0	11 855
Apr-11	9 579	133	0	11 278	8 189	0	0	10 654	10 111	0	359	10 895
May-11	6 340	0	0	7 972	11 329	7 170	395	19 881	6 004	649	912	8 267
Jun-11	44 622	1 708	395	48 530	32 304	2 097	0	36 649	41 108	0	0	41 263
Aug-11	1 811	2 097	0	4 752	16 252	1 812	0	19 125	7 628	0	0	8 068
Oct-11	9 330	7934	0	20 557	9 618	0	1955	13 627	8 064	0	0	8 537
Nov-11	12 131	0	0	13 149	23 947	1 496	104	26 829	11 182	0	0	11975
Dec-11	21 502	0	1955	24 222	8 073	624	0	10 306	9 416	2 843	0	12627
Jan-12	9 471	1 093	0	12 228	4 817	0	0	6 317	3 360	0	0	3 598
Feb-12	6 696	0	0	8 463	7 385	0	794	12 513	10 694	2 644	0	13 688
<b>Total</b>	<b>150 261</b>	<b>25 865</b>	<b>8 161</b>	<b>206 692</b>	<b>152 128</b>	<b>15 585</b>	<b>3 727</b>	<b>196 658</b>	<b>128 804</b>	<b>6 136</b>	<b>3 089</b>	<b>146 917</b>

Info for July and September not supplied \*total includes additions, alterations and deviations

### Implications for CIBE

An increase in investment in commercial and industrial property indicates a recovery in the local market. There has been slow take up of industrial land as compared to commercial land due to the economic slump and the long waiting period to reap the benefits of the Dube Trade Port.

#### 4.2.1 SURVEY RESULTS

As part of this exercise local real estate agents were contacted to provide related input into the commercial and industrial property trends in and around Ballito. A sample of 30% was used from a list of real estate agents identified dealing with commercial and industrial property in the North Coast. The property specialists contacted who permitted reference in this regard includes Greg Kruger Properties, ComProp, and Remax. Other sources of information included iLembe and KwaDukuza Planning Departments, Enterprise iLembe and individuals with knowledge of the property market and business parks including property managers. Another further survey carried out telephonically included surveying local businesses in and around the primary catchment. Outcomes of the interviews are as follows:

- **Real Estate Agents/Developers**

According to real estate agents contacted as part of this process, there is zoned Industrial land available; currently not a lot of land is being bought due to the economic slump and a slower

## COMPENSATION FLATS: NEEDS AND DESIRABILITY AND IMPACT ASSESSMENT

recovery. **Demand for smaller industrial sites is low and sales are slow.** As indicated by property agents 2007 saw a major boom in the property industry in the North Coast however, sales have dropped since 2008, but have been showing an improvement this year which corresponds with the overall commercial property market trends described above. An increase in the commercial property market over the past year and in the first quarter of 2012, was noted and this proved that these reasons provided that these developments are price sensitive and the market caught up to the price and there stood a need to negotiate prices (Real Estate Agent *pers. Comm.* 2012). Estate agents feel that the area is **well located and land is generally cheaper in Ballito** as compared to Cornubia. **Demand can and will increase if there is price sensitivity to the market.** The opinion is that the proposed development can bring new stock into the market through competitive pricing.

Some respondents feel there is **sufficient demand for the CIBE development to take place in the future because of the Development corridor KZN to Mozambique as well as the Dube Trade Port development** and others feel that there will not be sufficient demand in the short to medium term due to some unsold commercial property and threats of overcrowding of commercial sites. Real Estate agents and developers identified the **types of businesses interested in buying property include distribution; warehouse; transport and logistics and storage.** Durban developers are especially looking for opportunities north ward. Other types of development that are likely to locate here is development related or linked to the airport including engineering. Important to note is that there is storage facilities demand and manufacturing around the airport. There are opportunities for long term leasing, renting as well as purchasing however resales have been a difficult market as there is **limited confidence at the moment.** Agents also indicate that competition is not an issue due to the paramount importance of the **N2 which creates an ongoing demand** which will have a greater positive impact in the near future.

Take up of existing land opportunities has been slow, some of the challenges experienced by developers have included difficulty in accessing finance to cover servicing of sites; connection fees in particular were noted as a major constraint for development. While there is industrial/commercial land in Dube Trade Port this was noted that this is actually not easily accessible as there are preferences in place for tenancy. Real estate agents indicated that developers have been trying to market and sell individually/separately in an ad hoc and isolated manner. This indicates a limitation to the local market.

**Property specialists indicate a current low demand for office blocks in the short term but demand for larger industrial sites in the shorter term.** People are looking for larger warehousing and showroom type development, mini factories of 1000 – 1500 m<sup>2</sup>. The price of office blocks varies according to developer and location from R 5700 – R11 750 to buy. Rentals have decreased since 2007, offices range from R 45/m<sup>2</sup> to over R 90/m<sup>2</sup> for A grade office space and rentals for industrial land ranges from R 25 – R 50/m<sup>2</sup> and showrooms rent for R60 –R 65 /m<sup>2</sup>. Industrial land sales range from R 780 – R 6200 m<sup>2</sup>. The average pricing is R 1200-2500 /m<sup>2</sup> and R850- 1000 /m<sup>2</sup> and depends on the area (for example, land in Imbonini sells for R850-1500/m<sup>2</sup>, Woodmead is R500 /m<sup>2</sup>) for serviced land. Commercial sites are not that big ranging from 150 - 200 m<sup>2</sup> and industrial ranges from 1000 – 20 000 m<sup>2</sup>.

### Implications for CIBE

Property specialists indicate a current low demand for office blocks in the short term but demand for larger industrial sites in the short to medium term. The CIBE development is seen as well located, with sufficient demand given the location parallel to the N2 corridor, proximity to Dube Trade port and positioned on the KZN to Mozambique development corridor. There is limited developer confidence at the moment due to uncertain economic climate which may not affect CIBE in the medium term depending on the performance of the economy, which is on a slow recovery. A key point for CIBE is that development is price sensitive at the moment as demand is low, however, should demand in the medium term increase, this will push prices up. Target markets include distribution, warehouse, transport, logistics and storage businesses which correspond with CIBE development proposals.

- **Strategic Actors**

Strategic actors included local and district municipal official and planners, and other agencies<sup>8</sup> in order to provide input from a strategic point of view into the needs and desirability assessment for the proposed CIBE development. **There is demand in the short term for larger industrial sites such as manufacturing workshops (3000/4000 m<sup>2</sup>) and for warehousing and logistics. In addition, office and other commercial uses will follow industrial demand trends in the medium term.** The municipal officials reflected that numerous plots have been consolidated indicating a need for larger serviced sites.

There was consensus, that during this **recovery period**, it is anticipated that there is **sufficient land currently for small scale industrial development. However, the nature of the R102 and N2 corridors indicates a need to also plan for larger scale industrial investment in the region.**

Additional industrial development and densification along the earmarked corridor were associated with **positive socio-economic impacts** envisaged include **job creation, contribution to rates base and infrastructure development.** This CIBE project is viewed as a necessity once economic recovery takes firm root; and is viewed as critical for expansion in 4 – 5 years time or the **medium term in relation to market forces.**

There **will be a high demand due to the pressures of the location of the Dube Trade Port /King Shaka International Airport in the medium term and supporting industry include, service industry and logistical types of industry.** A key aspect is the varied modes of transport near the site including railway as well as flat land which is most suitable for industrial development.

### Implications for CIBE

KwaDukuza will require serviced land to promote industrial investment into the regional economy. Such investment will create jobs and increase the rates base. Strategic alignment to the economic spatial planning of the region is achieved through this project, and the development is seen to be

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<sup>8</sup> Such as iLembe Chamber and Enterprise iLembe

best suited for the medium term in relation to market forces. An estate development is preferable to stand-alone development as the associated infrastructure and service connections can be more easily planned and delivered upon given the existing constraints facing the municipality in delivery.

- **Business Surveys**

A series of interviews were conducted with local industrial concerns, testing their view on the addition of industrial land into the KwaDukuza area. While established firms, with owned premises, indicated limited interest in relocation to the site many indicated that as an expansionary move, they would consider relocation particularly if the serviced sites were affordably priced due to the key location along the R102.

Specifically, businesses made mention of slow recovery from the recession, and cautioned that they required additional traffic flows and the development of a **local critical mass** to foster additional support for their business activities. While many business owners interviewed indicated that **while there is zoned land, the lack of development on these sites has not assisted business expansion in the area**. A variety of reasons were provided for this slow development of zoned land. In particular, it was reflected that there is not enough land for larger industries/companies to locate within KwaDukuza. 62% of firms interviewed believe that the CIBE development **will create good competition** for land prices in the area which is viewed as a positive aspect.

Interviewees cautioned that stand pricing will be a major determinant of the developments success; given the high associated municipal charges and development costs. Respondents were of the view that the development will bring more businesses and income into the area; with 68% of respondents clearly supportive of the new development as they believe **healthy competition** will be created. The most common refrain: "it will assist in growing the economy and would be of an advantage and may be useful to some companies to bring in more customers and **increase business opportunities**". The remaining 32% were impartial to the proposed development; as they did not identify any significant impact on their businesses due to the proposed development going ahead.

### **Implications for CIBE**

Creating a "critical mass" along the R102 and generating increased commercial and industrial traffic into KwaDukuza is seen as a positive of the CIBE development and a factor to attract future businesses into the area. At present, the market is experiencing slight over supply of smaller to medium zoned industrial sites which have not as yet been developed due to both the high associated costs of land servicing and limited confidence in economic recovery. However reflection from local business and realty specialists indicates that this is a short to medium term trend. The proposed CIBE development is anticipated to provide additional competition in land prices; with most businesses voicing an opinion that this will drive over-priced stands into more realistic pricing brackets; to the betterment of all business in the region.

### 4.3 BUSINESS CONFIDENCE LEVELS AND OPPORTUNITIES

According to the iLembe Quarterly report Quarter 1, 2012 and related surveys, business opportunities lie in the fact that there are products in demand locally that are not produced locally such as electrical repairs, quality furniture, IT and computer maintenance, the services of mechanical engineering workshops, packaging, panel beaters, power tools, printing including size A0, general motor vehicle spares, specialty food, wholesale dry goods as well as bakery and supermarket supplies. The following products and services are not purchased locally for price reasons: wholesale cement, cool-drinks, chocolate, dairy products, fish and meat, paper and stationary.

Trends reflect new business registrations dropped by 22% from 2010 to 2011; after growing consistently at 25% on average annually for 10 years. However, new registrations in 2012 are already at 50% and upwards of 2011 numbers. This indicates the take up of property by new businesses or expansion of older businesses which provides an indicator of the level of business confidence.

#### **Implications for CIBE**

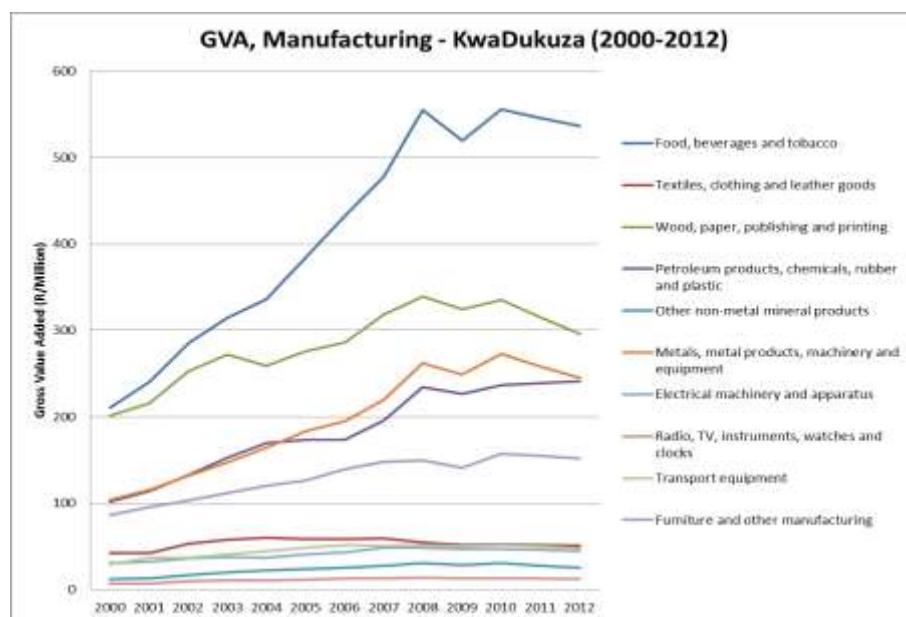
There is an increased demand for businesses producing, electrical repairs, quality furniture, IT and computer maintenance, the services of mechanical engineering workshops, packaging, panel beaters, power tools, printing including size A0, general motor vehicle spares, specialty food, wholesale dry goods as well as bakery and supermarket supplies which is not produced locally. Business registrations have increased indicating that increased confidence levels which are a positive indicator for CIBE showing potential growth in demand especially for the above mentioned sectors.

