CONSTRUCTION

GENERAL

1989

JUNE - SEPT

Building black builders

Sowetan 11/6/89. (32)

THE Nafcoc housing committee together with the Professional Builders' Federation will host a one-day seminar to address the challenges and opportunities facing black builders.

By JOSHUA RABOROKO

The theme of the seminar is "Black Building Industry — Prospects for Economic Upliftment", and will be held at the Boulevard Hotel in Pretoria on June 27.

According to the chairman of the Nafcoc housing committee, Mr Z Z Mashao, the objectives of the seminar are:

- To address in a practical way challenges and opportunities experienced by black builders;
- To assist participants in costing and estimating;
- To explain how a contractor or builder can acquire bridging finance and;
- How to manage a project.

It is expected that contractors, electricians, plumbers, bricklayers and carpenters from as far as KwaZulu, Free State and Lebowa will attend. For further information please contact Miss B K Baloyi at (01214) 3204/5/6; 3209; 32100.

The Star
Finance

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Boumat bounds ahead

Star 2/6/89

Boumat has reported earnings of R22,7 million for the year to March, an increase of 60 percent on the 1988 earnings of R14,2 million.

Earnings per share were 47 percent up at 110c (75c) on an increase in turnover of 36 percent to R842,7 million (R617,8 million).

Operating profits firmed by 49 percent to R55 million (R36,9 million), but Boumat was taxed at a full 50 percent, which took R23,4 million (R14,9 million).

A final dividend of 19c a share was declared, bringing the total for the year to 38c (29c).

Boumat executive chairman, Irvine Brittan, said that although interest rates had risen rapidly, the contracts awarded to the building industry were sufficient to keep activity at a reasonably bouyant level.

"All divisions increased profits and improved asset management, resulting in a 55 percent return on opening capital employed and a net cash balance at year end."

He added that the company anticipates a fall-off in new housing starts in the current financial year, but also a steady volume of non-residential building activity.

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CAPE TOWN 32 Fmail 2/6/89

Inviting developers

The Cape Town Council is pursuing an aggressive policy to bring new property development back to the city. It has established a development promotion team with a budget of R1,25m for the year.

As a further inducement to developers, it is considering offering those who do things its way rates holidays and rebates. The proposal has not yet been finally approved, but there is believed to be strong support for it in council. The general feeling is that the concept is likely to gain acceptance.

In terms of the proposal, those who qualify for rates concessions will be those who:

- ☐ Build hotels and add to the tourist infrastructure;
- ☐ Create new jobs;
- ☐ Develop residential areas in the CBD; and
- ☐ Help develop strategic areas the council feels are underdeveloped.

The rates holiday scheme is the brainchild of Patricia Sulcas who represents the CBD and Lower Gardens in the council. She says: "The intention is to absolve a developer from paying rates for a period, depending on the type of development. Some may also be eligible for rebates on their rates bill for a predetermined period.

"We hope these incentives will persuade them to develop in Cape Town, rather than in Johannesburg or Durban."

She explains many developers had shied away from Cape Town because of its punitive rates system. Unlike Johannesburg, where rates are set on land values only, in Cape Town they are set on both the land and the improvement values, which can cost the developer of a R40m property about R1,4m/year.

"With this scheme we'll be able to give them time to get on their feet before they need to start paying rates.

"We're hoping to emulate London. It offered a 10-year package, that included planning and assistance from government, to develop London's docklands. That has attracted more than R15bn worth of development."

She says hotel and tourist infrastructure is high on the list, because "Cape Town doesn't have enough hotel accommodation to cope with its growing needs — especially in high season or during the Cape Town Festival."

The council is keen to develop the harbour area, District Six and the extension of the foreshore. It also has a team identifying sites that can be developed as hotels. Developers who choose sites adjacent to beaches that are seldom used will be allowed exclusive use rights.

Otto Stehlik, chairman of the Protea Hotel group, says Cape Town's initiative "is an excellent idea and a positive step in the right direction. We're happy the council has taken the lead, but now the SA Tourism Board (Satour) should act nationally to persuade other councils to do the same. Efforts should be co-ordinated to prevent duplication and fragmentation."

Stehlik says there's a shortage of hotels in the main tourist areas, particularly Cape Town, and it is approaching crisis levels. An increasing number of international tourists cancel their trips to SA every year because they cannot find accommodation in Cape Town in the peak season.

Satour's executive director Spencer Thomas likes Cape Town's initiative and Stehlik's suggestion. He says Satour "has already started looking at various regions and is establishing a priorities list." ■

S/Time 4/6/89. 32

Two quiet years await builders

TWO quiet years in the building industry will follow 1988's real growth of more than 5%, says a study.

By Udo Rypstra

South Africa spent R12,5-billion on all types of building in 1987. This was a 30% increase on 1985, or 5% in real terms, allowing for cost escalations. The building industry will, however, face negative real growth in the next two years. A recovery is likely in 1991-92.

Equal

The findings come from a Business and Marketing Intelligence (BMI) report. It deals with historical trends in the market and prospects for the industry. BMI is a member of the Information Transfer Group, SA's largest multi-disciplinary marketing research group.

The survey found that the contribution of the private sector to building activity grew by 37% between 1985 and 1987. This is 72% of all building activity. Public-sector spending rose by 15% in the same time, but its contribution fell from 32% to 28%.

The public and private sectors invest equal amounts in non-residential buildings, primarily office blocks and factories.

The private sector's greatest increase in building activity has been on residential buildings. Investment in houses grew by 49% between 1985 and 1987. The private sector has also invested heavily in community-based building projects, as well as in hotels.

The public sector's largest involvement was in non-residential buildings. Its investment rose by 37% between 1985 and 1987. The State also spent money on schools, hospitals and tertiary educational institutions. But Government spending on school building and health facilities dropped between 1985 and 1987.

The residential share of the building industry accounted for 58% in 1987 and has grown faster than the non-residential sector. More than 60% of the R3,8-billion spent on residential buildings went to housing for whites and 23% for blacks.

BMI's two-yearly survey is the only one that identifies the total size of the building market as well as the markets for materials and fittings. This year's survey results from inteviews with 2 000 manufacturers, builders merchants, architects and property developers, contractors and local authorities.

The Star Finance

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Marked surge in contract claims

Property & Construction

FRANK JEANS

The current downturn in the building industry is being accompanied by a marked increase in contract claims as contractors who have pruned tender prices to the bone to gain work, hope to capitalise on delay and disruption payments to regain profit margins.

This was said by Mr Eyvind Finsen, chairman of the Association of Arbitrators at its conference in Durban recently.

Another delegate, Professor PC Botha, a quantity surveyor, said that developers who are faced with high finance costs during the development phase of a project, insist on an early start on site and fast-track construction.

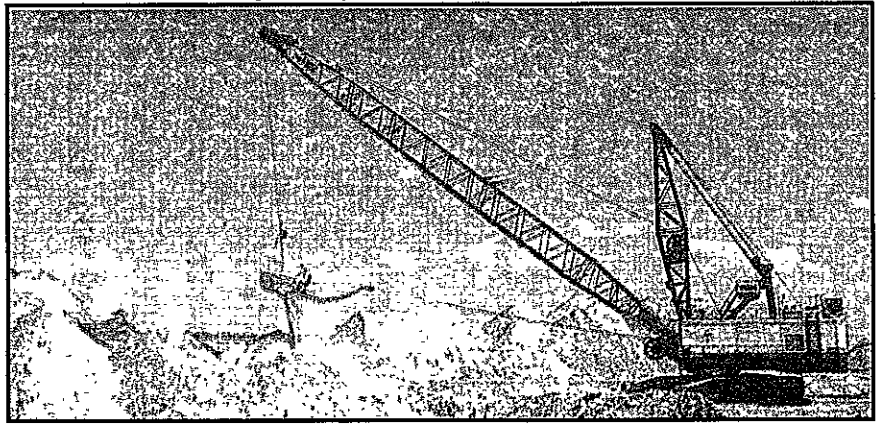
And he warned: "This often leads to inadquate design and documentation which, in turn, leads to mistakes and disputes about the cost of corrective measures."

Delegates were left in no doubt that the pursuit of claims had become a recognised aspect of the contracting industry and that the preparation and presentation of contractual claims was becoming a professional skill.

Indeed, many contractors are now turning to specialist claims consultants to assist them in formulating claims or even engage in-house claims experts.

"Certainly, in today's contracting scene, innovative techniques will be necessary to ensure that claims hearings are quick and economical," said Mr. Finsen.

The association's conference will be held again in Cape Town on June 9 and in Johannesburg on June 16. Details can be obtained from the association secretary — telephone: (011) 728-6348.



The massive Harnischfeger crawler-mounted dragline at work on the Let Construction contract at Rand Mines' Welgedacht Colliery near Utrecht, where it is removing an overburden of more than 15 m deep over an area of 45 ha.

Let has a three-year contract to produce run-of-mine coal at the Zimbutu section of Welgedacht. Harnischfeger (SA) is now actively marketing Page draglines in South Africa, following the acquisition by the Harnischfeger Corporation of the US of Page Engineering.

T 211063

Pelmisto

R32m for CA Brand

(32)

CA BRAND Civil Engineering has been awarded three contracts worth R32-million.

S/Times 17/12/84

The largest calls for the construction of 26km of tarred road and 150 precast culverts near Swartruggens. The R18-million contract will take about 15 months to complete.

The company will also construct 28km of roads near Siyabushwa for the Kwandebele Department of Works. It will involve building bridges over small rivers.

The third contract is worth R3,8-million for regrading of 45km of gravel road in the Malikwe area of Bophutatswana.

Mossgas contract

S/Times 11/6/87 (32)

BASIL Starke Civils has won a R30-million contract to provide underground services at the on-shore site of Mossgas.

The contract entails the provision of 84km of steel and concrete pipelines, as well as the construction of 1 600 manholes.

The work will be confined to the site of the refinery, which will be built about 12km south of Mossel Bay.

Wood frame housing to relieve crisis

Cape Times 24/6/89

32

By KATHERINE BUTT

Timber frame construction looks set to play a key role in alleviating the local housing crises.

Township housing could be the main beneficiary of this cost-effective method — construction of a basic three-roomed timber home takes only 20% of the time needed when conventional methods are used, and the cost is less.

Convetional building costs now range between R850 and R1 000 per square metre. But by using the timber frame method, costs shrink to as little as R200 per square metre.

A basic 36 square-metre, three-roomed house built from a factory kit will cost R8 500 and can be constructed, complete with plumbing, in four days.

Once the initial slab has been layed, and the frames, trusses and roof cladding are complete, work can commence under cover from the weather.

Not only is the construction method speedy, but the completed home will withstand soil movements without the craking associated with solid masonery. Treated structural timbers ensure competent fire and weather resistance.

The effective insulation of the timber frame home contributes to reduced energy costs. Homes are cool in summer and warm in winter. The construction method rules out the possibility of damp — one of the major problems associated with low-cost housing locally.

Maintenance with this method is virtually nil, as all structural timber is protected by non-combustible "rhinoboard" cladding inside and wooden cladding without. Structural timbers used in this method have a strength-to-weight ratio superior to that of steel, bricks and water.

The timber frame home can also be extended quickly and cheaply, and because wall thickness is reduced, the internal floor area is increased by up to 8% — which can make the difference when living space is at a premium.

Not only is this method appropriate to local needs, but John Urban, MD of the timber division of Urban Industries, whose George factory manufactures timber housing kits, reports substantial orders from as far afield as Zaire and Mozambique.

Boumat faces testing time

51 Times 25/6/89

(32)

By Julie Walker

BOUMAT chairman Irvine Brittan says the anticipated economic turndown will be a testing time for his building materials supplies company, but its financial strength will allow it to be aggressive, competitive and well placed to make acquisitions.

In the 1989 annual report, Mr Brittan assumes that real building activity will fall by 4% and product prices will increase by 17%. The result of these two assumptions will be an increase of 12% in the rand value of Boumat's sales for the year to March 1990.

He estimates that operating costs will increase by 15%, the tax rate will be 50%, the average interest rate will be 20% and that 80% of the bonus share offer — instead of a cash dividend — will be taken up.

On these assumptions the sales are forecast to approach R1-billion, profit before tax will grow by 13% to R52,9-million and earnings a share will increase by 4% to 114c — on the greater number of issued shares.

However, the dividend will be boosted by 18% to 4c a share. This puts the company on a forward dividend yield of 7,2% and the current share price of 625c around 5,5 times forward earnings.

The net asset value of the shares will increase by 14% to 519c.

The balance sheet will grow by 26% — fixed capital accounting for R146-million and debt for R6-million, half last year's tally. Boumat aims for a return on capital employed of 56%.

Boumat's objective of a 35% return on operating capital employed "on average and over time" remains intact, according to Mr Brittan.

He makes constructive comments about SA's reform and the crumbling of apartheid, which occurs both informally and through statute.

"All about us a new SA is being shaped as blacks and whites learn to know and respect one another.

"There have been some hiccups such as the lunacy of Boksburg and Carletonville, but by and large this development of understanding is occurring with remarkable ease.

"South Africans are learning to bargain together in a colour-blind industrial relations system that was unthinkable 10 years ago.

"There is no good reason why successful political bargaining should not follow. It is just not true that only violence and sanctions can end apartheid.

"Business is to a large extent playing its proper and important role in the process. Boumat operates countrywide in urban and rural locations, and we can perhaps thus be regarded as a microcosm of SA business.

"I hope so," says Mr Brittan, "because there are some encouraging signs of increasing mutual respect at all levels in our group. This may still be fragile and the cause may well often be self-interest rather than inner conviction, but that does not matter.

"What does matter is the change in attitude and approach."

LTA lifts earnings but pays no dividends

32

Star 27/6/89

Finance Staff

Construction group LTA doubled its earnings in the year to March but no dividend was paid in the wake of increased borrowings and higher interest rates.

Earnings per share rose from 24c to 48c on a 34,2 percent rise in turnover to R1,662 billion.

Higher margins boosted operating profit before interest payment by 60 percent to just over R20 million, while attributable profits rose to R9,02 million (R5,76 million).

But an extraordinary item of R655 000, arising from goodwill written off an acquisition, saw profits diluted to R8,4 million.

The directors state that conditions in the construction industry had improved considerably, although they expressed their concern about the higher interest rates coupled with increased borrowings.

This is reflected in the balance sheet. Long-term interest bearing debt at the year-end was R18,15 million, over R8 million up on the previous financial year, while short-term debt nearly doubled to R42,89 million.

The directors added: "Considerable amounts are due arising out of problems which occured on certain contracts and on discontinued operations, but these should be settled this year.

However, the outlook for the current year is optimistic — the value of uncompleted work was R1,096 billion at the end of March — and LTA hopes to be able to resume dividend payments in the current financial year.

Star
27/6/89

Diagonal Street

JOHN SPIRA

32

Buildcor deserves another chance

Buildcor management is confident that the company will do well in the year to February 1990.

Investors, however, are sceptical, having pushed down the shares by nearly 20 percent to 25c on the basis of the poor 1988-89 results, which told of an earnings drop of 45 percent.

Which just goes to show how unforgiving the market can be when a company fails to fulfil expectations.

Regrettably for Buildcor shareholders, the market has a long memory. Thus, even should the company recover lost ground, the stigma of the period will remain, implying that for the shares to be meaningfully rerated, the 1989-90 figures will need to show a substantial turnaround.

What are the chances of a really crack-a-jack performance from Buildcor this year?

On the face of it — slim. The economy is turning down and the building industry, on which Buildcor depends for its well-being, is usually among the worst hit in such circumstances.

Yet scratching a little beneath the surface reveals a more hopeful picture. Buildcor's disappointing performance has been ascribed by the directors to difficulties in Studio Ceramic, the ceramic tile division.

"The disruption to the existing operation with the installation of the second new kiln was grossly underestimated and the operation suffered accordingly," they say.

Action has since been taken to turn Studio Ceramic around, the result of which has been "a daily improvement in both output and quality".

In addition: "Demand for ceramic tiles has increased countrywide and the investment in the manufacture of ceramic tiles remains a valuable asset with the ability to contribute substantially to profits."

Doorcor, Buildcor's door division, did well last year.

But the key to the future hinges on this statement by the directors: "Countering any dampening of the economy resulting from the Government's recent actions is the major housing shortage that exists. It is doubtful that the reported shorfall of 800 000 units has been reduced in the past year."

That Buildcor has yet to prove itself is not an issue for debate. At issue, rather, is the share's 14 percent dividend yield, which leaves no room for doubt that the market expects the company to continue downhill.

I do no more than raise a question mark over the wisdom of that assessment, bearing especially in mind that the company's reduced taxed profit for the past financial year exceeds the turnover it achieved when it was listed four years ago.

30/6/89.

MUIZENBERG 32

Happy days

Failure to keep abreast of developments in the leisure industry has cost the Cape Peninsula resort of Muizenberg dearly.

Once a premier destination of holidaymakers, it has now all but disappeared from the holiday map. Business activity has declined and a general shabbiness has descended on the area — testimony to both public and private sector neglect.

But, there is evidence that the area is beginning to pick itself up by its bootstraps.

The process of upgrading is already evident in the private residential sector. And there are signs that the council is beginning to respond accordingly.

Cape Town city planner Neville Riley accepts that the area has been neglected. But he adds the council now feels the market is turning and it will be making a much greater effort to develop its large Muizenberg land holdings.

Two schemes are being carried out by the council, one mainly residential and the other with a recreational/commercial emphasis.

The residential project involves a 450 ha site situated east of Prince George's Drive. The council sees it being developed primarily as a high-income housing estate.

The second focus is on the traditional heart of the area, Muizenberg Corner, which will be upgraded to provide recreational facilities, particularly around the beach.

Possibilities include extending the beach at the expense of part of the parking area and improving the pavilion, which has never really lived up to expectations.

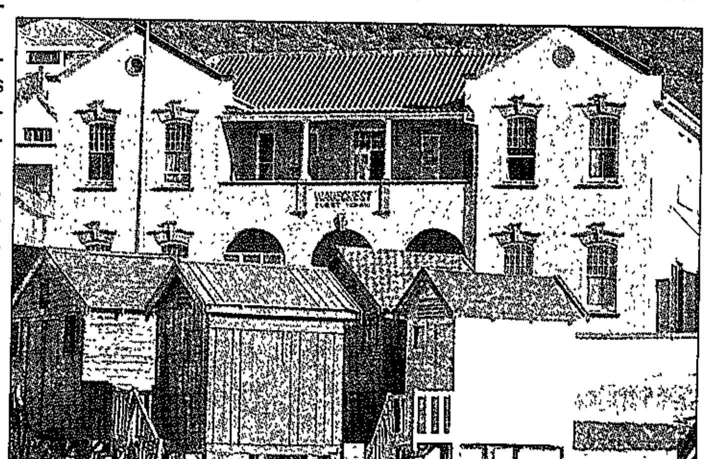
The council also owns several prime but underutilised and dilapidated properties which could be exploited. Sats, which is upgrading Muizenberg station (including a private restaurant), also owns some prime land in the area and is willing to participate in some of the council's development plans.

The council will call for proposals from the private sector for the development of council-owned sites, and Riley expects a positive response.

The high level of activity in Muizenberg's private residential sector is also encouraging. Basil Davidson of Urban Design Services, which is conducting a detailed study of the area for the council, says: "There has been quite a significant regeneration and refurbishment of houses in the past five or six years. The hope is that once the council gets the ball rolling, it could catalyse the refurbishment of more private sector buildings."

Predictably, there is concern in some quarters that the revitalisation could go too far and that the improved recreational facilities could result in the area being swamped by tourists.

Davidson brushes objections aside, pointing out that most day-trippers use facilities remote from the residential areas. ■



Tide comes in for beachfront

32

32

BUILDING COSTS

Builders face the squeeze

The cooling economy will almost certainly have a dramatic impact on both the property market and allied building industry.

One of the first is likely to be a slowing down in the rate of increase in building costs which have spiralled faster than anticipated over the last few years.

The delay in the widely anticipated economic downturn has meant that forecasts of the rate of increase in building costs have been overly conservative.

Property economist Erwin Rode points out that in the residential market, for example, the cost of building a new home last year rose by 22,6% — compared with an anticipated 19%.

However, Rode notes that as the economy begins to slow, there will be a corresponding drop in annualised construction price increases to about 15%.

This will largely be as a result of contractors sharpening their pencils and cutting margins as competition for work becomes stiffer, rather than getting on top of one of the industry's most endemic problems — that of recurrent materials price hikes.

There is a general perception that building material costs are rising at about 26% a year, a growth rate considered unhealthy by both contractors and their ultimate customers, property developers and owners.

Many material producers, unlike their customers, have little competition and therefore minimal incentive to keep prices down.

The predominance of cartels and monopolies in materials supply have the effect of making competitive pricing in the industry a relatively meaningless phrase. The result is that while production plants are being mothballed or closed, prices are still rising.

In defence of suppliers, building division head of market research organisation, Business and Marketing Intelligence, Jan Strauss, says generally market prices and not list prices are the order of the day.

"Suppliers have experienced traumatic demand fluctuations for their products caused by the boom conditions of 1981, through to the sharp recession of 1982 and early 1983, followed by a quick pick up in 1984 and then a protracted recession which lasted until late 1987.

"Market, not list, prices realised varied dramatically during these periods. During the 1987 recession prices fell dramatically, with many items selling at the same price (in current rand terms) as in 1981. List prices became irrelevant."

Sapoa President Robin Vorster says productivity in the construction industry is a major concern to developers because of its impact on costs. A significant area affecting productivity is the skills shortage.

"I'm encouraged by the new initiative taken by Bifsa, under director Neil Fraser, to develop more appropriate, short-term, focused training to address the skills problem.

"Building materials is also a problem area for the property industry because of the shortage of competitive companies. The result of this is that while materials plants are being mothballed, prices are rising and delivery times are getting longer. This affects productivity which pushes up developers' costs."

However, Rode stresses the impact of material prices on the level of activity in building and property development should not be over-estimated.

"Theoretically, the continually rising materials prices should precipitate a building slowdown. But the impact of this should not be over-estimated because developers will build structures if they need them — they will just pay the increased costs.

"After decades of monopolistic conditions one could argue that the level of material prices are well above what they should be because of low productivity levels and that, purely from a theoretical point of view, should inhibit some building activity." ■

Star 3/7/89 (32)

Builders' co-op for Soweto

By Dawn Barkhuizen

Backyard shacks in Soweto could take on a new look with the emergence of a co-operative of builders — believed to be the township's first.

Building structures at cost price with a competitive price for labour will, according to the Sonqoba Co-operative, allow Soweto residents to bridge the gap between backyard tin shacks and basic low cost housing. Clients will also be given terms for repayment.

The co-operative, formed two months ago by dismissed Post Office workers, is one of the township's first self-help schemes for men and is seen as a breakthrough for the urban community in which such schemes are largely limited through lack of space.

Last week members of the Sonqoba Co-operative were hard at work on their first project — two large rooms in the tiny backyard of Mrs Royal Xhseka's three-roomed Soweto house.

Next week they hope to move on to project No 2: a backyard room and garage.

From there they hope to be contracted to build the backrooms and houses that are in desperate need in the area.

Once they become established and build up capital, they aim to tackle larger projects, according to Operation Hunger national co-ordinator Mr Mpho Mashinini.

Plans are also in the pipeline to start a backyard brickmaking self-help scheme to supply the co-op.

Operation Hunger provided the tools for the co-op after 20 men, who were receiving relief feeding, approached the organisation with the idea of starting the co-operative.

"Some of the chaps had been out of a job for some time. They wanted to work but could find no jobs," Mr Mashinini says.

The Sonqoba Co-op has 20 members — some with experience in the building trade, others with the will to learn. Many have skills learnt during their time of employment at the Post Office.

The greatest problem facing the co-operative is lack of capital. Mr Mashinini says banks are reluctant to give loans without a trade record.

In order to embark on their first project, the client was required to buy all the materials needed.

Mrs Xhseka's only payment to the co-operative will be for labour — a payment made over a period of time. Of this money, a portion will go to the builders and a percentage will be set aside for use in the next project.

"This is one of the cheapest options open to a home-owner — and he will be getting a professional structure for which the plans have been approved," Mr Mashinini says.

Songoba Co-operative member Mr Bheki Phakathi, a dismissed cable joiner from the Post Office and one-time builder, is now constructing dwellings in the backyards of Soweto. ● Picture by Stephen Davimes.

Machine will cut building costs by 50 pc

Star 5/7/89 By Kaizer Nyatsumba (32)

A new building technique, which will cut down building costs by more than 50 percent, has been introduced in South Africa.

Uniform Systems Marketing managing director Mr Jochem Kofahl said the first ever Master Form Machine, developed locally, produced building blocks from soil and 5 percent cement at a minimum compression strength.

Some of the machine's advantages are that it cuts normal building costs by more than 50 percent, uses unskilled labour and builds high quality houses. This made it possible for homes to be built within two days.

"It is necessary that innovations in building techniques are kept simple so that costs can be kept down and well within the reach of the mass housing market," Mr Kofahl said.

The hand-operated machine is simple to operate, costs between R72 000 and R82 000 and can be hired. Houses have already been built using the machine in Witbank and Mamelodi.

M & R predicts 41% earnings growth

BDay 11/7/89 (32)

EDWARD WEST

MURRAY & Roberts (M & R) expects earnings to increase 41% this year, but growth may be slower next year because of a slowing economy.

A survey by stockbrokers Davis Borkum Hare predicts the industrial and construction group's earnings will climb to 430c (1988: 303c) a share this year. Growth for 1990, which will be off a higher base, is expected to be 18% to 510c a share.

At pre-tax level, the trend of strong profit-growth is expected to continue this year, while a return to paying higher tax-rates would retard taxed-profit growth, says the research report.

Looking at long-term growth potential, the brokers believe that after years of reorganisation and development, M & R's vulnerability to the fixed-investment cycle has been considerably reduced.

Strong growth is expected from all operating groups for the second half of the 1989 financial year. As in the first six months, major growth is expected in the M & R Industrial group.

In the last few months, industrial management has noticed a downturn in many areas of its activities. However, there is enough momentum to ensure the same rate of healthy growth disclosed at the interim period, the brokers say.

M & R Construction and Engineering is forecast to continue on the recovery path evident in the first six months of the financial year. Building margins remained tight, while civils produced adequate returns.

M & R's reliance on construction has been reduced and is likely to be reduced even further, the report says.

The Suppliers and Services operating group will produce another steady performance, with all activities producing improved earnings, the brokers predict.

The property group will show strong profit growth in 1990, as will construction and engineering, as profits are taken when projects are completed.

Expansion for SA Maltsters

BDay 1/12/89

EDWARD WEST

CONCOR construction is making good progress on a R10m contract which will make SA Maltsters' enlarged plant at Caledon the largest in the Southern Hemisphere and the fifth largest in the world.

32

The project is part of a R70m expansion plan by SA Maltsters to meet an increasing demand for malted barley due to a 13% annual rise in beer sales volumes, a statement said.

The project will boost capacity from 85 000 tons to 127 000 tons when construction is completed and the project is on stream in January.

Building contractors face tough time

(32) B/Day 12/7/89

EDWARD WEST

CONDITIONS for Transvaal building contractors are likely to become as difficult as they were 18 months ago — and this downturn could last as long as two or three years, said building group Ovcon MD Alan Harman.

His view was substantiated yesterday by Business Marketing Intelligence building and construction divisional manager Franco Conradie who predicted a nationwide drop in building activity for the next two years.

Conradie said the housing sector was particularly sensitive to interest rate increases, while the non-residential building activity would not show as much of a decline in comming years.

Plans for the construction of non-residential buildings were usually drawn up 18 to 12 months ahead of construction and the cost for these buildings were consequently budgeted for by companies.

However, less building contracts would become available for tender and tendering would become more competitive. Building activity had shown signs of general decline since the beginning of 1988 he said.

A spokesman for a large construction consortium said building activity in the Tranvaal was depressed, with contractors' companies facing low profit margins and not much available building work.

There was also growing surplus of office space in the Transvaal which had a negative effect on building investment he said.

As conditions became tighter, contractors would have to handle different types of work and there would not be much room for the specialised contractor. There were too many contracting firms chasing too little work Harman said.

Contractors would have to move away from plum areas like the Reef CBD areas and the PWV industrial areas in search of work. Contractors who, in recent bouyant periods, over-reached his borrowings and acquired too great an asset base could be in for trouble he said.

Trust Homes director Andre du Plessis said rising inflation and not interest rates were affecting the housing market. At the upper and lower end of the market, building activity was still relatively bouyant with many homebuyers benefitting on financial packages offered by home builders.

FAMILIES MUST WAIT

Sowetan 12/7/89

By MZIKAYISE EDOM

EIGHTY families in Wattville, Benoni, who were granted stands a month ago, may face big increases before they get their new homes.

Mayor of Wattville Mr John "Master" Nkosi said negotiations between the council and the developer, appointed by the residents to build them houses, have not yet been completed. 32

"There is a lot of paper work to be done before the building starts," he said. "We still have to cut the stands to the right sizes and price each stand according to its size."

Nkosi said they also have to meet the Government for their approval before building can start.

"The whole process will take about two months to complete," he said.

Project

Building costs are to go up by at least 20 percent in September and Nkosi said the council was working hard to complete the project before then.

One resident said: "I don't believe it possible for the work to be completed in two months - and I fear huge increases in the costs."

Interboard and Buildcor reshuffle

BIDay 13/7/89.

EDWARD WEST

(32)

INTERBOARD and its 80%-held subsidiary Buildcor announced a major management reshuffle yesterday — hard on the heels of reports alleging inadequate management depth and poor financial results for Buildcor.

Interboard manufactures chip-board and showed a turnover of R188m in 1988, while Buildcor makes building materials.

David Olsen, a representative of Interboard's main shareholders, Interboard BV of Holland, has been elected chairman of Interboard.

Former Interboard chairman Ed Dutton becomes MD. Dutton replaces Derek Brindle, who becomes a non-executive director.

Rob Theunissen, previously of Ernst and Whinney accountants, becomes financial director. Former financial director John Dutton now becomes CEO of Audiocor, Interboard's sound and hi-fi division.

At Buildcor, former chairman Derek Brindle becomes a non-executive director, while Ed Dutton becomes chairman. New directors include Gerhard Venter as Tilecor GM, Doorcor CEO Barry Dutton, and financial director Les Groves. David Olsen becomes a non-executive director.

Brothers find listing vehicle

S Times 16/7/89 (32)

SCHARRIGHUISEN, the Ladysmith-based mining, earthmoving, civil engineering, construction and plant-hire group, is to come to the JSE in a reverse takeover of the Goodall group.

Goodall was listed in the pre-October 1987 rush. Scharrighuisen's listing plan was frustrated when the market turned sour.

Goodall typifies today's Development Capital Market company — nobody really wants the scrip. Its major shareholder has opted to delist the company.

The Goodall family will sell its 81% stake in Goodall to a consortium of Scharrighuisen's directors for R2,9-million — or 35c a share. Goodall has sold its entire interests to the family for R3,3-million, making it a small cash shell.

Minorities

Effective from July 1, Goodall will buy the business of the Scharrighuisen group from its current shareholders — brothers Tony, Cas and Hendrik — for R30-million. Of this, R3,3-million will be in cash — the amount in the Goodall shell — and the balance by the issue of nearly 74-million shares at 35c.

The shares will be consolidated one for four, which should push the new trading price to 150c. There will be 21-million shares in issue in the group, which will be renamed Scharrighuisen and transferred to the industrial holding sector of the JSE.

Minorities will be offered 34,5c a consolidated share for their holding. The current market price is 30c.

The directors forecast that earnings a share should reach 28,6c in the year to June 1990. The net asset value a consolidated share will be 150c.

Scharrighuisen was started in 1972 when Cas came to SA from Holland and secured an earthmoving contract with Iscor at Newcastle.

Stripped

Tony followed a few years later, and the brothers moved to wherever there was work, from roads in Transkei to dams to opencast collieries in Natal. It was the first to undertake a rehabilitation project on stripped land in 1982 — a growth business today.

From one earthmover 17 years ago the group now has 120 vehicles which can be used in many applications. It buys from three suppliers and foresees no difficulty in obtaining spares.

Scharrighuisen operates opencast mines for Gencor, Rand Mines and Anglo American, and expects toll roads and the Lesotho Highlands water scheme to provide opportunities.

It has a branch in Jet Park, Jan Smuts airport, and employs about 400. The only vehicle it did not have was one through which to list. No capital is being raised as the group is asset rich, but the listing is important for future developments.

Building increase

The total value of building plans passed in South Africa in May this year was 23,8 percent higher than in the same month last year. Plans for non-residential buildings accounted for most of the increase, according to figures released by Central Statistical Services in Pretoria. — Sapa

Star 17/7/89 32

Blue Circle slowdown up to June

BDay 20/7/89

BRENT MELVILLE

(32)

THE results of Blue Circle substantiate predictions made by chairman Trevor Coulson in last year's annual review that the building and construction group would show a slowdown for the six months to end of June.