### 4.4 GROWTH IN LOCAL ECONOMIC BASE

The graph below shows the contribution of Gross Geographic Product to KwaDukuza's economy for the manufacturing sector at basic 2005 prices for 2000 to 2012. The sector contributing the largest share to GGP is the food, beverage and tobacco category followed by wood, paper, publishing and printing. The graph below indicates the main contributing sectors and therefore the market drivers with regard to manufacturing and light industry.

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Figure 15: Gross Value Added for KwaDukuza Manufacturing Sector 2000-2012 (Source: Quantec Database and Urban-Econ calculations 2012)



Given the nature of the proposed development, the table and graph below provides the average growth rate for the specified year for the manufacturing sector in specific. The sector is broken down into its sub categories for a more detailed analysis. All manufacturing sub sectors have undergone a negative growth rate in the year 2008-2009 indicating the effect of the global economic meltdown with the hardest hit category being the 'other non-metal mineral products' which could be due to the decrease in all development. All sectors experienced an increase in production from 2009-2010. The highest growth rate was experienced by the 'furniture and other' manufacturing category followed by other non-metal mineral product (for e.g. Glass, cement, ceramics, lime) and then food, beverages and tobacco. The most important drop is seen in 2008-2009 as indicated above, however a recovery, although to a lesser extent is seen in the 2009-2010 category.

Table 7: Average year on year growth rates for the Manufacturing Sector in KwaDukuza (Source: Quantec Database and Urban-Econ calculations 2012)

Sector	Average yearly Growth rate										
	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
<b>Manufacturing</b>	3.6%	1.4%	0.4%	6.2%	8.3%	6.5%	5.2%	1.0%	-10.2%	4.7%	-3.0%
<b>Food, beverages and tobacco</b>	7.9%	-4.1%	3.8%	8.6%	9.0%	6.0%	4.1%	-2.4%	-8.6%	5.7%	2.8%
<b>Textiles, clothing and leather goods</b>	-4.5%	7.7%	4.1%	12.8%	-1.9%	4.2%	8.4%	7.9%	-2.7%	-0.1%	3.5%
<b>Wood, paper, publishing and printing</b>	0.1%	1.3%	-1.7%	6.1%	8.5%	3.5%	4.5%	2.3%	-13.7%	2.2%	1.1%
<b>Petroleum products, chemicals, rubber and plastic</b>	4.1%	0.4%	0.2%	2.9%	7.5%	8.4%	4.8%	-2.5%	-1.4%	3.2%	2.7%
<b>Other non-metal mineral</b>	1.3%	10.5%	-2.4%	-0.5%	5.6%	5.0%	4.5%	-0.5%	-	8.5%	0.1%

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products		%							25.5 %		
<b>Metals, metal products, machinery and equipment</b>	2.4%	12.6 %	-5.0%	7.8%	9.1%	9.4%	8.4%	3.6%	- 16.7 %	7.8%	3.6%
<b>Electrical machinery and apparatus</b>	-2.1%	-1.8%	-2.5%	1.2%	18.0 %	11.4 %	6.2%	5.3%	-4.2%	-0.8%	2.8%
<b>Radio, TV, instruments, watches and clocks</b>	-14.4%	11.8 %	4.5%	8.3%	9.4%	11.5 %	5.0%	3.7%	-8.3%	0.8%	2.9%
<b>Transport equipment</b>	12.6%	0.2%	-4.1%	6.5%	15.2 %	9.6%	7.7%	1.8%	- 10.5 %	2.8%	3.9%
<b>Furniture and other manufacturing</b>	5.3%	1.1%	4.8%	2.0%	5.9%	6.2%	3.4%	4.3%	- 12.0 %	9.8%	2.9%

### Implications for CIBE

This trend indicates a positive outlook for manufacturing of furniture, non-metal mineral products and food beverages and tobacco in KwaDukuza and given that the main industrial areas are within the main town of Stanger and along the Umhlali-Ballito corridor; competing for space with existing large-scale residential developments. There is a clear opportunity for a gated industrial park to attract new firms of this nature into the region while ensuring the planning integrity of the KwaDukuza SDF and regional plans.

### 4.5 SUPPLY TREND ANALYSIS FOR COMMERCIAL AND INDUSTRIAL PROPERTY

This section unpacks the trends in industrial property in KwaDukuza; focusing on the existing supply of zoned commercial and industrial land. These typologies, which hold a zoning definition similar to those desired on the CIBE site (Table 8 definition below) are examined in order to identify the current status of availability and take-up of such land in the catchment area.

**Table 8: Light and General Industrial and Office and Business Park zoning regulations (Source: Draft EIA report for Compensation Industrial and Business Estate, 2011)**

<b>Light and General Industrial Sites Zoning</b>	
<b>Uses</b>	Warehouse, light and service industries, clean manufacturing, storage, general industrial, logistics and Business Park
<b>FAR</b>	0,80
<b>Coverage</b>	75%
<b>Height</b>	25m (3 floors)
<b>Parking</b>	1 bay/100 sq.m other floor area
<b>Minimum Landscaping</b>	20%
<b>Special Conditions Site Development and Landscape Plans are required to be approved in addition to building plans Site owners are obliged to be members of the Management Association</b>	
<b>Office and Business Park Sites Zoning</b>	
<b>Uses</b>	Offices, warehouse, light and service industries, showrooms, logistics and Business Park
<b>FAR</b>	0,8
<b>Coverage</b>	75%
<b>Height</b>	25m(3 stories)
<b>Parking</b>	4 bays/100m2 office floor area 3 bays/100m2 retail warehouse and Business park

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	1 bay/100 m2 industrial, warehousing, logistics floor area
<b>Minimum Landscaping</b>	20%
<b>Special Conditions Site Development and Landscape Plans are required to be approved in addition to building plans Site owners are obliged to be members of the Management Association</b>	

As indicated by the proposed concept plan of the CIBE development; ± 90 hectares is allocated for 'General Industry', ± 47 hectares allocated for service/light industrial, ± 67 hectares for office/business park development, ± 8 hectares for mixed used and ± 87 hectares for open space.

### 4.5.1 EXISTING COMMERCIAL AND INDUSTRIAL PROPERTIES (BOTH ZONED AND DEVELOPED)

The map below shows existing industrial property and commercial developments in the wider region in relation to the proposed CIBE development. Four of the closest developments: Imbonini Business Park, Ballito Business Park and the Shaka's Head and Shaka's Kraal Industrial Estates are shown on the map. This creation of geographic clustering of industrial and commercial activity is identified in both the iLembe Spatial Development Strategy, the KwaDukuza and iLembe SDF's as well as the PSEDS and PGDS. The area surrounding the proposed development is clearly a major hub of commercial and industrial activity. The characteristics of surrounding developments are detailed below.



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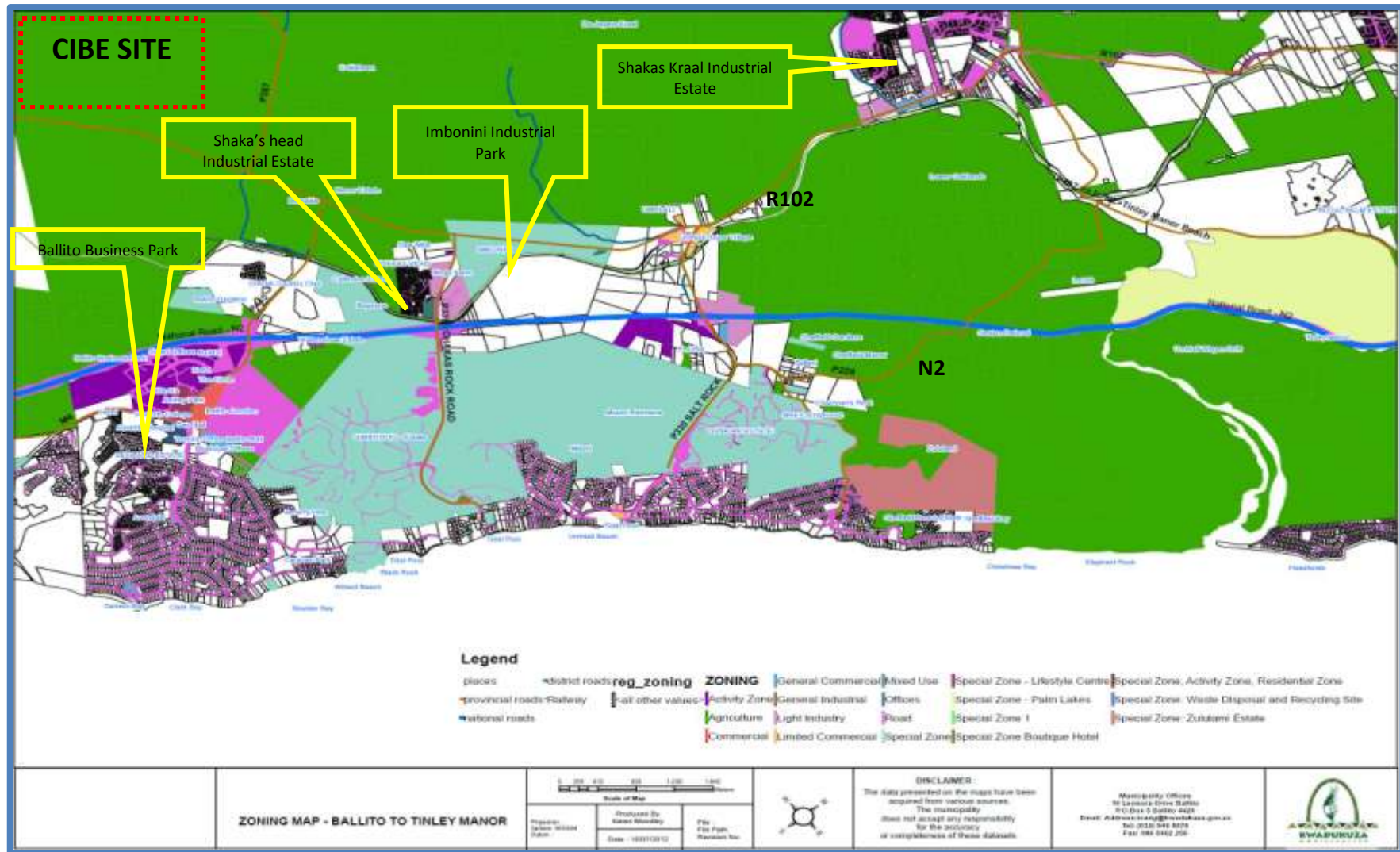


Figure 16: Map showing Compensation in relation to surrounding commercial estates (Source: KwaDukuza LM GIS)

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### 4.5.1.1 IMBONINI INDUSTRIAL PARK

Imbonini is situated on the N2 freeway between Durban and Richards Bay, 15 kms North of King Shaka International Airport. Imbonini Industrial Park consists of two phases of which one is complete and one is set to be launched. Phase 1 consists of 17 hectares of land with stands ranging from 885m<sup>2</sup> to ± 20 000m<sup>2</sup> and after three years on the market is 80% sold. Acacia Park, a high end Industrial Park, also within Imbonini, has 22 units consisting of mini factories and warehouses ranging from 282 m<sup>2</sup> to 520 m<sup>2</sup>, with 7 units for sale/lease, 10 sites available for sale with tenant. Phase two will consist of 77 hectares (55 industrial stands) of land with platforms of between 1900m<sup>2</sup> to 80 000m<sup>2</sup> which is currently under construction. Phase two consists of a mix of uses including residential, commercial and worship sites in addition to light industry.



These sites are fully serviced. This development consists of mainly factories of 200 m<sup>2</sup> - 500 m<sup>2</sup> units to 1000 m<sup>2</sup> - 2000 m<sup>2</sup> (queries received by industrial park indicate that people are interested in 1-2000 m<sup>2</sup> sites and are interested in block yards, transport, warehousing – Mr Izzard *pers comm.* 2012). There is currently low demand and some vacant land. Land prices for this development are between R 750 m<sup>2</sup> and 800 m<sup>2</sup> and rental is around R40 m<sup>2</sup>. Sale of completed units is R4 500 m<sup>2</sup> - R 5000 m<sup>2</sup>.

Figure 17: Illustration of Imbonini Industrial Park (Source: KwaDukuza LM)

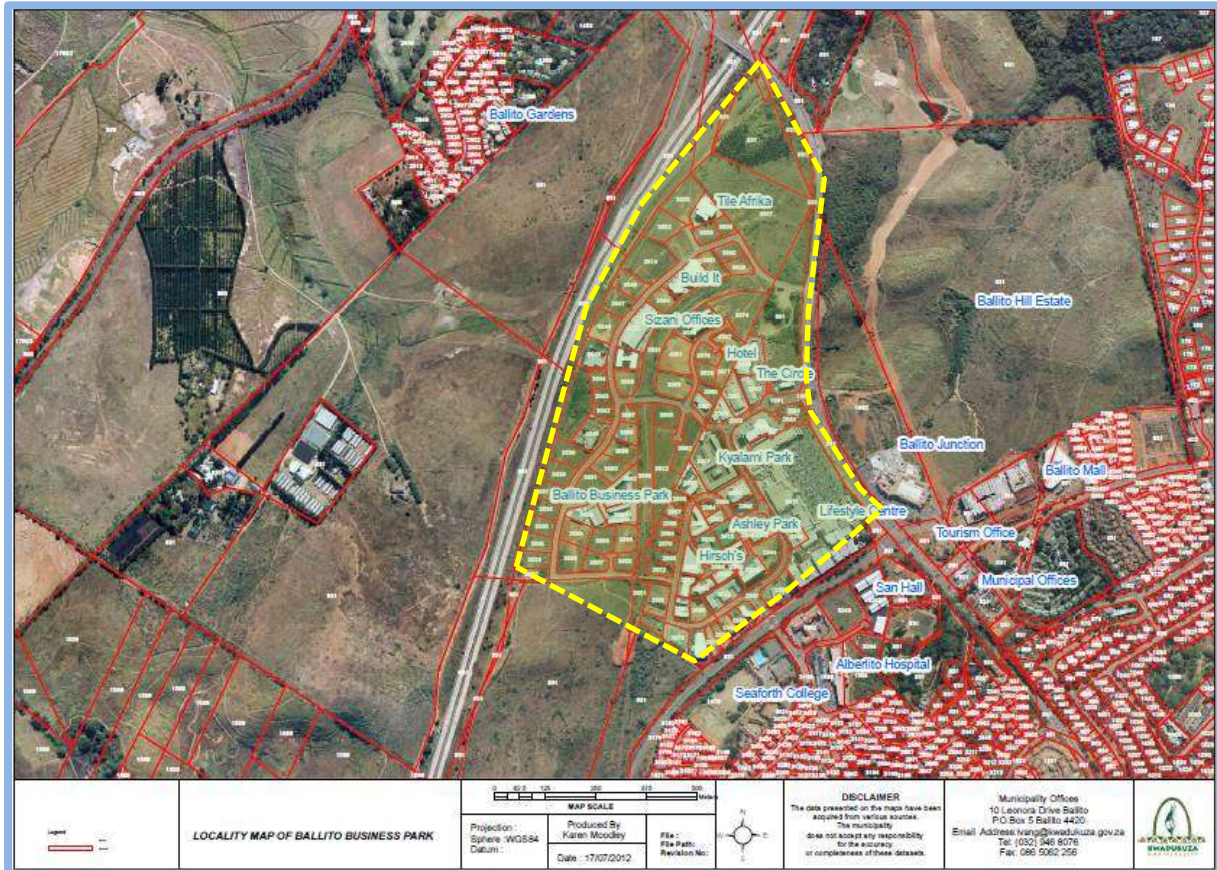


## COMPENSATION FLATS: NEEDS AND DESIRABILITY AND IMPACT ASSESSMENT

### 4.5.1.2 BALLITO BUSINESS PARK:

The Ballito Business Park caters for service industries and not for manufacturing enterprises that will cause pollution (specifically noise and air pollution) of any kind (ILembe LED strategy 2008). Many of the developments within the park focus on providing premises for small and start-up industries.

Figure 18: Illustration of Ballito Business park



The Ballito Business Park is a substantial commercial development in close proximity to the proposed development consisting of over 24 business parks. There are  $\pm 5$  pieces of unsold land and  $\pm 20$  buildings used for industrial purposes dealing with engineering, mechanics manufacturing of golf carts. There is currently limited interest in the market for the Ballito Business Park as buyers are still uncertain of economic recovery. Industrial sites that are currently trading are between 1600m<sup>2</sup>-2500m<sup>2</sup>. Common complaints about the park reflect that development of sites is difficult due to the provision or inadequate power supply; and the high cost of site servicing and municipal rates. The average price per square meter 750 m<sup>2</sup> – 900 per m<sup>2</sup>. The 30 vacant activity stands range from 1915 m<sup>2</sup> to 3000 m<sup>2</sup> in size zoned as activity zones which includes commercial and industrial. There is a 10% vacancy in Ballito Business Park. Some of the developments include:

- Crowthorne Corner offering 3 mini-factories and 18 studio office suites;
- Gregory Park offering 17 mini-factory / showroom units at around R35/m<sup>2</sup>;
- Thome Park with 54 mini-factory and 10 showroom units offering space at R4 000/m<sup>2</sup>

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- Lemon Reef with 24 mini-factory units; and various others.

There are 3 A grade office developments in Ballito Business Park:

- Regent is fully let and renting at R 85-R 90 /m<sup>2</sup>;
- Warne House has a 10% vacancy and rents for approximately R 65 /m<sup>2</sup> ;
- San Hall in Seaward has 32 vacant units with a slow take up renting at R 75 /m<sup>2</sup>;

### 4.5.1.3 BRAESIDE OFFICE PARK

This industrial and commercial development is situated adjacent to the Umhlali Golf Estate. All sites are currently vacant ranging from 5000m<sup>2</sup> - 18 000m<sup>2</sup> per site with a sale price of R 1000/m<sup>2</sup> and rental price of R35-R45/m<sup>2</sup>. This development is in its planning stages and is about to be released to market.

Figure 19: Illustration of Braeside Commercial development (Source: KwaDukuza LM, 2012)



### 4.5.1.4 WOODMEAD/ SHAKAS KRAAL INDUSTRIAL PARK

This industrial park is limited in size and located immediately adjacent to the urban area of Shaka's Kraal. The industrial area includes two or three large sites with nearly direct access from the R102. A large steel manufacturer, Impact Steel, and the Goodwood Industrial Park, housing a large number of timber related industries, are

Figure 20: Illustration of Woodmead Development (Source: Woodmead Brochure)



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located in the area (iLembe LED Strategy 2008).

Woodmead is a Standard Bank owned development located in Shakas Kraal Industrial Park (as shown in the adjacent illustration) and covers 427 hectares. The park provides 42 sites for light industry, storage and warehousing purposes with 8 already sold. There are 8 commercial erven for service industry and SMME's, and retail and commercial erven comprising of 100 000m<sup>2</sup> of bulk. The total area of the services park (industrial component) is 20 hectares in extent and commercial 9.5 hectares in extent with an activity zone of 10.8 hectares.

### 4.5.1.5 SHAKAS HEAD INDUSTRIAL ESTATE (BROOKLANDS MINI FACTORIES)

This estate is located just off the N2 highway, north of Ballito. This relatively small area is home to a number of larger industries in KwaDukuza including Umgeni Products, one of the largest bean processing and packing facilities in the country. A large number of concrete and concrete product manufacturing companies are also located in this node.

Brooklands is an Industrial mini factory development (storage park, distribution warehouses) in Shakas Head Industrial Estate. The units cater for the industry not allowed in the Ballito Business Park i.e. Kitchen manufacture, Panel Beaters, steel works, Granite cutters, cement and other related activities. This development is situated 2-3km away from Compensation and consists of 10 sites ranging from 312 – 5000m<sup>2</sup> units. There are six vacant units, 1x 1000m<sup>2</sup>, 3 x 400m<sup>2</sup> and 1 x 250 m<sup>2</sup>.

### 4.5.1.6 BOGMORE SERVICE PARK (BALLITO NORTH AND SOUTH SERVICE PARKS)

The Ballito North and Ballito South Service Parks which fall within the Bogmore area (referred to in some instances as 'Bogmore Service Park') are discussed below.

#### 4.5.1.6.1 BALLITO NORTH SERVICES PARK AND LAGUNA SECA

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Ballito North Services Park is a service/light industrial development in Bogmore consisting of 9 serviced platforms in total of 18.5 hectares of developable land. This park offers options of showroom development, warehouses, factories, workshops, mixed use for industrial development and ready-built factories. Pricing ranges from R 800/m<sup>2</sup> to R 1000 /m<sup>2</sup> available for long term lease and ownership. Laguna Seca is a commercial business park within the Bogmore area in Ballito North Service Park and is the only development out of 9 stands. All 9 stands have been sold in Ballito North Services Park. It is located West of the N2. This development consists of 59 units with 15 vacant units with units ranging from 134-200 m<sup>2</sup>. The sale price of units is R 8000/m<sup>2</sup>, however resale's are difficult. Rental is around R 35 – R 45 /m<sup>2</sup>. Occupants include printing, signage, motor and repairs, a condom factory etc. Five stands for resale include a 14 000 m<sup>2</sup> site at R 750/m<sup>2</sup>, a 18 000 m<sup>2</sup> site at R 1000/m<sup>2</sup>, a 22 000m<sup>2</sup> site at R 1000/m<sup>2</sup>, a 25 700m<sup>2</sup> site at R 1000/m<sup>2</sup> and a 32 000m<sup>2</sup> site at R 800/m<sup>2</sup>.

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Figure 21: Illustration of Ballito North Services Park, Bogmore (Source: KwaDukuza LM, 2012)



### 4.5.1.6.2 BALLITO SOUTH SERVICE PARK

This development is located in Bogmore West of the N2 and consists of 10 stands, with 9 vacant and two platforms for sale, a 8047 m<sup>2</sup> site at R 1100/m<sup>2</sup> and a 7192 m<sup>2</sup> platform at R 950/m<sup>2</sup>. BUCO Hardware occupies the one stand.

Figure 22: Illustration of Ballito South Services Park, Bogmore (Source: KwaDukuza LM, 2012)



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### 4.5.1.7 DRIEFONTEIN INDUSTRY

The proposed Kings Estate development is currently being planned for in Driefontein and is being developed by KDC Projects and Development CC and is in it the planning phase set to be constructed and out for sale within the next two years. This is a 600ha size development and straddles two municipalities, eThekweni Metro and KwaDukuza local municipality. It is characterised as an industrial and residential type development. It is envisaged to have approximately 100 industrial sites ranging from 2000 m<sup>2</sup> to 1 hectare in size.

### 4.5.1.8 OTHER DEVELOPMENTS

- **Driftwood Industrial:** This development, still in planning stages is situated between Imbonini and Shakas Head and consists of 17 sites ranging from 2100m<sup>2</sup> - 1ha in size with a sale price of R 850/m<sup>2</sup>.

Figure 23: Illustration of Driftwood Industrial Estate (Source: KwaDukuza LM, 2012)



- **Palm Lakes:** This development is still in its planning stages and will consist of activity zones of serviced land with a sale price of R 500/m<sup>2</sup>.
- **Seaward Business Park:** this development has three sites with one vacant site of 1ha in extent, selling at R 3150/m<sup>2</sup>. The two other developments within this development is the Well and San Hall park.
- **Simbithi Office Park:** this office developed proposed at 100 office units is yet to be launched this year. The A-grade office spaces will range from 48 m<sup>2</sup> to 145 m<sup>2</sup> with an approximate

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sale price of R 15 200 /m<sup>2</sup> to R 17 500 /m<sup>2</sup> (Simbithi *pers. comm.* 2012). The developer is WBHO.

Figure 24: Illustration of Seaward Business Estate (Source: KwaDukuza LM, 2012)



- **Robert Business Park:** this mixed development of 180ha is still in its planning stages
- **Mount Richmore:**
- **Private Development along R 102 near Umhlali:** Privately owned industrial land exists in Umhlali Village around 150/200 m<sup>2</sup> renting at ± R 30 – R 35 /m<sup>2</sup> consisting of mini-factories and showrooms.