While there remained a strong demand for group products, especially cement, reflected in a dramatic 55,5% rise in turnover to R353m (R227m), margins tightened to 17,6% (21,3%) resulting in an operating profit which increased by 28,4% to R62,2m (R48,5m).

Despite higher interest rates, the group managed to halve finance charges to R4,1m (R8,3m), mainly as a result of a reduction in net borrowings to R80,4m (R123m), and financial director Angus Morrison is hopeful of a further reduction by year-end.

However, the tax charge leapt by 56% to R28,4m (R18,3m) resulting in an attributable income figure up by 18% to R30,1m (R25,6m), in line with Coulson's expectation that earnings would increase at roughly the rate of inflation.

Earnings were up by the same margin to 109,4c (92,8c) a share and the group, in celebrating its 75th anniversary, declared a relatively generous interim dividend of 40c (30c) reducing cover to 2,7 (3,1) times.

On a current share price of R16,50, Blue Circle is operating on a historical P:E of 15,1, well above the sector average of 7,6 reflecting bouyant shareholder confidence.

Blue Circle shrugs of the slowdown

Star 20/7/89

(32)

By Ann Crotty

Strong demand from the civil engineering and construction industries has helped counter a slowdown in building activity and enable Blue Circle to post a modest improvement at the earnings level.

For the six months to June, earnings were up 18 percent to 109,4c (92,8c) and the interim dividend was lifted 10c to 40c.

Performance at the turnover level reflected a more impressive 55 percent advance to R353 million (R227 million).

But operating margins were squeezed from 21 percent to 17,5 percent, which meant operating income was up only 29 percent to R62,2 million (R48,4 million).

The merger of ready-mixed concrete interests with those of Murray & Roberts, (to form a new 60 percent-held company) helped boost turnover.

Finance charges were down from R8,2 million to R4,1 million despite higher interest rates.

The balance sheet shows borrowings dropped to R80 million from R123 million.

The directors say although borrowings are lower on a year-on-year basis, they are seasonally high and will reduce by year-end. At December, borrowings were down to R47 million.

Income attributable to minorities shot up from R1,1 million to R5,6 million — again reflecting the impact of the deal with M&R.

Attributable income was up 18 percent to R30 million (R25,5 million).

Civil contracts on the decline

Star 21/7/89

By Sven Lünsche

Civil contracts awarded to South African companies are showing a significant decline in the wake of the significant slowdown in economic growth.

Only 70 new civil engineering contracts, valued at R160 million, were awarded during June, bringing the total for the second quarter of the year to a modest R510 million.

The SA Federation of Civil Engineering Contractors (Safcec) in its monthly release points out that this was the lowest quarterly figure since the beginning of last year.

Safcec says that the less buoyant outlook has already resulted in increased competition for available work with longer lists of tenderers and keener prices.

Companies are, however, still reaping the benefits of last year's boom period and for 1989 some real annual growth in the volume of civil engineering construction is expected.

Commenting on the growth prospects, Safcec says that the order book position at present is reasonably satisfactory although contractors expect the tempo of construction to slow down, later this year or early 1990.

"Because of the state's tight capital expenditure budgets and also, for instance, the impact of the higher interest rates on private township development, which is already being felt, tender activity is expected to be lower in the second half," Safcec writes.

On the other hand the outlook for next year may improve should the construction of major works for the Lesotho Highlands Water Project commence; the development of townships for lower income groups be stepped up or mines embark on programmes of expansion.

Projects in Lesotho are already coming in by dribs and drabs — in June a R13 million contract was awarded for the construction of the engineering services at Katse Village, near the site of the future Katse dam.

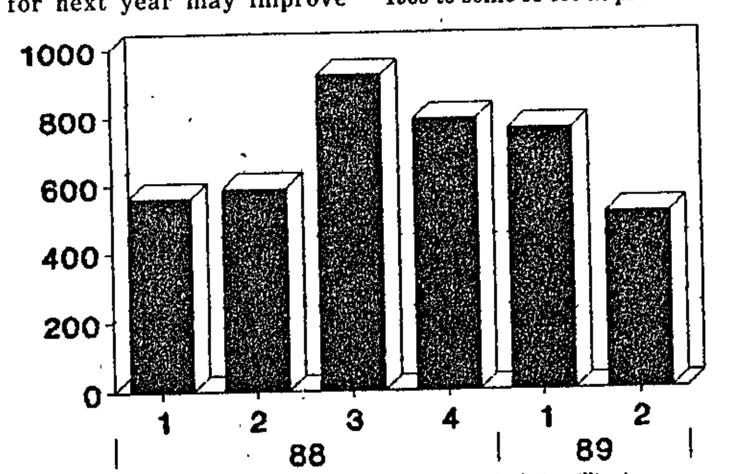
In the meantime civil engineering contracts at Southern Africa's second major project, the Mossel Bay gas venture, are in full swing — some R140 million of contracts at the Mossel Bay refinery were awarded in the first half this year, following last year's R40 million earthworks contract.

However, South African companies lost out on a major R120 million contract in Botswana, when the construction of the railway line from Francistown to AECI's Sua Pan ash deposits was handed to Italian contractors CMC.

Despite the slowdown in the June quarter, the industry certainly had a buoyant 12 months.

According to Safcec, contracts worth R2,96 billion were awarded from July 1988 to June this year, compared with R2,08 billion during the previous 12 months, an improvement of some 42 percent in nominal terms and 25 percent in real terms.

Total employment in the industry has recovered from about 85 000 at the beginning of 1988 to some 95 000 at present.



Quarterly value of new contracts awarded (R million).

steadily.

However, economists do not believe that the sharp increase points to a renewed upswing in the economy.

strong", although the momentum had slowed down somewhat.

"The figures indicate that up to the second quarter the economy still had

week, show an increase of 1,5% compared with July last year and a slight decrease of 0,8% compared with June after seasonal adjustment.

Contractors feeling the pressure

B|Day 21/7/89 (32)

BRENT MELVILLE

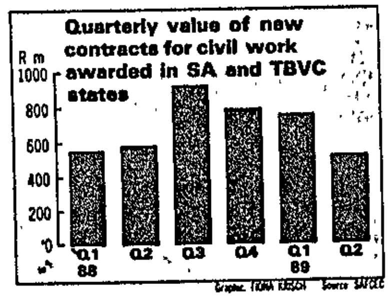
DESPITE starting the year with bulging order books and record contract totals, civil engineering contractors are beginning to tighten their belts as the pressure of the State's tight capex budgets and high interest rates take effect.

Nowhere is this more evident than in the lacklustre number of contracts — 70 new contracts worth R160m — notified to the SA Federation of Civil Engineering Contractors (Safcec) last month.

The modest total for June brings the figure for the second quarter to R510m, below the R560m total for the same period last year.

Awards for the first half of the year included R140m worth of contracts on the Mossel Bay refinery which, together with last year's R40m earthworks contract, constituted the bulk of the civil work to be awarded by Mosref, said Safcec executive director Kees Lagaay.

However, the strong flow of new contracts during the second half of 1988, culminating in a record awards total of R560m worth of contracts in February, pushed the total for the past 12 months to R2,96bn compared to R2,08bn during the period July 1987 to June 1988.



"This is an improvement of 42%, and after adjusting for an inflation rate of about 15%, shows that the volume of new work over the past year was up in real terms by between 20% and 25%," Lagaay said.

He says that as a result of the high intake of contract awards during the past year, construction activity has gradually accelerated from the low level to which it had dropped at the end of the long slump between 1982 - 1987.

The industry's total employment recovered from about 85 000 early last year to about 95 000.

Signals are the key — govt

B|Day 21/7/89

MIKE ROBERTSON

SOUTHERN African leaders are looking for further positive signals from SA rather than the repeal of specific laws before agreeing to hold a regional summit, government officials say.

President P W Botha's meeting with Nelson Mandela is the kind of positive signal they are looking for, officials said.

This was their reading of Mozambique leader Joaquim Chissano's statement that SA would be allowed to take its place in the community of southern African states if there was a sound process of change in the country.

At his meeting with NP leader F W de Klerk on Wednesday, Chissano is understood to have accepted SA's contention that now was a propitious time to begin talks to end the region's cycle of violence.

Chissano is said to be prepared to contribute to the ending of violence in SA.

He is understood to have said that a meeting between SA and the Frontline States would be possible if there were further developments inside SA along the lines of the Mandela meeting.

Meanwhile, SA officials have denied reports that De Klerk's proposed meeting with US President George Bush was postponed because the US had attempted to lay down preconditions.

Rather, they linked the postponement to domestic political considerations in the US, in particular opposition to the visit by 100 Congressmen, and the fact that no agreement on dates could be reached.

It is understood there was also a feeling in government that it would be better for De Klerk to visit the US as president.

● Comment: Page 8

PSA declines to dis

B|Day 21/7/89

PRETORIA — The Public Ser sociation (PSA) yesterday de disclose the contents of a repor claims, shows private sector sa running ahead of government

A spokesman said the in was confidential and the PSA taken not to divulge details of FSA Remuneration (Pty) I

Blue Circle correction

YESTERDAY's Business Day incorrectly reported that Blue Circle was operating on a historical p:e ratio of 15,1. Blue Circle was in fact on a p:e of 7,3.

The error is regretted.

B/Day 21/7/87

32

• We're clean — Interboard boss

(32)

S Times 23/7/89.

Business Times Reporter

INTERBOARD managing director Ed Dutton says he is relaxed about police, Attorney-General and public prosecutor inquiries into the affairs of the company.

He is hopeful that he and his fast-growing chipboard, door, radio and hi-fi company will be cleared of all allegations by Friday.

"They have our file, along with those of several other respectable companies only to check out allegations made by Oliver Hill, who is the real subject of inquiry.

Absurd

"The major allegation is that we bought plant and equipment abroad at inflated prices in 1981, then brought commercial rands, which went out, back through the financial rand. We have satisfied the Reserve Bank and the Commercial Branch about these questions before.

"Now we have appointed independent plant and machinery valuators to value the equipment and are confident they will show the prices paid to have been realistic.

"The allegations are absurd. They said our plant was worth R500 000 and we paid R9-million for it. But the plant in question produces more chipboard than a new one being built by Sappi for R90-million."

Mr Dutton dismisses a suggestion that Interboard paid heavily for consultancy and management services from abroad.

"We make more out of consultancy and technology than we pay for it," he says.

Control

Interboard's new London-based chairman, David Olsen, says he is confident that neither Interboard nor its minority shareholders will suffer financially from the inquiry. They could benefit if there are sufficient grounds to claim damages from any seller who overcharged for plant.

The Interboard share price fell from a high of 200c in March 1987 to a new low of 50c this week.

Mr Olsen tells Business Times that control of Interboard changed in 1986. It is controlled by Dutch company Interboard BV. BV is controlled in turn by another Netherlands Antilles company, Interboard NV, which is run by a trust.

The beneficiaries of the trust, and hence, ultimate control of Interboard SA, changed in 1986. Mr Olsen says he is not at liberty to diclose who the trustees or beneficiaries of the trust are. But none of them is resident in SA.

He was appointed chairman by the major foreign investor. He accepted the appointment, knowing that controversy hung over Interboard SA.

Mr Olsen says the present controllers cannot answer for anything that happened before 1986. His task is to develop the company and to strengthen its management.

Profitable

Mr Dutton says all divisions except tiles are profitable. The company has increased capacity and is happy about it. The Swazi operation, which lost R1,8-million last year, is back in the black, making about R250 000 a month.

He believes Interboard has the potential to double profits to R60-million before long.

To secure wood, Interboard has launched into forestry. It is planting 3 500ha of trees in Ngomi, Northern Natal, and has applied to the Swazi Government to plant 10 000ha there.

Interboard was listed in 1986 through a reverse take-

• To Page 2

PTO

CARTE BLANCHE

By David Carte, BUSINESS TIMES Editor

Venter — leader at the back

The ubiquitous Venter luggage trailer is as South African as biltong.

You see them toting sailboards, cycles, motor-bikes and gatsometers for traffic cops.

There is no other country in the world where one in five cars has a tow hitch. The main reason is Venter.

Mostly, the trailers are used to multiply a family's holiday luggage space. As such, they are indispensible liberators. They enable mothers and daughters to pack cases full of clothes, cosmetics and curlers and fathers to load golf clubs, gas braais, and other paraphernalia behind small and medium cars.

The Venter trailer really took off after the first oil shock of 1973. That obliged thousands of motorists to switch from their Ford Fairlanes, Galaxies and Chev Belaires, with cavernous boots, to little German and Japanese jobs.

Demand for trailers remains strong. In 1976, Venter made 107 of them. It now makes about 20 000 a year in three rather primitive plants where the technology is described as "bosveld vernuf".

In the past two years, unit growth has been about 60% a year. There is a bewildering variety of trailers — 72 standard models plus all kinds of custom-made

• From Page 1

over of Renhold Investments.

There was a rights offer of 29,2-million shares at 30c to finance the business of particle-board manufacture.

Interboard's losses would probably have precluded a front-door listing. In 1984 it lost R5,7-million, the next year R5,5-million, and R241 000 in 1986.

Then things improved dramatically. In the three years to February 1987, '88 and '89, Interboard's earnings were respectively R8,0-million, R14,3-million and R20,9-million, excluding extraordinary items. S/Times 23/7/89.

Slashed

In the year to February 1989, turnover virtually doubled to R188-million, but the operating margin declined from 17,6% to 11,5%. Attributable income of R24,5-million included an extraordinary profit of R3,6-million.

Earnings a share not including that profit were 30% higher at 13c a share. The dividend was increased by 22% to 7,3c.

Major subsidiary Buildco increased turnover by 37% to R59-million, but earnings a share fell by 45% to 3,27c. The dividend was maintained at 2,85c.

Interboard BV owns 75%

Interboard

of the SA company. Shortly after the listing the Duttons sold all but 5% of their stake to Interboard BV at a huge premium to the JSE market price.

BV paid 237c a share when the market price was 90c. In May 1987 another 1,2-million shares were placed with Interboard BV at 227c, compared with the market rating of 145c. (32)

Amazing

BV says it reinvests through the financial rand in SA all the dividends it receives through commercial rand.

Interboard owns 75% of Buildcor, which was listed during 1987. Buildcor makes doors and tiles. Interboard also owns all of Interboard Swaziland.

In the 1989 financial year Interboard's wholly owned Supersonic Radio and TV bought Tempest.

The price of R21,2-million was settled by the issue of shares at 271c each. The market price of Interboard at the time was 87c. Confirming its amazing confidence, Interboard BV underwrote the price.

Civils orders slowing

TOUGHER competition for civil-engineering contracts has led to keener prices and longer lists of tenderers.

The SA Federation of Civil Engineering Contractors says the strong flow of orders in the past year has meant that order books are fairly well filled. (32)

But clamps on State capital spending and high interest rates, which are already affecting private township development, should mean a slower business tempo in the second half of this year.

Civils contracts in the second quarter of this year totalled R510-million — the lowest quarterly figure since the beginning of 1988. S Times 23/7/89

But the high contract award figures in the previous nine months lifted the total for the year to June to R2 960-million compared with R2 080-million previously.

The 42% improvement means that, after adjusting for inflation of least 15%, the volume of new work increased by 20% to 25%.

Contracts for most of the civils works on the Mossel Bay project have been awarded.

Stocks & Stocks shows record R1bn turnover

BIPCAY 26/7/89 EDWARD WEST (32)

HEAVY demands on the construction industry have helped boost Stocks & Stocks' growth in its first year of listing.

Net asset value increased 18% while earnings a share increased 25% from 32c to 40c a share, Stocks & Stocks results for the year to April 30 show.

Turnover increased 42% to a record R1,07bn. Operating income was R33,4m (1988: R22,8m). Finance charges increased from R7,06m to R10,9m.

Pre-tax profit increased 43% from R15,7m to R22,5m. Tax came to R2,6m. Taxed earnings increased 37% from R14,6m to R19,9m.

After a R28 000 taxed income from associated companies and R443 000 payable to outside shareholders, attributable income came to R19,5m, 41% higher than the previous year's R13,8m.

A final dividend of 10c was declared, 22% up on the previous year.

Stocks & Stocks executive chairman Reg Edwards ascribes the construction and property development group's good results to strong economic growth, which put heavy demands on construction industry resources, but alo offered a number of excellent business opportunities.

The group entered the new year with an order book of R750m, R118m higher than the previous year, its report says.

Building construction, property development and housing were the main contributors to profits. Projects such as the SA Reserve Bank headquarters, Sasol's polypropylene plant at Secunda and the SAB beer division head office in Sandton enhanced the group's industry profile.

The report says because the construc tion industry lags behind the general economy, and in view of the good quality order books, directors forecast a further improvement in results during the current year.

Stocks turnover at R1 bn

32

STAR 26/7/89

Heavy demands made by the economy on the construction industry have helped boost Stocks & Stocks Holdings' growth in its first year as a listed company.

According to results published yesterday, turnover was up 42 percent to a record R1,074 billion, with taxed earnings up 37 percent to R19,8 million.

Net asset value increased 18 percent, while earnings per share were up 25 percent to 40c.

A final dividend of 10c has been declared, which is 22 percent up on the previous year.

Executive chairman Reg Edwards ascribes the construction and property development group's strong results to the growth in the economy, which placed heavy demands on the resources in the industry and offered good opportunities.

The group entered the new financial year beginning in May 1989 with an order book of R750 million, a full R118 million higher than the previous year, Mr Edwards said. — Sapa

32 Sowetan 28/7/89

MEETING THE HOUSING CHALLENGE

Black/White joint ventures could be the answer

Co-operative ventures between white and black builders is one of the most effective ways of tackling the country's black housing backlog, says Mike Graham, Managing Director of Time Housing.

"We have long realised that this is the only logical and realistic route to take. Partnerships between ourselves and black builders have already resulted in 96 homes being built in less than four months at kwaGuqa near Witbank in 1987.

A few months ago, we teamed up with a group of black building entrepreneurs to form Tri-Time (Pty) Ltd and this partnership is already yielding fruit."

In its first venture, the new company recently officially handed over the first three houses in a 50-home project to upgrade two blocks in 13th Avenue, Alexandra, near Sandton.

Says Nel Khumalo, a Director of the new company: "We managed to build the first homes in six weeks, which made us the first among several contractors who were allocated stands by the Alexandra City Council to complete some houses."

Says Mr Khumalo: "Thus far we have experienced few hitches although we did encounter unstable soil in places which required unusually deep foundations of up to 1,5 m. The delay caused by this was more than made up by our fast and efficient construction team.

"For many years there were no proper housing schemes that took into account all the needs of the residents of Alex. This has now changed dramatically.

The company's two and three-bedroomed homes are designed for the middle-to-upper-income group and sell at between R39 000 and R64 000, including land. Homeowners have more than 100 designs and various finishes from which to choose.

A timetable has been drawn up which will see the company expand its activities to other metropolitan areas in the Transvaal this year.

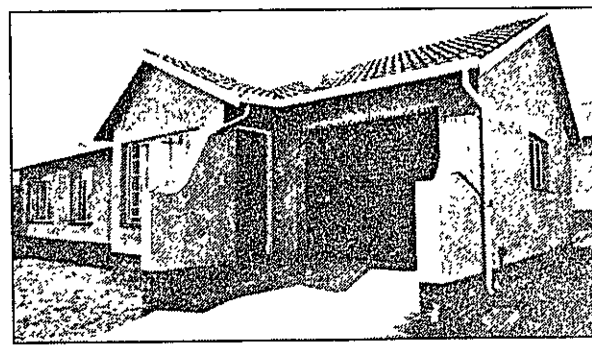
Says Mr. Khumalo: "We believe that partnerships between black and white entrepreneurs are crucial to the gradual elimination of the huge housing backlog. They also allow black entrepreneurs to grow much faster than would otherwise have been the case.

"My partner Alf Molathoe and I have many years of experience in the building industry. However, a small building company needs a strong partner if it is to impact.

"As a joint venture, Tri-Time is working exceptionally well. Time Housing provides not only the financial muscle and expertise, but also on-going training in critically important areas such as marketing, administration, bond registration and customer relations, and its draughting and conveyancing services are invaluable to us. Tri-Time Housing may be contacted on 832 2040/9.

(Extract from Housing in Southern Africa).

One of the three homes that were officially handed over by Tri-Time (Pty) Ltd, in a 50-home project to upgrade two blocks in 13th Avenue, Alexandra, near Sandton



TOKOZA EXT 5 NOW RELEASED

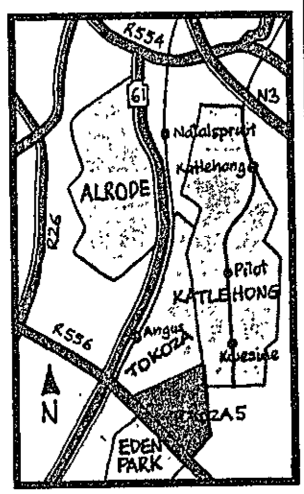
Time Housing have now commenced the services and roads to this exclusive new suburb in the East Rand. During the next 5 years over 1 000 new homes will be built, all to the individual designs and finishes chosen by the families who will live there.

The suburb will have the best level of services provided such as water, sewers and full underground electricity as well as tarred roads and street lighting.

Land has also been made available for new schools, churches and creches as well as parks and plenty of open spaces.

A show area which will be built by the end of the year will be open 7 days a week for enquiries.

If you would like to find out more about this new area and a new home for your family, why not telephone our offices on 834 4871 or 880 6088 or call into our office in Central Johannesburg — New Street North, just off Rissik Street, Monday to Saturday 8 to 5 — we will be pleased to offer advice to you!



Time Housing builds over 100 new houses every month in the Johannesburg area!

It's no easy task says Pat Collins, Director of Time Housing, to hand over the keys to so many houses every month, each one to an excited happy family, almost all who have never owned a brand new house!

Time Housing was formed in 1984, the home building development arm of the Time Holdings Ltd Group. Since then over 20 branch offices have been opened to serve almost the whole of South Africa. Nearly 4 000 new homes will be built in 1989 of which 3000 will be for black families and the balance for the Asian, Coloured and White communities.

In the Johannesburg area, Time are currently active in the suburbs of Vosloorus, Tokoza, Spruitview, Daveyton, Mohlakeng, Tsakane and Khutsong and their new prestigious suburb of Westside Park in Sebokeng is about to be launched.

The secret of Time's success is attributed to four major items. Firstly, every home is individually matched to the needs and financial constraints of the family budget, and the choice of finishes selected by the customer.

Secondly, all the paperwork is handled by experienced Time staff who negotiate with town councils, building societies, banks and attorneys.

Thirdly, qualified Time consultants are always ready to give advice and keep their customers in touch with progress.

Fourthly, every house is built with the best materials available and carefully supervised for quality. Time Housing's after sales service is also available. Not here today, gone tomorrow!

AFFORDABLE HOUSING:

The problems and Some Solutions

Sowetan 28/7/89

Some of the problems facing housing companies include the scarcity of land nationwide, particularly inexpensive land, and town councils which force developers to apply standards that are far too high and too costly for an effective solution. In addition to this, house prices tend to become inflated due to delays in conveyancing.

"Nevertheless, at Time Housing we are confident that much can be done despite these problems. This is particularly true in cases where one is able to develop a strong relationship with a major employer as most problems can be resolved on a co-operative basis.

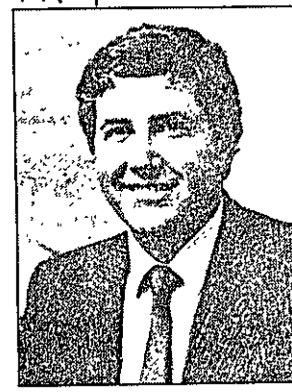
"For example, we have been having discussions with major employers with a view to them providing bridging finance to developers for temporary funding of low-cost schemes.

"This would enable the developer to be paid regularly while the employer would be reimbursed from the proceeds of bond registrations. This system would not only facilitate a smooth production flow, but also allow for construction to start two to three months earlier than normal.

"This in turn, would reduce the impact of inflation and escalating administrative costs while improving productivity, and providing security for developer and homeowner alike.

"We are also trying to reduce the cost of serviced stands as much as possible because stands form a major part of the total housing package cost.

"Through effective township layout and efficient engineering services design, we are able to cut costs without compromising on quality and can therefore address lower-income-market requirements.



Mike Graham, Managing Director — Time Housing

"Other procedures that have been successful in assisting us to cope with the housing challenge and improving margins and productivity are tight control of overheads, cost-effective designs and the use of alternative, inexpensive materials, excellent site security and strict quality controls.

"We are convinced that by applying these criteria in collaboration with major employers, we create a sound way of efficiently tackling the low-cost market of providing economically priced quality homes while maintaining reasonable profit margins.

"We believe the route we have taken is a logical one for the industry in our mixed First World-Third World environment. We are convinced it will significantly contribute to the future prosperity of the country and all its peoples", says Mr Graham.

(Extract from Housing in Southern Africa)

Housing costs to come down — probe

32

Sowetan 28/7/89

SOUTH African middle class house prices were levelling off and could even be heading for a slight decline toward the end of the year, according to the latest analysis of nationwide building trends by the Bureau for Economic Research (BER) at Stellenbosch University.

The BER'study showed that these house prices have been levelling off since around June last year.

This meant that the Rode house price index - the National Monitor of House Prices - was kept aloft during the last six months of 1988 as a result of growth in the price of houses in upper income and lower income suburbs.

A BER building research analyst, Mrs Ursula Segalla, said that the bureau's analysis of house price data as at the end of last year showed that by December 1988, the growth in the price of upper and lower housing had brought the average growth in house prices to an average annualised rate of about 15 percent.

"It is interesting to compare this with the peak growth attained in September 1987, when average house prices briefly grew at a rate exceeding 20 percent," Mrs Segalla said. - Sapa.

Building industry downturn continues

Star 28/7/89

32

Finance Staff

The downturn in South Africa's building industry has continued and conditions are likely to deteriorate further during the year.

This emerges from the latest nationwide survey of the building industry released by the Stellenbosch University's Bureau for Economic Research (BER) today.

The research analyst in charge of the latest study, Mrs Ursula Segalla, said: "The tempo of building activity in South Africa is still slowing. There does appear, however, to be slightly more activity in the residential sector than in the non-residential sector."

Sub-contractors seemed somewhat better off than other groups within the industry, "since their level of business confidence has shown the only noteworthy increase recorded."

Quantity surveyors had also confirmed that business conditions had deteriorated further since the previous quarter and expectations were that conditions would worsen.

Building contractors also indicatedthat conditions in the residential and non-residential sectors had deteriorated since the first quarter and industry expectations were that there would be further decreases in the third quarter.

Meanwhile, South African civil engineers experienced substantial increases in construction costs between January and March this year resulting from increases in the prices of new plant, spares, materials and fuel.

BER research analysts said the price index of civil engineering materials had increased by 15 percent during the whole of 1988, yet had jumped a further nine percent in the 1989 first quarter.

precedented political unrest descended on society. Today, imports

We are therefore very much into a holding pattern, a waiting game, until the impasse breaks either way.

Civils costs soaring

B/Times 30/7/89.

(32)

COSTS in the civil engineering industry rose by 9% in the first quarter of this year compared with 15% for the whole of the previous year.

The reason was the rapid increase in prices of new plant, spares, materials and fuel, says the Bureau for Economic Research at the Stellenbosch University (BER).

Its survey of the building and construction industries shows that in spite of the price increases and a tightening in the market for new work, contractors maintain a positive view of overall business conditions.

For the first time, the survey includes input from the SA Federation of Civil Engineering contractors.

The BER says: "The order books of many contractors are reasonably well filled, ensuring a fair workload for most of 1989.

"Uncertainty about the flow of work coming out to tender later this year, however, has spurred contractors to step up bidding for contracts on offer now."

Contractors experienced less township work because rising interest rates put a damper on private development.

Demand for concrete structures remained quiet.

St Times 30/7/89 (.32)

Builders gloomy

THE downturn in the building industry continues and it is expected that conditions will deteriorate by the end of the year.

Although activity is slowing, there is slightly more business in the residental than in the non-residential sector.

The Bureau for Economic Research at the University of Stellenbosch says in its building industry survey that sub-contractors appear to be better off than other sectors. They are only ones to express confidence.

In contrast, architects believe conditions are unsatisfactory and there will be a continuing deterioration in the current quarter.

32

S/Times 30/7/87

Sydwell and friends pave away to sucess

By JACQUELINE QOBOZA, of Black Enterprise magazine

KRONEN Paving started small and made lots of mistakes, but now the venture is paying off handsomely.

Sydwell Nxumalo is not one to copy what others are doing. In 1983 he noticed that nobody in the townships was doing paving, so he decided it was wide open for a new business.

The only trouble was, he knew nothing about it. So he looked around for somebody with the know-how. He met David Buthelezi, who worked for a leading paving company, and the two of them got together. Kronen Paving was formed.

Bricks

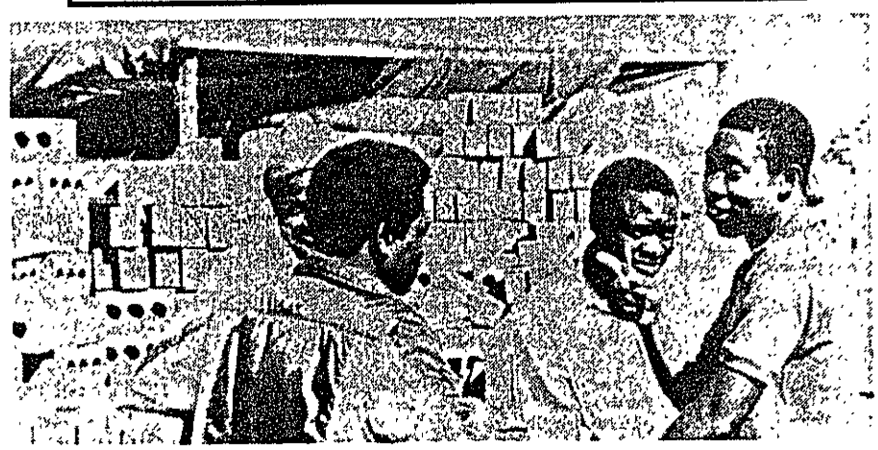
The first job they got, through a Mrs Motlana, they came up against their first problem — how to quote for a job. So Sydwell, who was never afraid to ask, called in the help of a white acquaintance who was a salesman at a paving company.

The next problem was, where to get the bricks. Again David Buthelezi came to his aid because he knew they could be bought at Concor.

Syd borrowed a smart truck and headed for Concor where he attracted the attention of company director James Vicari. He promptly arranged for an account to be opened in Sydwell's name because he thought Sydwell was an established, successful businessman. Little did he know that this confident gentleman in the smart truck was still pushing his own wheelbarrows.

The sight of Sydwell and David Buthelezi squashed between wheelbarrows in a small borrowed van led to the next windfall. His second client — one of the Sizakancane brothers — took pity on the pair and offered them a van that could be paid for later.

Now Sydwell had a decent van, but he didn't have a compactor, and when the rain came pouring down, the paving he'd done for Mr Sizakancane collapsed. He had to redo it and buy himself a compactor, and at the end of the job the only thing between Sydwell and starvation was his last R200.



Sydwell Nxumalo and business partners pave away at another site

Trick

Then he met a Mr Pollick, a retired foreman who told him about a big paving job for Corobrick in Bapsfontein. The two of them went together, with Mr Pollick acting as Sydwell's boss. That did the trick and they got the job.

At first Sydwell was intimidated by the size of the job, but he believed that nothing was impossible, and started paving. Unfortunately, he had to leave his five staff members to carry on with the job while he went in search of another contract. When he returned, he found that 100 square metres of paving had to be lifted and redone.

Sydwell realised that he had to learn more about paving fast, and again Mr Vicari helped him by providing him with books on patterning and other rudiments of the business. He studied those books, and soon he was doing 300 square metres a day.

After three months the job was done, and it paid Syd R45 000. He bought a truck and has never looked back.

Today, 90% of Kronen Paving's contracts come from big business, such as Eskom, Roberts Contruction, Versatile Engineering and Field Engineering.

Sydwell is now a member of the Master Builders Association, which has injected a lot of professionalism into Kronen Paving. He was one of the first blacks to become a member.

Costs of goods will rise, say industrialists

Bitter opposition to toll plaza opening

(32) Star 3/8/89

The first toll plaza on the Reef's new east-west highway opens tomorrow amid bitter opposition from local industrialists.

The Gosforth Plaza near Germiston will be used to charge motorists using South Africa's first privatised metropolitan toll road, the N17 Springs-to-Krugersdorp expressway.

By Paula Fray and Anna Louw

The road used to be the R77. Now upgraded and called the N17, it is part of the toll highway being built to link the East and West Rands.

The concession holder, Expressways, maintains that the time and wear savings on the toll road will reduce running costs, but industrialists say the tolls will raise overheads and lead to an increase in the cost of goods.