### 4.6 SUMMARY TABLE OF EXISTING COMMERCIAL AND INDUSTRIAL ESTATES

The table below provides a summary of the above available information for key planned and developed business and industrial estates within the primary catchment, i.e. South KwaDukuza and Ballito surrounds. The name of the development is provided together with land parcel sizes, unit sizes, number of stands and units as well as sale and rental prices of units and serviced land. It must be noted that figures include both land parcels/site sizes and unit size where available. The table indicates information that was readily available and extracted from internet sources, real estate agents and property managers. Where developments are still in planning stages (layout, zoning applications etc.) an overall site size and development sizes is provided where information was available as detailed planning has not taken place in some instances. Where land has been zoned but not physically developed site size are also given. Where information is unknown, spaces have not been filled.



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	Name	Type of Development	Location	Size of development (industrial, commercial) m <sup>2</sup>	Number of units/stands	Size of Units	Sale Price of Units /m <sup>2</sup>	Take up/how many stands or units vacant	Stage of Planning/Progress
1	<b>Shakas Head Industrial</b>	storage park, mini factories, warehouses,		-	18 stands	312 – 5000m <sup>2</sup>	R 5000 - R 6500 /m <sup>2</sup>	1 vacant warehouse of 2000 m <sup>2</sup>	Developed
2	<b>Brooklands</b>	Brooklands is an Industrial mini factory development in Shakas Head Industrial Estate. The units cater for the industry not allowed in the Ballito Business Park ie Kitchen manufacture, Panel Beaters, steel works, Granite cutters, cement and other related activities.	Shakas Head Industrial Estate near Imbonini along P339 between the R102 and N2	-	10 units	250 m <sup>2</sup> - 1000 m <sup>2</sup>	From R 6500/m <sup>2</sup>	6 vacant units of 1x1000 m <sup>2</sup> , 3x 400 m <sup>2</sup> , 1x250 m <sup>2</sup>	Developed
3	<b>Ballito North service park</b>	Light/Service Industry	Ballito (West of N2 along P445)-Bogmore	-	1 development of 59 units	134-200m <sup>2</sup>	14 000 m <sup>2</sup> at R 750/m <sup>2</sup> , 18 000m <sup>2</sup> at R 1000/m <sup>2</sup> , 22 000 m <sup>2</sup> at R 1000/m <sup>2</sup> , 25 700 m <sup>2</sup> at R 1000/m <sup>2</sup> and 32 000 m <sup>2</sup> at R 800/m <sup>2</sup>	15 units vacant and 8 out of 9 stands vacant	Developed
4	<b>Ballito South Service Park</b>	Hardware	Ballito (West of N2)-Bogmore	99406	10 stands		8047 m <sup>2</sup> at R 1100/m <sup>2</sup> and 7192 m <sup>2</sup> platform at R 950/m <sup>2</sup>	9 out of 10 stands vacant and 2 platforms for sale	Developed
5	<b>Woodmead</b>	General industrial mixed use residential/service industrial estate	Situated on the R102 between Shakaskraal and Etete	3985331	18 sites	2000 - 4000 m <sup>2</sup> with 14 platforms being over 5000m <sup>2</sup>	R 500 m <sup>2</sup> zoned serviced land		Developed
6	<b>Ballito Business Park</b>	Activity Zone	West of M4 and P445	760235	± 28 business parks	±270-600 m <sup>2</sup> and industrial sites of 1600m <sup>2</sup> -2500m <sup>2</sup>	Minifactories from R 6 000/m <sup>2</sup> , showrooms from R 9000/m <sup>2</sup>	10 % vacant A-grade offices, and 50% vacant C-Grade offices	Developed
7	<b>Imbonini</b>	Service Industry	Shakashead (West of N2 along P339)	63218	22 stands in Acacia park,	200 m <sup>2</sup> - 500 m <sup>2</sup> units to 1000 m <sup>2</sup> - 2000 m <sup>2</sup> with most platforms being over 5000m <sup>2</sup> for phase two	R4 500 /m <sup>2</sup> - R 5000 /m <sup>2</sup>	20%	Developed
8	<b>Seaward Business Park</b>	Activity Zone	Adjacent to Seaward estate (Kirsty Close)	58913	3 sites	vacant site is 10 000 m <sup>2</sup>	R 3150 /m <sup>2</sup>	2 developed and 1 vacant with 36 sites vacant in San Hall Office Park.	Developed
9	<b>Mount Richmore</b>	Residential & Industrial	East of the N2 (along the P330)	13082	Information not available	Information not available	Information not available	n/a	Development stage - Zoning
10	<b>Driftwood</b>	Industrial	Between Imbonini and Shakas Head	-	17 sites	2100 m <sup>2</sup> - 1ha	R 850 m <sup>2</sup>	n/a	Planning phase
11	<b>Kings Estate</b>	Industrial and High Density Residential	Driefontein straddling two municipalities, eThekweni and KwaDukuza	-	about 100 industrial units	2000 m <sup>2</sup> - 1 ha	n/a	n/a	Planning stages
12	<b>Palm Lakes</b>	Residential & Industrial	Tinley manor (Royal Palm)	1606086	n/a	n/a	R 500 m <sup>2</sup> zoned serviced land	n/a	Planning Stages
13	<b>Braeside</b>	Future Development	Adjacent to Umhali golf estate	779647	n/a	5000 m <sup>2</sup> - 18 000 m <sup>2</sup>	R 1000 /m <sup>2</sup>	all	Planning Stages

Table 9: Summary table of commercial and industrial land supply (Source: Urban-Econ research, 2012)

### 4.7 CONCLUSION

The section indicated that there are currently a number of planned or vacant industrial and commercial developments in the primary catchment area. As noted, there are many zoned parcels of land which have yet to be serviced, remnants of the property bubble of 2008. The existing available developed sites being predominantly smaller stands, with numerous mini factories of 500m<sup>2</sup> to 1000m<sup>2</sup> and are not able to offer larger sites and existing developments are not focussed on specific sectors and clusters and do not provide for clean manufacturing. The majority of zoned larger sites remain undeveloped, and not available to the market.

Within the primary catchment sites while there are numerous zoned land parcels many of these have not yet been developed: Mount Richmore; Driftwood, Kings Estate, Palm Lakes and Braeside.

In addition, of those established industrial and commercial parks, those experiencing vacancies are typically smaller units – aimed at mini-factories or small warehousing. Included in this grouping are the developments of Laguna Seca and Ballito Business Park.

Commercial vacancies are also available – with A-grade office vacancies in the Ballito Business Park and Seaward Business Park.

Larger units, above a hectare can be located at the Imbonini Phase 2 and Ballito North Services Park; however; accessibility has been identified as a key issue for industrialists reviewing both these options; as both of these parks are located on P-roads with limited infrastructure upgrade and support.

Thus, while there is undoubtedly available commercial and industrial zoned stock in KwaDukuza, the disbursement of development poorly located along smaller P-roads with difficulty of access; the high cost of self-servicing (typical in many smaller parks) and poor access to key services like power and water from KwaDukuza Municipality and Siza Water as well and the high holding cost of land has hampered take-up of this land.

The opportunity of larger, flat stands adjacent to a major arterial and close to the northern border of eThekweni make the CIBE a very attractive alternative for business, as reflected in the section above.

### 5 SECTION 5: COMMERCIAL DEMAND MODELLING

The previous section detailed the current supply of industrial and commercial (office) developments in the primary catchment. This section models the existing and projected demands for commercial property (industrial, retail and business services) in the primary catchment taking into consideration the existing supply presented above.

#### 5.1 PROVINCIAL INDUSTRIAL DEMAND ANALYSIS

The table below provides a provincial context to demand of industrial land in the short, medium and long term timeframes as taken from the Provincial Growth and Development Plan for KwaZulu-Natal, 2011. These figures are further extrapolated as a percentage for iLembe and eThekweni corridor as the Dube Aerotropolis and N2 growth corridor also fall within these municipalities.

The table below shows the amount of new jobs needed in the short, medium and long term to sustain anticipated demand. A total area space per employee has been applied to these employment figures to obtain the amount of land needed in hectares. It is assumed that the projected total number of new job in the province that will be taken up by iLembe and eThekweni combined is  $\pm 58\%$ <sup>9</sup> based on historical employment trends. Therefore, 58% of the provincial projections were deduced for iLembe and eThekweni combined to provide the figures in the second half of the table below for new jobs anticipated and amount of and anticipated in the short, medium and long term.

The total amount of land required in iLembe and eThekweni corridor is 1 881 hectares in the short term, 4 171 hectares in the long term and 10 343 in the long term.

Taking the following facts into consideration, it is anticipated that the N2 growth Corridor (Northbound) and the Dube Aerotropolis will allow for take up of the new demand:

- Lack of available industrial land in eThekweni,
- Lack of serviced and zoned industrial land in iLembe,
- Development pressure along the North coast,
- Regionally important N2 development corridor northward,
- Potential CIBE with flat zoned and serviced land,
- Globally marketed and motivated Dube Aerotropolis with substantial future growth projections and potential,

Given that development is set to take place northward, CIBE is in a favourable position to absorb any industrial opportunity given that CIBE is positioned on flat land most suitable for industrial development, along a major growth corridor with ease of accessibility and connectivity. In the short term, even if the N2 corridor and Dube Trade Port take up 50% of the land required for industrial

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<sup>9</sup> 58% was assumed using historical figures of contribution to employment to the provincial economy by iLembe and eThekweni combined.

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activity, there remains a large demand ( $\pm 900$  hectares), therefore if CIBE had to occupy 240 hectares there lies a 660 hectare demand placing CIBE in a favourable position in the short term.

The table below indicates:

1. Number of new jobs for manufacturing and freight and logistics for KZN and the iLembe and eThekweni corridor in the short, medium and long term. The provincial figures were derived from the Provincial growth and Development Plan and estimates assumed for the corridor accordingly;
2. Amount of industrial land needed in hectares, for KZN and the iLembe and eThekweni corridor in the short, medium and long term. These values were determined using an average space assumed per employee (180 m<sup>2</sup> for manufacturing and 465 m<sup>2</sup> for freight and logistics) and multiplying this by the amount of new jobs.

Table 10: Industrial land and employment projections for KZN and iLembe and KwaZulu-Natal (Source: Provincial Growth and Development Plan, 2011 and Urban-Econ calculations, 2012)

<b>KZN PROVINCIAL PROJECTIONS (PGDP)</b>			
	Short Term (2015)	Medium Term (2020)	Long term (2030)
<b>NUMBER OF NEW JOBS</b>			
<b>Manufacturing</b>	84 278 jobs	186 815 jobs	463 347 jobs
<b>Freight and logistics</b>	37 698 jobs	83 563 jobs	207 255 jobs
<b>AMOUNT OF LAND NEEDED (HECTARES)</b>			
<b>Manufacturing (180m<sup>2</sup> per employee)</b>	1 517 ha	3 363 ha	8 340 ha
<b>Freight and logistics (465m<sup>2</sup> per employee)</b>	1 753 ha	3 886 ha	9 637 ha
<b>Total</b>	<b>3 270 ha</b>	<b>7 249 ha</b>	<b>17 977 ha</b>
<b>ILEMBE + ETHEKWINI CORRIDOR PROJECTIONS</b>			
	Short Term (2015)	Medium Term (2020)	Long term (2030)
<b>NUMBER OF NEW JOBS</b>			
<b>Manufacturing</b>	48 688 jobs	107 924 jobs	267 679 jobs
<b>Freight and logistics</b>	21 613 jobs	47 909 jobs	118 826 jobs
<b>AMOUNT OF LAND NEEDED (HECTARES)</b>			
<b>Manufacturing (180 m<sup>2</sup> per employee)</b>	876 ha	1 943 ha	4 818 ha
<b>Freight and logistics (465 m<sup>2</sup> per employee)</b>	1 005 ha	2 228 ha	5 525 ha
<b>Total</b>	<b>1 881 ha</b>	<b>4 171 ha</b>	<b>10 343 ha</b>

### 5.2 LOCAL INDUSTRIAL DEMAND MODEL

Industrial manufacturing investments in KwaDukuza include the Stanger Sappi Paper Mill and Sugar Mills in Darnall and Gledhow, SASKO bakeries, packaging and engineering services etc. There are as indicated through the supply analysis above, many smaller industrial sites (mini factories) with an emerging trend of limited larger industrial sites ranging to over one hectare in extent.