Mr Ian Uys, head of the Germiston Industries Association and Democratic Party candidate for Germiston District, said Wadeville industrialists "bitterly resented" the tolls.

Industrialist Mr Ian Baller, who recently formed a pressure group in an attempt to have tolls on industrial vehicles lifted by the Minister, has suggested blocking the plaza with heavy vehicles until tolls are lifted.

The Germiston City Council, which accepted the plaza under certain conditions, has declined an invitation by the developers for the mayor to conduct tomorrow's official opening.

The inclusion of an existing road, the R77, in the toll highway has angered industrialists.

However, in terms of a recent announcement by the Minister of Transport, the tariffs at the Gosforth Plaza have been lowered to recover the cost of maintaining and upgrading the former R77 only.

From 2 pm tomorrow, cars, bakkies and trailers will be charged 70c for using the road.

Vehicles of up to three axles will be charged R2,80 while those with four or more axles will be charged R5,30 for a single journey.

Frequent users of the toll road will be granted concessions if they are using eligible credit or fleet management cards.

The motorist will be given the final account — with concessions calculated according to the number of times the road was used — at month end.

Motorists using the toll road between 35 and 69 times a month will be charged 60c a journey and those using the road more than 70 times a month will be charged 50c a journey.

Discounts

Vehicles of up to three axles using the road between 35 and 69 times a month will be charged R2,40 a journey or R2,00 a journey if they use the road more than 70 times a month.

Vehicles of four or more axles will receive an 80c discount a journey after they use the road more than 35 times. They will be charged R3,70 a journey once they use the toll road for more than 70 journeys a month.

According to Expressways, the rates are tax-deductible for commercial users.

Expressways managing director, Mr Ian Madden, said recently the company had spent R4,5 million in providing an interchange at Wits Rifle Range and a further R3,5 million on resurfacing the R77.

The Department of Transport was making another R6 million available to upgrade Germiston roads, he said.

Expressways estimated they would spend up to R105 million on the Gosforth section during their 25-year concession period.

Enter mosquito-weigh

Introducing . . . Nathan Nicolas Mitchell, the second child of Mitchell and his wife, Kathy. He was born in San Diego last mon

See Page 19.

Faircape profits rise by 33%

32

Cape Times 3/8/89

Financial Staff

CAPE-BASED housing developer Faircape Homes lifted attributable profits for the six months to June by 33%, achieving earnings of R1,2m (R901 000).

With 8,7m shares in issue, this translates into earnings per share of 13,7c (10,3c). But, in line with group policy, only one dividend will be declared at the financial year-end.

Turnover rose substantially to R18,4m (R12,5m).

The group has made provision for full taxation of R864 000 on the net operating income of R1,7m.

Net interest paid is down to R269 000 (R274 000).

The results also show the benefits of Faircape's 49,9% investment holding in the Health and Racquet Club group, which has added R326 000 to the bottom line. Net asset value has risen to 77,4c (53,7c) a share.

Financial director Chris Vietri points out that these results were achieved against a background of higher interest rates and less buoyant economic conditions.

"This demonstrates the group's resilience under less than ideal circumstances. We are confident that as long as the need for affordable housing exists among all population groups Faircape will continue to achieve increases in turnover and earnings."

Looking at the group's immediate prospects, Vietri said that he anticipated the rate of earnings growth being maintained for the remainder of the financial year.

32

Quantum set to turn the corner

DEON MEYER ... bad times are behind us

By David Carte

QUANTUM Group shareholders, shocked by R7,6-million pre-tax loss in the year to March, can take heart, says chairman Deon Meyer.

Mr Meyer says the numbers represent a bath for the construction and property development group after the departure of managing director Stuart Gordon. The worst is behind the company, he adds.

Mr Meyer has been doing his fire fighting from the same office Louis Luyt occupied in the bad old days of Triomf Fertilizer.

Financing

Quantum, like Milly's, Prestige Group and Unidev before it, is yet another company associated with Cape entrepreneur Geoff Grylls to disappoint. Deon Meyer and Mr Grylls founded Quantum, a developer and builder of black housing schemes.

The company developed out of Quantum leasing and finance. Mr Grylls is a director of Quantum, but there is no association with Unidev.

Quantum is in good company in falling on hard times in black housing. Vista went out of business. Grinaker's black housing subsidiary lost R20-million. LTA has moved out of black housing and Murray & Roberts has cut back severely. Group Five's Peter Clogg reports the market has "collapsed".

But Mr Meyer reports a brimful order book at good profit margins. He is hopeful that in the current year Quantum will better the R5,5-million taxed profit to March 1988. He insists that all skeletons are now out of the cupboard.

At the interim, Quantum announced a loss of R3,5-million. It forecast, however, that all divisions should achieve profitability in the second six months and that a profit should be achieved for the year.

In the event, the second-half loss was even bigger.

Acute

Mr Meyer says: "We had to spend a lot of time in the second half rectifying the mistakes of previous management. They tried to grow too fast and systems couldn't cope. We have had to complete old contracts secured at bad prices."

The most acute problems were in Quantum Construction. Under Mr Gordon, Quantum had developed an infrastructure to cope with up to 3 600 houses a year. Now Quantum has scaled down to 1 200.

Quantum addresses the total township development requirement, from securing raw land, to selling finished houses, as well as commercial and industrial buildings.

Quantum is working at Kyalitsha in the Western Cape, Ntuzuma, Kwa-Zulu, Maritzburg and at Kagiso, Atteridgeville, Vosloorus, Evaton and Lekowa in the Pretoria-Witwatersrand-Vereeniging area. With most its houses in the R38 000 to R50 000 range, Quantum serves the middle and upper black market.

Unfortunate

The mines and other businesses are eager to provide accommodation for staff, often in the interests of labour stability. As a result, demand is booming in spite of higher interest rates.

Wholly owned Quest Construction looks after the market around R24 000. It does a lot of work with the SA Housing Trust. Its order books are also full. Like Quantum Construction, Quest has scaled down its activities.

After unfortunate experiences in what Mr Meyer calls "the paper train between securing a site and delivery of a house", both companies from now on will build only against registered bonds.

Roadstorm, the civil engineering contractor which builds roads and services townships, is also making good profits.

The healthiest part of the group is the property development company, which is performing excellently, says Mr Meyer. It has been particularly active in developing black shopping areas.

Notional

Quantum's loss before tax was R7,6-million. It has written back R4,3-million in respect of deferred tax credits, making the loss after tax "only" R3,1-million. But the tax write-back in notional and the full R7,6-million came out of bank balances.

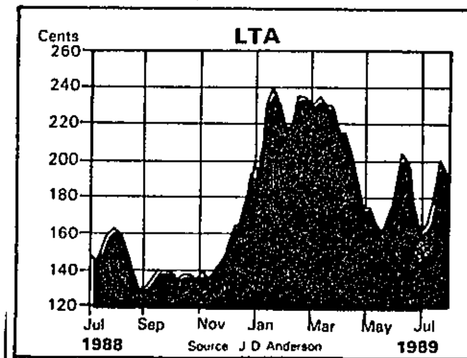
The abridged balance sheet shows only R9-million of long-term debt. Not shown are substantial current liabilities behind net current assets. Total debt, says Mr Meyer, is about R35-million.

But because of the loss, equity shrank to R11,3-million. Quantum is thus highly geared. Mr Meyer says the company enjoys full support from its bankers.

The high borrowings explain an interest bill of R4,1-million. Mr Meyer believes that debt can be reduced by improved sales and profits.

Mr Meyer's profit projection of R5,5-million suggests earnings a share of 12,4c. The price of 27c is 2,2 times projected earnings. The company's failure to meet its interim forecast is regrettable, but it is hard to see the share going any lower.

(32) Fmail 11/8/89.



LTA (32) Fmail

Long wait 11/8/89.

Activities: *Civil, construction, process and design engineering.*
Control: *Anglo American has control.*
Chairman: *H K Davies; managing director: C J M Wood.*
Capital structure: *13,24m ords of R1 each; 13,17m 10% automatically conv cum prefs of R1. Market capitalisation: R24m (ords only).*
Share market: *Price: 195c. Yields: nil on dividend; 24,6% on earnings; PE ratio, 4,1; cover, n/a. 12-month high, 245c; low, 130c. Trading volume last quarter, 263 282 shares.*
Financial: *Year to March 31.*

	'86	'87	'88	'89
Debt:				
Short-term (Rm) ..	33,9	24,6	23,7	42,9
Long-term (Rm) ...	9,9	5,9	10,5	18,5
Debt:equity ratio	1,09	0,62	0,26	0,55
Shareholders' interest	0,13	0,15	0,19	0,16
Int & leasing cover .	1,25	3,5	3,6	3,1
Debt cover	0,52	0,82	0,83	0,64
Performance:	'86	'87	'88	'89
Return on cap (%) ..	3,6	3,3	2,5	3,7
Turnover (Rbn)	0,99	1,07	1,24	1,66
Pre-int profit (Rm) ...	11,6	10,0	10,3	20,0
Pre-int margin (%) ..	1,2	0,9	0,8	1
Taxed profit (Rm)	1,0	5,5	6,1	10,6
Earnings (c)	2	22,1	23,7	48,2
Dividends (c)	nil	nil	nil	nil
Net worth (c)	290	319	474	539

Investors seem in no hurry to dismiss chairman Hilton Davies' caution even though he has hinted at a resumption of dividends this year. The share is rated on a 3,8 earnings multiple, a rating which seems to discount a slow recovery to acceptable returns on assets and profit growth.

Of course, it made sense for the group not to pay dividends this past year. There remains the uncertainty of when amounts outstanding on disputed local and foreign contracts will be recovered. The directors believe that outstanding amounts will be collected over the next few years and allow the group's debt burden to be cut. Meanwhile, dividend payments will not take precedence over debt repayments.

There are some bright signs. Return on capital increased last year, reversing a four-year decline. And the order book is satisfactory with margins of some divisions considerably higher than at the end of financial 1988.

The very nature of LTA's business indicates a further trading profit increase this year, even if the domestic economy as a whole slows in response to government's latest austerity measures.

Davies makes particular mention of the strong order books of the earthworks, civil, engineering and building divisions. Last year, the building division was plagued by losses as tenders were won at prices which failed to cover costs and as management controls failed. The problems are being addressed and Davies implies the division's strong order book and sound margins will help return it to profits this year.

Emphasis this year will be on de-gearing the balance sheet. Interest payments are cutting too deeply into trading profits for management's liking and, presumably, the interest burden has to be reduced before dividends can resume. Much depends on the recovery of amounts outstanding on the disputed contracts.

Management's hopes that rising profits would allow dividends to resume last year came to nothing and it might be wise to discount the chairman's latest optimism. The share is likely to remain neglected even if the interim results show a sound improvement. Anyone thinking of buying will need a great deal of patience.

Jim Jones

as long as that is not considered, any other measure is peripheral."

Earlier in the day, Mr Mandela was presented with India's highest civilian award, the Bharat Ratna. He is only the second foreigner to receive the

Mr Michael Mansell of the Tasmanian Aboriginal Legal Service said Aborigines planned to protest against Mr Mandela's visit

32

Kriel slams sanctions

Boycotts' end could solve housing crisis

PRETORIA. — The advocates of sanctions should change their tune so that the "enormous problem" of housing in South Africa could be solved, the Minister of Planning and Provincial Affairs, Mr Hernus Kriel, said here yesterday.

He revealed at a media briefing that eight major building companies had withdrawn from the black housing market because of unrest and bond repayment boycotts. He feared they might not return to the market.

Mr Kriel said it would cost R5 billion to provide housing for the 1,5 million "illegal" squatters — not counting the "legal" ones — and the two million backyard dwellers in townships.

He stressed business had to become more involved in black housing because the government alone would be unable to supply housing for the nine million additional people expected to become urbanised before the end of the century.

Mr Kriel identified those who called for bond-repayment defaulting and sanctions as supporters of the SACP, ANC, Cosatu, UDF and MDM, and said the leaders of these organisations could "do the country a tremendous service by telling their supporters to stop this nonsense because it's not to the advantage of anybody".

Asked about housing arrangements for returning ANC exiles, Mr Kriel said:

"Announcements in this regard will be made by my colleague (National Health and Population Development Minister) Dr Rina Venter who is handling some aspects of this, but I personally have a problem and that is that we have such a backlog of people who are living in South Africa that I doubt whether we would be able to make special provision for people who are returning.

"Surely the people who are here should also be provided with an opportunity to obtain a house?

"I also believe there is such a lot of money available to the exiles through the political parties they support that I think the political parties will be in a position, as I see it, with all this foreign money that they have available, to provide housing and to buy land for that specific purpose."

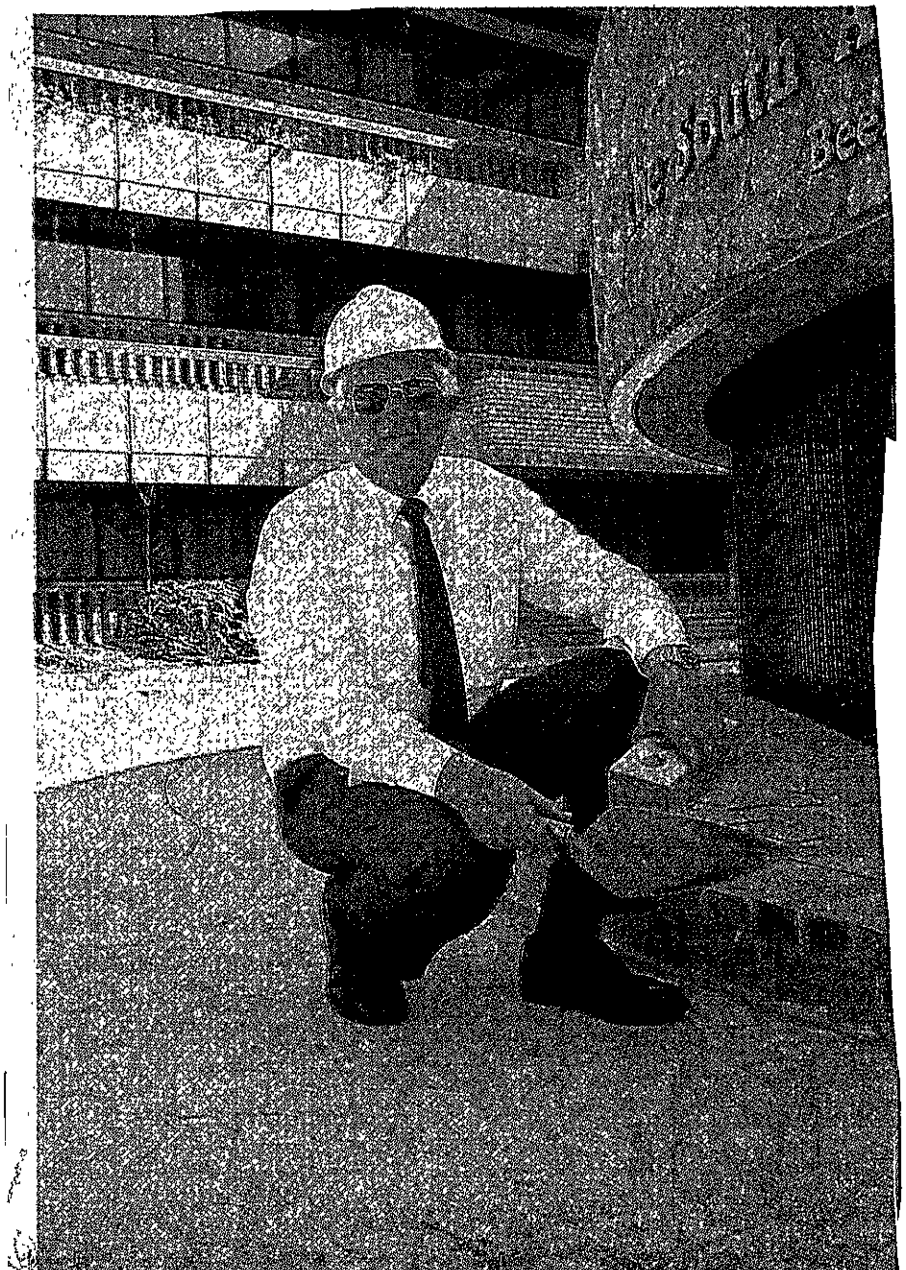
In some black areas, rent defaulting ran as high as 90%, and the "ridiculous demands" coupled to the boycott campaign were that every second house should be demolished to provide bigger stands, an extra bedroom should be built onto each house free of charge, and that bond repayments be limited to R50 per month.

Because of this, financial institutions were no longer prepared to put their money at risk, knowing they would not be repaid, he said.

The government's goal was that every family should be properly housed — formally or informally — by 2000, but the co-operation of the government, the private sector and the people of the country was required for this.

Mr Kriel said in order to achieve the goal of a shelter for all, he had directed the South African Housing Advisory Council to formulate a national housing policy, to be published as a White Paper.

He added he would welcome opportunities to discuss housing policies with extra-parliamentary groups such as the ANC. — Sapa



REG EDWARDS ... a R21-million contract for SA Breweries off the stocks

Stocks tops a billion rands

STOCKS & Stocks, controlled by its directors and staff, has topped a billion rands in turnover in its first year as a listed company.

Executive chairman Reg Edwards this week celebrated the completion of the company's latest building contract — a R21-million head office in Sandton for the beer division of SA Breweries.

Stocks is the only construction company that kept profits growing through the recession of 1984-1985.

The annual report released this week says 1989 was a good year and 1990 will be even better — even though the construction outlook has darkened because of sky-high interest rates. The order book has risen by R118-million to R750-million.

Stocks, together with Murray & Roberts, completed the SA Reserve Bank head office in Pretoria in the past year.

Stocks also built the Bank of Lesotho in Maseru HQ — at R35-million the most impressive building in that country. Stocks contributed R30-million of civils to Sasol's R300-million polypropylene plant.

The group has R30-million of civils at Mossel Bay. Stocks has formed a consortium together with foreign companies tendering on the Lesotho Highlands Water project.

32

Losses

Another plus ahead is that unquantified losses on the Tugela motorway are behind the company.

The company is a partner in a controversial proposal to develop a R120-million office complex in a deer park in Morningside.

Group Five's order book soars R50-m

32

Star 17/8/89

Construction company, Group Five of Rivonia, Sandton, has secured a major share of newly-awarded contracts, with work totalling R50 million recently added to its book.

These swell the GF new-work tally for this year so far to R150 million, the company having won prime contracts earlier.

Latest contracts go to Group Five Projects and cover the construction of a beneficiation plant for Rhombus Vanadium Holdings at Bethanie, 20 km from Brits; a treatment plant at the offshore oil enterprise, Mossref; and a project in the Eastern Transvaal.

Mr Stan Hughes, GFP managing director, says: "The vessels to be installed at Mossref will be among the largest — if they are not the largest — of their kind in the southern hemisphere."

Certainly, the biggest anywhere is the tag for the six dry-cooling towers being built at Kendal power station by High Structures, a company owned jointly by Group Five and Gillis Mason.

The fifth tower is now on the way to completion.

Each is 165 m high and a massive 144 m in diameter and the shell required nearly 17 000 cu m of concrete and 1 170 tons of reinforcing.

Despite some delay in the early stages of the capital-intensive contract, HS is now two months ahead of programme.

Mr Frans Barnard, a director of HS, says: "I believe that at Kendal we are the equal of anyone in the world at this kind of work."

Avbob contract for LTA

LTA Building (Transvaal) has been awarded a R14,5 million contract for the headquarters of Avbob in Pretoria's Vermeulen Street, opposite the Reserve Bank.

The 16-storey building will take about 15 months to complete and will bring more office and parking space to the Pretoria property market.

Licence agreement for trucks

Scottish industrial group, Terex Equipment, has concluded a licence agreement with Blackwood Hodge South Africa for the local manufacture of trucks for the construction and mining industries.

Mr Arthur Rowe, managing director of Terex, says the deal will enable his company to price its trucks competitively in the South African market.

DEPARTMENT OF JUSTICE

No. R. 1842 **25 August 1989**

REGULATIONS MADE UNDER THE DISCLOSURE OF FOREIGN FUNDING ACT, 1989

The Minister of Justice has under section 10 of the Disclosure of Foreign Funding Act, 1989 (Act No. 26 of 1989), made the regulations contained in the Schedule hereto.

SCHEDULE

Definitions

1. In these regulations any word or expression to which a meaning has been assigned in the Act has that meaning and, unless the context otherwise indicates—

"foreign money", in relation to a reporting organization or reporting person, means any money which that organization or person receives or has received as contemplated in section 4 (1) of the Act; and

"the Act" means the Disclosure of Foreign Funding Act, 1989 (Act No. 26 of 1989).

Declaration of organization or person as reporting organization or reporting person and withdrawal of declaration

2. (1) The manner in which the Registrar declares an organization or person to be a reporting organization or reporting person in terms of section 3 (1) of the Act shall be by entering the name of the organization or person concerned in a register opened by the Registrar for this purpose.

(2) The manner in which an organization or person is notified by the Registrar of its or his declaration as a reporting organization or reporting person and of the date on which this takes effect shall be by written notice signed by the Registrar and served on the organization or person concerned.

(3) The provisions of subregulation (2) shall apply *mutatis mutandis* to a notice in terms of section 3 (2) of the Act whereby a reporting organization or reporting person is notified that its or his declaration as a reporting organization or reporting person has been withdrawn.

Notices to Registrar and provision of information

3. (1) The notice referred to in section 4 (1) of the Act—

(a) shall be in the form of Schedule 1; and

(b) shall be signed, in the case of a reporting organization, by an office-bearer or officer of that organization and, in the case of a reporting person, by that person.

(2) The information which a reporting organization or reporting person shall furnish to the Registrar in terms of section 4 (1) (c) of the Act shall be the following:

(a) In the case of money other than money referred to in section 4 (5) of the Act, the manner in which the money was brought into or transferred to the Republic; and

(b) the date on which the money was received by the reporting organization or reporting person.

DEPARTEMENT VAN JUSTISIE

No. R. 1842 **25 Augustus 1989**

REGULASIES UITGEVAARDIG KRAGTENS DIE WET OP DIE OPENBAARMAKING VAN BUITELANDSE BEFONDSING, 1989

Die Minister van Justisie het kragtens artikel 10 van die Wet op die Openbaarmaking van Buitelandse Befondsing, 1989 (Wet No. 26 van 1989), die regulasies in die Bylae uitgevaardig.

BYLAE

Woordomskrywing

1. In hierdie regulasies het enige woord of uitdrukking waaraan in die Wet 'n betekenis geheg word, daardie betekenis en tensy uit die samehang anders blyk, beteken—

"buitelandse geld", met betrekking tot 'n verslaggewende organisasie of verslaggewende persoon, enige geld wat daardie organisasie of persoon ontvang of ontvang het soos beoog in artikel 4 (1) van die Wet; en

"die Wet" die Wet op die Openbaarmaking van Buitelandse Befondsing, 1989 (Wet No. 26 van 1989).

Verklaring van organisasie of persoon tot verslaggewende organisasie of verslaggewende persoon, en intrekking van verklaring

2. (1) Die wyse waarop die Registrateur ingevolge artikel 3 (1) van die Wet 'n organisasie of persoon tot verslaggewende organisasie of verslaggewende persoon verklaar, is deur die naam van die betrokke organisasie of persoon in 'n register wat vir hierdie doel deur die Registrateur geopen is, aan te teken.

(2) Die wyse waarop 'n organisasie of persoon deur die Registrateur in kennis gestel word van sy verklaring tot 'n verslaggewende organisasie of verslaggewende persoon en van die datum met ingang waarvan dit van krag is, is by skriftelike kennisgewing wat deur die Registrateur onderteken is en aan die betrokke organisasie of persoon beteken is.

(3) Die bepalings van subregulasie (2) is *mutatis mutandis* van toepassing op 'n kennisgewing ingevolge artikel 3 (2) van die Wet waarby 'n verslaggewende organisasie of verslaggewende persoon in kennis gestel word dat sy verklaring tot 'n verslaggewende organisasie of verslaggewende persoon ingetrek is.

Kennisgewings aan Registrateur en voorsiening van inligting

3. (1) Die kennisgewing in artikel 4 (1) (a) van die Wet bedoel, moet—

(a) in die vorm van Bylae 1 wees; en

(b) in die geval van 'n verslaggewende organisasie, deur 'n ampsdraer of beampte van daardie organisasie en, in die geval van 'n verslaggewende persoon, deur daardie persoon onderteken wees.

(2) Die inligting wat 'n verslaggewende organisasie of verslaggewende pesoon ingevolge artikel 4 (1) (c) van die Wet aan die Registrateur moet voorsien, is die volgende:

(a) In die geval van ander geld as geld bedoel in artikel 4 (5) van die Wet, die wyse waarop die geld in die Republiek ingebring of na die Republiek oorgeplaas is; en

(b) die datum waarop die geld deur die verslaggewende organisasie of verslaggewende persoon ontvang is.

international activities."

M & R profits up by 44%

CM-Times 25/8/89 (32)

JOHANNESBURG: — Murray & Roberts has lifted attributable profits for the year to June by 44% to R118,4m (R82,1m).

Earnings per share were 426c, up 41% on last year's 303c. A final dividend of 77c (55c) was declared, bringing the total for the year to 110c (80c).

Group turnover was up 13% at R3,4 bn (R3 bn) while operating profit was up 59% at R198,4m (R124,6m).

The tax bill jumped by 143% to R72,2m from from last years's R29,8m. Operating profit after tax was R126,2m (R94,8m). The effective tax rate on operating profit increased from 24% last year to 36%.

The group expects further growth in earnings and dividends in the current financial year. — Sapa

New method could upgrade quality of life in townships

Urbanisation

Gravel roads tarring scheme

By Winnie Graham

The Division of Roads and Transport Technology at the Council for Scientific and Industrial Research (CSIR) has pioneered a tar-based "seal" which could revolutionise the "paving" of low-volume gravel roads in black townships and the fast-developing squatter areas.

The high cost of road construction has delayed the tarring of roads in South Africa's black towns yet experts believe the upgrading of streets would considerably improve the quality of life in the townships where dust in the dry season and mud in the wet cause the people ongoing hardship.

Car ownership among black South Africans is still restricted, but as personal wealth increases, so will the number of cars on the roads.

The new seal — ideal for low-volume roads used by under 600 cars a day — would "buy time" for local authorities.

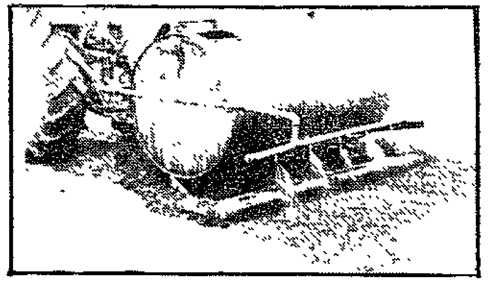
Suburban street

The cost of tarring a fully constructed suburban street ranges between R50 000 and R100 000/kilometre. The new seal is expected to cost about R10 000/km— depending on area — and can remain effective for several years.

Mr Les Sampson, manager of the division's low-volume roads programme, said the seal had "performed well" in pilot projects.

"Gravel roads are here to stay," he said. "However, one of the greatest contributions we can make in improving the quality of life in black areas is the upgrading of unpaved roads.

"It is on the same level of essential services as the provision of waterborne sewerage systems."



Revolutionary development . . . the bituminous spray which CSIR researchers say effectively "seals" gravel roads.

Upgrading was expensive, however, and just as the electrification of townships had proceeded slowly because costly First World standards had initially been used, so the paving of roads had been retarded because standards were unnecessarily high.

"South Africa originally inherited specifications from the northern hemisphere," he said. "These are not always appropriate for us."

He stressed that if standards were higher than necessary, fewer kilometres could be paved than would be the case if less costly, more appropriate standards were used.

In addition, there was the danger that materials for high quality road building would be depleted.

If research was directed at how best to use marginal materials for road construction, the good quality materials could be used for the construction of high standard roads.

There was increasing pressure to build more cost-effective roads.

Mr Sampson said the SA Bitumen and Tar Association (Sabita) was financing the CSIR's research in a bid to find "innovative and cost-effective solutions for a wide range of applications, including those specifically sited for the developing areas of South Africa."

The three main areas of research were low volume roads, design and performance of asphalt materials, and economics and economic implications of road construction.

Mr Sampson said the Sabita asphalt research programme contained two projects designed to show the cost-effectiveness of paving roads to standards appropriate to the traffic volume.

Regular maintenance

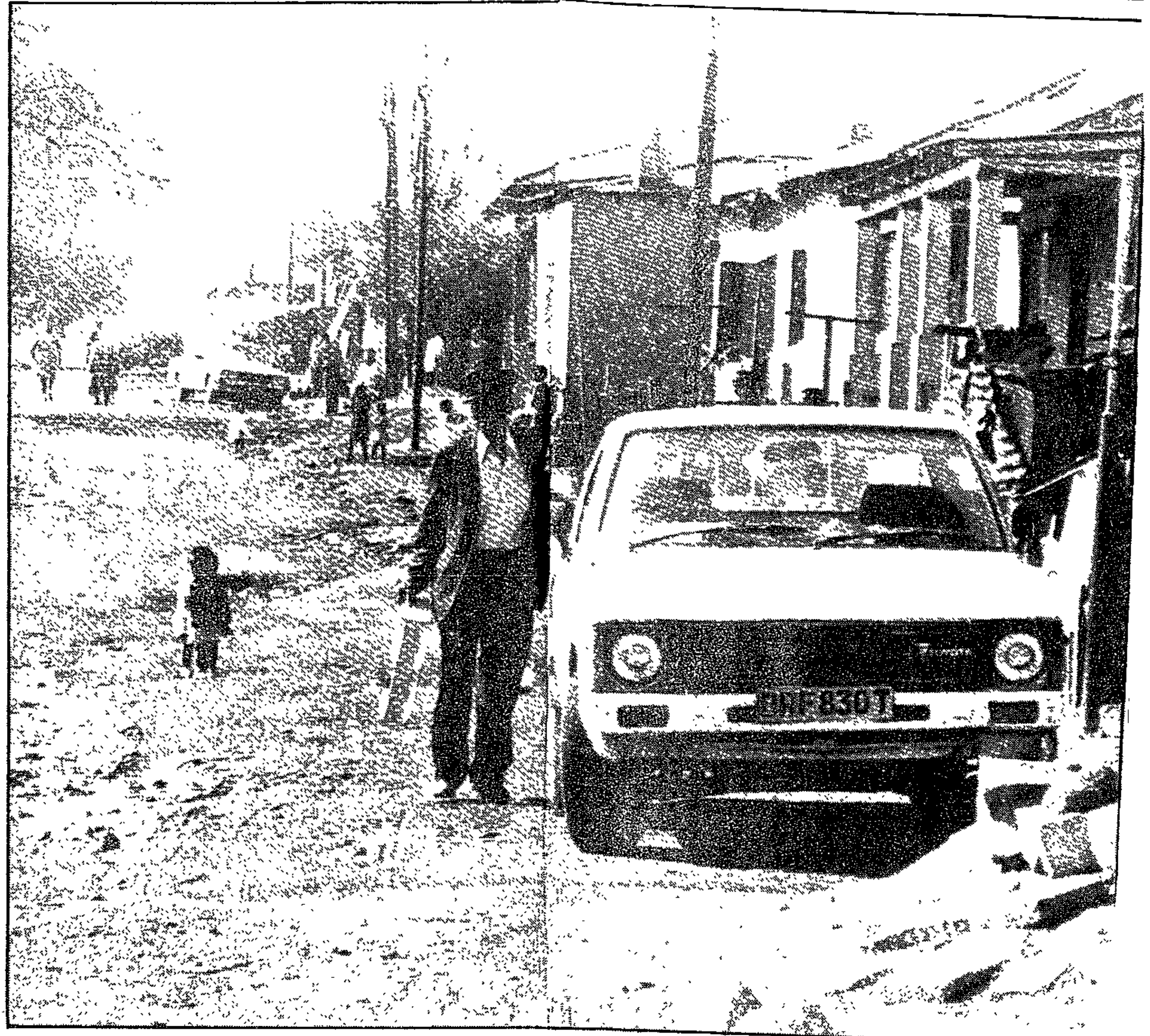
"About 5 percent of unpaved roads carry more than 500 vehicles a day, and for these roads sealing is generally more economical than regular maintenance of gravel roads. Although it may not be a permanent solution, it buys time until funds are available for a fully constructed road."

He said the seal mixture was cold-sprayed on to the road surface. It was not mixed into the road because the mixture penetrated the surface so that the existing structure of the unpaved road was retained. The road could be used by traffic immediately.

Research had shown that the surface of the road was less affected by rain or wind.

"Roads cost many millions of rands to construct," Mr Sampson added. "If we can save just a fraction of that cost, the savings will be considerable."

● About 75 percent of roads in South Africa are untarred, not including forest roads.