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This model is based on the assumption that there are currently vacancies of 20%<sup>10</sup> in the market, and that these vacancies first need to be eradicated before there is new demand for manufacturing space. These vacancies are however mainly for **mini factories**, based on discussions with estate agents and developers.

The number of people employed in the manufacturing sector in KwaDukuza in 2012 was recorded as 6506 people, based on historic data provided by the Quantec Database and Urban-Econ projections. The number of people employed in light and clean manufacturing activity was estimated at 54%. This was calculated by totaling the percentage of people employed in industries within the manufacturing sector that are orientated towards light-industrial and clean manufacturing activities such as food, beverages, tobacco, textile, clothing and leather goods, printing, electrical machinery and textiles and furniture production, radio and instruments. This yielded an employment figure of 3513 people. It was then assumed that approximately (180m<sup>2</sup>)<sup>11</sup> is required per employee in this sector, yielding a total manufacturing space figure of 632 383m<sup>2</sup> in KwaDukuza LM.

Table 11: Manufacturing Space and Vacancy

<b>Manufacturing Demand</b>	
<b>Number of people employed in the manufacturing sector</b>	6506 <sup>12</sup>
<b>Percentage employed in manufacturing</b>	54%
<b>Number of people employed in manufacturing</b>	3513
<b>Average space per employee (m<sup>2</sup>)</b>	180
<b>Total Manufacturing space required (m<sup>2</sup>)</b>	632383
<b>Percentage of Current Vacancies</b>	20%
<b>Current Vacancies (m<sup>2</sup>)</b>	126477

In order to estimate the length that it will take to eradicate the current vacancies, the employment figure was extrapolated at 3 possible growth scenarios; Low-growth scenario (1.5%), medium-growth scenario (3%), and a high-growth scenario (5%) in line with the gross-value-added trends for KwaDukuza. Table 11 below displays the results of each scenario. Figure 24 summarizes these results indicating that on a realistic medium growth scenario at 3% current vacancies will be eradicated by 2018 with an excess demand in 2019 of 18 891m<sup>2</sup>.

<sup>10</sup> Based on information gathered from estate agents, property developers etc.

<sup>11</sup> Figure derived as an estimated average between heavy industry space at ±232m<sup>2</sup> and service industry space at ±80m<sup>2</sup>

<sup>12</sup> Source: Quantec Regional Database, 2012

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Figure 25: Summary of three Growth Scenarios

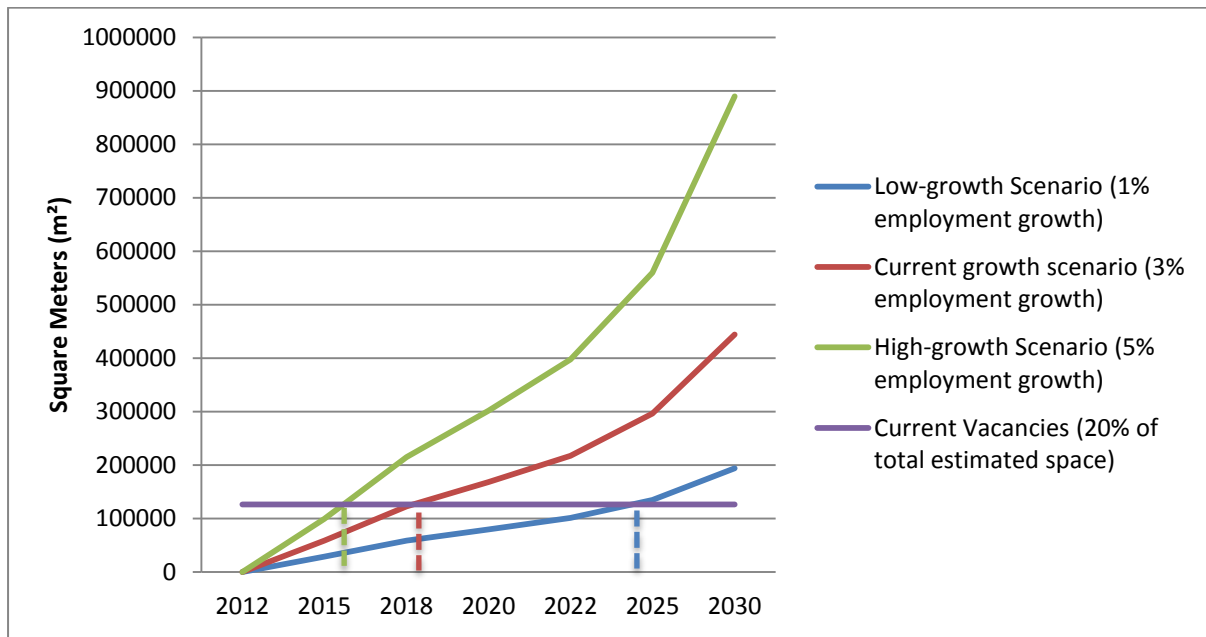


Table 12: Effective Demand for Light Industrial Space

Low-growth Scenario (1.5% employment growth)	2012	2015	2018	2020	2022	2025	2030
Total light-industrial space required (m2)	632383	661269	691475	712375	733907	767430	826740
Additional light-industrial space required per annum (m2)	0	9772	10219	10528	10846	11341	12218
<b>Cumulative total demand required (m2)</b>	<b>0</b>	<b>28886</b>	<b>59092</b>	<b>79992</b>	<b>101523</b>	<b>135047</b>	<b>194357</b>

In the low growth scenario (1.5% employment growth), there is approximately 10000m<sup>2</sup> – 12000m<sup>2</sup> of additional manufacturing demand per year, effectively only eradicating the current vacancy of 126 477m<sup>2</sup> by 2023.

3% employment growth rate	2012	2015	2018	2020	2022	2025	2030
Total light-industrial space required (m2)	632383	691022	755099	801084	849870	928676	1076590
Additional light-industrial space required per annum (m2)	0	20127	21993	23333	24753	27049	31357
<b>Cumulative total demand required (m2)</b>	<b>0</b>	<b>58639</b>	<b>122715</b>	168701	217487	296293	444207

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In the medium growth scenario of 3%, it will take approximately 6 years to eradicate the current vacancies and create additional demand for new manufacturing space. Therefore by 2020 there will be in effective demand of 45 968 m<sup>2</sup>.

5% employment growth rate	2012	2015	2018	2020	2022	2025	2030
Total light-industrial space required (m2)	632383	732063	847454	934318	1030086	1192453	1521906
Additional light-industrial space required per annum (m2)	0	34860	40355	44491	49052	56783	72472
<b>Cumulative total demand required (m2)</b>	<b>0</b>	<b>99679</b>	215071	301935	397702	560070	889522

In the high-growth scenario (5% employment growth), it will take 3 years to eradicate the current vacancy and create new demand for manufacturing space. It must be noted that this applies mainly to smaller mini factory developments within the primary catchment which is not the same market proposed by the CIBE development.

However, a 5% growth rate is high and currently, given the slow rate of recovery likely to remain unrealistic in the short to medium term. The real estate property market as discussed above has been improving since 2010 through to 2012, and there is a slight decrease in vacancy rates. Therefore employment growth rates may not be as low as 1.5%, but move toward an estimate of 2%, effectively making the proposed CIBE development critical by 2018 for development phasing and construction. This implies that zoned land needs to be ready for development by 2018.

### 5.2.1 DEMAND SUMMARY

The table below provides a summary of the local demand as well as regional iLembe and eThekweni Corridor demand for industrial land. As indicated by 2015 at a medium growth scenario with 3% employment growth, KwaDukuza will have a cumulative demand of 5.9 hectares for industrial land and by 2018 current vacancies will be met. However, this assumption is made without taking into account provincial industrial demand. The provincial demand by 2015 is estimated to be 1 881 ha indicating that the 5.9 ha local demand will be included indicating current vacancies will be eradicated by 2015 on a provincial scale.

Demand Summary	Short Term (2015)	Medium Term (2020)	Long Term (2030)
Cumulative total local demand required for KwaDukuza (in ha)	5.9 ha	16.9 ha	44.4 ha
iLembe + eThekweni Corridor Demand (in ha)	1 881 ha	4 171 ha	10 343 ha

### 5.2.2 IMPLICATIONS FOR THE PROPOSED CIBE DEVELOPMENT

Estate agents indicate that lack of industrial development is due to uncertainty in the local property market (and economy overall) and an overall lack of confidence for smaller and medium sized businesses, however there remains unfulfilled **demand for larger industrial sites**.

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Demand projections on a provincial scale indicated that there will be a need for industrial land in the province by 2015 of which 1 881 hectares need to be taken up in the short term by iLembe and eThekweni collectively, majority of which will be concentrated in Dube Aerotropolis and N2 growth corridor, providing an opportunity for CIBE.

The local (KwaDukuza) demand model provided an indication of the current and projected demand in relation to existing vacancies, and suggests that given an average employment growth rate of 3%, current vacancies will be eradicated by 2018, indicating that there is anticipated to be excess demand for manufacturing space by 2018-2019, however this relates mainly to smaller industrial sites. These vacancies and assumptions are **based on the local and immediate market**, however, an important factor to take into account is that the **target market** for the industrial component of the development is on a **broader regional/sub-regional and international scales** given the strategic location within **the Dube Aerotropolis and multi-modal transport routes** and does not solely rely on historical take up figures and the local market. Hence based on provincial figures above it is imperative that new industrial land be taken up in the short term to contribute to the provincial projections.

Substantial additional demand will be created by the on-going development of the Dube Aerotropolis through global marketing and a wide variety of options, offerings and opportunities with a range of site size and use distinctions.

Local demand only accounts for  $\pm 5$  hectares by 2015 whereas 1 881 hectares are need by 2015 on a broader scale for eThekweni + iLembe, indicating that there will be a major shortage of industrial land by 2015. It is expected that should a serviced industrial park with larger site sizes with sensitivity on prices be developed sooner than this, with rentals around R35-R50/m<sup>2</sup> and sale prices  $\pm$ R 800-R 1000/m<sup>2</sup> there would be demand for this space given that much of the existing stock in the primary catchment is focused on small to medium enterprises.

Implications of the proposed industrial developments reflect a positive picture for the future of KwaDukuza as an industrial node and the regionally renowned Dube Aerotropolis keeping with regional strategic objectives. Taking the above mentioned into account and given the close proximity to proposed retail, residential and office facilities in the established node of Ballito, the proposed CIBE development is anticipated to be successful in the short to medium term. Increased industrial development generates demand for new commercial and business space. **It is suggested that by 2015, 1 881 hectares of serviced, zoned and demarcated industrial space needs to be available and ready for development as demand is set to increase considerably in the short to medium term.**



5.3 COMMERCIAL/OFFICE DEMAND MODEL

This section presents the demand model which will be used to assess the current and project demand for office space in the wider KwaDukuza area. Given that office property has the potential to reach a wider market (as it is commercial activity and less governed by the usual characteristics such as surrounding environment, accessibility, etc.), the entire KwaDukuza local municipality is assumed to be the secondary catchment impact area of the proposed office development. Table 12 displays the calculations undertaken in order to arrive at a value for total office space required, and is discussed below.

Table 13: Total Office Space required in KwaDukuza LM

<b>Kwadukuza Local Municipality</b>	<b>2012</b>
<b>Total population employed in office related industries</b>	
• Finance and insurance, and business services	10299
• Wholesale and retail	5318
• Community, social and personal services	8973
• General government	4476
<b>Total population employed in office related industries</b>	29067
<b>Ave square metres per office employee (A-grade)</b>	33 <sup>13</sup>
<b>Total office space required</b>	959203
<b>Average vacancy (30%<sup>14</sup>)</b>	287761

In order to calculate total office space required, the number of people employed in office –related industries in KwaDukuza is based on the Quantec Database and Urban-Econ estimates. This relates to the Finance and Insurance sector; Business Services sector; Community, social and personal services sector; and general government services sector. This figure was 29067 people employed in these sectors for KwaDukuza in 2012.

This figure was then multiplied by 33 m<sup>2</sup> for office space per employee to arrive at the total office space required. This yielded a figure of 959 203m<sup>2</sup> of office space required in the wider KwaDukuza area. This represents the equilibrium position of the KwaDukuza Municipality in terms of office space (where demand meets supply). However, given that it is estimated that there is approximately 30% vacancies in KwaDukuza, one can assume that there is approximately 287 761m<sup>2</sup> of vacant office space in KwaDukuza. These figures relate closely with the vacancy of Ballito Business Park (one of the major commercial and office developments in KwaDukuza and slow take up with 36units available in San Hall business park) of 10% of A-grade office space and 50% of C-Grade office space as well as SAPOA data on total rentable office space as described above indicating a 25% vacancy rate.

In order to now calculate the time-frame in which the development would best be suited, 3 growth scenarios are assumed and applied to the total office space required. Table 13 on the following page

<sup>13</sup> Assumption: 33m<sup>2</sup> for A-grade office space

<sup>14</sup> Assumption made on available data, and interviews with estate agents and property managers

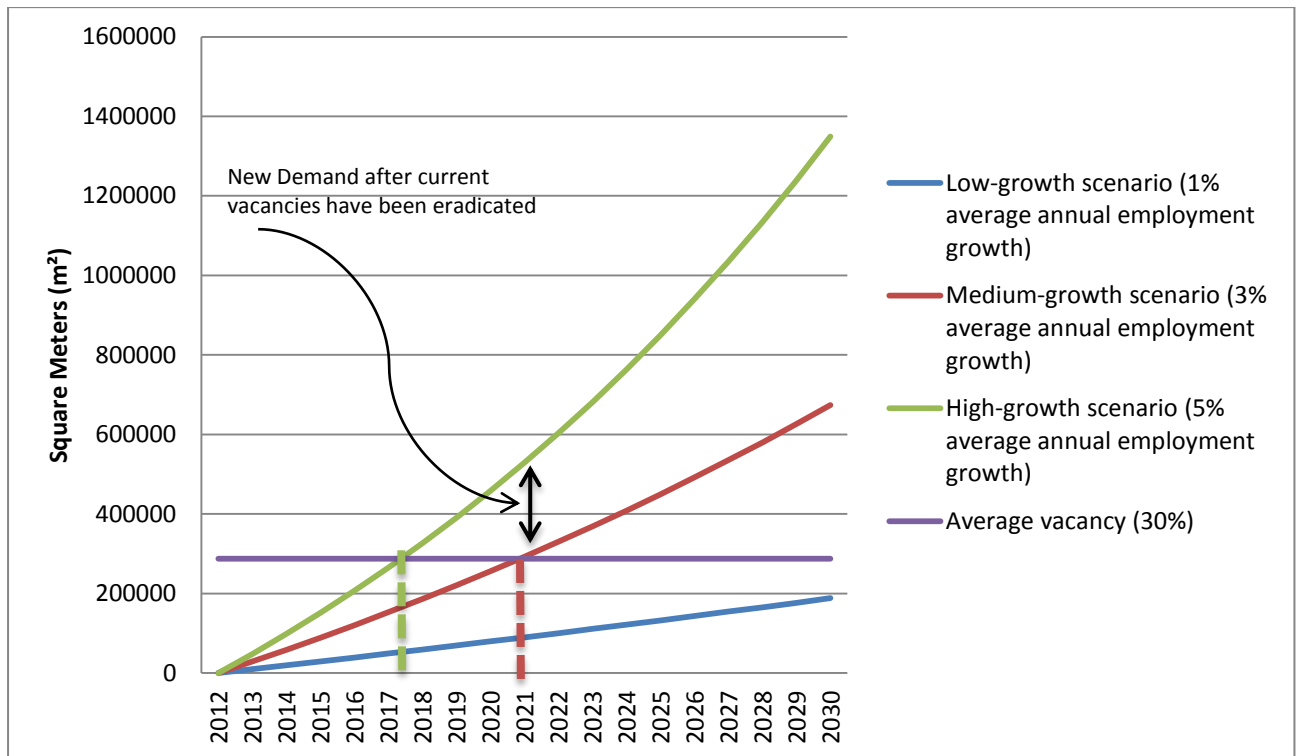
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displays the results of these calculations. The second last row of each table displays the additional office space that will be required each year to match the growth in employment in office-related sectors. The bottom row displays the cumulative total of required office space annually. In order for the proposed development to be viable, the excess supply that currently exists (approximately 287 761m<sup>2</sup>) needs to first be eradicated. This is indicated by the yellow boxes, which displays the year in which it is expected that current vacancies will be eradicated.

It is important to take into consideration the rapid growth in residential development and as these increases and the nodes of KwaDukuza develop, demand for supporting commercial facilities will be demanded. The projections hold residential growth rates constant to the employment growth rate.

These three scenarios are displayed in the graph below indicating that on a medium growth scenario current vacancies will be eradicated by 2020 with excess demand of 36 453m<sup>2</sup> in 2021. However, increased industrial activity will increase demand for related commercial activity and demand may therefore increase for additional office space linked to the CIBE development in the medium term.

Figure 26: Three Growth Scenarios and Current Vacancy



The tables below provide an annual breakdown of the three growth scenarios (please see annexure for comprehensive tables).

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Table 14: Three Growth Scenarios for the local office sector

Low-growth scenario (1% average annual employment growth)	2012	2015	2018	2020	2022	2025	2030
Total office space required (m <sup>2</sup> )	959 203	988 267	1 018 213	1 038 679	1 059 556	1 091 662	1 147 348
Increase in office space required year-on-year (m <sup>2</sup> )	0	9 785	10 081	10 284	10 491	10 809	11 360
<b>Cumulative total (Additional Demand for Office Space)</b>	<b>0</b>	<b>29 065</b>	<b>59 010</b>	<b>79 476</b>	<b>100 354</b>	<b>132 459</b>	<b>188 145</b>

Given a low growth scenario of 1% employment growth, the current over-supply will be eradicated beyond 2030.

Medium-growth scenario (3% average annual employment growth)	2012	2015	2018	2020	2022	2025	2030
Total office space required (m <sup>2</sup> )	959 203	1 048 147	1 145 338	1 215 089	1 289 088	1 408 621	1 632 978
Increase in office space required year-on-year (m <sup>2</sup> )	0	30 529	33 359	35 391	37 546	41 028	47 562
<b>Cumulative total (Additional Demand for Office Space)</b>	<b>0</b>	<b>88 944</b>	<b>186 135</b>	<b>255 887</b>	<b>329 885</b>	<b>449 419</b>	<b>673 776</b>

Given a medium employment-growth rate of 3%, the over-supply will be eliminated by 2020, effectively only making the development viable in 2021, with approximately 36 453 m<sup>2</sup> of additional demand in 2021. It is projected that there will be approximately 417 889m<sup>2</sup> of effective demand for office space by 2030.

High-growth scenario (5% average annual employment growth)	2012	2015	2017	2020	2022	2025	2030
Total office space required (m <sup>2</sup> )	959 203	1 110 397	1 224 213	1 417 179	1 562 440	1 808 720	2 308 436
Increase in office space required year-on-year (m <sup>2</sup> )	0	52 876	58 296	67 485	74 402	86 130	109 926
<b>Cumulative total (Additional Demand for Office Space)</b>	<b>0</b>	<b>151 194</b>	<b>265 010</b>	<b>457 977</b>	<b>603 237</b>	<b>849 517</b>	<b>1 349 233</b>

Given a high employment growth scenario of 5%, the current office over-supply will be eradicated by 2017, therefore making the proposed office development viable in 2018, with approximately 61 211m<sup>2</sup> of additional demand in 2018. The total demand for office space by 2030 is projected to be 1 084 223m<sup>2</sup> given the high-growth scenario.

### 5.3.1 IMPLICATIONS FOR THE PROPOSED OFFICE DEVELOPMENT

The demand for office space has initially grown rapidly as residential development expanded in the early 2000's in KwaDukuza and Ballito especially, and many office properties were developed (business parks etc.); the market then became saturated with oversupply. This resulted in a decline in rental rates at decentralized office nodes due to the localized over-supply. The demand model provided an assessment of the current and expected demand for retail space over a 19 year period given three employment growth scenarios (1%, 3%, and 5%). Remaining conservative, a medium employment growth rate scenario is the most applicable given that the economy is moving out of the recession. This indicates that the current over-supply in KwaDukuza will be eliminated by 2020, effectively creating an additional demand for approximately 36 453m<sup>2</sup> of office space by the end of 2021.

**Anticipating the median rate of recovery of the market, this supports over half of the proposed office development, of which a site of 67 hectares is proposed for an office/business park also supporting regional demand including eThekweni and KwaDukuza. Industrial activity generates new demand for commercial space such as management offices, and supporting services such as banks, small scale accountants and opportunities for new startup businesses and can therefore kick start the business chain.**

The demand for office space can increase rapidly should residential growth increase substantially. It is suggested that by 2020 a fully serviced, planned and demarcated commercial and office space is needed to be sold and readily available for development with emphasis on A grade office space at market prices.

It is most important to note that the target market for commercial and office space is local in nature. This indicates that the commercial space is targeted at the local community and new industrial development as opposed to regional/sub regional and is envisaged to complement industrial development in the CIBE development. The commercial space proposed for CIBE is mainly to complement the industrial estate as opposed to catering to the existing local market therefore commercial and office space planned for CIBE needs to be ready as and when the CIBE development commences in the short term (i.e. by 2015).

## 6 ECONOMIC IMPACT ASSESSMENT

The CIBE development will result in a significant increase in capital investment in KwaDukuza and Compensation, Ballito in particular. The development will result in the local economy being affected, both directly and indirectly, in order to quantify the extent of this change; this impact needs to be scoped.

There are a number of economic variable categories have to be measured to determine the extent to which an economy has been impacted on due to an exogenous change. These will be determined through a high level input/output modeling exercise based on assumed construction costs per gross developed area of specific land-use – specifically the following will be determined through the application of Urban-Econ’s Adjusted KZN Input/Output Model™ to assess the economic impact of the proposed project.

### 6.1 INPUT-OUTPUT MODEL

**In order to quantify the economic impact of the proposed expansion, an input/output model was used.** The model contains information on inter-sector relations, including tables that describe, for each sector included in the model, the amount of input the sector requires from other sectors to produce one unit of output. It is thus a set of equations describing the relationships that link the output of one industry with all other industries in an economy.

These models are able to estimate impacts within each industry in the model and thereby provide much more information than simple total economic impacts on income, output, and employment. Using, for example, new investment or operational expense data, multipliers are calculated to estimate different impacts of development investment and its ripple effects through the economy. Measures of input also take into account imports and exports to and from the specific geographic area.

The anticipated economic impacts are described below:

- **Total employment**, this reflects the number of additional jobs created by economic growth. This reflects the number of jobs created during CAPEX phase as well as long term sustainable employment generated through operation of the estate. In addition, the shift in jobs from agriculture to other sectors.
- **Value Added**, the equivalent to Gross Domestic Product or, in this case, Gross Geographic Product - GGP) is a broader economic measure of the full income effect.
- **Change in Output** (new business sales), this equates to additional business turnover as a result of the introduction of an exogenous change in the economy.
- **New salaries and wages**, This measures the increase in existing salaries and wages as a result of the exogenous change in the economy

To quantify the most likely economic impact of a new business or expansion of an existing activity into a specific area, two types of economic impact can be measured, namely, direct and multiplicative impacts.

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The direct economic effects are generated when the new business creates new jobs and purchase additional goods and services to operate the new facility.

The multiplicative effects can be grouped into two distinct effects: indirect and induced.

The indirect economic effects occur when the suppliers of goods and services to the new business experience larger markets and potential to expand. Induced impacts: The induced impacts are the impacts on goods and services demanded due to increased expenditure by households from income earned due at the project.

The modelled outputs are reviewed and ascribed within the development timeline, with allocation provided per land use as phase of development. This section therefore reviews the impacts of the industrial and commercial components of the CIBE Development.

### 6.1.1 CAPEX IMPACT MODELLING

The socio-economic impact during the construction phase is shown for each of the following associated CAPEX costs. The associated costs tabulated below include cost of super structure and cost of top structure.

#### 6.1.1.1 ASSUMPTIONS OF THE MODEL

A number of assumptions were used to derive an estimated cost of the proposed development. These costs were assumed using building cost data from the 2012 Property and Construction Handbook by Davis Langdon and allocated sizes per zoning regulation. These rates (per m<sup>2</sup> excluding VAT) include the cost of appropriate building services, e.g. air-conditioning, electrical, etc., but exclude costs of site infrastructure development, parking, any future escalation, loss of interest, professional fees and Value Added Tax (VAT). Office rates exclude parking and include appropriate tenant allowances incorporating carpets, wallpaper, louvre drapes, partitions, lighting, air-conditioning and electrical reticulation.