Typical township street scene . . . unsightly dirt roads such as could be covered with a tar-based seal developed by the CSIR thus eliminating problems of dust and mud upgrading the quality of residents' lives.

Fmail 25/8/89.

PEDESTRIANISATION (32)

Partnership pays off

Cape Town City Council's R7,5m investment in the first three phases of the central city pedestrian mall has generated private sector spending on new buildings or refurbishments in or near the mall approaching R165m, according to city engineer Des Riley.

And the figure is expected to increase considerably when work starts on the fourth and final phase, which will see St George's St turned into a pedestrian mall from Wale St right through the CBD to Thibault Square. The total estimated cost of the four-phase development is R10,5m.

The commencement of the fourth phase, between Shortmarket and Wale streets, is being delayed by work on the new Protea Assurance building in St George's St. Further consideration is also being given to proposals to build underground parking garages at Greenmarket Square and at the southern end of St George's St.

Thus far, the mall has played a major role in the revitalisation of Cape Town's CBD. It will eventually link the city with the Victoria Basin redevelopment at the old harbour.

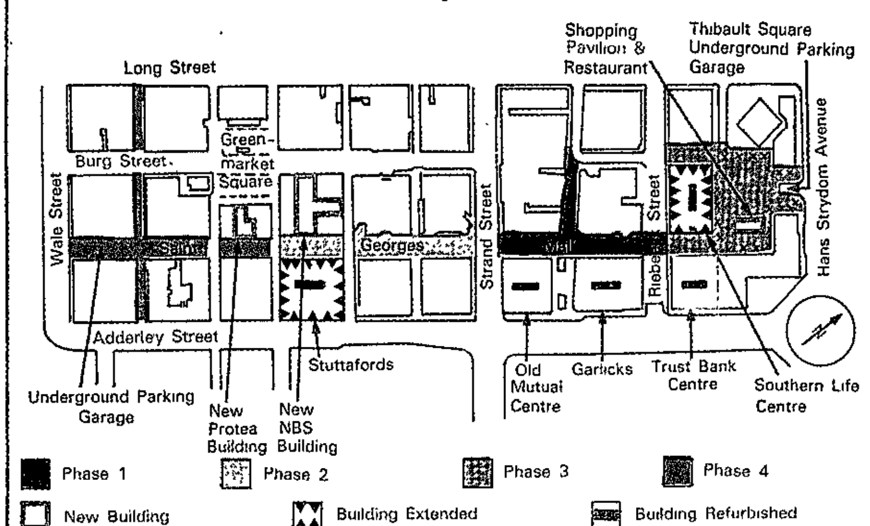
In a report to council, Riley says private sector projects linked to the mall development include the Southern Life Centre extensions and refurbishment (R31m), Stuttafords Town Square (R30m), the NBS Waldorf Arcade (R25m), the Protea Assurance building (R24m), the Thibault Square parking garage (R16m); and the refurbishment of the Trust Bank building (R10m), Old Mutual Centre (R6m), Garlicks (R5m), St George's Hotel (R5m), Edgars (R4m), BP Centre (R3,5m), OK Bazaars (R3m) and Woolworths (R2,5m).

He notes that property sales have also picked up. There were five sales on St George's St from 1985-1987, as opposed to barely one sale every five years before the mall project was launched.

Riley says property owners, brokers and developers report a substantial increase in rentals and values along and near the mall. Shop rentals have doubled since 1985 and now average R60 m². Significantly, increased turnover has also been reported by mall traders. ■

St George's goes pedestrian

CBD pedestrian network
St Georges mall



Group 5 turns in solid performance

Star 1/9/89. (32)

By Derek Tommey

Group Five, South Africa's third-largest construction company, increased attributable profits by 46 percent in the year to June.

Earnings were R21,9 million, equal to 131c a share, against R15,0 million, equal to 90c a share last year.

However, despite the sharp increase in profits, the company is paying a conservative dividend, which is understandable in view of its fairly tight financial position.

A final dividend of 25c (20c) has been declared, making a total for the year of 47c (40c) — a 17,5 percent increase

Turnover more than doubled from R518 million to R1,07 billion and operating income rose 81 percent from R12,4 million to R22,5 million.

Tax took R3,7 million (R49 000 credit) and earnings from associated companies provided R1,8 million (R286 million). Dividends took R7,86 million (R6,7 million).

Chief executive Peter Clogg says the performance of SM Goldstein, acquired for R17 million in cash from January 1, was disappointing.

This was partly the result of the change to Group Five's more conservative accounting policies.

Goldstein's profits were affected by reorganisation costs and the completion of a number of long-term contracts at low prices.

However, the Goldstein operations are now on a sound footing and will contribute to next year's profits, he says.

Mr Clogg saus the calibre of Goldstein's operational managers is outstanding and they are performing well in the Group Five environment.

He sees some falling off in work towards the end of next year.

But he says the Government should not react by cutting infrastructural spending.

Group Five is, like everyone else, subject to business cycles.

But he believes that with good strategic planning it will maintain progress without going into violent gyrations.

The balance sheet shows that Group Five is still suffering from the strain of paying cash for SM Goldstein.

At June 30 it had current liabilities of R331,3 million, against current assets of R307 million, resulting in net current liabilities of R24,1 million.

A year ago the group had current assets of R154,2 million and net liabilities of R128,5 million, resulting in net current assets of R12,3 million.

However, borrowings as a percentage of shareholders' funds, dropped from 36,6 percent to 19,7 percent.

The net asset value of Group Five shares at June 30 was 305c (240c).

(32) Fmail 1/9/89

MURRAY & ROBERTS (32)

Hitting targets

On modestly increased turnover but further strong improvement in operating margin, Murray & Roberts (M&R) reported 41% higher EPS for the year to end-June. And, with financial goals largely met, CE David Brink says the group's recovery following its plunge into loss in 1986 is over.

At year-end, M&R had R24m net cash against its self-imposed gearing ceiling of 60%, a return on capital of 37,5% against the targeted 34%, and an operating margin of 6,25% compared with the target of 6,5%. The tax rate rose to 36,4% (23,9%) and is likely to go to 40% this year, then to a ceiling of about 45%.

The total dividend was 37% higher at 110c. This means the conversion of the cumulative debentures, which must occur when the dividend reaches 125c and will dilute share capital by 26%, should occur with effect from July 1 1990, a year earlier than expected. This will save interest, but with the tax rate rising further, strong operating growth will be needed to ensure continued EPS growth. Interest payments were only marginally higher, largely because of the switch last year of much of the debt from short- to long-term.

Turnover was 13% higher at R3,44bn (R3bn). Turnover would have been up 20% had certain overseas interest not been sold, says Brink. Construction fared particularly well, accounting for 32% (26%) of the increased operating income; industrial businesses accounted for 42% (48%), suppliers and services for 22% (23%) and properties 4% (3%).

Construction lags economic cycles and Brink expects it to thrive for at least another year. By contrast, supplies and services respond quickly to cyclical changes and he expects negative growth in the division this year. He says the downturn has been slight so far, reflected mainly in lower caravan and sand and stone sales.

Construction is a cash generator, while industrial activities generally absorb cash. An extraordinary item — a profit on M&R's sale of its holding in its pyramid, Anchusa, to parent Sanlam and other institutions — also contributed R31m. Accordingly, cash increased to R125m (R31m) and last year's 11,4% (net) gearing was converted to net cash.

With borrowing capacity available of R165m (R58m), total spare funding capacity available was R290m (R89m), which means M&R is looking for large invest- [illegible] the content of the industrial consumable business in the portfolio.

Brink dismisses accusations that M&R handled the GBS application for provisional liquidation with indecent haste, though there were reportedly possible offers for its 52,9% shareholding. He says GBS board acted with the "greatest sense of responsibility."

M&R's objective is higher growth than that of a basket of other major companies. Brink is confident of achieving this but with the recovery over, EPS growth is likely to slow, possibly to 20%-30%. If dividends rise at a similar pace, the share is on a prospective dividend yield of around 5,6% — cover could be reduced to help compensate for earnings dilution. The share has been rising to record highs recently. *Teigue Payne*

See how building costs have rocketed

Star 2/9/89

FRANK JEANS

32

A BLOCK of flats could be built only seven years at the cost of one house today and for the price of a low-rise building, a developer could have had a high-rise, fully serviced prestige head office block in 1982.

The alarming spiral in building costs comes through only too clearly in a breakdown in the latest review of the property industry by the JH Isaacs group.

Certainly, the biggest surge in the building cost trend over the seven-year period is seen in the hotel sector. In 1982 it was possible to create a five-star hotel at about R100 000 to R110 000 on a cost-to-room ratio.

In 1989, this would be scarcely sufficient to build a two-star hotel, for which the current cost per room amounts to R85 000 to R110 000.

Seven years ago, that two-star operation would have cost R25 000 to R30 000 — a 255 percent increase.

Seeing inflation as a "way of life in South Africa", JHI says the property industry has been influenced by:

- Persistent double-digit inflation and high interest rates impacting on the costs of labour and materials;
- Excessive Government spending and increasing tax burdens draining personal and corporate savings from the private sector;
- Economic sanctions, the debt repayments and disinvestment resulting in a net outflow of capital from the economy;
- Shorter cycles of economic growth with more limited upturns and downturns;
- Rising black economic power and labour unions and;
- Increasing difficulties in gaining access to technology and innovation.

"Taking these factors into account," says the property group, "the recent rises in building costs do not cause any surprise.

"In certain instances building costs have more than doubled during the 1982-89 period."

Rent rises

Building developers, JHI believes, now avoid building "anti-cyclically" and this is reflected in Durban and Cape Town, where few major buildings are coming on stream, although rents have risen respectively in excess of 30 and 40 percent between the fourth quarter of 1987 and the same time last year.

Looking at the broader market, JHI says that on the back of rental growth in the major urban areas, escalations in the office and shop sector have moved off the 10 percent base and in some cases, have reached 15 percent.

In the light of the building spiral and where appropriate, existing buildings which can be adapted to tenants' or owners' requirements, will generally prove to be more cost effective from both a rental and a purchasing point of view.

And the residential market?

"Prices in the middle and lower price categories have stabilised and higher interest rates have already impacted adversely on stand sales," says the company.

"Although house prices are not expected to decline materially, any rise in the bond rate over the next year, would be unlikely to match the rate of inflation and this period is likely to represent a favourable buying opportunity."

The interest rate crunch is apparently severely affecting the homebuilding sector, according to the latest figures from the Central Statistical Service.

Building plans

While building plans for the first five months of this year rose by nearly 12 percent over the same time previously, there has been a definite fall-off in the homes, flats and townhouse construction business — a situation which might well worsen as the bond rate bogey bites even more.

Non-residential building had a healthy 55 percent plus gain and the "stay puts" are again active, recording a 24 percent jump in additions and alterations.

On the downside, though, plans for flats and townhouses fell by more than 26 percent, while the single homes sector registered a drop of 5,4 percent.

Solid Doors

32

BUSINESS Times reported last week that a shareholder of Solid Doors, Ruby Rubenstein, objected to the appointment of Gerald Rubinstein as chairman of the meeting of minority shareholders considering the minority takeout in that firm. S/Times 3/9/89

Ruby Rubenstein tells Business Times that he objected on the grounds that Gerald Rubenstein was chairman and a director of the company and it was a meeting of minority shareholders.

The directors of Solid Doors this week denied that there was any such objection.

They said that in the interests of fairness, Issy Goldberg of the Shareholders Association was permitted by the chairman to speak at the meeting, even though he did not have a proxy.

Solid Doors directors were mystified that opponents of the scheme of arrangement should object to proxies representing pension funds on the grounds that members had not approved such proxies.

They said Sanlam, which represented the majority of dissenters to the scheme, had no such authorisation from its pension fund members.

Solid Doors directors said the JSE did not force a separate meeting of minority shareholders on the company. Solid Doors took the step voluntarily.

Sage loses R8-million and acts against management

ARGUS 7/9/89 (32)

Business Editor

DISCIPLINARY action has been taken against "certain management" of home-building company Sage Property Holdings (SPH) and losses of more than R8-million will have to be written off, the directors said today.

The directors said in the interim report to shareholders: "Internal audits have revealed that over a period profits have been overstated in certain home-building activities outside the PWV area and on certain major contracts awarded on a tender basis.

"These construction activities have been discontinued. Disciplinary action has been taken against certain management and the matter is receiving further serious attention.

"Losses from discontinued operations appear to be in excess of R8-million and the finally determined amount will be treated as an extraordinary item after deducting possible recoveries.

"The directors are satisfied that these occurrences will not be repeated and that they have had no lasting effect on the core activities of the home-building division."

The losses however would make little dent on SPH, which had share capital and reserves of more than R81-million at the end of 1988.

The performance of SPH curtailed the growth of group earnings and prevented Sage Holding from raising the interim dividend above last year's payout of 22c.

SPH, which holds the group's interests in property, home-building and land development, had a tough six months and reported an increase in earnings of only 7 percent to R2,9-million, equal to 8c (7,6c) a share, from which an unchanged dividend of 4c will be paid.

The directors say high interest rates, pressure on affordability and cost escalations have combined to squeeze the home-building industry.

Sage Holdings reported a 15 percent rise in pre-tax profit to R24-million (R20,9-million), the equivalent to 46,05c (41,28c) a share.

But after the impact of the home-building division, net earnings rose by 11,6 percent to R10-million.

Sage Financial Services (SFS) reports a 50,7 percent jump in net earnings to a record R12,3-million.

SFS, listed on the JSE in June this year, is the holding company for the group's interests in life insurance, financial planning, investment management and corporate finance, and its strategic investments in the Allied Group and Rand Merchant Bank.

Its profit before tax rose by 53,8 percent to R23-million in the review period. Earnings a share amounted to 15,19c, up 50,7 percent on a year ago. The directors of SFS forecast earnings of 32c ashare for the full year.

● **The motor division of Industrial and Commercial Holdings (ICH) is set acquire control of Sinclair Holdings.**

Sinclair, which manufactures and distributes pool care equipment, will acquire the motor division of ICH in exchange for Sinclair shares. The consideration is subject to determination of the value of certain assets and is expected to take approximately two weeks.

The official announcement says control will change as a result of the acquisition of ICH Motors, and ICH has agreed to make an offer to shareholders of Sinclair of 180c a share.

During financial 1988 Sinclair reported a loss and a net asset value of just over 60c a share.

Sage Holdings growth curbed by SPH

Star 7/9/89

32

By Ann Crotty

Growth in earnings at Sage Holdings has been curtailed by a poor performance from its property subsidiary, Sage Property Holdings.

The outlook for the group is clouded by investigations into its home-building activities, with indications that losses of at least R8 million may have to be written off reserves.

Sage Holdings reported a 15 percent advance in pre-tax profit to R24 million (R20,9 million) for the six months to June.

An increase in the tax charge reduced the improvement at attributable earnings level to 11,6 percent, taking it to R10 million (R9 million).

This was equivalent to 46,05c (41,28c) a share, from which an unchanged dividend of 22c has been declared.

Sage Holdings derives its income primarily from its listed subsidiaries, Sage Financial Services (SFS) and Sage Property Holdings (SPH).

The pre-tax profit figure for Sage Holdings indicates that its other (non-listed) interests are producing a loss at the pre-tax profit level.

SPH and SFS reported pre-tax profits of R4,3 million and R23 million respectively, making a combined R27,3 million.

SFS, which was listed in June, recorded a strong six-month performance with a 54 percent hike in pre-tax profit to R23 million (R14,9 million).

An increase in the tax rate restricted the earnings advance to 33,6 percent from 10,08c to 15,19c. A dividend of 7c has been declared.

Strategic investment

SFS' interests include life insurance, financial planning, investment management and corporate finance. It also has a strategic investment in the Allied Group and Rand Merchant Bank.

The directors of SFS believe that "barring unforeseen circumstances" the earnings forecast of 32c a share for the full year will be attained. A full-year dividend of 16c has also been forecast.

SPH, which holds the group's interests in property, home-building and land development, had a tough six months and reported an increase in attributable earnings of only seven percent to R2,9 million (R2,7 million). This is equivalent to 8c (7,6c) a share, from which an unchanged dividend of 4c has been declared.

The directors say high interest rates, pressure on affordability and cost escalations have combined to squeeze the home-building industry.

More worrying is the report of internal investigations into certain of the group's home-building activities.

The directors say: "Internal audits have revealed that over a period of time profits have been overstated in certain home-building activities outside the PWV area and on certain major contracts awarded on a tender basis.

"These construction activities have been discontinued. Disciplinary action has been taken against certain management and the matter is receiving further serious attention.

Extraordinary item

"Losses from discontinued operations arising from the aforesaid presently appear to be in excess of R8 million and the finally determined amount will be treated as an extraordinary item after deducting possible recoveries.

"The directors are satisfied that these occurrences will not be repeated and that they have had no lasting effect on the core activities of the home-building division."

At this stage it looks as though any losses will be taken from SPH's reserves. At the end of financial 1988 the group had share capital and reserves of just over R81 million.

Group Five profits soar

CAPE TIMES 8/9/89 (32)

By BRUCE WILLAN

GROUP FIVE turned in a strong performance for year-ended June 30, 1989 with an increase of 48% in after-tax profits, to R22m.

While pre-tax profits in the second half of the year flattened before resuming its upward trend, CE Peter Clogg, expects it to increase in the current year.

However, he foresees a drop in the availability of work for the latter half of 1990.

Group Five almost doubled its turnover for the period under review to R1 067m, while after-tax income and extraordinary items amounted to R21,9m.

Earnings per share reflected the increases to 131c a share.

A final dividend of 25c has been declared, bringing the total for the year to 47c.

Net asset value has also increased, to 305c (240c) a share, following the acquisition of the Goldstein operations earlier this year.

While the performance of the Goldstein operations have been disappointing, Clegg attributes this to the change to Group Five's more conservative accounting policies.

But he said the Goldstein operations are now on a sound footing and will make a contribution to profits next year.

"The calibre of Goldstein's operational managers is outstanding, and they are performing well in the Group Five environment," he said.

Over the past three years the group has been rebuilt into a major force in the construction industry but as is always inevitable businesses do have cycles and Clogg recognises this and is confident that with strategic planning the company will maintain its upward progress without going into any violent gyrations.

The performance of the holding company, Group 5 Holdings, reflected that of the operating company from which it derives most of its income.

Earnings per share for the holding company were stated as 149c after extraordinary items, while a final dividend of 25c was declared, bringing the total for the year to 46c a share.

PROPERTY

Argus 29/3/90 (32)

Black housing industry loses R100 million

From JABULANI SIKHAKHANE

JOHANNESBURG. — Property developers who made huge investments in land holdings in expectation of a continued boom in the black housing market, lost an estimated R100 million last year.

Franz Pretorius, general manager, project finance department of the Urban Foundation told a seminar on low-cost housing in Sandton that the industry still faced a major decline in turnover and profitability.

He said large land holdings were financed by expensive borrowings and, at current mortgage rates, very little reduction in stockholding was contemplated.

LARGE TRACTS

The Urban Foundation, which controls about 40percent of all land for housing development in black areas, bought large tracts of land four years ago in expectation of a boom.

When interest rates were around 12,5 percent, it was feasible to develop the land, but the sharp increase in interest rates to 21 percent (23 percent in real terms) has made housing unaffordable to most people, he said.

The general manager of African Life Homes, Guy Leitch, said the homebuilding industry had over the past two years experienced a cyclical downswing caused by rapid increases in interest rates.

Margins and affordability came under pressure from higher building material costs.

CONSTRAIN DEVELOPERS

Mr Pretorius said the Urban Foundation was concerned that negative prospects facing developers and the homebuilding industry would constrain major developers from bringing suitably serviced land on stream to meet demand for housing, particularly at the lower end of the market.

He said investment by fund managers could help inject much needed cash flow into the hands of major developers.

This would help reduce their cost of borrowing, improve gearing and facilitate the delivery of housing in the middleand lower-income market segments.

Debenture funding could be one mechanism to make investment in residential landholding attractive for fund managers, he said.

FIXED MARGIN

Using debenture funding, for instance, in an unlisted property-owning company, debentures could offer a fixed margin pitched slightly above a comparable term gilt or semi-gilt rate.

"The debenture capital and interest rates will be indirectly guaranteed by a commercial bank or other recognised financial institution," Mr Pretorius said.

He said the intention of the Urban Foundation was to promote the development and establishment of an appropriate landholding investment vehicle and solicit investor support.

S/Times 10/9/89 (32)

Pennies piling up the rands

By Ian Smith

THE housing market may not be all that great, but the home extension business is booming.

Cape-based building materials chain Pennypinchers Holdings (Penpin) and its 80%-owned subsidiary Pennypinchers Boards (Penboard) attribute sterling first-half results to June to this phenomenon

They have benefited from good sales and national expansion, says chairman Fasie Malherbe.

Transfer

Penpin turnover shot up by 58% to R74,1-million (R46,9-million) and net operating income jumped 51% to R3,3-million (R2,2-million). Earnings a share increased 32% from 7,13c to 9,37c.

Turnover of Penboard, which transfers from the DCM to the JSE main board tomorrow, soared by 87% to R21,9-million and net operating income by 32% to R1,09-million

Penboard's earnings increased by only 8% to 4,67c a share, but financial director Percy Bishop says this is due to Penboard's geographical expansion, particularly into the Transvaal, which led to high start-up costs

Penpin has declared a dividend of 4c and Penboard one of 2c.

Historically, turnover and earnings of Penpin and Penboard in the first six months account for only 40% of the group's annual total.

"Traditionally, trading is far better in the second half of the year so the companies should have no difficulty in meeting forecasts," says Mr Malherbe.

Liquidation

"We took over several companies in the Transvaal which were in liquidation or not trading exceptionally well and turned them around. We revamped stores and divisionalised them, making each its own profit centre.

"Expansion into the Transvaal has been successful. Our infrastructure is in place and we have 13 outlets which are on line and contributing to the group. Our aim is to have 60 outlets in the Transvaal by the end of next year.

"We have a unique style of retailing and we see the Transvaal as a market with incredible market expansion potential. About 68% of our building materials sales are in the Transvaal, and will provide our major business thrust this year."

Mr Malherbe says the group is selling property to fund expansion The property portfolio has a market value of R24-million and the directors plan to sell developed properties to offset borrowings.

Farm

Penpin will retain two adjoining properties in Randburg where it intends to develop a major building materials warehouse. It will also keep the 60ha farm at Lanseria where it wants to develop 54ha with outside participants Penpin will retain the other 6ha.

The group has also acquired industrial land at Noordhoek in the Cape where Penpin will build an outlet.

It has been a busy time for the group. Penboard took over Atlas Laminates in Alberton, one of SA's leading formica distributors, and it also acquired Springbok Timbers in Johannesburg.

Penpin acquired Stadium Timbers in Germiston, which will house a second roof-trussing plant, and Brandwag Timber & Hardware in Pretoria West.

Ib the Eastern Cape, Penboard took over Hyco, which makes joinery for Penpin, making the group self-sufficient in the joinery and machine timber market.

Penpin also took over the premises and operations of Glazer Trading at Uitenhage

Marli

By Julie Walker

LEADING granite producer Marlin has taken a step towards beneficiating some of its production with the purchase of Marble Pentelic.

Pentelic is one of South Africa's foremost contractors in processing and application of dimension stone for use in construction.

THE W

A summary of this week's corporate announcements.

Monday — Fintech sells Office Automation to Punch Line for R46-million cash. Fintech to get R2-million a year in fees. It owns 81% of Punch Line, which is to buy Technologies Acceptances for R800 000. NCR to be 51% owned by Fintech. Name of Punch Line might change.

Ellerine to take over the furniture interests of Barnetts.

Tuesday — Furntech sells Mr Cupboard to Young World Modulus for R7-million cash.

Vadek issues a warning — change of control possible.

Last day to register for Funa shareholders for 57c stand-by offer from Rand Merchant Bank 15 September.

Lefkochrysos to be renamed Barplats Mines The Brits mine itself to be known as Crocodile River, and the Steelpoort site as Kennedy's Vale. Expansion at Crocodile River to be accelerated to 250 000 tons a month by the end of 1992, and at Kennedy's Vale to 180 000 tpm by 1996

Barplats Mines to raise R300-million, Barplats Investments to follow. Vansa — which owns 18% of Barplats Investments — to renounce its rights to shareholders. Rand Mines will follow its rights and will have its own rights offer.

Minorities holding 3,2% of Multisource accept offer of 75,2c a share.

Wednesday — Rale to raise R8,27-million at 30c a share, 40 for 100 Last day to regis-

Suppliers hit back on building cost claims

S/Times 10/9/89

32

SEVERAL companies and trading organisations contest claims that the rising price of materials is the main reason for the increase in building costs.

By Don Robertson

Business Times carried a report on August 27 quoting the Building Industries Federation of SA (Bifsa) and the SA Property Owners Association (Sapoa) which suggested that sales agreements and monopolistic practices had resulted in the price of some building materials rising by more than the inflation rate.

Bifsa said that with an inflation rate of 12,9% in 1988, the price of stock bricks rose by 28,8%, face bricks by 27,5%, sand by 20,1%, crushed stone by 24,1%, ceramic and floor tiles by 22,6% and cement by 15,2%.

Bifsa and Sapoa are to set up a committee to investigate increases in imported timber, cement, paint, glass and crushed-stone prices. In the past five years, building costs have risen from about R400m² to about R1 000m².

However, the Timber & Allied Trades Association (Tata) and brick manufacturer Rosema say prices have not risen by the stated amount or are the result of factors outside their control.

Tata says the price of imported timber depends on the cost of the timber from the source country and the rand's falling value.

The base cost of timber abroad has generally kept pace with inflation in those countries except the Far East where rising demand has lifted prices in the past few years.

In addition, many countries have imposed an export tax on timber for SA.

The percentage mark-up on timber has not changed in the past 10 years in spite of rising interest rates, higher rents and increased fuel costs.

Tata says the problems facing the buyer of imported timber are generally caused by difficulties with exporting countries or the falling rand.

Shra Smeets, consulting engineer for Rosema Bricks in Pretoria, says the price of his company's bricks has risen by an average of 12,1% in the past 12 months.

Face-brick prices have increased by 19,1% between July last year and the guaranteed price to January next year. Plaster bricks rose in price by 11,9%.

General Manage[r]

Planning and

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Rabie does M&R deal

RABIE Investment Holdings, the Cape-based township developer, has bucked the sorry trend in the black housing market with great results in the year to June.

In only its second year on the JSE lists, Rabie has also clinched a deal in ready-built housing with Murray & Roberts.

The two companies have pooled their ready-built and portable housing interests into a new company, to be known initially as Newco.

Benefits

Rabie contributed Zozo Group, which it acquired only six months ago and M&R its Parkhomes. Newco, valued at R30,6-million, will be No 1 in the fast-growing ready-built housing market. M&R will have 60% of the merged company and Rabie 40%.

Rabie appears to have been dealt with favourably because had the acquisition been in place last year, earnings would have increased by 5,7c to 42,8c and net assets would have been 12,1c higher at 84,8c a share.

The partners say there will be sales, distribution and manufacturing benefits in the merger.

John Rabie, chairman of Rabie, tells Business Times that large construction projects such as Mossgas and Lesotho Highlands, together with a growing leisure mar-

By David Carte

ket, have made pre-built housing a hot business. He expects strong growth in Newco, which will soon be given a permanent name.

Bonus

Because joint ventures make turnover meaningless, Rabie provides only a percentage increase in turnover. The rise in the year to June was a staggering 148%.

Pre-tax profit leapt by 79% to R9,5-million. Tax took 34% (3,7%), leaving taxed profit ahead by a modest 18%. Because of the larger number of shares in issue after the Zozo acquisition, earnings rose by 11% to 37,1c.

A 15c dividend has been declared — a 15% improvement. Shareholders will be able to take bonus shares instead of dividends.

The directors, who hold 58% of the equity, will take new shares on terms still to be decided. Return on equity in the company is 40%. Small wonder the company seeks to maximise retentions.

Expecting growth both in housing and in Newco, Rabie forecasts higher earnings a share this year even though it expects the tax bill to rise slightly from the present 34%.

Mr Rabie says his company avoided joining the roll-call of casualties in black housing by separating township development and construction.

Separate

His company specialises in development and marketing, but avoids building itself. It does not own so much as a wheel-barrow.

"Those who collapsed in black housing were builders who could not handle the administration and the marketing.

"We are a young, highly trained and motivated bunch who understand the market. We have made a speciality of finding good properties and developing them. We don't build unless we have sold the property. We use several contractors, not only M&R.

"Each contract is negotiated separately. We keep the development and the building functions at arm's length.

"We have identified strong demand from the corporate and the Government sectors.

"Our understanding of marketing is unique. We get close to the buyer. People want to own their homes, but they don't know how to go about it. We hold their hands, tell them how much it will cost a month, how much they need to earn, etc.

Lawns

"We help the buyer from first contact till the house is built. We put in lawns before handing over. That makes such a difference to the feel of a new township.

"We follow up contact with our clients, making sure they are happy with their homes and that all is well with the financing. You would be amazed at the response. We have a positive brand image and we are drawing reliable up-market clients. Thanks to customer recommendations, would-be home-owners are coming to us."

JOHN RABIE ... close to the house-buyer

The average house for blacks costs R45 000, but Rabie is also able to offer homes in the popular R25 000-R35 000 bracket.

At present 4 000 houses are being built for Rabie customers in the Western Cape, Durban and on the Reef. If the average price is R50 000, one is looking at an order book of R200-million.

At 170c, the share is 4,6 times earnings and yields 8,8%. It seems bound to rise.

Concor continues its steady progress

By Ann Crotty 32

Concor continues to distance itself from the tough times it suffered back in the mid-eighties, showing benefits from the rationalisation programme undertaken during financial '86 and '87.

For the 12 months to end-June turnover was up 29 percent (no absolute figures are provided). There was an obvious improvement in margins with operating income surging by about 42 percent.

The group's net finance charges were around R600 000 (R400 000) with interest payments almost matched by interest receipts.

Pre-tax income was up 43 percent to R5,7 million (R4 million). There was a tax rebate of R25 000 compared with a tax payment of R613 000 in financial 1988.

The increase at the taxed profit level was a very impressive 70 percent — to R5,9 million from R3,5 million.

Despite an increase in the weighted average number of shares in issue, earnings per share were up 68 percent to 23,7c (14,1c) from which a dividend of 4c (2c) has been declared. Star 13/9/89

The balance sheet shows that working capital has more than doubled to R5 million (R2,3 million).

Commenting on the results the directors note: "The availability of work during the year was higher than anticipated with the result that a full order book has been maintained. The board is confident that the group will continue to increase pre-tax profitability during financial 1990."

B/Day 13/9/89

Strebel maintains steady growth rate

SYLVIA DU PLESSIS

BUSIER trading, coupled with real growth experienced by each of its manufacturing operations, has allowed the Strebel Group to continue on its steady growth path in the year to June.

The group, a manufacturer of trimmings, fasteners and accessories for the clothing, footwear and luggage industries, has posted a R1m rise in attributable income to R6m in the face of a 10% hike in its effective tax rate to 40%.

This has been achieved on a turnover index which surged 39% to 520 (374), and operating income which was boosted by 43,4% to R10,5m (R7,32m).

Operating income was 60% higher in the latter half of the year compared with the corresponding period in 1988, and as a return on net average assets continued to grow, reaching 44,2% (36,5%).

Earnings a share of 39,8c (33,6c) — an increase of 18,5% — have been recorded, and a final dividend of 9c has lifted the total for the year to 13c (7,5c).

Textile division

MD Fred Strebel said in a statement yesterday the good performance was due to buoyant trading conditions, organic growth, higher productivity and a reputation for quality products and service.

A major development during the year was the establishment of a textile division, which had great potential for growth as a result of increasing import replacement and the steadily growing purchasing of urban blacks.

"We created this division by extending the General Dyers and Bleachers plant to include the manufacture of knitted fabrics for the local clothing industry and by acquiring two new concerns," he said.

These concerns were Embroitex, SA's largest manufacturer of embroidery, and Atlantis Non-Woven, which supplies non-woven fabrics to the bedding, footwear and building industries.

"The acquisition of Embroitex means we are able to offer a comprehensive range of embroidered products to the household textile market, while Atlantis Non-Woven allows us to further penetrate non-clothing markets."

Strebel said directors were optimistic about the forthcoming year and forecast continued growth and earnings, barring an unforeseen deterioration in economic conditions.

"Textiles, together with trimmings, fasteners and accessories is one of the so-called 'sunrise' industries.

"It has great potential for growth through import replacement and the rise in income of the increasingly urbanised lower income consumers. The household textile market, in our view, has excellent growth opportunities."

Strebel added the group was continuously working on improving efficiency and reducing costs by focusing on technology.

Concor earnings beat forecasts

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EDWARD WEST

CONCOR has surpassed earnings forecasts of 20c a share for the year to June 1989 and has increased earnings a share by 68% from 14,1c to 23,7c a share.

Concor chairman Brian Murphy decribed the results as "healthy". He said the availability of work during the year had enabled the company to maintain a full order book.