The following assumptions are therefore made for purposes of this calculation:

- It is assumed that the commercial component of the development would have a 75% coverage on site (as per Draft EIA, 2011). It is further assumed that the cost of a top structure would cost R7 100/m<sup>2</sup>-R 10 600/m<sup>2</sup> for a low rise prestigious office park development. An average of R 8 500 will be used for purposes of the CIBE development given trends of surrounding developments. It is also assumed that the mixed used component will be counted as commercial,
- It is assumed that for every 100m<sup>2</sup> of industrial space, 1 parking bay is allocated and for every 100m<sup>2</sup> of commercial/office space, 4 parking bays are allocated. Structured parking at R 3800 /m<sup>2</sup> (excl. VAT)
- It is assumed that for industrial component, the development would have a coverage of 75% (as per Draft EIA, 2011). Industrial warehouse, including office and change facilities within structure area (architect/engineer-designed) with steel frame, brickwork to ceiling, steel cladding above and roof sheeting is assumed to be between R 3200/m<sup>2</sup> and R 4450/m<sup>2</sup>. An

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average of R 4000/m<sup>2</sup> is assumed for this development assuming demand in future will increase building costs.

In terms of economic impacts, the table below displays the capital investment that is expected for the proposed CIBE development. The assumptions used to arrive at the average building cost follows. It is estimated that the total capital investment value of the entire CIBE development will be approximately R 13.1 billion as shown in the grand total below.

**Table 15: Expected Capital Investment Value of the Proposed CIBE Development**

Property Component	Size (m <sup>2</sup> )	Coverage (%)	Coverage (m <sup>2</sup> )	Average Building Cost per square meter (Rands)- Top Structure	Average Building Cost per square meter (Rands)- Land Servicing Cost	Average Building cost per square meter (m <sup>2</sup> ) for top + Land Servicing	Capital Investment Value (Rands)
General Industry	906 000	75	679 500	R 4 000	R 2 500	R 6 500	R 4 416 750 000
Service/light industry	475 000	75	356 250	R 4 000	R 2 500	R 6 500	R 2 315 625 000
Office/business park development	672 000	75	504 000	R 8 500	R 2 500	R 11 000	R 5 544 000 000
Mixed use	79 000	70	59 250	R 8 500	R 2 500	R 11 000	R 651 750 000
Parking	Size (m <sup>2</sup> )	Parking/100m <sup>2</sup>	Average building cost per m <sup>2</sup> (Rands)	Number of Parking Bays			
Industrial	1381000	1	R 3 800	13810			R 52 478 000
Commercial	751000	4	R 3 800	30040			R 114 152 000
<b>Grand Total</b>							<b>R 13 094 755 000</b>

Given a capital investment value of R 13.1 billion, it is possible to calculate the contribution of the proposed development towards GGP, employment, new business sales, and income using the provincial multiplier table.

The results of the multiplier model are summarized in the table below.

**Table 16: Results of the multiplier model**

Socio-Economic Impact	Total Impact	Direct Impact	Indirect Impact
<b>New Business Sales (Rands)</b>	R 36 510 520 643	R 16 198 952 352	R 20 311 568 291
<b>Gross Value Added (Rands)</b>	R 12 971 717 508	R 5 360 530 311	R 7 611 187 197
<b>Income Multipliers (Rands)</b>	R 6 403 215 753	R 2 839 228 015	R 3 563 987 738
<b>Employment Multipliers</b>	80 198	45 137	35 062

The economic impacts of the construction phase of the fully developed CIBE, will cost in the region of R13 billion which will create a significant capital injection into the local economy for the construction phase alone.

There are additional and sustained economic benefits that are expected to arise from this development. The direct and indirect economic benefits arising from the initial capital expenditure in the construction phase will be short-term in nature. It is important to note that the total impacts for each of the categories span the entire lifespan of the construction phase and may not be generated immediately, but as increments as and when construction takes place. Using the capital expenditure for the proposed Business Hub and entering them into the input/output model, yielded results for the following categories:

- Changes in Gross Value Added;
- Changes in Business Sales;
- Changes in Income;
- Changes in Employment

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### 6.1.1.2 IMPACT ON GROSS VALUE ADDED

The capital expenditure phase for the proposed development will impact on the gross geographic product of the region. The results for gross value-added or Gross Geographic Product (GGP) from the input-output model are presented in the table above.

In total, an estimated additional R 12 971 717 508 will be generated in gross value added or GGP into the region as a result of the capital expenditure of the proposed development. Of this, R 5 360 530 311 will be directly added and a further R 7 611 187 197 will be induced investment.

GROSS VALUE ADDED		
TOTAL	DIRECT	INDIRECT
R 12 971 717 508	R 5 360 530 311	R 7 611 187 197

### 6.1.1.3 IMPACT ON GENERAL BUSINESS SALES

As a result of the increased economic activity that will result from the proposed development, there will be an increase in business sales in the region. The result for business sales from the input-output model are presented in the table above indicate that the capital expenditure of the proposed CIBE development will lead to the direct expansion of business sales (production) by R 36 510 520 643 by the end of the construction phase. There is significant potential for the proposed development to use local suppliers so as to encourage the development of local business. It is expected that the increase in direct business sales will have positive spin-off effects on the supporting businesses, for example, sub-contractors and suppliers of construction equipment and materials. A total of R 20 311 568 291 in new business sales will be generated as a result of the indirect impact of the developments capital expenditure and R 16 198 952 352 as a result of direct impact.

NEW BUSINESS SALES		
TOTAL	DIRECT	INDIRECT
R 36 510 520 643	R 16 198 952 352	R 20 311 568 291

### 6.1.1.4 IMPACT ON EMPLOYMENT AND JOB CREATION

Any proposed development is expected to result in job creation. Firstly, in the initial construction phase, which occur in the short-term. Secondly, in the operational phase, which has a long-term impact. The Impact on employment from the input-output model as presented in the table above for the capital expenditure phase suggests that a total of 80 198 temporary employment opportunities that will be created as a result of the proposed development at the end of construction of the entire development. Of this amount, 45 137 will be created directly and 35 062 indirectly. When calculating employment figures in the input-output model, the model converts total man hours into jobs or employment opportunities. However, it must be noted that the construction period of the development will require a number contractors to complete the development. It is estimated that **a number of contractors may be required, each with a compliment of staff and sub-contractors / suppliers required to do the work.**



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<b>EMPLOYMENT AND JOB CREATION</b>		
<b>TOTAL</b>	<b>DIRECT</b>	<b>INDIRECT</b>
<b>80 198</b>	45 137	35 062

### 6.1.1.5 IMPACT ON INCOMES

The capital expenditure phase of the proposed development will impact positively on incomes; and as shown in the table above additional income generated as a result of the construction phase of the development is totaled at R 6 403 215 753. Direct wages (derived from on-site jobs) is estimated at R 2 839 228 015 and indirect impact at R 3 563 987 738. This will significantly increase their disposable incomes.

<b>INCOME</b>		
<b>TOTAL</b>	<b>DIRECT</b>	<b>INDIRECT</b>
<b>R 6 403 215 753</b>	R 2 839 228 015	R 3 563 987 738

### 6.1.2 OPEX (LONG TERM SUSTAINABILITY)

The socio-economic impact during the operational phase is shown for each of the following associated land uses identified for the CIBE development. The operating expenditure will result in both direct and indirect economic benefits that will be long-term in nature as oppose to temporary jobs created throughout the construction phase. The economic impacts resulting from the operating expenditure are expected to have larger positive economic impacts on the secondary catchment area. The table below indicates the size of each land use component of the CIBE development in square meters (m<sup>2</sup>) as taken from the CIBE concept plan and zoning regulations as indicated by the Draft EIA. The number of square meters per employee has been extracted from previous Urban-Econ research. The Floor Area Ratio was calculated in square meters and divided by the number of square meters per employee to get the number of employees generated per annum for this development for the operational phase of the development. The above table shows that a total of 30 666 people will be employed per annum.

**Table 17: Estimated number of people employed pre property component**

<b>Land Use</b>	<b>Size (m<sup>2</sup>)</b>	<b>FAR</b>	<b>Coverage (%)</b>	<b>Height (Story)</b>	<b>FAR (m<sup>2</sup>)</b>	<b>Number of square meters per employee<sup>15</sup></b>	<b>Employees Generated</b>
<b>General Industry</b>	906000	0.8	75	3	724800	180	4027
<b>Service/light industry</b>	475000	0.8	75	3	380000	180	2111
<b>Office/business park development</b>	672000	1	75	3	672000	33	20364
<b>Mixed use</b>	79000	1.2	70	4	94800	20	3950
<b>Open space</b>	874000				874000	1 per acre	215
<b>Total</b>	3006000				2 745 600		30666

<sup>15</sup> Based on previous studies and Urban-Econ estimates, 2012

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### Implications for CIBE

This section indicates that the CIBE development will have a significant economic and socio-economic impact on the receiving environment with a capital injection of ±R 13 billion generating over R 12 billion GGP, ± R 36 billion in business sales and over R 6 billion in income. In addition to this, the table below indicates the amount of people envisaged to be employed through the CIBE development.

<b>Employment: Construction Phase</b>	<b>80 198 employees</b>
<b>Employment: Operational Phase</b>	<b>30 666 employees</b>

## 6.2 SOCIO-ECONOMIC INTEGRATED IMPACT TABLES

The following socio-economic issues were flagged for the construction and operational phase by the Draft Environmental Impact Assessment scoping report for the Compensation Industrial and Business Estate undertaken by SSI Environmental and completed in October 2011. These are detailed in the tables below with a short description and potential impact and proposed mitigation measures and impacts thereof in accordance with the EIA and Urban-Econ research.

## 6.3 IDENTIFYING THE IMPACT AREAS

In this regard, each of the proposed CIBE development elements are anticipated to have some impact on the surrounding communities, as well as on similar property elements within the wider KwaDukuza area. Should the development (in its entirety or certain elements) be developed over a medium to longer timeframe (3 – 10 years), negative impacts will be reduced as the market will have time to recover, Dube Trade Port will be more functional and create the necessary demand to support the development without having an impact on the existing property market. However, there are certain impacts (positive and negative) that are not affected by the time-frame of the development, and will occur regardless of when the development commences. These are issues such as congestion, reduction in open space, new employment etc. This section identifies the expected impacts for each property element.

The most obvious impact areas are on similar property typologies within the municipal area:

### 6.3.1 OFFICE/BUSINESS PARK

There is currently a situation of excess supply in the office property market. Developing an office park within the next 3 years is expected to have an impact on existing de-centralised office nodes as it will result in excess supply, which could have a negative impact on rentals in the market. However, should the office development only come onto the market in the next 5-10 years, the impact would be reduced as there will be additional demand for office space as seen in the office demand model in the previous section above.

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### 6.3.2 GENERAL AND LIGHT INDUSTRIAL

The supply side analysis in section 4 indicated that there are currently a number of planned or vacant industrial and commercial developments in the primary catchment area. While there are many zoned parcels of land a significant number have yet to be serviced and remain inaccessible to the market. Of the existing available developed sites, these are predominantly smaller stands, with the majority of zoned larger sites remaining undeveloped, and not available to the market.

A primary concern for industrialists was accessibility to stands – current large stands are available off P roads, which are not well maintained nor necessarily suitably graded for truck access. In addition, the topography of some of the existing developments has implication of site suitability for platform development.

These challenges, and the issues surrounding the servicing of sites has allowed for a stockpile of industrial zoned land to accumulate in KwaDukuza. This stockpile comes with a high price tag as many of these developments were identified and put to market at the height of land prices.

Both the strategic planners and business agree that the establishment of the CIBE development will in the medium to long term be critical to the economy of KwaDukuza and KZN due to anticipated industrial and economic activity emanating from the strategic location; and importantly along the main growth corridors identified at a provincial and national level. The clustering of industrial and business activity makes it more efficient for servicing as well and creates an industrial and commercial growth point for KwaDukuza reinforcing major growth corridors.