Reflecting improved operating margins the company, one of the largest construction groups in SA, has boosted pre-tax profits by 43% from R4,03m to R5,76m on a turnover increase of only 29%.

The company has not disclosed actual turnover. The final dividend it paid last year was doubled to 4c a share this year. The extraordinary loss of R188 000 was attributed to a premium on the acquisition of a subsidary company written off.

The directors, who passed the interim dividend, but anticipated a year-end dividend as the company's results continued to improve, were confident of increased pre-tax profitability during 1990.

Concor company secretary Graham Mullany said all divisions, including construction, concrete products, roads, earthworks and plants and a mechanical and electrical engineering division, performed well during the year.

Reflecting a general building trend, the housing and low rise building sub-divisions of the construction division did not perform as well as other divisions due to low margins in the building industry, said Mullany.

Although many economic factors made it difficult to predict the traditonally cyclical nature of the construction industry, Concor was confident of increased pre-tax profits during the 1990 financial year, he said.

B/Day 13/9/89

Question mark over future of Whiteheads

W/t Argus 16/9/89

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By TREVOR WALKER
Business Staff

A HUGE question mark is hanging over the fortunes of the Fred Whitehead group, which was listed with great expectations on the stock market in November 1987.

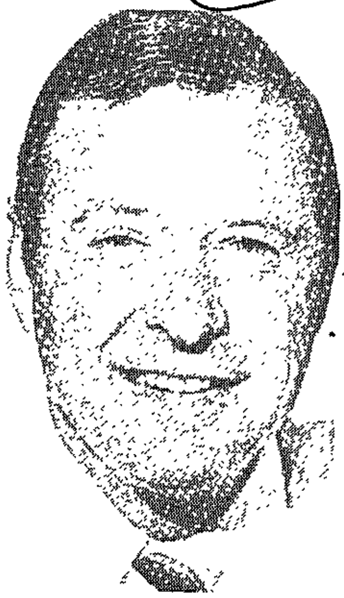
The shares have been suspended since August 14 and this week the company sold off part its most profitable asset base, that of the Marmoran coating company, to a consortium headed by Mr Geoff Knudsen.

Chairman and second generation Whitehead, Mr Mick Whitehead was uncontactable in Johannesburg yesterday.

"He is camping in the mountains," his secretary said.

The company, since its listing on the Development Capital sector of the market, has performed particularly poorly.

At the time of listing Press comment noted that, with a fat order book and a forecast turnover of R27-million for year to June 30 1988, the Fred Whitehead Group, one of the country's largest finishing specialists in the construction industry, had offered 3-million shares at 90c in a private placing.



Mr Geoff Knudsen

At the time chairman Mr Mick Whitehead said the money raised would be used to finance an expansion into the Trasvaal.

The company subsequently bought Dreamcoat (Pty) in Johannesburg for R750 000 by way of cash and shares. However, Dreamcoat incurred heavy losses and to cover these losses, the group was forced to sell its more profitable assets.

Mr Mick Whitehead attributed the company's poor profit performance in the six months ended December 1988 to the inability of Dreamcoat to finance or properly control its rapid expansion.

The conclusion of the Knudsen deal would seem to leave Whiteheads with an East London painting business, its Port Elizabeth business (which Mr Whitehead's father started) and Bellgrove and Snell operating in the Border, Transkei and Ciskei.

It would appear that Mr Mick Whitehead is in the process of selling off all the working assests of the company which will leave him with the asset shell of the JSE listing.

Unlike Goodalls, for example, another Cape Town company that found a listing on the JSE an unpractical operation, Whiteheads does not appear to be in the position to salvage much more than the rump of the business and return to private ownership as Goodall was able to do.

If this scenario is the correct one then it will be a tragic example of a family business looking for rapid expansion through a JSE listing.

The shares were suspended at 18c and at the present rate of sale of company assets are probably not even attractive at this price.

● See page 4.

Star 19/9/89 (32)

Industry gears up for bigger, better show

The building industry is gearing up for its biennial shop window — Interbou and more importantly, a lot of muscle is being provided for the 1989 exhibition by the Building Industries Federation (Bifsa) in terms of education, training and research.

A key factor in the exibition set-up is the establishment of Interbou Trust into which money and donations generated at forthcoming shows will be lodged and used for projects "considered to be of value to the building industry".

The formation of the trust was announced at a ceremony recently when Mr Howard Pell, managing director of Specialised Exhibitions, the organisers of Interbou, handed over a cheque from the 1988 exhibition to Mr Neil Fraser, executive director of Bifsa.

"Since its inception in 1968, more than 300 000 people have visited Interbou exhibitions and shows have grown steadily," said Mr Pell.

"Indeed, last year's event drew more than 27 000 visitors from every sector of the building industry and we expect an even bigger and better Interbou 90.

"Without the help of Bifsa, the Institute of South African Architects, the Association of South African Quantity Surveyors and the Institute of Building, I doubt if Interbou would have achieved the leading role it plays within the industry."

Previously, Interbou donations were given on an ad hoc basis.

Now, the distribution of the trust money will be agreed to by these major disciplines of the construction and building industries.

Firm planning R500-m boost for Cape Flats

Argus 21/9/89

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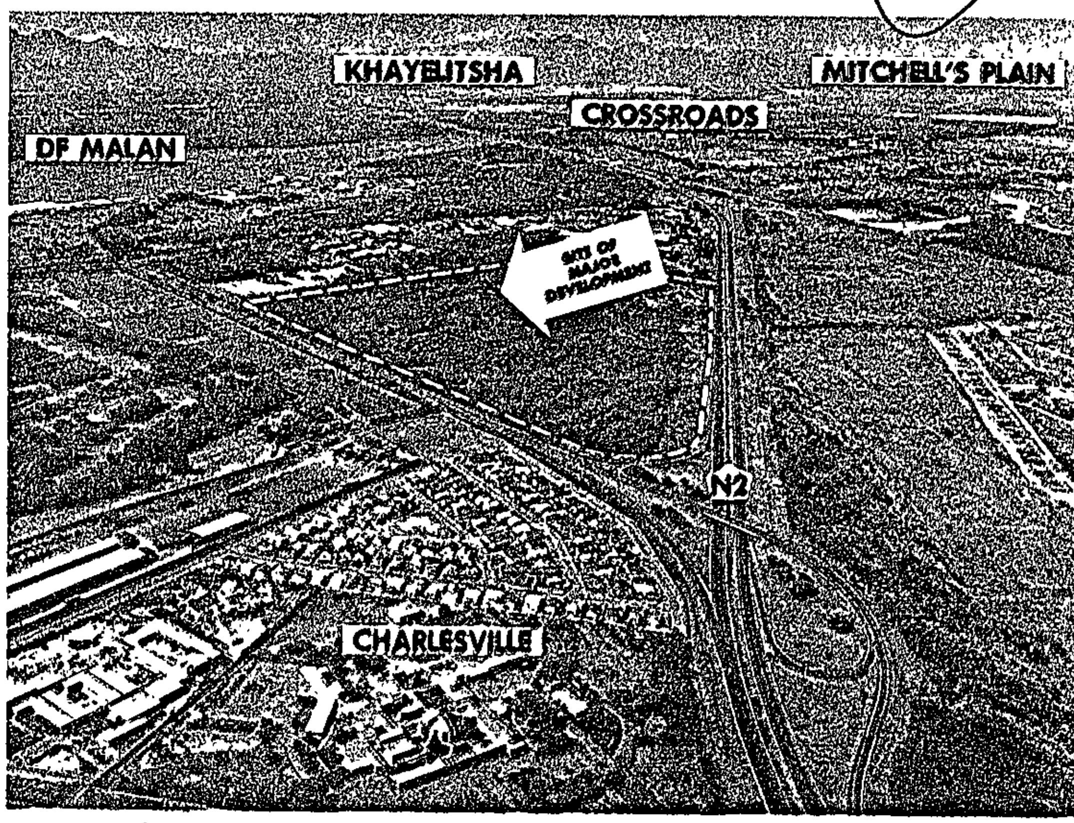
By TOM HOOD
Business Editor

A 50-hectare site of prime industrial land next to D F Malan Airport is expected to become a R500-million development providing 15 000 jobs within 10 years.

The land, mostly bush at present, has been bought for more than R7-million by Monex Development Company of Cape Town, which is best known for top-class shopping centres and high-rise office blocks in the Peninsula.

Financial institutions have pledged R300-million for the first phase of the project, says Monex's managing director Mr Martin Wragge.



An aerial view of the area expected to become a R500-million development.

Unique opportunity

"The acquisition of this large chunk of land between the airport approach road and the N2 presents a unique opportunity to do something of regional significance," he said today.

Mr Wragge said he could not be specific about Monex's proposals, which had been put forward to various authorities.

He declined to comment whether the proposals would involve a major shopping centre of office blocks — the type of project in which Monex specialises. However, houses would not be built.

'The authorities have found our proposals generally exciting and contributive to the region," he added.

The Cape Town company is best known for its large retail and office developments, but Mr Wragg declined to confirm that similar projects were planned for the site.

However, given the go-ahead, he foresaw that within a decade development of the area would probably top R500-million with the creation of more than 15 000 permanent jobs.

"Nowhere on the N2 between central Cape Town and Somerset West has there developed the kind of decentralised areas of formal and community services that have developed along the N1 in Goodwood, Parow, Bellville and Brackenfell.

The development of these areas was essential in terms of taking pressure off the major arterials feeding central Cape Town through the decentralised supply of services and creation of jobs, he said.

"When we developed Tyger Valley Centre and the Parc du Cap office park at Bellville, the time for those developments had arrived, anticipating the sudden combustion of those areas and the demand for those facilities.

"The same is true of this site on the N2 — its time has arrived."

There were practical difficulties attached to a proposal of this magnitude because of the enormous regional impact, but the company intended to overcome them, added Mr Wragg.

"The acquisition of such a prime parcel of land on the N2 presents everyone concerned with an opportunity and a benefit, not just Monex as developers."

Monex is is also well known as a Cape Town film producer and its latest feature film, *The Last Warrior*, has just been released through Ster-Kinekor theatres countrywide.

Fmail 22/9/89

create in trainees' minds. While counter-insurgency is an aggressive military function against a military opponent, crowd control is essentially a peace-keeping action among civilians often engaged in generally acceptable political action.

He says the overtly political role of the security branch is resented not only by members of the public, but also in some SAP circles. Security policemen essentially spy on government's extra-parliamentary political opponents and perceived enemies of the State. They feed information up to politicians who then feed orders for action based on the information down a different channel. Incorrect decisions are often made, he says.

Van der Merwe agrees that additional funding for the SAP is an urgent priority, but also feels that the more efficient use of existing resources would help in the short term. And policemen need better channels of communication through which to raise and solve problems, and should have the right to unionise (though not to strike).

Van der Merwe is optimistic that the situation can be turned around fairly easily — if government has the political courage to take the necessary steps. "They must be given a crash course in what people's rights are. This must go hand in hand with the lifting of the State of Emergency because in terms of the emergency a policeman's discretionary power is virtually unlimited."

The fickle nature of politics makes it relatively easy for politicians to flow with the tide — as De Klerk is now doing. To alter fundamentally the image and outlook of an organisation like the SAP is a monumental task. But it has to be done. ■

EVERITE

Fmail 22/9/89 (32)

Shouldering the burden

■ Can the new MD change Everite's market rating, post-strike?

After recording declining EPS in the mid-Eighties, Everite succeeded in achieving a major recovery in 1987 and 1988. But the share price lagged, more than halving from the pre-Crash high of 535c to the low of 220c in May last year. Though there was substantial improvement in the second half of 1988, this year has again seen the price retreat, apparently indicating that the market considered a new MD and the impact of reconstruction as less important than the lengthy strike which has just ended.

Can George Thomas, until March the financial director of AECI, change the market perception and achieve a rerating of the stock? Everite is currently on a dividend yield of 4,3%.

Certainly, for a CE to start his career in a new company reeling from a 13-week strike is not easy, especially when the results for the year to end-June were consequently disappointing. The market's high expectations were raised at the interim when EPS nearly doubled from 10,8c to 19,5c. Some brokers were forecasting a climb in EPS of more than 70% in the year to end-June 1989 and of around 30% in the following year.

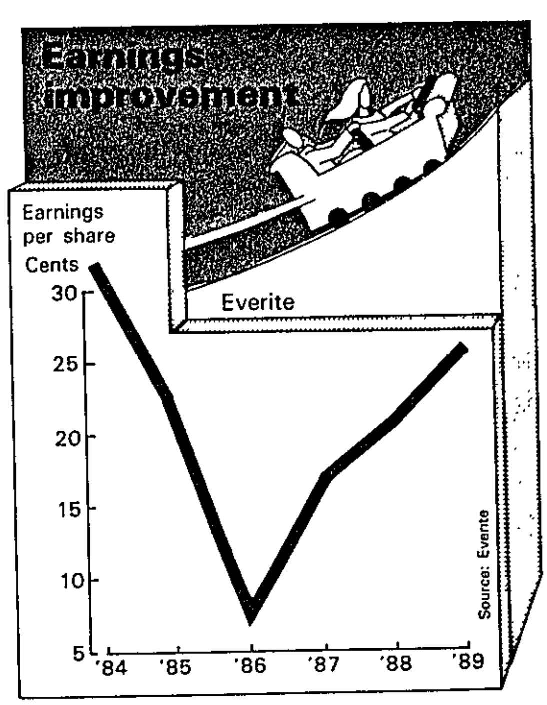
In fact the group managed to chalk up some real growth, but the 21% growth rate, which took EPS to 32,2c, fell far short of expectations and declined in the second half compared with the second half of 1988 — down from 26c to 17,4c.

Thomas says the strike probably cost about 3c a share, which would have improved the annual growth rate to 32% but still meant a fall in the second half. He states that comparison of taxed profit and EPS on a half-yearly basis is distorted by the recoupment of past tax losses which took place in the second half of financial year 1987-1988. Pre-tax profit continued to show some improvement even before allowing for the cost of the strike.

Production in the fibre cement division, where the strike took place, was maintained at 45% of its pre-strike level and Thomas acknowledges that there were other factors which affected group performance. Turnover rose by 21,7% and, though operating margins were improved by cost reductions arising from restructuring and rationalisation, he adds that the improvement in demand in the first half was not continued into the second.

Thomas attributes the change to difficulties experienced in low-cost housing — an important market for Everite. He says there have been delays in proclaiming land for non-white use; and these delays — with the high rate of inflation in building costs, high bond rates and difficulties in obtaining bonds — caused demand to fall.

In the civil engineering sector, also a market where Everite has a large share, infrastructural development was spasmodic. A number of larger projects were delayed, and Thomas says Everite has also felt the easing in the plastic pipes market and, to a lesser extent in ceramics — though until recently demand was strong.



The results would have been considerably better but for the strike. The first few weeks were the worst and as time passed management filled a lot of the positions with temporary labour, especially as a number of them are relatively unskilled. "We have found that we can train our labour a lot faster than we thought," Thomas says.

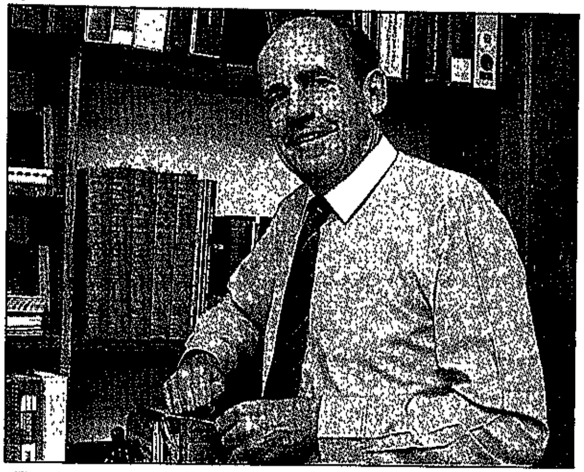
The settlement involved a wage increase of 17,5%, which Thomas considers fair as he states that everyone in Everite is paid above the EEC minimum economic levels. He believes Everite could have been targeted because it is foreign controlled — the Swiss Eternit Group has 37% of Everite Holdings (which in turn controls Everite) and other foreign shareholders have another 15,8%. Eternit came under pressure as a result of the strike, but Thomas says that he does not believe it wants to sell out and has consistently denied wishing to do so.

The strike hit Everite hard because the fibre cement division remains the largest profit contributor despite efforts to diversify out of asbestos-related products. Fibre cement accounts for about 70% of earnings, with plastics and ceramics providing some 20% and 10% respectively, according to Thomas. Though plastics performed badly, recording a fall in taxed profits of 85% in the year to end-June 1988, Thomas says that plastics turned around and became profitable mainly because of a substantial improvement in the 50%-held DPI Plastics (Pty).

The ceramics division has the highest margin in the group and has enjoyed increased demand due to the fashion of installing bathrooms with coloured ceramic tiles and sanitaryware.

Thomas says that he sees the group mov-

22/9/89. (32) Fmail



Thomas . . . will seek to convince investors

ing out of asbestos building products by 1992 and out of fibre cement pipes a few years later. "I would like to build up the non-fibre cement business," he says. Acquisitions are possible, but Thomas emphasises that these must be in the type of industry in which Everite would feel comfortable, and would prefer them to be in areas in which the group already operates. He suggests that such deals may be in the building trade, in a similar area to those in which the group is at present.

One reason for the improvement in profits in 1987 and 1988 was the reconstructions undertaken by the group — and Thomas indicates that these are not yet complete. In 1987, the building products division of Turner & Newall was acquired, giving the group a monopoly in fibre cement for building products. A plastics and allied division was formed comprising the pitch fibre business (Santar), the glass-reinforced plastics sheet business (Paxit), the drip irrigation business (Agriplas) and the stake in DPI. Other changes have yet to be completed. The polyethylene pipe business of Agriplas is, he suggests, one of the businesses which might be sold.

The changes helped margins. Operating margins declined from 15,8% to 14,9% in 1988, partly because the Turner & Newall acquisition expanded the relatively low-margin fibre cement business, and last year there was an improvement to 16%. This was partly a result of economies of scale from higher turnover and partly due to rationalisation benefits.

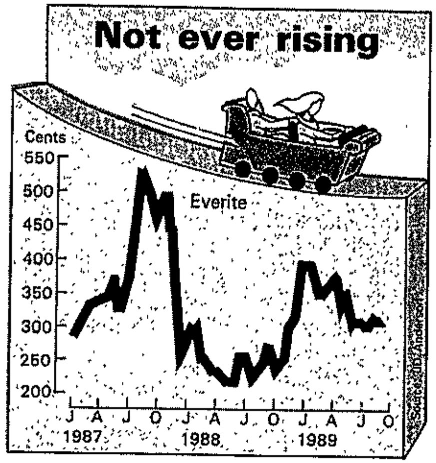
Thomas sees the possibility of further productivity gains despite the increase in costs due to the wage settlement. Though he says that he has come into a well-run company, he is not satisfied with the returns being achieved. Everite wants a 12,5%-25% return on equity against the 7,8% return on revalued assets reported last year. It will be difficult to reach this level until completion of the project aimed at reducing the asbestos content of fibre cement by replacing it with other products. Capital expenditure in 1988 showed an improvement over that of 1987 — down from R18,4m to R17,9m — but it climbed again last year to R22,3m.

Though little of Everite's raw materials are imported, only 3% is being exported — a percentage which management wants to improve.

Acquisitions are being considered and the group's gearing is low, with net debt of only R8,6m at end-June against shareholders' funds of R298m, a debt:equity ratio of only 2,9%. There are limits to the extent to which borrowings can be increased because the group is foreign-controlled; and the share price has been higher, which may mean a reluctance to use paper for acquisitions.

Will the share be rerated? It seems unlikely in the current economic environment. Thomas sees communication to the investment community as one of his functions. It remains to be seen whether or not this will make a major difference, when he admits that the outlook for the immediate future is fairly tough.

There will be some benefit from the fact that there should not be another strike, which may help offset the effects of the recesssion, and Thomas suggests that the market could improve in the second half of the year. So there should be some interest in the share on a long-term view.



At 235c, Everite stands on a dividend yield of 4,3%, a more favourable rating than the average 5,6% of the building and construction sector, but lower than the 3,3% average for the industrial sector. It seems likely the market will want to see proof that the group will not be hit by more strikes and that it can weather the recession before there is a rerating.

Pat Kenney

Pleas to officials by Jomac 'fall on deaf ears'

Freeway tariff will hit blacks

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By ALI MPHAKI

SOWETANS will be forced to pay for access to the soon-to-be-built Hendrick Schoeman Freeway, while the same access will be enjoyed free of charge by much wealthier citizens of towns like Roodepoort, Sandton and Randburg.

This is one "bottleneck" thousands of Sowetan motorists will contend with, as the road will be tolled

The road will run in an east-west direction along Soweto's northern boundary, and in turn will have an excellent interchange with the concrete Nl (or Ring Road). A toll plaza will be built between Commando Road and the Ring Road.

While Roodepoort, Randburg and Sandton have numerous, high quality access roads to the Ring Road, Sowetans in central and western Soweto who want to use this access, have to travel all the way across the township on roads with standards far below those of access roads in the other three towns.

This discrepancy was summed up by Mr Conrad Berge, secretary of the Johannesburg Metropolitan

Soweto mayor Sam Mkwanazi

Action Group (Jomac), which encourages public involvement in town planning, as "a tale of four towns"

Sandton has four access roads to the Ring Road. One of which is itself a freeway - the Ml

Randburg has two and Roodepoort three (one of which has access ramps only in a northerly direction to the Ring Road). Soweto has two, one of which has access ramps only in a northerly direction to the Ring Road and the other access ramps only in a southerly direction.

The Ring Road links the four towns.

This means that the whole of Soweto has only one access to the Ring Road (the Marthinus Smuts Interchange) which allows for travel to Sandton, Roodepoort and Randburg

"Soweto's population is much more than that of the other three towns combined and is on average a lot poorer. A lot of Sowetans work in the three towns and have to travel there and back every day

"Very few residents

Whites will have free access

of the other three towns have reason to enter Soweto but they frequently travel to each other's towns. Now Sowetans will have to pay for good access to their jobs in these affluent towns," he said.

Unfairness

He said Jomac alerted the Government and various Opposition politicians to the unfairness of making Sowetans pay for regional access which is enjoyed free by wealthier citizens.

"Our words seem to have fallen on deaf ears."

Attempts to obtain comment from Mr Payne Tshabalala, Soweto City Council's chairman of the management committee and Mr Sam Mkhwanazi, the mayor, drew a blank yesterday.

Work is already underway to complete a 100 km/h dual highway to provide toll-free access for Randburg's northwest suburbs. The newly-widened Hendrick Potgieter Road in Roodepoort will give a toll-free 100 km/h access from its new suburbs to the 14th Avenue and Gordon Road interchanges on the Ring Road.

In the 1988 annual report of the SA Federation of Civil Engineering Contractors it is stated that "the biggest contribution to the better intake of new contracts during the past year was made by the private toll road consortia, showing success of this innovative method of generating work."

"On the basis of this observation, it seems that the road building industry stands to gain significantly from Soweto's isolation," Berge said.

Engineering contracts fall off

$_{32}$ Cit Times 26/9/89

THE new civil engineering contracts recorded in July totalled a meagre R110m, well below the monthly average of R210m during the first half of this year, the SA Federation of Civil Engineering Contractors (Safcec) said.

At the weekend Safcec said that the total for the first seven months of 1989 was down 13% at R1 360m (R1 560m).

Safcec points out, however, that the civil engineering industry entered 1989 with fairly good order books. The work remaining to be done is R3 000m, 30% higher than 12 months earlier. New work obtained during this period was about R2 000m.

B/Day 26/9/89

32

Civil engineers hit out at restrictive measures

BRENT MELVILLE

UNCERTAINTY, monopolistic price fixing and restrictive economic measures have effectively kicked the feet out from under SA's sagging civil engineering industry, says the SA Federation of Civil Engineering Contractors (Safcec).

The industry had appeared poised for revival. Conditions prevalent during the early 1980s saw it contributing 2,8% to the country's GDE.

Last year, and in the midst of its seemingly shortlived upsurge, it contributed only 1,9%, and that figure is set to go down, Safcec figures show.

In the latest Safcec annual review executive director Kees Lagaay says that restrictive economic measures introduced by Minister of Finance Barend du Plessis last year resulted in strong uncertainty developing in the industry.

The uncertainty by major contractors and the reduction in available work by the State — which directly or indirectly controls 60% to 70% of all spending on civil engineering contract work — are contributing significantly to a developing fear of imminent recession.

Lagaay said that cartel conditions in the supply of major materials in the industry were continually pushing prices up, while the weak rand affected the purchase price of imported plant and equipment.

Low level

"By contrast to the competition between civil engineering contractors, cartel conditions have pushed up prices significantly," says Lagaay. He bemoaned the further depreciation of the rand and the imposition of a higher import surcharge.

"Concrete work and mining and industrial work continued to lag behind, power station construction is slowing down and provincial road construction remains at a low level," said Lagaay.

During the present year neither the Mossel Bay onshore refinery, nor the Lesotho Highlands Water Project were expected to contribute significantly to construction activity.

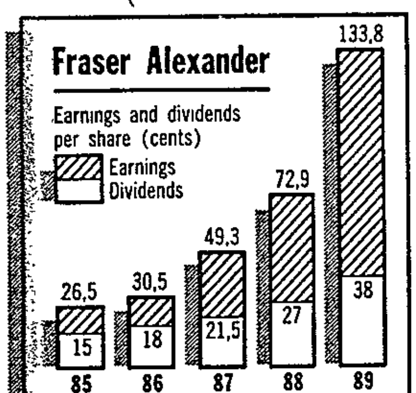
Lagaay said expenditure by the regional service service councils (RSCs) on township development was likely to rise.

"However taking the various factors into account, it would appear that the amount of work to be put out on contract over the next year, and the actual tempo of construction during this period, will show a decline," said Lagaay.

He appealed to government to embark on any further reduction in capex "in a responsible manner, thus avoiding the severe recessions which have been experienced in the industry from time to time in the past".

Outgoing Safcec president and LTA Construction chairman Brian Hackney said there was a definite need for urgent government and private-sector funding. An increase in RSC levies would add significantly to the diminishing traditional public sector route of funding.

Fraser Alexander posts exceptional results



Graphic: FIONA KRISCH Source: FRASER ALEXANDER

BRENT MELVILLE

MINING services and construction group Fraser Alexander has shrugged off some problems in its concrete products and mine tailings divisions to post exceptional results for the year to end June.

Margins jumped to 14,5% (10%), enabling operating profit to leap an impressive 101,6% to R25,5m (R12,7m) on a 40,1% rise in turnover to R176,5m (R126m).

Attributable income doubled to R16,4m (R8,2m), translating into earnings of 133,8c (72,9c) a share. The tax rate remained virtually unchanged at 36% — taking a R9,1m (R4,5m) bite.

A final dividend of 27c was declared, bringing the total for the year to 38c (27c) — covered a healthy 3,5 times — which places the share, currently trading at 700c, on a dividend yield of 5,4%.

Holding company Fralex, with a 74,1% stake in Alexander as its sole investment, increased earnings an equally dramatic 99,5% to 75,2c (37,7c) and dividend by 40% to 21c (15c) increasing cover to 3,6 (2,5) times.

On the bottom line, performance was boosted by 99,3% to R12,1m (R6,1m). The share, which is trading at 480c, shows a dividend yield of 4,4% and a P:E of 6,4 times — as against the sector's average P:E of 7,1.

The Mining and Mining Services Division contributed a significant but lowered 32% (49%) to operating profits though executive chairman Peter Flack expects the division to diversify into complementary services this year which should raise margins.

In addition the group has established an overseas office in the UK in order to capitalise on the comparative benefit the group will derive from pending price increases within the group's niche British coal market.

The Utility Services Division, involved in ash and coal handling, showed strong turnover growth though its contribution to profits was reduced to 9% (15,7%).

The star of the stable though was the construction division which contributed R44m (25%) to turnover and R8,7m (34%) to operating profit. The concrete division, for its part, accounted for 28% of turnover and 25% to profit.

Flack said that while the downturn in the economy was already having some effect on the construction and concrete divisions, the businesses remained soundly based in essential industries.

The group also showed a healthier balance sheet. Gearing dropped to 49% (67%) with the return on average shareholders' funds increasing to 36% (24%).

Directors have forecast that operating profit for the year to end June 1990 will hit R31m, translating into a 22% rise and earnings of 155c, or a 16% hike. At its current share price it would put Alexander on a P:E of 4,5 (5,2).

Shareholders give

Acsis the go-ahead

Grinaker completes schools

Star 26/9/89

Two secondary schools in the Klerksdorp area have been built by Grinaker Building Company.

The contracts had a combined total of R9 million.

Matloasane School in Joubertina township, which will accommodate 1 000 pupils, has 33 classrooms, science laboratories, library and workshops.

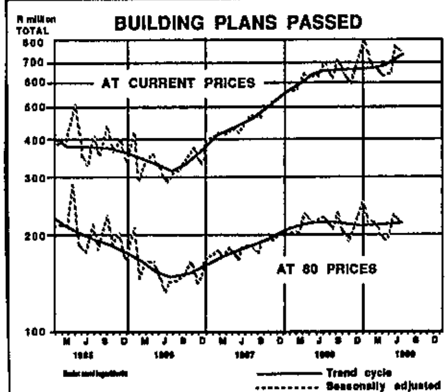
Alabama Secondary will also have a residential component with 224 beds.

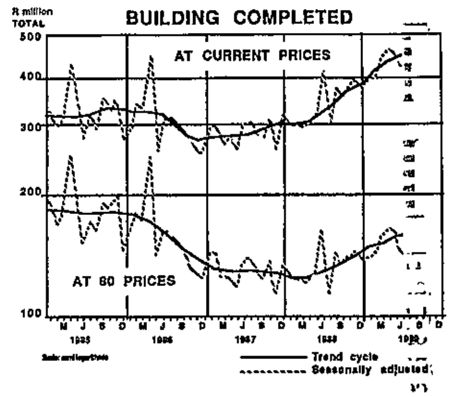
32

These contracts follow on the heels of other educational facilities involving Grinaker Building.

Among them have been the Wits Technikon, the University of Bophuthatswana and the International School at Mmabatho.

Star 26/9/89 (32)





Home building in the doldrums

Property & Construction

FRANK JEANS

While there are signs of a recovery in the home building industry on the back of a more positive attitude among buyers since the General Election, the crunch of high interest rates and tighter family budgeting has taken its toll.

Figures from Central Statistical Services (CSS) again reflect the more difficult trading conditions in the residential market.

According to the CSS, there is a more encouraging trend for the industry generally, with the value of building plans passed for the first six months of this year showing a gain of close to 12 percent over the same time in 1988.

However, on the downside, there was a considerable sag of nearly seven percent in the building of new houses and more than 18 percent in townhouses.

The non-residential sector posted better results in the six months and recorded a 53,5 percent increase.

The growing interest among the "stay puts" of homeownership in the face of high costs of moving home, is seen in the alterations and additions market, which registered a 24,7 percent rise.

The total value of buildings completed in the six months showed a healthy 32,5 percent jump over the previous period and all sectors, including home-building, had substantial gains.

The significant trend to emerge from the figures, however, is the increasing private sector involvement in providing homes for non-white groups.

While the number of houses completed for the white market declined by more than 13 percent, there were substantial increases in homes for Asians (33,7 percent), blacks (23,8 percent) and coloureds (17,7 percent).

Civil works

New civil engineering contracts recorded in July totalled R110 million — well below the monthly average of R210 million in the first half of the year.

The South African Federation of Civil Engineering Contractors (Safcec) says the total for the first seven months of 1989 was R1,3 billion, which was 13 percent down on the R1,5 billion in the corresponding period of last year.

Safcec points out, however, that the civil engineering industry entered 1989 with fairly good order books.

"The amount of work remaining to be done on all contracts is R3 billion — 30 percent higher than 12 months earlier," says the federation.

"Although the value of new contracts so far this year is running below the value of work actually being carried out, the total amount of work on contractors' books ensures that activity continues at a satisfactory rate."

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Clouds still hovering over Inboard

Diagonal Street
LYNNE PEACH

Inboard, just over 70 percent-held by the Dutch company, Interboard Holding BV, has received a lot of publicity recently, but not all the news has been good.

Firstly, the Reserve Bank started an investigation into foreign transactions related to the group and, secondly, there was the surprise resignation of the founder, Ed Dutton.

Furthermore, although Inboard's earnings per share increased 33 percent in the year to February, there probably would have been only a marginal improvement on the previous year if the R4,7 million interest bill had been accounted for in the income statement.

This amount was instead capitalised to the cost of plant.

Inboard has three major divisions which are the flatboard division, the building materials manufacturing division, and the audio division.

MD Barrie Jones declines to disclose any information about the contributions these make to group profit.

The flatboard division has been significantly expanded with a new facility in George.

Mr Jones is satisfied with performance, although he says it will be some time before full capacity is reached.

He is also happy with the Swaziland operation which made a loss last year.

The division is attempting to expand its export business, according to Mr Jones.

The building materials manufacturing division comprises an 80 percent stake in listed Buildcor. Results have come under pressure due to problems experienced in the ceramic tile company, Tilecor.

Mr Jones confirms that Tilecor is getting back on its feet, with output and quality continuing to improve.

The audio division, Audiocor, manufactures, markets and services radio and hi-fi products under the trade names of Tempest, Omega, Supersonic and Silver.

It is the largest manufacturer of audio equipment in Sa and is operating in line with expectations, says Mr Jones.

As far as the current year is concerned, Mr Jones says the group is not looking at acquisitional expansion, but is instead concentrating on existing operations.

He declines to comment on any major growth areas.

In the year to February, Inboard's turnover shot up 97 percent from R95,4 million to R188,1 million.

However, the operating margin fell from 15,7 percent to 11,5 percent due to losses sustained by the Swaziland board subsidiary and the Tilecor operation.

This restricted attributable income growth to 48 percent, with a rise from R14,3 million to R21,3 million. Because of a higher number of shares in issue, earnings increased 33 percent from 9,98c to 13,23c.

The dividend for the year was 7,3c, compared with 6c in the previous year. The balance sheet showed a rise in gearing to 49 percent, compared with less than five percent a year ago.

Inboard, priced at 70c, is trading on a P/E ratio of 5,4 and provides a dividend yield of 10,4 percent.

Although the ratings appear low, uncertainty about the outcome of the Reserve Bank's investigation and the recent management changes, as well as the slowdown in the building industry, are likely to inhibit a rerating in the immediate future.

Grinaker's order book at high level

(32)

Star 27/9/89

Finance Staff

Grinaker Holdings' chairman, Mr JC Robbertze, says that orders remain at a high level and at acceptable margins. He says in his annual statement to shareholders that all major investment sectors will improve their earnings in the year ended June, 1990.

In the year just ended Grinaker increased its earnings by 106,8c a share and paid dividends totalling 30c (22c). Turnover rose 38 percent to R1 219 million while taxed profit rose 34 percent to R48,2 million.

Goldstein has R90m in building contracts

EDWARD WEST 32

FOLLOWING a drop in activity in 1988 and the resultant shift of its operations from Natal to Johannesburg, Goldstein Housing has emerged a hive of activity with nine contracts worth more than R90m on its order books.

In a statement, Goldstein Housing said some 350 houses, hostels and other structures were currently under construction on six of these contracts at various sites in the Transvaal and Free State.

In Klerksdorp, 45 houses are being built. This R1,5m Time Housing contract is due for completion in August. In Welkom, 45 middle-income houses valued at R1,5m are being built and are scheduled for completion in September. B/Day 28/7/89

SM Goldstein's Housing division has also been awarded a number of JCI contracts at Atok Platinum Mine, valued at R21m. In the mine residential area 19 houses are being built for R6m. Completion date is December.

At Ellisras, 120 houses valued at R10m are being built for Iscor.

A R2,5m Lifetime Housing contract will provide 88 middle-income houses in Tembisa. A further R1,95m contract for the same client is scheduled for completion in August. B/Day 28/9/89

Goldstein Housing is a division of SM Goldstein whosebusinesses merged with Group Five earlier this year.

BSI reverses losses and heads for recovery

(32) BDay 28/9/89

EDWARD WEST

BASIL Starke Investments (BSI) is well on the way to recovery after last year's losses and has increased attributable earnings to shareholders substantially from R123 000 to R882 000 for the six months to June 1989.

Basil Starke Group (BSG) showed a similar picture, with attributable earnings up from R428 000 at the interim period last year to R987 000.

Earnings a share for BSG increased 128% from 4,9c a share to 11,2c a share for the months to June 1989.

Earnings a share for BSI were diluted by increased shares in issue from 6 171 000 shares last year to 17 449 000 shares at June 1989. Earnings a share increased from 2c to 5c a share.

The directors said a conservative accounting policy was adopted and outstanding claims due to the building, plumbing and civils divisions were not taken into account.

Gearing for the group has improved and with an anticipated profit for the remainder of the year, should improve further. The directors said order books of various divisions were satisfactory for the remainder of the year.

Over 100 designs and finishes

Sowetan 28/9/84

(32)

By MZIKAYISE EDOM

TRI-TIME (Pty) Ltd - a joint venture between black and white entrepreneurs - has reported substantial growth in developing its housing project for blacks.

It has already sold more than 100 homes, despite the prevailing high mortgage rates.

The company plans to have about 200 homes completed in the PWV area by December this year.

Tri-Time is a member of the Dobsonville Builders Association and the Black Building Federation.

It has concentrated mainly on two- and three-bedroomed homes for the middle and upper income groups.

The houses are priced between R39000 and R64000, including land. Homeowners have more than 100 designs and attractive finishes from which to choose.

Tri-Time was born from a merger of interests between Time Housing (Pty) Ltd and Time Holdings Ltd, a group of black building entrepreneurs.

"The black housing market is affected by all the economic ups and downs of the country, and this sector has the same needs and aspirations as any other," said Nel Khumalo, a director of Tri-Time.

"We are committed to providing good value-for-money homes."

He said the company offered an excellent personal service and tried to obtain the best possible packages for clients.

"Tri-Time will assist and guide owners through the entire process - from obtaining finance to getting plans approved and collecting all the relevant documentation from the town councils," said Khumalo.

The first venture undertaken by the company since its formation in 1987 was the development of 23 homes - part of a 50-home project to upgrade two entire blocks in Alexandra.

"By the end of the year our company will be active in housing projects in Dobsonville, Tokoza, Vosloorus, Tembisa, Alexandra, Spruitview and Daveyton," said Khumalo.

and will in turn be linked to the council's central computer.

Public Servants Association GM Hans Olivier said the PSA was bound to a policy of striving for market related salaries.

strong, particularly in the corporate sector. Imports showed little indication of declining and the rise in the money supply remained disturbingly high.

Saccola to announce talks decision soon

B Day 2/10/89

ALAN FINE

EMPLOYER federation Saccola is to inform Cosatu and Nactu in the next few days of whether it is prepared to resume negotiations on the Labour Relations Act.

Saccola suspended its participation in the talks 10 days ago, citing the union call for a national overtime ban and consumer boycott in support of demands for changes to the Act as a breach of good-faith bargaining.

Saccola chairman Bobby Godsell declined to outline the terms of the decision made at a high-powered meeting of leaders of the organisation's affiliates, saying he would not do so until the unions themselves had been informed.

The union federations have defended their call, saying employers left themselves open to such actions for as long as they did not renounce their rights to use "objectionable" clauses in the Act.

Some plans up, some down

B Day 2/10/89

EDWARD WEST

VALUES of plans passed for residential buildings reflect declining investment and confidence in the housing market, while values of plans passed for the non-residential sector show continued activity ahead. (32)

However, the CSS warns that the value of non-residential plans passed can be pushed up by building projects involving large capex and are not an absolute indicator of activity in the construction industry.

According to the CSS, the value of plans passed for the residential sector during the first seven months of 1989 compared to the same months last year shows consistent decreases.

January showed a 2,5% decrease, February 3,5%, March 14%, May 5,4%, June 13,2% while July showed a 6,2% decrease. The only increase to be recorded was April, which showed a 1% increase when compared to the same month last year.

However, the value of non-residential plans passed for the seven months shows consistent and large increases when compared to the same months last year.

January showed a 133% increase, February 129%, April 11,1%, May 55,2%, June 47,1% while July showed a 160,9% increase. Only March recorded a decrease, 10,6%, when compared to March 1988.

Building Industries Federation of SA economist Charles Martin said business confidence in housing construction had dropped substantially because high interest rates had dampened housing investment capacity.

Bou Pen MD Herc Botha said high land prices and the inability of state subsidies for first-time homeowner to counter the effects of high interest rates had damped demand in the residential housing market.

In line with the predicted downturn in the cyclical construction industry, Martin said there was much work in progress in the non-residential sector, but contractors were finding it difficult to refill order books.

Sanlam's trusts switch focus onto blue chips

B/Day 4/10/89

MERVYN HARRIS

FRUSTRATED by the failure of second-line shares to respond to a flow of excellent results, the five unit trusts in the Sanlam fold were streamlined in the September quarter in favour of concentrating on blue chips.

The trust's exposure to gold shares, traditionally the lowest of all unit trusts, was further reduced to about 5% of the overall portfolio but they remained fairly strong in rand hedge stocks which have been out of favour in the market in the last quarter.

Strategy

Senior portfolio manager Stafford Thomas said: "After the stock market collapse two years ago, we found ourselves with too wide a spectrum of shares. This was particularly the case with second-liners which the market has continued to ignore despite fine results."

He cited Bergers in the wholesale and retailers sector as an example of a company which reported extremely good results. But all that happened was that the shares went down and the dividend yield went up.

"I decided it was not worth waiting any longer for a rally in secondliners and our strategy now favours greater concentration on blue chips," Thomas said.

Sanlam Trust was most affected by this move, with a net reduction of some 20% in the number of shares in its portfolio.

The changes resulted in a slight reduction in liquidity in all the trusts. Present liquidity levels compared with those for the previous quarter are: Sanlam Trust 15% (20%), Index Trust 8% (9%), Industrial Trust 17% (21%), Mining Trust 21% (23%) and Dividend Trust 20% (21%).

However, the good market performance for the year to end September, together with appropriate structuring and share selections, enabled investors in the five trusts to receive outstanding total returns — capital growth plus income — which ranged as high as 51,7%.

The average total return for the five trusts was 43,5%.

Holdings which were increased during the September quarter included Trans Hex, Gencor, Yabeng, Barlows, HLH/Huntcor, Consol, Metpol and Sappi, as the trusts concentrated on companies with outstanding management, growth potential and financial strength.

Minorco was the most prominent rand hedge acquisition made in the last quarter.

Increased

Income distribution of Sanlam Trust of 34,9c a unit for the six months to September was 56,1% higher than in the same period last year while Sanlam Dividend Trust increased its income distribution by 29,7% to 11,8c a unit.

The other three trusts in the Sanlam stable declare their next income distribution at the end of December.

Index Trust showed a total return for the year to September of 51,7%, Mining Trust 47,6%, Sanlam Trust 42,2%, Industrial Trust 38,2% and Dividend Trust 38%.

Concor to look elsewhere to boost profits

B/Day 4/10/89 (32)

LIZ ROUSE

ON THE strength of Concor's order book, the group should continue to increase profitability, says chairman Brian Murphy in his annual review.

However, he warns of concern in the construction industry that there will be a slowdown in activity with keener margins for future work.

Murphy says Concor is strongly represented in the continuing construction of the Springs-Krugersdorp toll road and also has substantial work on the Mossref project.

However, with the issue date of the Lesotho Highlands water project tender documents continually being extended, there appears to be little major heavy civil engineering work available in the medium term.

The depressed gold price has not enabled the mining houses to embark on substantial capital projects.

The group will seek additional markets for its core business and expand into areas which will enable it to broaden its profit base in businesses counter-cyclical to construction. This is the main objective for the year and management intends pursuing it diligently.

Concor continued to benefit from assessed losses in the year to June 1989, which contributed to earnings a share increasing by 68% to 23,7c from 14,1c. Although the dividend was doubled to 4c, the high cover reflects the need for the group to preserve liquidity.

SMG results hit by loss at subsidiary

STAR 5/10/89

By Sven Lünsche

Property and construction group SM Goldstein (SMG) reported a net loss in the financial year to end-June, after substantial losses by its subsidiary Gough Cooper Homes.

SMG's earnings per share recorded a loss of 30,2c compared with 20,5c in the 1987/88 financial year, on a dramatic decline in turnover from R455 million to R266 million.

However, the recent change in control of the company to Group Five and the latter's strong performance allowed the group to declare a final dividend of 10c per share. (32)

As part of the agreement with Group Five, which was concluded in March this year and saw SMG's interest in the company rise from 38 to 45 percent, SMG sold its construction operations and sewerage and water treatment group Aqua-Gold to Group Five. This allowed SMG to reduce its borrowings from 135 to 47 percent of shareholder's funds.

However, Gough Cooper Homes' performance continues to be a major headache for SMG management.

In the year to end-June its earnings per share showed a loss of 101,7c, compared with the previous year's profit of 26,4c. Turnover dropped from R90 million to R75,7 million and the dividend was naturally passed.

Apart from losses on the discontinuation of operations in Namibia amounting to R1,63 million, the net loss of R11,14 million is largely ascribed to writing down land stocks in the black housing sector by R5,4 million.

The directors add that prolonged delays in transferring of ownership in a major township and delays in provision of infrastructural services in another, as well as higher interest rate, resulted in further losses being incurred in SMG's black housing market operations.

COMPANIES

32

Gough Cooper losses hit SM Goldstein

LIZ ROUSE

LARGE losses of R11,1m at Gough Cooper has dumped S M Goldstein into a net loss of R5,95m in the year to June.

However, the final Group Five dividend has made the declaration of a 10c dividend possible, which annualised is greater than any previously paid by Goldstein. Goldstein has a 45% interest in Group Five.

However, Gough Cooper has naturally passed its dividend.

The losses were expected as it was on the cards that Gough Cooper would make a clean sweep by writing down land stocks. Land trading stocks were written down by R5,4m "after careful assessment of prevailing market conditions, projected holding costs and the opinions of independent valuers", according to the preliminary report published today.

In addition, Gough Cooper incurred an extraordinary loss of R1,4m on discontinuing its Namibian operations. A further amount of R233 000 has been provided for future costs of the discontinuation.

However, Goldstein's sale of the construction operations with effect from January 1 1989 and Aqua-Gold (sewerage and water treatment) to Group Five have enabled Goldstein to reduce its borrowings from 135% to 47% of shareholders' funds.

Goldstein directors say that the absorption of the Goldstein operations into the Group Five environment proceeded remarkably well and the profitability of the new Group Five is expected to improve in the next financial year. Order books are at satisfactory levels with good quality work.

The changes in the Goldstein group are reflected in a decline in turnover to R266,1m in the year to June from nearly R455m in 1988 The loss before tax was just over R12m, consisting of a R5,1m operating loss and R6,9m finance charges, (1988: R1,9m loss) but the bottom line was shored up to some extent by a R5,3m contribution from Group Five's profits.

Unstuck

Gough Cooper's sales were reduced to R75,4m from 1988's R90m. Its balance sheet looks shaky with short-term borrowings up sharply to R10,6m (1988: R3,6m) and interest charges increased to R3m (R1m) partly due to too large a land stock.

Gough Cooper came unstuck in the black housing market. The position changed from a lack of urban land to freely available land, a position which is expected to improve even further over the medium term.

Directors say that the strategic value of holding land stock has thus been reduced, resulting in a surplus which has been written down to realistic values. In addition, prolonged delays in tranferring ownership in a major township and delays in provision of infrastructural services in another resulted in considerable losses being incurred.

The market for black housing was severely affected by higher interest rates as a large number of prospective buyers cannot afford the high mortgage repayments.

Also, house construction was cut back over the period September to November to conserve cash and this had a negative impact on profits. Gough Cooper directors say the market for white housing is extremely depressed and the extesion of the first-time buyers subsidy by the government to existing houses has dealt a further blow to this sector.

Overhead costs were not reduced soon enough in line with the reduction in sales but the staff complement has now been reduced to less than 50% it was a year ago.

Goldstein shares were quoted at 180c sellers with no bidders yesterday while Goughco shares were quoted at 80c sellers with no bidders.

Civil engineers feeling brighter

B/Day 6/10/89 32

AFTER two months of slack business, matters in the civil engineering industry picked up in August, with contracts worth R250m being awarded.

The SA Federation of Civil Engineering Contractors says, however, that the overall downward trend that started in the second quarter continues.

Even without any inflation adjustment the value of new contracts this year so far is running at 10% below the same period in 1988.

It says the cancellation of a number of road tenders does not bode well for contract awards for the year to come.

The federation states the number of new contracts recorded during August was 135, including 34 road contracts worth R86m, 27 contracts for township roads and services worth R53m, 31 water supply and sewage projects worth R44m and 43 contracts for other work worth R43m. — Sapa.

CIT Times 6/10/89

R3bn housing plan: Steyn speaks

'Grey' and 'open' areas also targets

LONDON. — Every effort would be made to ensure that "grey" and "open" areas were included with black townships in the Urban Foundation's R3-billion housing project for low-income black families, chairman Mr Jan Steyn said here yesterday.

The project, with funding from Britain, West Germany and Switzerland but backed mostly by the SA private sector, will begin in March.

Addressing a press conference at which the project was announced, Mr Steyn said the foundation was "deeply committed" to securing the abolition of the Group Areas Act, as well as the Land Act of 1913.

Racial constraints in these statutes were incompatible with the need to make land available, and the Group Areas Act was already crumbling in SA cities.

"We will continue unremittingly to ensure this legislation is abolished," he said.

He warned, however, that "the millenium we all hope for will not come overnight".

Mr Steyn described the foundation's new housing project as "an orderly redistribution of resources from the First World to the Third World".

The project was not a solution but it was significant progress towards bringing "shelter compatible with human dignity" within the means of hundreds of thousands of people.

One of the major beneficial spin-offs of the first phase of the project, involving 40 000 houses, would be the substantial creation of new jobs and the development of associated building skills for many thousands.

The already emerging "black contractor" class in the construction industry would be further stimulated.

From a development point of view, this was one of the most attractive by-products of the project and active efforts would be made to promote this during the project's implementation.

Mr Steyn said that to meet the housing needs, there would have to be a "scaling down" of existing standards and requirements, and a process of negotiating with the authorities on this was continuing.

Vast amounts of finance were being buried underground in expensive infra-structure which was unrealistic in terms of bringing low-cost housing within reach of those who needed it most. — Sapa

What a boom for the builders

STAR 7/10/89 32

NEIL FRASER: Informal sector will benefit.

FRANK JEANS

A TREMENDOUS breakthrough. That was the reaction from all sectors of building and ancillary industries over this week's announcement of a multi-billion rand masterplan for black housing.

And it's welcome news for the depressed building industry but a major worry is whether or not builders can cope with the surge in activity which must now come.

In the initial phase of the programme, announced by the Urban Foundation which involves financial assistance from Britain, West Germany and Switzerland, more than R1 billion is to poured into "starter homes" for blacks.

Through a unique R20 million loan guarantee scheme, it enables local banks and building societies to extend home mortgage finance worth more than R1 billion, to an area of black housing which has been neglected.

Mr Neil Fraser, executive director of the Building Industries Federation (Bifsa), says: "There is little doubt that the greatest spin-off will be in the informal sector.

"While the major sector of the industry can be expected to get the largest chunk of the business, the informal builders will undoubtedly be the ones to feel the greatest benefits."

While the masterplan clears the way for many more black families to secure homes for as low as R12 500, the question arises: What can be built as a home in today's high-cost market place?

Builders believe such a "starter home" will be the basic of the core-house type.

"Not only is this great news for the building industry but it is good for the country as a whole," says Mr Fraser.

"The big plan must also provide more and more employment and the supply industries and manufacturers will all feel the benefit in the long-term."

There is unlikely to be any supply problems from the materials side to meet the increasing demand.

Mr Graham Hardy, chief executive of the cement division of Blue Circle Cement, says: "I believe we will have no problems from a cement point of view, for at present the industry, generally, is working well below capacity.

"The current output of cement is about 8 million tons a year and I have no doubt we could cope with an additional 25 percent demand."

Brick supplies

Mr Errol Rutherford, president of the Clay Brick Association, says: "The clay brick industry is running at only 70 percent of its capacity. Stocks currently exceed 360 million bricks and therefore the industry is well positioned to supply from stock and to gear up spare capacity."

"The association has devised some innovative concepts for using clay brick for walling in low-cost housing. An application is now with the authorities for these concepts to be used in the provision of affordable housing."

The building societies are equally enthusiastic about the big housing plan.

Mr Brian Short, general manager, public affairs of the Natal Building Society, says: "As one of the financial institutions involved in this initiative, we welcome the announcement as it fills a gap in the home loans market which allows the lower end of the market to become involved in homeownership.

"At the same time, there is also a limiting of the risk for the financial institutions."

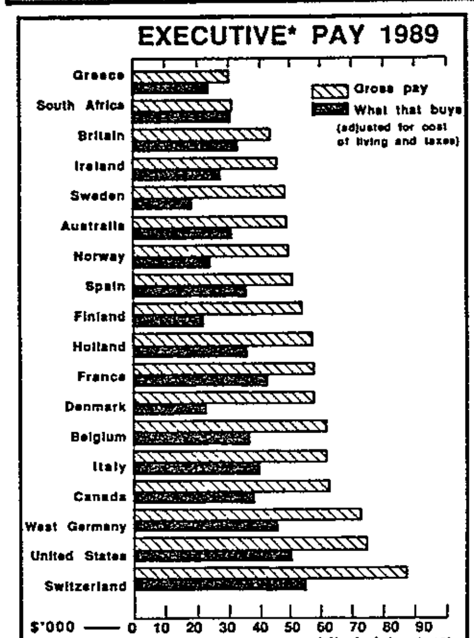
Mr Short has no doubt that South Africa has the required skills and ingenuity to develop homes within the price bracket of the new scheme.

"Without doubt, the big plan will allow tens of thousands of families who previously did not get assistance, to become homeowners," he says.

● The Urban Foundation has pointed out that the overseas contribution to the R3 billion housing scheme is limited to the Loan Guarantee Fund.

The Loan Guarantee Fund has raised R20 million both locally and from various overseas governments and companies to provide insurance cover to loans institutions for bonds of less than R35000.

It's what you can buy that counts



SOUTH AFRICAN executives may feel underpaid when they see what their counterparts overseas earn. When they take out their calculators and convert executive

Many to get homes aid

132 Cape Times 7/10/89

By PETER DENNEHY

THE R3,5-billion housing scheme announced this week would bring access to home-loan finance within the reach of "a third of all urban black and coloured families" who were previously excluded by their low incomes.

Mr Frans Pretorius, managing director of the Urban Foundation, said this in Johannesburg yesterday. Initially just the first R1 billion would be thrown into the scheme, and the rest would follow if it proved a financial success.

"This first billion represents a possible 40 000 dwellings at an average of R25 000 each," he said. They would probably be built over about three years, as property developers had to gear up their capacity to deliver.

"Thereafter, as the funds begin to turn over, it could mean 40 000 houses a year."

The total output of new housing built throughout South Africa last year had been 45 000 units, at an average of R20 000 each.

About 70% of the funds would probably be taken up in the PWV area, he said.

"A major constraint in the Western Cape, in the coloured areas at least, is the high cost of land," said Mr Pretorius. "It's silly to put a R10 000 house on a R20 000 plot."

Local councils or the government would probably make at least some land available cheaply.

Mr Harold Matthiae, president of the Cape Peninsula branch of the Master Builders' Association, said he would not say a boom was coming as this implied good prices and profits.

"Houses at this end of the market are a lot of hard work for very low margins," he said.

W/C Argus 7/10/87 32

550 home project for Khayelitsha

A 550-house development is to be launched near Khayelitsha station by Rabie Property Developers.

MD, Mr Leon Cohen said the project marked a major breakthrough in the provision of affordable housing.

"Buyers will have a choice of conventionally built brick houses or units of pre-built fabrication. The two-bedroomed units, branded as Future Homes, will be priced at around R30 000 and, at current interst rates are aimed at families with a combined monthly income of R900," he said.

PROPERTY SCENE

MAGGIE ROWLEY

A show village of seven homes — four conventionally built and the other three pre-built fabrication, has been constructed to show prospective purchasers what they will be buying and at what cost.

"The pre-built fabrication method is far quicker, providing a house in a matter of a week, compared with six weeks conventionally."

Mr Cohen said the selling price constituted a package deal covering the land, house and bond and transfer costs. The homes will be sold with a three-year guarantee on structure and will be funded by conventional bond fiance.

"A buyer of a R30 000 house will be looking at monthly repayments of R262, given that he will enjoy a first-time buyers' subsidy."

He said athe marketing campaign would be backed by a drive to show major employers how lower-paid employees could own homes.

The Future Homes development is one of three by Rabie in Khayelitsha. Khanya Park, where homes are priced from R45 000 is sold out while Elitah Park, a 600-home extension of Khanya Park will be launched shortly.

● THE value of new civil engineering contracts for the first eight months of this year was 10 percent down on the same period last year and the recent cancellations of a number of road tenders does not bode well for the months ahead, says the South African Federation of Civil Engineering Contractors.

SAFCEC says that the value of contracts awarded during August was R125-million, which was higher than then previous two months.

"However, the overall downward trend which started in the second quarter continues and even without any inflation adjustment, the value of contracts so far this year is running 10 percent below the same period last year."

The number of new contracts recorded by SAFCEC during August was 135, including 34 raod contracts (R86-million), 27 contracts for township roads and services (R53-million), 31 water supply and sewerage projects (R44-million) and 43 contracts for other work (R67-million).

The largest contract recorded for August was a R45,3-million reconstruction of 80km of the Port Edward to Bizana road in the Transkei which was awarded to LTA Construction.

LTA Construction was also awarded the R18,7 million contract for the construction of Phase 1 of the Marina Martinique at Jeffrey's Bay including harbour, canals and roads.

The R12,4 million civil work for the reaction water treatment plant at Mossref was awarded to the Concor/Ovcon joint venture.

The Kangwane government awarded Basil Read the R10,5-million contract for Phase 1 of the Tonga main road while the NPA Roads Department awarded provincial road bridges over the Mdloti and Mvoti rivers to Stefanutti & Bressana (R3,3-million) and WJM Zululand (R2,9 million) respectively.

Murray & Roberts (Cape) will construct a 3 ml resevoir on the Little Brak River and a pumpstation under a R3,1 million contract with the Department of Water Affairs.

● **BARLOW Rand Properties** has completed two developments costing a total of R3,2 million for motor dealerships in Cape Town. These are a 2240m² property in Lansdowne Road, Claremont for Auto Atlantic and 2200m² premises in Salt River Road for the Barons Volkswagen dealership.

The two develpoments are part of a R24 million programme of commercial and industrial projects being undertaken by Barprop.

● WORK is to start soon on R3,5 million alterations to the **Cellars Country House** hotel in Constantia, which caters mostly to overseas clientele. Work includes the construciton of 10 en-suite bedrooms, enlarging the kitchen and dining area, a meeting room, an extended driveway.

● AGREEMENT has been reached between the National Monuments Council and the developers of a new city project which will incorporate a group of Victorian houses, provisionally declared a national monument last year, near the Gardens Centre.

Mr Ian Fife, of the developers, Newport Real Estate said the agreement about the conservation of important buildings and their incorporation into a new project, followed two years of negotiations between the council and the developers.

"The developers, the NMC and the Cape Town City Council recently held an intensive two-week series of meetings to investigate alternative solutions for the site."

He said the details of preservation, restoration and development were now being finalised by officials and development professionals.

"Negotiations were difficult and it was not easy to comply with the requirements of the council.

"But the end result will be a satisfactory — even exciting — city environment. The Monuments Council has shown that it can work with developers. We just need more experience with each other."

A spokesman for the council said the present unsatisfactory loading arrangement for the Gardens Centre caused severe problems in Hiddingh Avenue and made the conservation of some of the buildings unviable.

"However, significant buildings will be retained and conserved and the new development will fully acknowledge the historical character, scale and environment of the properties."

Mr Fife said that since the properties were vacated, thieves had stolen much of the valuable cast iron decoration, fireplaces and other Victorian elements and the houses had been damaged by vandals and vagrants.

"This was in spite of precautions taken by the developers. The repair and restoriation of the buildings will consequently now be much more difficult and expensive."

● The first completed frame of the structural steel jacket for the Mossgas synfuels project's giant offshore platform has been successfully rolled up into its final position at the jacket construction site at Saldanah.

Mossgas offshore project director, Mr John Crompton said the fear of the unknown had been broken. "We can tackle the next jacket with absolute confidence and more South African input."

The jacket, with a height of 122m and a mass of 14200 tons, will be completed by October next yaer when it will be loaded onto a barge and towed to the platform's position in the sea, 85km from Mossel Bay.

A matter of survival for building industry

Low-cost housing boom offers hope

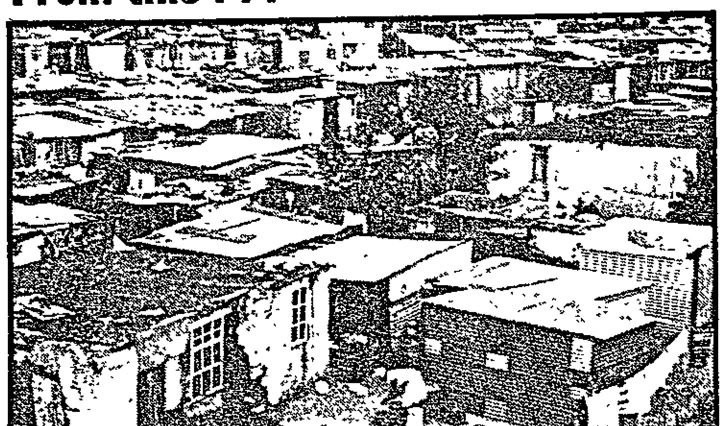
Star 23/9/89

32

Wallie Conradie

JABULANI SIKHAKHANE

From this . . .



To this . . .

THE South African Housing Trust's R865 million investment in the affordable housing sector could provide a boost for the building industry in the next two years — a period when forecasts are that there will be a downswing.

According to the SAHT annual report for the 16 month period to end June 1989, the investment will result in the construction of 49 000 homes and servicing of 38 000 stands.

Only 9 200 homes have so far been constructed and 19 350 stands serviced and nearly 40 000 homes will be going up in the affordable housing sector — in the next year or two.

Dr Simon Brand, chairman of the SAHT, writes in his report that current consensus of opinion suggests a general slow down at all levels of economic activity.

"The cyclical peak in interest rates and the concomitant decline in consumer spending patterns have caused entrepreneurs to lower their levels of expectation regarding perfomance of the economy over the next 12 months."

Historical evidence was that the impact can be expected to be adverse on building and construction industry.

"We believe that the active participation of all developers in low-cost housing programme could very well help to stabilise economic activity in the building and construction industry during the cyclical downswing, offering stability of employment as well as retaining acceptable levels of turnover to suppliers."

The acting MD of the SAHT, Wallie Conradie says projections are that 1988's real growth of five percent in the building industry would be followed by two years of negative growth with recovery not expected until 1991-92.

"On these projections, it seems that builders can either wind down or gear up for a new challenge in the affordable housing sector."

At the lower end of the market, he says, one is looking at big volumes, small ticket costs and slim margins per unit. The "culture" involved in such a scenario, says Mr Conradie, may be so different from the mainstream that some bigger firms may consider setting up small, lean subsidiaries.

"Others may be confident that their structures are already lean and responsive enough to cope with such a challenging environment."

Mr Conradie says construction firms and suppliers could benefit from the affordable housing market. However he warns that in this type of market wide ranges might become luxuries while concentration is on basic lines becomes the norm.

"The affordable housing dilemma is going to be with us for at least a generation. The population will top 50 million a couple of years into the next century. Some 60 percent of the black population will be urbanised by 2010."

Mr Conradie adds that corrections to the last census show that 51 percent of the black population is aged 20 or under and some experts point out that now half the black population is 16 and under.

For companies prepared to innovate and adjust to new realities, this means continuining work on the lower end of the market.

"It is a bread-and-butter effort, and the butter can be spread thin, but at least you avoid lay-offs and you maintain a steady level of plant utilisation."

X-roads housing contract split between 2 firms

Cape Times 10/10/89

32

By CHRIS BATEMAN

A MAJOR housing contract worth R9,7 million for the second phase of upgrading Old Crossroads has been split between two companies after extended wrangling on "technicalities", a CPA spokesman confirmed yesterday.

The contract is to be shared by Stocks and Stocks (Johannesburg) and Bester Homes (Cape Town), after the CPA rejected an Old Crossroads Committee recommendation that the cheaper Johannesburg tender be accepted.

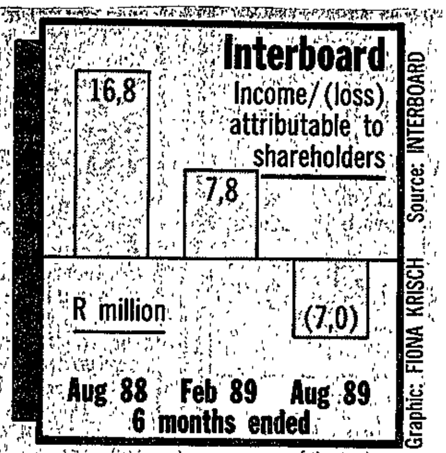
Letters informing the companies of the final adjudication are to be posted by the CPA after directors of both companies met Mr Koos Theron, MEC in charge of Black Affairs, at his office late last week.