The table below defines the impact assessment variables used in the impact tables thereafter:

	<b>+/- Impacts</b>	<b>Extent</b>	<b>Duration</b>	<b>Probability</b>	<b>Significance</b>
<b>Before Mitigation:</b> refers to the impacts before mitigation measures and management controls are considered	'+' indicates an overall positive/beneficial impact of the development	Local: within a reasonable distance from the construction site	Medium term: Impact will last for the duration of the construction phase	Probable: the impact may occur	Beneficial: the development will add value to the receiving environment
<b>After Mitigation:</b> refers to the impacts after mitigation measures and management controls are put in place	'-' indicates an overall negative/adverse impact of the development	Regional: provincial and parts of neighbouring provinces	Long term: The impact will continue or last for the entire operational life of the development	Highly probable: Most likely the impact would occur	Highly Beneficial: the development will be highly valuable to the receiving environment

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The socio-economic impact tables are as follows:

<b>SOCIAL/ECONOMIC IMPACT AREA</b>	Employment and Job Creation				
<b>Relevant Alternatives &amp; Activities</b>	Impact of the construction and operationalization of the development on employment				
<b>Project life-cycle</b>	Construction and operational phases				
<b>Description and Potential Impact</b>			<b>Proposed Management and Mitigation Measures</b>		
<p>The construction and site preparation activities will produce a large number of temporary and permanent jobs throughout its life cycle. Specifically for the construction phase a total of ± 80 000 jobs will be created both directly and indirectly and for the operational phases will create ±30 000 jobs annually. A number of contractors and suppliers will be sourced; however this needs to feed into the local economy in order to increase employment and disposable incomes. Increased business turnover in the range of R 36 billion allows employers to employ more staff for the construction phase. Employment creation will impact the immediate local areas and surrounding communities.</p> <p>The impact on job creation will be medium to long term, medium term for temporary jobs created by the construction phase as impacts will only last for the duration of construction and long term for the operational aspects indicating that employment impacts will last for the entire operational lifespan of the CIBE development. It is highly probable that this impact on job creation will occur. Jobs for maintenance of onsite infrastructure and management of facilities/properties will be created on completion of the development which will create long term employment.</p>			<ul style="list-style-type: none"> <li>It is suggested that labour be sourced locally where possible and supports the local economy in the first instant</li> <li>Labour intensive practices should be encouraged where possible</li> <li>BBEEE and equality must be promoted to ensure just labour practice</li> <li>Labour and recruitment policy formulation by contractors is needed to avoid recruitment on the site</li> </ul>		
	<b>+/- Impacts</b>	<b>Extent</b>	<b>Duration</b>	<b>Probability</b>	<b>Significance</b>
<b>Before Mitigation</b>	+	local	medium-long term	Probable	Beneficial
<b>After Mitigation</b>	+	local	medium-long term	Highly probable	Highly Beneficial

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SOCIAL/ECONOMIC IMPACT AREA				Business Development	
Relevant Alternatives & Activities					
Project life-cycle				Construction phase	
Potential Impact				Proposed Management / Mitigation Measures	
<p>The development of the CIBE will in the medium to long term be critical to the economy of KwaDukuza and KZN due to anticipated industrial and economic activity emanating from the strategic location along the main growth corridors identified at a provincial and national level. The clustering of industrial and business activity makes it more efficient for servicing as well and creates an industrial and commercial growth point for KwaDukuza reinforcing major growth corridors and will therefore attract further business development.</p> <p>Therefore becoming more efficient to conduct business and easier for other businesses to develop. Clustering will provide a concentration of industrial and business activities in Compensation and surrounds strategically positioned to create backward and forward linkages within and outside Compensation, Ballito and KwaDukuza thus creating a value added chain of activity. This will in turn stimulate the local business environment. Impact of business development will be both local and regional due to strategic location along growth corridors. The impact of having a growth point is increased population and business interest in future and impacts on existing infrastructure, as well as demand for more commercial and industrial land.</p>				<ul style="list-style-type: none"> <li>• Business retention and expansion strategy with incentives for KwaDukuza/Ballito</li> <li>• Available serviced zoned industrial and commercial land</li> </ul>	
	+/- Impacts	Extent	Duration	Probability	Significance
Before Mitigation	+	Local	-	Probable	Beneficial
After Mitigation	+	Local and regional impact	-	Highly Probable	Highly beneficial

**COMPENSATION FLATS: NEEDS AND DESIRABILITY AND IMPACT ASSESSMENT**

<b>SOCIAL/ECONOMIC IMPACT AREA</b>		<b>Population Changes</b>			
<b>Project life-cycle</b>		<b>Construction phase</b>			
<b>Description and Potential Impact</b>			<b>Proposed Management / Mitigation Measures</b>		
<p>There will be a very low probability that people and their families migrate on a permanent or long term basis to take up job opportunities on site during the construction phase. Access to the site is fairly easy due to the train station near the site and the position along the R102 making the area highly accessible to working commuters. However, people employed on a more permanent basis during the operational lifespan may migrate closer to the site.</p> <p>If people migrate on a more permanent basis impact would be increased residential take up and a greater demand for retail and commercial activity. Also influx into the area will place pressure on existing infrastructure and available residential stock. The extent of this impact will be high on a local and regional scale and may last for the medium to long term, however the likelihood of people migration for this development solely is highly improbable.</p>			<ul style="list-style-type: none"> <li>• Informal settlement erection around the site must be managed should this become an issue</li> <li>• Labour should be sourced locally where possible</li> <li>• Families should not move onto construction site</li> </ul>		
	<b>+/- Impacts</b>	<b>Extent</b>	<b>Duration</b>	<b>Probability</b>	<b>Significance</b>
<b>Before Mitigation</b>	-	Local and regional	medium term	Probable	Low
<b>After Mitigation</b>	+	Local and regional	Medium term	Probable	Beneficial

## 7 CONCLUDING REMARKS AND RECOMMENDATIONS

This study has conducted a 'needs and desirability' assessment for the proposed CIBE development, by undertaking a spatial and contextual analysis, a review and assessment of the socio-economic characteristics of the catchment population, an assessment and a demand model for each property component, as well as an economic and socio-economic impact assessment for the CIBE development main property proponents, i.e. industrial and commercial specifically office land.

In conclusion this study has indicated that KwaDukuza is the fastest growing LM in iLembe with the highest population growth, making up majority of the district's population and households with the lowest unemployment rate in the district, indicating that there is a desirability to live and work near economic opportunities. It must be noted however, that the need and desirability of this development is viewed from both a regional (Dube Aerotropolis), international and local (KwaDukuza) scale.

**CIBE has therefore been addressed as an *integral* component of the *Dube Aerotropolis concept* indicating important regional and global linkages and marketing<sup>16</sup>. In keeping with the vision and requirements of the Aerotropolis, (aligned to the PGDS, KZN Industrial Strategy and IPAP2) aimed at economic growth and employment generation, the CIBE development allows for investment in upgraded and new bulk industrial infrastructure development. CIBE development can provide zoned serviced land in line with the district Spatial Economic Development Strategy 2012 and Industrial Development Strategy 2010 as a node earmarked for industrial development.**

CIBE is in a desirable position with increased accessibility to air, sea, road and rail as well as increased connectivity internationally and regionally to contribute to the competitiveness of the region and economic growth and development given its strategic location within the Dube Aerotropolis. This increased connectivity to multi-modal transport systems allows for speed for delivery of industrial goods and services as well as workers and hence economic growth of the region. This point cannot be stressed enough with Dube Trade Port located 15km away and Durban and Richards Bay Ports in close proximity, land adjacent to regional development/growth corridors (N2 and R102) as well as parallel to an existing railway line and station.

In addition, the Ballito and Compensation area is becoming a business growth point for industrial and commercial activity in line with the relevant strategic frameworks and provincial imperatives. Industrial land in neighbouring eThekweni Metro is nearing saturation and provides an opportunity for Northward expansion to areas such as Compensation.

**The CIBE development will assist in creating a "critical mass" along the R102 and generating increased commercial and industrial traffic into KwaDukuza. This is seen as a positive aspect of the proposed CIBE development to attract future businesses into the area on a local scale and on a more regional scale will attract like development and further investment into the Aerotropolis.**

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<sup>16</sup> One of the major aspects setting CIBE apart from local supply is that it is an integral component of a globally motivated and marketed concept, the Dube Aerotropolis.

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In contrast, the current local supply of industrial land mainly allows for predominantly smaller mini factories. Current supply also lacks accessibility and connectivity and industrial property is not marketed globally but ad hoc in an isolated manner which limits the local market. Current supply of industrial space is not able to offer larger sites and existing developments are not focused on specific sectors and clusters and do not provide for clean manufacturing as opposed to what CIBE is offering. At present, the local market is experiencing slight over supply of smaller to medium zoned industrial sites and an oversupply of office development. However reflection from local business and realty specialists indicates that this is a short term trend.

These vacancies and assumptions are **based on the local and immediate market**, however, an important factor to take into account is that the **target market** for the industrial component of the development is on a **broader regional/sub-regional and international scales** given the strategic location within **the Dube Aerotropolis and multi-modal transport routes** and does not solely rely on historical take up figures and the local market. Hence it is imperative to note that this study has indicated that on a provincial and regional scale a projected demand of 1 881 hectares is anticipated for iLembe and eThekweni in the short term, and given that current vacancy rates are only  $\pm 12$  hectares, this indicates a major shortage of industrial land in eThekweni and iLembe in the short term<sup>17</sup>.

While the study indicates an initial current over supply of office space, it is most important to note that the **commercial space proposed for CIBE is mainly to complement the industrial estate** as opposed to catering to the existing local market **making the development desirable**.

While there is available commercial and industrial zoned stock in KwaDukuza, the disbursement of poor located development along smaller P-roads with difficulty of accessibility; the high cost of self-servicing (typical in many smaller parks) and poor access to key services like power and water from KwaDukuza Municipality and Siza Water as well and the high holding cost of land has hampered take-up of this land. The opportunity of larger, flat stands adjacent to a major arterial and close to the northern border of eThekweni make the CIBE a very attractive alternative for business in addition to strategic imperatives discussed above.

In addition given the poor accessibility and lack of adequate holistic concept and marketing of the existing supply without a specified target market and niche sectors, the CIBE development is comparison is much more desirable on a global and regional scale in keeping with the Dube Aerotropolis concept, with desirable location with increased connectivity and accessibility as well as adequate marketing on a global scale and niche sector targeting and clustering. Substantial additional demand will be created by the on-going development of the Dube Aerotropolis through global marketing and a wide variety of options, offerings and opportunities with a range of site size and use distinctions.

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<sup>17</sup> In addition, points of concern are that, there is a lack of zoned, serviced industrial land in eThekweni and KwaDukuza and existing supply is not favourably positioned nor accessible for additional industrial demand.



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The socio-economic impacts are summarized in the table below indicating beneficial value added chains of activity and output by injecting the capital cost of the entire CIBE development (estimated around ± R 13 billion) in the economy of KwaDukuza:

Socio-Economic Impact	Total Impact	Direct Impact	Indirect Impact
<b>New Business Sales (Rands)</b>	R 36 510 520 643	R 16 198 952 352	R 20 311 568 291
<b>Gross Value Added (Rands)</b>	R 12 971 717 508	R 5 360 530 311	R 7 611 187 197
<b>Income Multipliers (Rands)</b>	R 6 403 215 753	R 2 839 228 015	R 3 563 987 738
<b>Employment Multipliers</b>	80 198	45 137	35 062

The following main recommendations and concluding remarks can be made:

- ✓ Taking into consideration the 1 881 hectares of industrial land is needed regionally, it is suggested that by 2015 serviced, zoned and demarcated industrial space needs to be available in KwaDukuza, iLembe and eThekweni and ready for development as demand is set to increase considerably in the short to medium term.
- ✓ The 2.3 hectares of additional local demand calculated for KwaDukuza will fall away when provincial demand is met in the short term, therefore on a wider scale making the CIBE development favourable in the short term in line with the growth expectations of the Dube Aerotropolis,
- ✓ On a medium employment growth rate scenario is the most applicable given that the economy is moving out of the recession the current local over-supply of office space will be eliminated by 2020, effectively creating an additional demand for approximately 36 453m<sup>2</sup> of office space by the end of 2021. However, in the case for CIBE commercial space will complement industrial take up, therefore making office space viable as and when industrial land is taken up.
- ✓ The CIBE Development is expected to have little negative impact on surrounding communities. The advantages of the proposed CIBE development is estimated to create employment for the local and regional communities at 80 198 employees directly and indirectly for the construction phase and over 30 000 employees for the operational life span. The development will also inject a huge sum of money (±R 13 billion) into the economy of KwaDukuza LM which will create significant value added input into the economy both directly and indirectly thereby creating new business opportunities and increased disposable income for surrounding communities.
- ✓ There is an increased demand for businesses producing goods which are not produced locally indicating a positive outlook for auto and automotive components, perishables clothing and textiles, aluminum, wood products and furniture, paper and paper products, electronics, pharmaceuticals, and the service industry etc.