Construction work expected by early September was delayed as Mr Theron and his executive director of community services, Mr Dantjie Retief, examined the original Old Crossroads recommendation.

Stocks and Stocks (Johannesburg) tendered for R9,2 million, Bester Homes for R9,6 million and Stocks and Stocks (Cape Town) for R9,8 million, according to Mr Ricky Schelhase, local government appointee to Old Crossroads.

Chief estimator for Stocks and Stocks (Johannesburg) Mr Louis de Jager said the two companies had adjusted specifications and would now each build 440 homes of about 50m² each with improved cavity walls.

On receipt of their letters they would submit guarantees and sign contracts, beginning work by the end of this month. Construction was expected to take a year, he said.



Interboard reports shock R7m loss

BIDay 16/10/89

BARRY SERGEANT

(32)

INTERBOARD and its listed subsidiary, Buildcor, have posted shock losses for the six-month interims to August 31, but have adopted more realistic accounting policies and gone on to fuller disclosure.

Interboard's interim R16,8m attributable profit for 1988 (full year: R24,5m) has turned into a R7m loss for the six months to August 31. Buildcor's R4,4m interim profit (full year: R4m) has turned into R2,1m loss, in spite of a 26,4% increase in turnover to R36,3m.

In the year to February 28, Interboard boosted turnover 97% to R188,1m and declared a full-year dividend of 7,3c (6c). This year there was no interim dividend (4c).

Interboard's interim results were adversely affected by fully incurring interest expenses, and the shutdown of Fasterect — the prefabricated building supplier — reflected as an extraordinary R1,8m loss.

There has been a significant change in accounting by Interboard for interest at the interim stage. Where R4,7m of interest was capitalised in the year to February 28, interest of R7,5m has been fully incurred at the interim stage.

Had this not been done, Interboard would not have reported a loss attributable to shareholders at the interim stage.

For the first time Interboard has fully disclosed results for its four main divisions and Buildcor has for the first time given a breakdown of results in its ceramic tile division.

In an interview yesterday, Interboard MD Barrie Jones said the new management saw Interboard moving into a period of stabilisation.

"We are inherently confident, but con-

☐ To Page 2

Interboard loss (32)

☐ From Page 1

cerned with certain short-term factors," he said.

BIDay 16/10/89

Jones also quashed rumours that Interboard — for the moment — had any intention to sell all or part of the group. "Equally, there are no discussions in place in that regard."

Jones said: "The future is clouded by changes in interest rates and the consumer boycott, which is affecting certain divisions, and the pattern of consumer demand in the next three months."

The directors of Interboard and Buildcor say it is "unlikely" that final dividends will be paid by either company, and no interims have been declared.

At the interim stage, Interboard's operating profit of R17,8m slid to R1,8m. All four operating divisions reported poorer results.

Moreover, the detailed turnover figures disclosed show that Interboard's flatboard division contributes much less to total turnover than was previously believed — R18,9m in the interims of R110,7m turnover. The audio division, at R39,5m, is the most important contributor.

Directors say Interboard incurred a loss mainly due to the "poor performance of the flatboard manufacturing section".

Buildcor discloses that the interim results of the ceramic tile division slid from a profit of R1,6m in 1988 to a loss of R3,2m in 1989.

Buildcor directors say profit margins in the door division came under heavy pressure.

at the Nico Malan Opera House from October 27 to November 4.

'No role for big builders in housing'

Argus 26/10/89

32

By ANDREA WEISS, Staff Reporter

SOUTH Africa's housing shortfall of more than two million units should be met by owner/builders rather than large developers, according to Mr Wolfgang Thomas, head of the Small Business Development Corporation

In the latest Rode's Report, a research-based quarterly journal on the property market, Mr Thomas justifies a swing to owner development by pointing to the difficulties experienced with the 40 000-unit Blue Downs project in the Western Cape.

Flexibility

Seven large developers were employed there: one went bankrupt, another performed extremely badly, costs escalated, dissatisfaction was expressed over the standard of workmanship and developer/subcontractor relationships deteriorated, according to Mr Thomas.

While acknowledging that owner/builders cannot meet all housing needs, the owner/builder's input combined with greater flexibility would keep costs close to available funds, he says.

He suggests:

- Large developers should develop only serviced sites which would allow them a reasonable return on their projects but prevent them from hoarding or speculating on land. At present, artifical shortages are making prices skyrocket.
- Serviced sites should be auctioned to private individuals with only limited restrictions on their purchase, for instance a two to three-year building obligation and one plot per person.
- The resale of plots should be allowed possibly only subject to an initial six-month resale embargo.
- Suburban external services should be available and of a standard related to the desired residential standards. Also there should be minimal restrictions on building plans, materials used and phasing of construction.
- Information about plans, architects, builders and low-cost supplies should be disseminated.
- Basic facilities should be available on time.

The outcome of this approach may look chaotic at times but in the long-term would be more cost-efficient and self-satisfying to local communities. In addition, it would boost local entreperneurship, Mr Thomas said.

COMPANIES

Building slump ripples through whole sector

AK6U 3/11/87 32

By DICK USHER, Business Staff

THE downturn in building activity is affecting results of companies involved in the sector.

Interim results from Pretoria Portland Cement (PPC) and Boumat reflect the significant deterioration in business as the cumulative effects of the various restrictions on consumer spending take their toll.

According to PPC's financial director Mr Chris Wrogemann, profit growth in the second half was slower, as predicted, in line with a dip in demand for cement, which accounts for 60 percent of the group's business, and lower lime volumes.

Comparison

A comparison of the year-end figures with the interim results show how conditions deteriorated for PPC in the six months ended September.

In the first six months of the financial year, PPC's turnover was running 20 percent ahead of last year, but it was up only 17 percent for the whole year.

Operating profit at the end of March was up 33 percent at R74,2 million, but at the end of September was up only 15 percent at R164,4 million.

But interest received grew 141 percent to R12,8 million, and dividends received by 44 percent to R13,7 million, which helped lift pre-tax profit 24 percent to R187,5 million and, owing to a lower tax rate, to taxed profit rising 28 percent to R102,4 million.

The final dividend was increased 25 percent to 94c a share, compared with the interim, which increased 44 percent.

● **Boumat's** half-year results to September show the group's operating profit as a percentage of sales dropping to 5 percent, compared with the 6 percent margin achieved a year ago.

Although sales were up 16,7 percent, earnings were down 8 percent as competition in a tighter market put pressure on margins.

A sharp increase in borrowings, combined with higher interest rates, led to a surge in interest payments. Management has revised downwards its earlier forecast for financial 1990.

In the review period, sales rose 7 percent to R488 million, operating margins were down and operating profit moved up 7,8 percent to R26,8 million.

Interest payments rose 62 percent to R5,8 million and pre-tax profit dropped marginally to R21million.

The interim dividend of 22,5c a share was 18 percent up. Shareholders were again offered the alternative of a bonus issue of shares.

● **Nampak** again achieved real growth in sales for the year ended September and improved turnover by 22 percent to R3 billion.

Operating profit was 26 percent higher at R391,7 million, which boosted after-tax profit to R222,2 million.

Bottom line profit increased 40 percent to R214,6 million.

The final dividend of 98c a share made a total of 166 cents for the year, a 25 percent increase.

Oceana results mixed

By TREVOR WALKER, Business Staff

The Oceana Fishing Group has reported mixed results for the year ended September 30, but was making excellent progress with its long-term diversification programme, said chairman Mr Walter Lewis.

He noted the uncertainties caused by the early closure of the past pelagic season for conservation reasons made it difficult to anticipate prospects for the year ahead.

Blue Continent was the star performer in the group and helped offset the impact of the lower pelagic landings.

To some extent a question mark hangs over Namibian Sea products, which failed to meet forecasts in the second half, but Mr Lewis says "in spite of the reduced results the group and its associates remain well placed to perform satisfactorily next year."

He says: "It is likely social and economic changes will be introduced by the country's government.

"Namsea (formerly Sea Products SWA) welcomes the opportunity to work with the government to further the wellbeing of the fishing industry, its workforce and the communities in which it operates."

Oceana for the year ended September 30 held its final dividend unchanged at 105c, but the total of 160c was boosted by the 10c increase paid at mid-year.

Turnover was 21 percent up at R275,0 million, but operating income was R3,8 million down at R34,7 million.

Namsea slashed its final dividend to 90c from 135c after having paid an unchanged 65c interim at the halfway stage.

Turnover fell 41 percent to R8,0 million and attributable profit by R2,8 million to R6,9 million.

Dear Sir

The big

Problems: Industry not indifferent

THE serious indictment against the home building industry in the reports in Weekend Argus of October 28 under the headlines Block Houses Doomed and Building Rip-offs in Blackheath cannot be allowed to pass without comment.

It would be counter-productive to reply in detail to every negative comment and that is all that the reports contained. It is necessary, however, to try to restore some perspective with your readers and also the potential clients of the home building industry and it would be appreciated if the views of the Association of Home Builders could be conveyed to them.

In the main the association is highly perturbed by the perceptions created firstly that 70 percent of all homes currently being built, be it with concrete blocks or other materials, will decay into ruins or be close to ruins in five years' time. Secondly, the attitudes and practices attributed to builders touch on what can be described as criminal.

By way of background it should be mentioned that we have it on good authority that the report is almost exclusively based on a project undertaken by a UCT student in his final year for his BSc building management degree, an exercise which can hardly elevate him to the level of "expert" in the field of home building.

We are at a disadvantage in not having had an insight into the script in order to evaluate it in its entirety but the generalisations published clearly underscore the contention of our association that the universities offering building management courses should in their curricula place even more emphasis on the home building sector of the building industry than has hitherto been the case.

It should be emphasised that in spite of the apparent shortcomings in the courses the industry has absorbed with great success a large number of graduates and will continue to do so to increase the management expertise in the industry which is, contrary to general perceptions, on a relatively high level.

The association will be the first to acknowledge that in an industry where time and costs are critical factors, minor and even serious defects will occur from time to time. But to suggest that it is the general rule and that the industry is indifferent to problems of this nature is grossly incorrect.

Builders as represented by the members of our association are in the industry to stay there permanently and it is unthinkable that they would move out as soon as their products start "falling down". Those who know the industry intimately also know that a good builder's reputation largely accounts for his continued success in business.

Furthermore members of association are unquivocally committed to the following mission statement: Promoting home ownership; providing affordable housing, thereby enhancing the quality of life for all South Africans; maintaining the highest business ethics; improving productivity and quality and the image of the home building industry.

Within the context of the foregoing and in terms of the code of ethics to be observed by members, their clients are free to approach the builders directly or this association should any problems be experienced.

The statement that the client who accepts the keys and signs for the acceptance of the property forfeits all recourse against the builder, completely ignores the fact that many builders give guarantees of up to 10 years while others see their good name and contractual commitment, including maintenance and dispute settlement procedures after completion, as adequate safeguards for their client. These do not rule out statutory and common law safeguards. There is therefore no reason why matters such as bad workmanship, departures from plans and specifications and breaches of contract generally cannot be effectively handled.

The only positive message which can be extracted from both reports is that a builder must be selected carefully, that a properly prepared, well balanced contract should be signed and observed by both parties throughout the duration of the contract. A bad builder will deliver a bad product irrespective of the material used.

Hundreds of thousands of homes have been successfully built over decades with a variety of materials, including concrete blocks, and have withstood the test of time. To suggest that 70 percent of the homes currently being built will fall into complete decay in the matter of five years outrages, to say the least, and does no more than further shatter the confidence of the home building public who are already severely affected by rising costs and high mortgage interest rates.

The process of increasing the much-need housing supply is therefore being retarted, re ducing employment opportunities within th communities in the greatest need thereof.

That the training tempo and standards wit the industry require continuous attention a upgrading is a fact of life. But one of the great est problems experienced by the industry building up a highly qualified and motivated la bour force is the sensitivity of the industry economic fluctuations placing career opportuni ties and training programmes in jeopardy. Mis guided reporting which artificially shakes con sumer confidence only adds to the dilemma the industry.

J H D GROTSIU

Executive Director, National Association Home Builde

Randburg

Criticism correct

I WAS intrigued to learn of Bjorn Barth' criticism of construction methods in some Western Cape Housing developments.

To my mind he is absolutely correct when he argues that a high proportion of new low-c homes will require expensive maintenance only five years' time. He attributes this to " workmanship", "severe skilled labour shortage and "poor management and supervision". It also clear from his investigation that incorre building techniques, and failure to conform SABS standards, has everything to do with the problem.

I predicted this in an article in the June iss of *Housing in Southern Africa* in which said: "Certain so-called low-cost houses are ready high-cost maintenance nightmares due poor quality of some low-cost building sys tems. . .the bubble is about to burst."

I also said that: "Rip-offs must be eliminat in the economically vulnerable and politicall sensitive bottom end of the market."

Mr Barth's investigation correctly states tha concrete blocks are *fully* approved by the SABS, and as a building material are accept able if quality standards are maintained.

We anticipated this problem years ago wh we predicted that "get-rich-quick" builde would actually compound the housing crisis taking short cuts in terms of cost and quality.

We talk about introducing disadvantaged peo ple to the free enterprise system via home own ership, and then we allow shoddy, low quali boxes to be erected.

Against this background, we devised our sys tem over a decade ago. Our system utilises un *skilled* labour and yet exceeds SABS standar and has Mantag approval and certification.

By our calculations, one of our homes has lifespan of at least 50 years. There are cheap housing systems available, but as Mr Barth' excellent investigation has shown, short cut necessarily result in huge and unexpected addi tional expenses.

Finally, may I compliment the Weekend Ar gus for exposing what I consider to be the scan dalous exploitation of people who can least af ford to be used by unscrupulous builders ar developers.

GERALD DERBY-LEW

Chairman: Lockblock Homes

High-quality units

I WISH to respond to the article headlin Block Homes Doomed.

My company, Calsica, supports the princip of investigation into controversial matters t ensure that the man in the street gets a fai deal, providing the resulting report is fair an has a positive influence. However, articles suc as these serve only to create alarm and despon dency and discourage home ownership an home-building.

I wish to set the record straight. The concre masonry industry in the Western Cape has be in existence for more than 12 years and durin this period has supplied masonry units for mor than 60 000 houses for all sectors of the popul tion and market. My company, along with th two other major concrete block manufacture have been granted the SABS mark of approv which is proof of the high quality of the uni produced. Because of this attention to quali and economy the largest and most experienc home building companies have chosen to bu with these products.

Your article suggests that all houses built concrete block are suspect. The majority houses on the developments referred to hav been built by highly experienced and reputab homebuilders using the most economically v ble and practical products available.

There can be no doubt that in an industi that in the past three years has built in exce of 30 000 houses, there will be cases of p workmanship, but in the minority and not th majority. The recent survey by a committee

uilding debate

pointed by the House of Representatives into alleged poor building supports this view.

With regard to the article headlined "Building Rip-Off in Blackheath," your newspaper quotes Mr Samuel Morris as saying that the houses in the Greenfields project were built with Calsica bricks. Calsica has never supplied bricks or blocks to the Greenfields project.

In the 12 years that Calsica has been supplying concrete masonry there has never been a case of structural failure attributable to the use of masonry reported either to ourselves or the Concrete Masonry Association.

D J KING

Managing Director
Calsica Bricks (Pty) Limited

The article made it clear that building experts emphasised that concrete blocks were approved by the SA Bureau of Standards as a viable building material and that the problem was with bad building quality — Editor.

Blame developers

I WOULD like to give readers the assurance that concrete blocks used in building are manufactured to the highest quality commensurate with the SABS mark, and this quality is maintained as a result of continuing inspections by Bureau officials.

Concrete blocks have been used for building for a number of years, and I have inspected houses erected at least 15 years ago where no signs of cracking were visible. These houses will outlast even the maximum mortgage period and longer.

I am perturbed that once again a perfectly acceptable building material gets a bad name as a result of poor workmanship.

Your attack should have been directed against the developers who are responsible for ensuring that standards are maintained during construction.

My society is dedicated to producing excellence in the use of concrete in whatever form.

V H Vogt
Director, Concrete Society of Southern Africa

Accurate reporting

WITH reference to your report, my findings on the standards of workmanship and supervision in the concrete masonry houses that I have inspected support the research material of Mr Barth. But I do not agree with his comment that these houses will fall down within five years.

The section of the report dealing with my findings and comments on the standards and workmanship of new houses that I have inspected has been reported accurately and fairly and will hopefully encourage improved building practices in the long term.

DEREK BONHEIM

Observatory

Nothing but problems

I SHARE the anxiety of homeowners of the Blue Downes Housing scheme about the shoddy workmanship on their houses by subcontractors. The problem is not only with the lower-market homes but with home owners who have spent thousands of rands on their "dream homes".

I built a house costing me R98 000, with a repayment of R1 700 per month. Since the day I moved in I have had nothing but problems, from minor work to major structural problems, which include: Kitchen door not opening or closing properley, poor interior finishing, bedroom doors not closing, no locks on internal sliding doors, poor and shoddy brickwork, and structural damage to internal and outer walls costing about R20 000 in repairs.

I have notified the building society concerned, which has said it gave "moral support". I have instructed a structural engineer to supply me with information about the extent of the damage and he has notified me that for our own safety my family move out of the house as soon as possible.

I have requested two quotes for repairs to my house from independent reputable MBA members. I have also instructed my lawyer to notify the senior cit engineer of what has happened and how it is possible that such major damage could be caused if strict regulations were adhered to.

Thank you for the wonderful work highlighting this sensitive subject.

P O McBRIDE

Lakeside

Don't blame materials

AS a Building Science Graduate and author of the research paper quoted in your article of October 28, I must protest that the headline Block Houses Doomed coloured the emphasis of the report.

Whereas there is no doubt that shoddy workmanship is rife, this practice is not restricted to concrete masonry houses but encompasses those built using clay masonry as well. The headline of your article implies that concrete masonry is the source of the problem. The source of the problem lies with building methods, not with the materials used.

I hope that the reaction to this report will be positive, i.e. builders in the Western Cape will pay more attention to detail and potential home builders will become more aware of potential problems.

BJORN BARTH
UNIVERSITY OF THE WITWATERSRAND

'Spider-web' walls

THREE years ago people started moving into their newly-constructed houses in Greenfields to settle for the future. After the first month the problems started showing. Leave aside the smaller cases of bad workmanship and look at the bigger difficulties.

In the case of one company, when signing the contract it was indicated clay bricks would be used, and the quotation handed to the building society was for clay bricks. With our little knowledge of building materials and construction, we were amazed to be informed by an architect and other builders that other bricks were used. Home owners we spoke to confirmed they never consented to the change.

What makes many home owners heartsore is the "spider webs" in the walls. I am not talking of hairline cracks, but cracks so wide that a hacksaw blade could fit into them.

I wonder what will happen to these houses because cracks appear month after month.

Other problems are roof leaks, sagging baths, gaps between wall switches and light fittings, uneven finishing of plasterwork, uneven window frames and in some cases dampness already penetrating inside walls.

In the case of another company's houses, when owners switch on the lounge light the bathroom light goes on. One owner discovered that no tubing was used for electrical wiring in the roof. Some houses have no geyser overflow, doors are pulling skew, gutters have not been properly fixed, window frames are full of cracks, wash basis are coming loose from the wall, and to the ants the cracks in the walls must look like canyons.

And then home owners were hit by hidden costs as well. They received summonses for transfer costs, administrative costs, etc, ranging from R1 500 to R3 000.

Trying to make a garden, one first has to remove heaps of cement rubble. The face of the area is the same as it was when cleared for development, except for a few houses between the bushes and the tarred roads.

Rape and assault cases have been increasing and housebreaking and theft are at a peak. The open public places in winter are like swimming pools, and when the water dries up they look like dumping places.

General cleaning of the area, roads and stormwater drainage seem a burden on the authorities, for when asked they complainewd of a shortage of manpower and finance. What has happened to town planning? At our meeting with the executive committee of the Western Cape Regional Services (Stellenbosch), promises were made but the problems keep growing.

The Greenfields Ratepayers Association is young and vibrant and we shall strive to make our area a happy and comfortable one to live in.

SAMUEL MORRIS
Public Relations Officer, Greenfields Ratepayers Association.

Millions saved

I refer to your article Block Houses Doomed. I must take strong exception to the tone of the report on shoddy building in the Cape. Mrs Rowley implies that only houses built with concrete masonry have given rise to quality problems. Whereas shoddy building practices probably exist, the situation pervades clay brick houses as well.

On the contrary, the concrete masonry industry has saved the house building industry millions of rand by providing an efficient, economical and very viable alternative. Overseas 70 percent of masonry material is concrete.

I must agree that if one wishes to avoid problems, clients should ensure and insist that houses are built with SABS approved materials. Members of the concrete Masonry Association make only SABS approved products and we ensure that our customers are fully informed as to how to build with concrete masonry.

R I LOW

Regional Chairman of the Concrete Masonry Association (Cape)

Builders jump to defence of industry

By Weekend Argus Reporters W/ARGUS 4/11/87 32

BUILDERS and concrete block manufacturers have leapt to the defence of their industry following reports in Weekend Argus that shoddy building materials and methods were threatening new houses with collapse.

Homeowners maintain poor building methods have caused them nothing but problems. And even members of the building industry advised home-builders to ensure their houses were built with South African Bureau of Standards-approved materials.

Mr J H D Grotsius, executive director of the National Association of Home Builders, said he was "outraged" by a statement that 70 percent of houses being built today would fall into decay within a few years.

Shattering the confidence of the home-building public was retarding the provision of the much-needed housing supply, he said.

"Grossly incorrect"

"The association will be the first to acknowledge that in an industry where time and costs are critical factors, minor and even serious defects will occur from time to time.

"But to suggest that it is the general rule and that the industry is indifferent to problems of this nature is grossly incorrect."

Mr Bob Low, president-elect of the Concrete Masonry Association of South Africa, said last week's article had implied only houses built with concrete blocks had given rise to quality problems.

"On the contrary, the concrete masonry industry has saved the house building industry millions of rands by providing an efficient, economical and very viable alternative (to clay bricks)."

"I must agree that if one wishes to avoid problems, clients should ensure and insist that houses are built with SABS-approved materials."

House-owner Mr P O McBride of Lakeside wrote an angry letter to Weekend Argus in support of last week's article.

He said he built a house costing R98 000 for which he pays R1 700 a month. But serious structural problems which will cost R20 000 to repair soon became evident, and a structural engineer advised the family to move out of the house "as soon as possible".

Samuel Morris, spokesman for the Greenfields Ratepayers' Association, said within a month of people moving into their new houses problems began to arise, including cracking, leaking roofs, sagging baths, cracked window frames, skew doors and basins pulling away from walls.

Call for all builders to be registered

CAPE TIMES 4/11/89

32

By MARIUS BOSCH

THE bad quality of some newly built houses in the Peninsula could be ascribed to bad supervision and lack of control over builders, a Cape Town City Council spokesman said this week.

The council had pleaded for several years that builders should be registered as in other trades, he said.

His view was shared by Mr Johan Grostius, executive director of the National Associaton of Home Builders, who said the registration of builders would be an appropriate step towards a properly organised industry.

Mr Grostius admitted yesterday that there were "fly-by-night" builders giving the whole industry a bad name.

City council PRO Mr Ted Doman said the council was "concerned about the quality of houses — especially low-cost houses".

Building expert Mr Derek Bonheim, who provides an inspection service for prospective homebuyers, said he had found examples of poor-quality building in many houses in the Peninsula.

A lack of supervision during the building period could explain the problems experienced in new housing developments, Mr Bonheim said. The city council's building inspectors only ensured that statutory requirements were met by builders, and the only quality checks done were to ensure that foundations were properly laid.

Mr Grostius said "reputable builders" had their own quality-control system. He also noted that it was very costly for builders to repair botched work.

Mr Bonheim felt that the huge housing backlog and "a captive market" held no incentive for the builder to provide a good product.

The industry, however, was "hungry for work" despite the big demand for houses, Mr Grostius said, adding that building costs were increasing all the time.

Some of the houses he had inspected did not meet the minimum requirements laid down by building societies, implying that "the societies' inspectors can't be checking the houses", Mr Bonheim said.

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NEWS

Concrete masonry: The face of construct

MAGGIE ROWLEY talks to Mr David Joubert of the South African Bure dards, Mr Bob Low, president-elect of the Concrete Masonry Associa Africa, Mr Guenter Koch, former MD of Colombia DCM who founded sonry in South Africa, and Mr Peter van Eck, regional chairman of Association of Home Builders, about the growth of concrete masonry in S and the problems facing the construction industry.

ROWLEY: When was concrete masonry first introduced in the Western Cape and what were the aims for the products?

KOCH: In 1976 when Mitchell's Plain was developed it was realised that there was a great need for additional building material. The Cape Concrete Group established the Columbia DCM (dense concrete masonry) plant and congrete masonry was used in several of the 5 000 house contracts in Mitchell's Plain.

The product took on so well that we set the trend to quality concrete masonry in South Africa. The aims at that stage were to reduce building costs.

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ROWLEY: I have heard that there is debate in the industry that if concrete block construction is done properly there is not much difference in the end costs. Is there any truth to this ?

KOCH: It's a question of savings, the savings are real whether they are built to specification or not. Concrete masonry can be systemised in a way that even semi-skilled labourers can build decent houses.

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ROWLEY: How many houses do you estimate have been built with concrete masonry since it was introduced in the Cape?

LOW: It is difficult to give an exact figure but I would say in the region of 100 000 The industry has grown ten-fold in the past 10 years We estimate that of the 12 000 houses built in the Cape last year, 7 000 were of concrete masonry.

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ROWLEY: Where has been the main focus of development?

LOW· Concrete masonry started off in government contract housing, which came to an end in about 1982/83 The building industry then had to move in to a new business. In principle, it was the whites who actually took over concrete masonry.It is now filtering back to the non-white population, the relatively poorer population The benefits of concrete masonry are now being realised and it has been used in all sectors.

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ROWLEY: How successful has its penetration been in the upmarket housing sector?

KOCH· In the last five years very few of the new uppermarket developments have shied away from concrete masonry. Woodbridge Island is one of the latest developments being built entirely with concrete masonry construction The majority of Stable construction houses in the Northern suburbs are all in concrete masonry.

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ROWLEY: You have mentioned the cost advantage of concrete masonry. What are the other advantages?

LOW: Firstly, investment outlay is relatively small — about one-fifth of that of an equivalent clay brick field. The equipment is all locally designed and built, thus avoiding costly foreign exchange. On the other hand clay brick presses are nearly all imported and are extremely expensive.

Secondly factories in this industry are very flexible and can adapt their output to the rapidly changing pace of the construction industry which you know is notorious for its fluctuations. Material delivered on site is up to 20 percent cheaper than the equivalent clay brick and there is a similar saving in labour due to greater laying efficiency of the large hollow blocks

In addition the modular system, which is a method of coordinating the dimensions of buildings and building components to reduce the range of sizes required and to enable components to be built in on site without modificiation provides a further cost saving. Concrete masonry is incredibly versatile Not only does it meet basic units that are cheap it can actually make sophisticated and attractive facings.

Then there is there labour saving in the efficiency in the laying that you get because the product is bigger and the fact that youu can design units specifically for what you want to do. This allows for enormous savings.

KOCH: As far as labour efficiency is concerned in the Mitchell's Plain development we took specific measurements on 2 500 houses and the average output there are block layer was the equivalent of 1 440 bricks a day while a bricklayer 's highest per day would be about 600.

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ROWLEY: Concrete masonry is approved by the South African Bureau of Standards. There are standards set down by both manufacturers and by the SA Bureau of Standards, for constuction materials. There is some evidence that these standards are not always complied with. What can be done by manufacturers, by the industry, to ensure that these standards are adhered to?

JOUBERT: Advertisements in the Press often claim that masonry units have been SABS tested. All this means is that some selected samples were submitted to one of the SABS laboratories for testing. These samples may not have been representative. The fact that samples of masonry units have been tested does not imply SABS endorsement of the product.

It is illegal to infer approval of a product unless it bears the SABS mark There are eight concrete masonry manufacturers in the Cape that have the SABS mark and only one clay brick manufacturer. This mark is given to manufacturers that meet the requirements of the relevant stated specification. Also, apart from his meeting the technical requirements of the standards specification, we expect the manufacturer to have a quality managing system operating in the manufacturing plant. There are several codes of practice that go under the assembly of the product. About 330 companies, whose quality managment systems comply with SABS standards, are currently listed in accordance with our listing scheme.

Certainly there is evidence that these standards are not always complied with. I think one of the biggest problems that we have is to stop people who are not manufacturing to the quality standard that mark holders are.

What industry can do to improve problem areas is to look at quality management as well on construction sites. There is no reason why we can't see quality management on, say, domestic building sites.

KOCH: I think the industry should aim for a SABS marked house which would imply that SABS marked products are assembled to a quality management process system and then you have a house that complies to the standards tests laid down.

In this way you can be quite sure that the supervision on site is up to standard. I think too many 'bush builders' put up houses and put blocks together in a way that can obviously create problems. Those problems are then standing out while 90 percent of the good houses are never mentioned.

An example of concrete masonry face brick used in sophisticated building in the Cape.

LOW: I think if contractors/useres were more selective and knowlegable about the products they were going to put into their house it would solve a lot of problems We in the Concrete Masonry Association have produced a manual covering all aspects of building with concrete masonry. All our members are SABS mark holders.

●

ROWLEY: How many concrete manufactures do not hold SAB permit?

LOW: To my knowledge there are about 12 concrete masonry producers in the Western Cape of which four are listed and have SAB marks but they produce about 70 or 80 percent of the volume. In the clay brick industry there are also about 12 producers, only one of which has the SAB mark.

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ROWLEY: What role do you see the concrete masonry industry performing in fulfilling future housing needs in South Africa?

LOW: We see concrete masonry becoming the majority building material in the next 10 years following the same patterns as in Europe, England, New Zealand, Australia and America where concrete represents as much as 70 percent of masonry work.

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ROWLEY: Mr Low you yourself are on record as saying that the standards of construction in the industry are the root of the problem and not the materials as such. What can you as manufacturers do to make sure that builders comply with the SAB's and your own standards ?

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Building problems clarified

IN a report on the building industry in Weekend Argus on October 28, the headline "Block Houses Doomed" may have indicated that problems occurred only in concrete block houses.

As the report made clear, however, bad building standards applied to houses built with other materials as well, including clay bricks The report did not criticise the materials used but the standards of some construction.

The regional chairman of the Concrete Masonry Association in the Cape, Mr R I Low, has also rejected the claim in the report by building management graduate Mr Bjorn Barth that some block houses would fall down or have to be rebuilt within five years. He said there could be no basis at all for such a claim.

masonry: The changing
ce of construction

ROWLEY talks to **Mr David Joubert** of the South African Bureau of Stan-
.r **Bob Low**, president-elect of the Concrete Masonry Association of South
. **Guenter Koch**, former MD of Colombia DCM who founded concrete ma-
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on of Home Builders, about the growth of concrete masonry in South Africa
and the problems facing the construction industry.

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ROWLEY: What role do you see the concrete masonry industry performing in fulfilling future housing needs in South Africa?

LOW: We see concrete masonry becoming the majority building material in the next 10 years following the same patterns as in Europe, England, New Zealand, Australia and America where concrete represents as much as 70 percent of masonry work.

ROWLEY: Mr Low you yourself are on record as saying that the standards of construction in the industry are the root of the problem and not the materials as such. What can you as manufacturers do to make sure that builders comply with the SAB's and your own standards?

KOCH: While the government was building strict supervision was carried out on site but when private enterprise moved in they merely bought approved building material and put it together often without due regard to quality control. Now there is nothing the manufacturing industry can do except talk to private builders.

ROWLEY: Is there any training that is recommended by the manufacturers for the building industry. What training is provided for concrete masorny construction.

VAN ECK. Training as BIFSA has indicated is a problem which has to be addressed because the industry is of such a volatile nature There are consequently very few people coming into the industry and new ways of dealing with this problem are being investigated. It is an on-going problem.

ROWLEY: Building experts have pointed out that because the industry is so volatile taking on and training the necessary staff to cope with boom-time demand is not financially viable in the long-run.

KOCH. Yes, fluctuations in the industry do not make for a steady flow of skilled artisans into industry.

ROWLEY: What can be done about that?

KOCK: As Bifsa has done, large training schools that train bricklayers and other artisans on a very short basis, three-week, four-week basis and they are then let loose on the site.

ROWLEY: Are they skilled enough for quality construction.

KOCH: They just understand the basics and that is where the problem starts. Now, when the contract is finished they have no work and they move out of the industry So I think our major problem is that we have no continuity in the construction and building industry The turnover is so hectic that the total quality of building in housing is affected.

ROWLEY: What can be done then?. Mr Low himself has said that "if you think the standards are bad now just wait for five years and see then". So what can be done to improve and enhance standards.

KOCH: To counteract this, the housing and construction industry must not be an economic tool for the Treasury Housing is a basic demand. Housing nees to be built whether we hav money or not but bridging finace will have to be found by he millions to keep the investment in the housing industry stabilised. The building sociti and the banks have not impoved the sitation I have recmmended to government that the average bond should remin fixed for a period At the moment more people lose thei hosues for fiancial reason than any other.

VAN ECK: The problems that are in the industry are caused by luctuating interest rates The NAHB has had recent discusion with government depaments and one possible sugestion mooted has been the Hosing Stabilisation Fund which is being looked into This wold attempt to keep interest rats at a level where the indusry can settle down and produe houses and attract skilled labur and keep them When bom times arrive you need peple in a hurry so you get shrt term training programmes.

The unemployed are told "come into industry we will teah you to lay bricks in three woks". Through lack of any othr labour to use one unfortuntely has to use unskilled, unertrained labour.

ROWLEY: Supervision, or the lack there of, is I understand another major problem facing the industry. Would you care to comment?

VAN ECK: Yes, when the indutry hits a recession these peple are also lost And it is posible that when a big major cotractor suddenly has a lot of major contracts to handle tht he does not have enough supervision or skilled labour to hadle the contract at the outse which causes certain problems

KOCH: The old time building inpector provided by building scieties and municipalities ws a good answer to quality asurance. Now the building inspectors and building societies ae not providing inspectors and building inspectors employed by industry do not have the the independence that would at all times assure good qality product.

VAN ECK: One must bear in mind that before you can pour cncrete you must have your fundations inspected.

KOCH: There is no ongoing insection except for the builders' own inspection.

ROWLEY: Would on-going inspection improve the standards in the industry and minimise problems?

VAN ECK: Quality has to be built in from the beginning You don't improve something merely with inspection, especially after the fact If the builder is checking those things you will cut down on having to check the builder.

LOW: The answer is not inspection by an outer body The builder himself should know enough to control the quality

That is where the answer seems to lie. In fact the builders should not be allowed to enter into the market that easily They should have some sort of qualification

VAN ECK: But at the same time we are trying to encourage the informal sector. How do you control that man who is supplying housing in his small way in his own community? Are you going to force on him certain parameters? This is a very broad field and there is no simple answer

LOW: The complaints that have been thrown around in the past three or so years are basically of a superficial nature and not ones that are going to cause harm or injury to anyone And I think therein lies the answer

People must be allowed to live in those conditions they can afford without harming themselves We are looking at five years from now, people building their own houses

People are doing it already and they are very happy with their homes even if they do have cracks, if the windows are crooked

They built them themselves and they are very satisfied with it There in lies the tale It is matter of perception

ROWLEY: Yes but they have not just bought a house which they paid R75 000 and are now having to spend great amounts maintaining because walls are cracked and windows won't close.

VAN ECK: But there comes a time when the homeowner has bought his home and the contractor has carried out necessary maintenance and the house is still under guarantee but the owner has actually got to do a certain amount of maintenance if he does not want the house to deteriorate.

ROWLEY: I could not agree with you more. But that is general maintenance. What I am we are referring to are the cracks and problems some homeonewers are experiencing in new homes after only three months.

VAN ECK: Those problems are catered for by all reputable contractors Any builder that is concerned about his reputation and wants to stay in business will go back and fix problems whether it is in the contract or not. Unfortunately the expectation level of certain clients is higher than what is realistically possible.

KOCH On the whole contractors on the whole are working with subcontractors The building industry has a big problem finding good subcontractors Subcontractors again employ people they train themselves and are not necessary properly training. Training is the major problem in the industry.

R300 000 gift for new UCT chair

Argus 24/11/87 (32)

Staff Reporter

A MAJOR construction company is giving R300 000 to the University of Cape Town to create a new chair of construction economics and management.

Murray and Roberts's gift is to further the work of the department which was formed in January 1987 as a result of a merger between the departments of quantity surveying and building management.

Professor A J Stevens, who holds a position known as the Murray and Roberts chair of construction economics and management, said in a statement: "Although the university must be the primary arbiter as to what constitutes sound education, it must likewise recognise the requirement of the industry and profession.

"We therefore welcome strong ties with industry leaders.

GROUP FIVE (32) Fmail

More growth

Activities: *Diversified construction group with building, civils, developments, homes, projects and roads divisions.*
Control: *Group Five Management Consortium and S M Goldstein hold 38,3% and 45% respectively of Group Five Holdings, which holds 53,8% in Group Five.*
Chairman: *S M Goldstein; Chief executive officer: P K Clogg.*
Capital structure: *16,7m ords of 50c each. Market capitalisation: R56,8m.*
Share market: *Price: 340c. Yields: 13,8% on dividend; 39,1% on earnings; PE ratio, 2,6; cover, 2,8. 12-month high, 470c; low, 275c. Trading volume last quarter, 95 000 shares.*
Financial: *Year to June 30.*

	'85	'86	'88	'89
Debt:				
Short-term (Rm) ..	6,2	5,1	2,5	7,2
Long-term (Rm) ...	1,5	0,5	9	3
Shareholders' interest	0,29	0,21	0,20	0,13
Debt cover	0,89	0,82	2,8	3,6

Performance:	'86	'87	*'88	'89
Return on cap (%) ..	—	—	8,6	5,9
Turnover (Rm)	498	457	765	1 067
Pre-int profit (Rm) ...	(8,7)	10,7	16,8	22,5
Pre-int margin (%) ..	n/a	n/a	2,2	2,1
Taxed profit (Rm)	(9,1)	(7,4)	20	20,5
Earnings (c)	(62)	(52)	122	133
Dividends (c)	—	—	45	47
Net worth (c)	304	207	238	306

* 18 months.

While the results support the argument that the acquisition of S M Goldstein (SMG)'s assets was no blessing, Group 5 (G5) CEO Peter Clogg is confident of the opposite. He does not regret the deal: "It was necessary to ensure G5's future growth and market share and strengthened management."

The acquisition (which excludes Gough Cooper, still with SMG) became largely effective on January 1, affecting only G5's second half. While G5 expected a small net contribution from the assets, their net losses were about R4m, against G5's total operating profit of R22,5m. This marginally eroded G5's thin pre-interest margin.

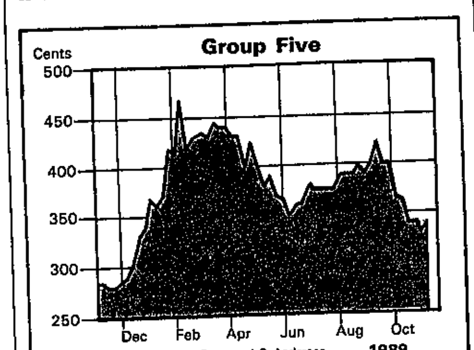
Clogg admits disappointment. He says that, like many construction groups, SMG chased turnover at the expense of margins in the downturn. Some loss-making contracts were worked out in the six months before the acquisition and most of the rest in G5's second half. A few companies acquired are still loss-making, but Clogg believes the SMG assets will contribute R1m-R2m to taxed profit this financial year and much more thereafter.

The SMG assets make up about a quarter of the group's total and have pushed G5 up to third place in the construction industry measured on turnover and profit.

Clogg says rationalisation was achieved with remarkable harmony. After G5 managers, assisted by SMG, took over G5 in August 1987, there was severe chopping, hacking and selling. Since the SMG deal, by contrast, there has been some overhead rationalisation but mainly management tightening and reporting. Directors of all G5 and SMG subsidiaries must hold equal numbers of shares of both companies, so one is unlikely to be favoured. Clogg says deep management participation gives G5 a competitive edge.

With hard times ahead, market sentiment is against construction companies. Last year, about 60% (51%) of operating profit came from road-making. Projects contributed 18% (6%), civils only 6% (32%) and homes 12% (loss in 1988). Diversification seems to have served G5 well.

This year, roads should contribute about the same proportion. Homes may return to loss. Non-SA sources, mainly from other southern African and Indian Ocean states, should again contribute about 10%: Clogg hopes these will provide a tonic when conditions get tougher. Chairman Stan Goldstein is involved in developing foreign business.



Higher interest rates will help, though the R45,5m year-end net cash (R18,6m), impressive especially after the SMG deal, is not representative. Average cash through the year is probably R15m — G5 is the only listed construction company with net cash.

With SMG assets coming into line, Clogg expects pre-tax profit to be at least 30% higher this year. With tax rising to 25%-30%, EPS should be 20% up — extending the excellent post-buyout record. EPS rose 87% (annualised) in 1988 and 46% last year.

The scenario for 1991 is more sombre. Main road construction has already declined and toll roads are likely to follow suit. Development of townships and associated roads could compensate somewhat. By then, civils and building are also likely to have slumped; but the gold price may rise enough to induce a boom in civils and projects. Unless this happens, it will be a severe "school time" for construction groups.

(32) Fmail 24/11/89

The management arrangement gives Clogg confidence in targeting longer-term diversification into building materials. Diversification has benefited some construction companies — M&R and Grinaker now earn more from other activities. But G5 itself was nearly destroyed by diversifying into industry and Clogg wants to stay broadly in the sector. G5 has already entered grey granite quarrying and may produce bricks and basic items like windows and doors.

G5's losses before the buyout and the SMG deal have kept its rating at the absolute bottom of the construction board, lower even than LTA. Its historic p:e and dividend yield are 2,6 and 13,8%. It should surely be at least as well rated as its competitors.

Teigue Payne

R6,5bn needed to fix roads - expert

RANDBURG — SA had a road maintenance backlog of more than R6,5bn, Southern Africa Road Federation president Gordon Swanepoel said yesterday.

Speaking at the federation's 39th annual meeting in Randburg, Swanepoel said the road construction industry had been hit hard by the government's policy change whereby fuel levies and dedicated funds were no longer available for road construction purposes.

He said this had forced the federation into accepting the alternative of more toll roads. BDay 24/11/87

The industry also had to resort to greater privatisation to raise the necessary capital for the road infrastructure.

Swanepoel said, however, that the bulk of these funds had been used for new roads and not for the maintenance of existing roads.

If something was not done soon to overcome the problems of road standards, they would quickly deteriorate to Third World levels, he warned.

Automobile Association director Louis de Waal said the negative effects of the scrapping of the National Road Fund was being felt by the economy because of higher transport costs.

This action by the government was short-sighted and was motivated by a lack of funds for non-transport matters.

He said a way to improve and maintain the road network was to reinstate a dedicated road fund. This would ensure that a portion of the amount of tax paid by the road-user was ploughed back into roads. — Sapa.

(32)

LTA lifts profit to R20,1m

B Day 28/11/89

32

NEIL YORKE SMITH

LTA, SA's second largest construction company, has recorded impressive growth for the six months to September.

Operating profit of R20,1m, on turnover of R992m (R810m), was more than double the previous year's R7,8m. Further, despite a substantially increased interest bill, this was carried through to pre-tax profit which doubled to R12,7m (R6,1m).

The higher interest bill resulted from a combination of higher interest rates and borrowings which arose from amounts due from contractual issues and investments in property develpoments.

These include developed stands in townships which have been difficult to realise due to interest rate increases.

Directors said in a statement the results were in line with budgets and reflected substantial improvements at operating level.

In particular, they referred to the successful turn-around of problem companies in the building division. These, they said, had either returned to or were on the way back to profitability.

However, at R6,7m the tax bill was substantially higher than last year's R1,4m. Directors attributed this to a mix of profits from non-SA sources which could not be set off against assessed losses in other areas.

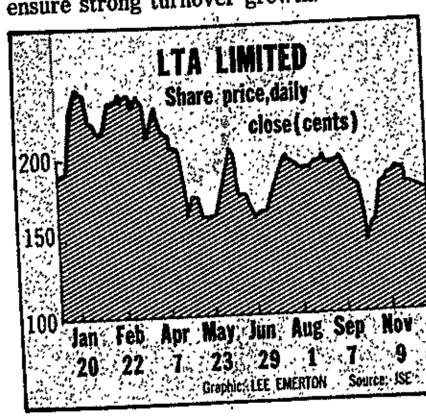
Bottom-line earnings of R5,4m reflected a 31% increase over the previous year's R4,1m. This translates into earnings a share of 30c (21c).

Financial director Jimmy Oosthuizen told Business Day yesterday although the results reflected an improvement over past performances there was still "lots of room for improvement".

However, he confirmed the group expected to perform at least as well in the second six months.

LTA shares eased to 175c on the JSE yesterday, 30c up on October's all year low of 145c. The current price offers a substantial discount to NAV of 471c, reflecting the market's disenchantment with the group which has failed to produce a dividend for over four years.

Analysts confirmed LTA's poor market perception. They attributed it to LTA's high gearing, as well as to what they called a policy of cutting margins in order to ensure strong turnover growth.



Value of building plans rises 17,5%

B Day 30/11/89 (32)

GERALD REILLY

PRETORIA — The value of building plans passed in the first nine months of the year increased by 17,5% to R6,861bn, Central Statistical Services (CSS) figures show.

But residential plans were down by 9,5% to R2,863bn — houses by 8,3% to R2,353bn and flats and townhouses by 8,8% to R442,5m.

The value of plans for non-residential buildings increased by a huge 86,1% to R2,124bn and additions and alterations by 21,9% to R1,873bn.

CSS said the survey represented about 90% of the private sector and public corporations.

Quantum excels with impressive leap into profits

NEIL YORKE SMITH 32

QUANTUM, the DCM-listed property development group, has at last produced the turn-around promised by its directors.

Interim results for the six months to end-September reflect an absolute improvement in operating profits of more than R7m.

Net operating income rose to R3,9m, highly imressive compared to the loss of R2,9m recorded for the corresponding period last year.

Although finance costs soared to R3m (R0,5m), pre-tax earnings at R0,8m reflected a substantial improvement over last year's loss of R3,8m. BDM 30/11/84

Increased finance costs reflected both higher debt levels as well as current high interest rates. No tax payments were recorded.

Attributable income dropped to R0,6m by Quantum's share of associated companies losses of R0,2m.

At the per share level, earnings amounted to 1,4c, compared with the previous year's 0,6c loss.

Because of Quantum's high debt levels, a dividend was not declared.

Financial director James Wehmeyer said yesterday he was delighted with Quantum's performance.

He added that shareholders could expect resumed growth to be maintained as all divisions had returned to profitability.

In a statement, directors said the construction division, once the major problem area, had been successfully reorganised.

They added that although previous losses would impair substantial immediate growth, progress had been made towards creating a platform for future profitability.

Wehmeyer said the property development division remained Quantum's strongest operation. The project management is also expected to generate good growth.

Wehmeyer said Quantum companies had impressive order books.

Ovbel income rises by 39%

32

CT Times 1/12/87

Financial Editor

OVBEL HOLDINGS has continued to do well in the six months to September. Pre-tax income was up by 39% on a 46% increase in turnover. Attributable income was up by 20%.

And — in spite of the downturn — the directors say prospects for the second half of the financial year are "promising".

Earnings at share level were 10,2c (8,5c) and the interim dividend was 20% higher than last year at 3,6c (3c).

Turnover rose to R162,7m (R111,4m). Pre-tax income was R4,6m (R3,3m) and attributable income R2,9m (R2,4m).

Total assets have risen to R138,7m (R107,5m). But the group has not achieved its stated objective of reducing total borrowings, which have risen to R25m compared with R19,6m this time last year and R12,6m at financial year-end to March.

Chairman Andrew Ovenstone said yesterday he was confident the group would do better in the second half of its financial year.

Construction company Ovcon and residential building company Bellandia had full order books to the end of the current year.

Property developer Ovland was the main contributor to group profits, and had been unaffected by the downturn. Developments in hand included the "very large, luxurious Avalon office block" on the site of the former hotel in Gardens.

Up-market developments at St Francis Bay, where plot prices started at R100 000, and at Hermanus, where plots were priced at between R70 000 and R80 000, were going very well and had not been affected by higher interest rates.

A new development at Mossel Bay, with prices below R30 000, was just opening and signs were that it would do well.

"These plots are bought by people who intend to retire to them, and there is a certain truth in the saying 'invest in land and beat inflation'.

"People are very concerned about inflation now and hard assets are popular."

Ovenstone said Bellandia would do "slightly better than last year." There had been a few cancellations of orders because of the higher bond rate — "but very few".

"My personal view is that interest rates have peaked and will be down by the middle of next year."

Major push to raise housing aid

By MAGGIE ROWLEY
Business Staff

A MAJOR campaign to have the first-time home-buyers subsidy extended has been launched by the National Association of Home Builders (NAHB) in a urgent attempt to prevent further deterioration in the home building industry.

National chairman of the NAHB, Dr Llewellyn Lewis said today that unless the subsidy scheme was not only continued but extended "the bottom will fall out of the industry".

He said that contractors had reported major drops in turnover in the past year due to the affects of higher interest rates. If this trend was allowed to continue without extended relief from the first-time home-buyers' subsidy the liveliehood of many in the industry would be threatened and attempts to correct the serious housing shortage would grind to a halt, he said.

Dr Lewis and a top level deputation from the NAHB this week held separate meetings with Mr Sam de Beer, Minister of Housing in the House of Assembly, Mr David Curry, Minister of Housing in the House of Representatives and Mr Chris Stals, Governor of the Reserve Bank to lobby for a higher subsidy allocation in next year's Budget.

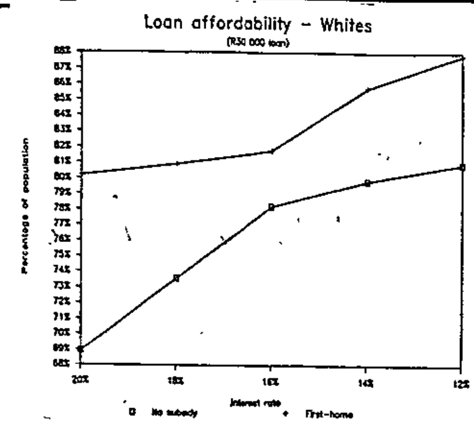
A confidential document, prepared by the CSIR for the NAHB and presented this week to the Ministers and the monetary authorities, states that fluctuating interest rates have had a severe effect on the levels of affordability of prospective homeowners and consequently on the effective demand for housing. However, the first time homebuyers subsidy had to some extent cushioned the effects of rising interest rates.

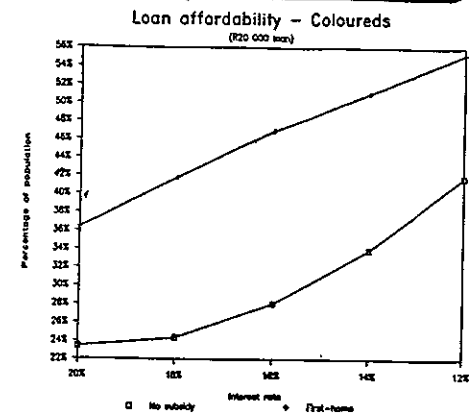
In the case of whites the most marked effect were for loan amounts of R30 000 or more. While approximately 81 percent of whites can afford a loan of R30 000 at a 12 percent rate of interest only 68,9 percent could afford it when interest rates reached 20 percent. With a subsidy the number of people who could afford the loan at 12 percent rose to nearly 94 percent and at interest rates of 20 percent, a R30 000 loan was affordable for nearly 88 percent of whites.

In the case of the coloured population the most marked effect was at loan levels of R10 000 to R20 000. While 42 percent of this sector of the population could afford such loans when interest rates were 12 percent this dropped to only 23 percent when interest rates reached 20 percent. The subsidy boosted the number of people who could afford the loan to 55,3 percent at 12 percent interest rates and 36,4 percent at interest rates of 20 percent.

The report states that 69 percent of Asians could afford a loan amount of R20 000 with a 12 percent interest rate. With interest rates of 20 percent this

(See page 4)





THE above graphs, taken from a report by the CSIR for the National Association of Home Builders, show the drastic drop in percentages of buyers who can afford housing, with and without the first-time homebuyers' subsidy when interest rates rise.

W/c Argus 2/12/89

Push to raise housing aid

(From page 1)

32

dropped dramatically to set 45 percent. However, with the subsidy the number of people who could afford to borrow at 12 percent interest jumped to 82,6 percent and 62,4 percent at an interest rate of 20 percent.

When a 12 percent interest rate prevailed 58 percent of blacks could afford A R10 000 loan against 33 percent at an interest rates of 20 percent. With a subsidy, 54 percent could afford the loan when interest rates were running at 20 percent while 68,8 percent of blacks could afford it when interest rates were 12 percent interest rate.

According to the report the "severe effects" that interest fluctuations have on existing and prospective homebuyers can be seen in that a person wishing to buy a dwelling of R30 000 would have to earn R2 406 a month if interest rates were at 24 percent. At interest rates of 12 percent and 18 percent he would have to earn R1264 and R1821 a month respectively.

Monthly repayments on a loan of R10 000 at 12 percent interest would be R105 and would require the buyer had a monthly income of R421. At 24 percent interest the buyer would have to earn R802 a month, of which he would have to pay R201 on the loan.

To obtain a R100 000 loan a buyer would have to earn R4213 a month when interest rates were 12 percent. His repayments would be R1053. With interest rates at 24 percent, the buyer would have to have a monthly income of R8021 and repay R2005 monthly.

In an interview this week Dr Lewis said the first-time homebuyers' subsidy was essential to both the affordability levels of prospective homebuyers and the future of the home building industry.

"It is essential that the scheme is not only continued but that a larger allocation is made for it in the next Budget.

"Demand for housing is elastic. The more funds that are allocated the more housing will be built. But when interest rates go too high it knocks the bottom out of the market."

He said unless the building industry had some assurance that the subsidy scheme was not only to be continued and extended, many contractors would be hesistant to move into areas of the housing market where the greatest demand was and where margins were low and they had to rely on economy of scale.

"If the subsidy scheme is not continued or extended the future of these projects will be threatened and developers will be left high and dry," he said.

While the NAHB welcomed the extension of the first time homebuyer's subisdy scheme to include existing structures as of June this year, the association strongly believed this subsidy should be separated from that of new houses.

The subsidy scheme for white housing has come to a standstill in the past month because of unanticipated demand from this sector.

"There should be a separate allocation for existing houses which should not detract from the amount allocated to new housing," he said.

The CSIR report was commissioned as a service to NAHB members to provide them with strategic information. Dr Lewis said it would be limited to members and certain government departments for a six month period to provide NAHB members with a competitive advantage.

Better times for TVL building industry

32

By Roy Cokayne

The Transvaal building industry, which starts its month-long Christmas holiday next week, is enjoying a slight upturn, with employment increasing for the second consecutive year.

The Industrial Council general secretary for the building industry in the Transvaal, Wynand Stapelberg, said yesterday R27,5 million would be paid out in holiday pay and bonuses to 64 000 workers in the province.

This is almost a four percent increase over the number of workers who received holiday pay and bonuses last year.

"There are definitely more employees in the industry this year, and there are signs of a very moderate upswing in the building industry in the Transvaal," Mr Stapelberg said.

He said that based on a 48-week year and the money paid each week for fringe benefits, there was a clear indication that employment was rising.

He said the industry had employed 57 211 people in 1985. The number had dropped to 46 448 in 1986 and to 38 546 in 1987.

But last year the number of employees had risen to 40 208, while this year it was 43 255.

The biggest growth was in general workers, where 31 091 were now employed, compared with 26 415 at the same time last year.

Star 7/12/89

There were 7 583 semi-skilled and 4 581 skilled workers employed this year, compared with 4 419 skilled and 6 665 semi-skilled workers last year.

The disparity between the number of workers employed and the number who would receive holiday pay and bonuses was due to the fact that many workers had moved in and out of the industry over the year.

Mr Stapelberg said unemployment had not been a great problem.

Most workers who had left the industry had done so in 1985 and 1986.

Everite braced for downturn

Star 7/12/89

32

Everite, a subsidiary of Everite Holdings, which has been listed on the JSE since 1962, has battled its way through several slumps in the building industry over the years and is bracing itself to wade through another economic trough over the next 12 to 18 months.

Diagonal Street
LYNNE PEACH

Chairman Emanuel Arni says in the latest annual report that Government's substantially tighter monetary policy resulted in activity levels ceasing to grow in the first six months 1989 and that there are now signs of contraction.

Furthermore, depite an improvement in total demand in the year to June, substantial overcapacity still exists in many areas of the building and related industries, according to Mr Arni.

Earlier this year, Everite had little option but to close its one-sheet machine fibre cement factory in East London at a cost of R1,7 million because estimates of future market demand did not match up to capacity levels.

Since its establishment in 1941, Everite has been actively engaged in the manufacture and marketing of products for the cyclical building and construction industries. These consist mainly of fibre-cement, plastics, pitch-fibre and ceramic products.

None of the group's three operating divisions — fibre-cement, plastics and allied, and ceramics — are expecting any significant increases in profits in the current financial year. Mr Arni says attention will be directed to containing costs and to capitalise on opportunities which continue to present themselves.

In the year to June, group turnover increased a modest 14 percent from R326,3 million to R373,2 million. However, if the deconsolidation of the plastics and allied division's PVC turnover upon the formation of associate company DPI is taken into account, the actual rise in turnover is 22 percent.

Operating profit climbed 39 percent from R26,9 million to R37,3 million and other income doubled from R2,1 million to R4,2 million. This caused pre-tax profit to jump 43 percent from R29 million to R41,4 million. A higher effective tax rate due to the utilisation of assessed losses, however, resulted in attributable profit rising 24 percent from R18,6 million to R23,1 million.

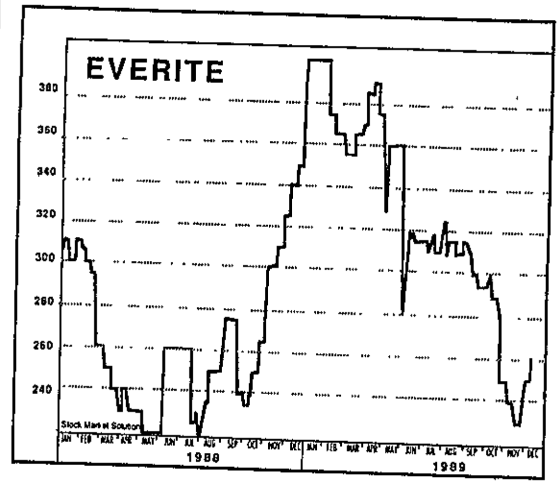
Earnings increased from 21c a share to 26c while the dividend was raised to 13c which is 18 percent higher than the 11c paid out in the previous year. The balance sheet at the end of June was stronger with borrowing down from R22,5 million to R16,4 million and gearing down from 8,4 percent to 5,5 percent.

The group has cash holdings of R7,9 million, compared with R6 million a year ago. Financial investments which can be liquidated on demand amount to R22,9 million which means that, in real terms, the group has no debt and a cash surplus of R14,4 million.

Net asset value is 335c a share, 11 percent higher than the 302c of a year ago. Everite, priced at 235c, is trading on a price:earnings ratio of 9 and provides a dividend yield of 5,5 percent. This compares with sector averages of 7,2 and 5,7 percent respectively.

It is relevant to note when comparing Everite to other companies that the group charges depreciation on the replacement cost of its productive assets. If charged on historical costs, like most South African companies do, earnings would have been 6,2c higher at 32,2c. This would place the share on a price:earnings ratio of 7,3.

Because Everite is not expected to produce any significant improvement in profits in the medium term, stockbrokers are not recommending accumulation of the share just yet. However, they believe buying should start in a a year or so because of long term potential in the group's markets due to the growing need for accommodation.



Everite's share price.

R105m tunnel task

X Times 27/12/89

Business Times Reporter

(32)

ONE of the biggest civil engineering contracts of the year has been won by a joint venture formed by Murray & Roberts and Austria's Porr International.

The R105-million contract to excavate 11,5km of tunnel for a water-supply scheme in Natal attracted tenders from 19 foreign and SA companies.

Work will begin in January.

The project is part of a R150-million scheme to carry water by aquaduct from Inanda dam to the Wiggins and Durtban Heights water works and a large part of the coastal region.

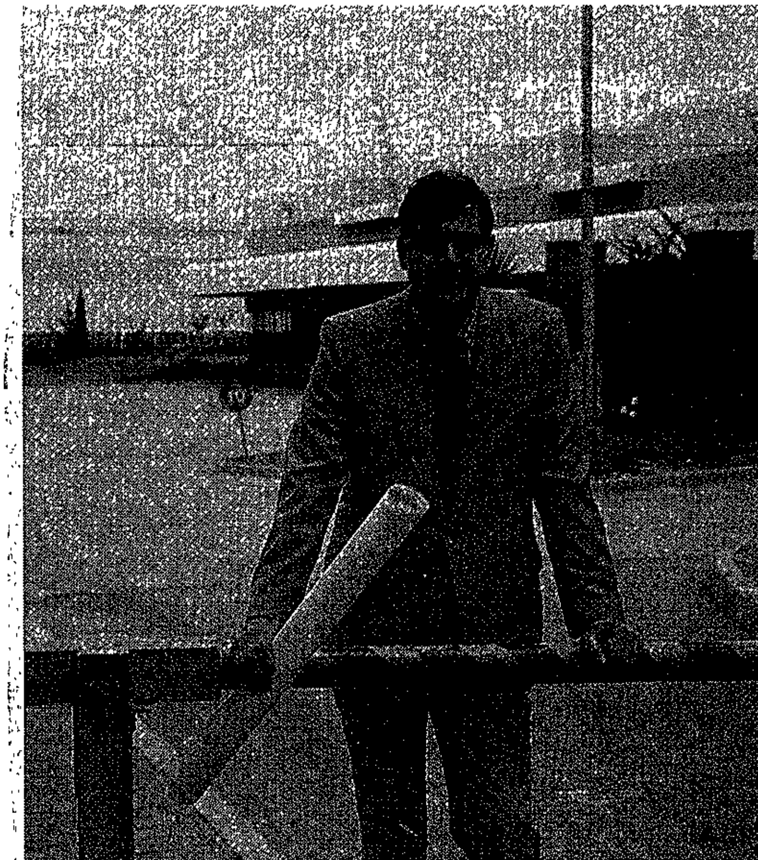
"Damage to aquaducts and disruption of water supplies in the 1987 floods underlined the need to secure the system as soon as possible," says Graham Atkinson, chief executive of Umgeni Water.

The main contract is for two tunnels and a connecting 500-metre underground siphon.

An environmental impact survey has been carried out by consultants and R1-million has been allocated for rehabilitation of the area.

Tunnelling will be carried out with a R14-million boring machine.

The current tariff on water supplied to Durban includes 3,1c a kilolitre to fund the Inanda tunnels.



GORDON FRASER ... another gate to Gypsum success opens

Golden Gypsum to spend R60m

S/Times 17/12/89 (32)

Business Times Reporter

IT'S been a golden anniversary for listed Gypsum Industries.

The company celebrated its 50th year in business in South Africa with record turnover and bottom-line earnings — and now it is going ahead with a R60-million expansion project on the Reef.

Managing director Gordon Fraser says: "It is our biggest single investment in SA and it brings our total capital expenditure since 1980 to R120-million."

Potential

The company, which has held a place the Business Times Top 100 table for several years, is SA's leading supplier of gypsum products, mainly used in the building industry. The expansion will increase plasterboard production capacity by more than 50%.

"The plant will ensure that we are able to meet expected demand for plasterboard products through the 1990s," says Mr Fraser.

It will provide nearly 200 new jobs and enable the company to tap export markets.

"There is great potential to sell to other African countries, but we depend on their ability to pay," says Mr Fraser.

To speed the project Gypsum has bought a large warehouse and factory complex in Brakpan from electrical appliance giant Tek.

It gives the company 15 000 m² under roof and is well placed to serve Gypsum's Transvaal, Free State and Natal markets. A rail connection will be completed before the plant comes into operation.

Technology has been acquired through Gypsum's UK company, which holds nearly 50% of the SA operation. Plant is being imported from Europe and the factory will be in operation by May 1991.

Gypsum has three other factories in SA — in Pretoria, Cape Town and Germiston. The Brakpan plant is destined to be its flagship manufacturer.

A big benefit for the group is that raw material will come from Bophuthatswana instead of from the company's mines in the Cape.

The cost of railing gypsum from the mines, which have vast reserves, has soared in recent years.

"The situation of the factory and the relatively close source of raw material are definite advantages for the development," says Mr Fraser.

A strong balance sheet has enabled Gypsum to finance the development from its own resources.

In the year to June turnover increased by 26,5% to R147-million and earnings increased 32,7% to 162,9c a share. Dividends jumped by 127% since 1985 to last year's 51c a share. The company paid 22,5c a share in the previous year.

Research

The company has invested heavily in research to give it the ability to make plasters which are now imported.

Mr Fraser says: "There is considerable scope in import replacement and we are giving this drive at lot of attention."

Gypsum has a 66% shareholding in Donn SA, which makes metal frames for ceilings and plaster partitions. Donn is also installing more plant to meet demand for its products.

Go-go Greenfield in a new JSE venture

S/Times 17/12/89

32

ASHLEY ENSLIN with a Garfield phone ... Picture by PIERRE OOSTHUYSEN

By Ian Smith

GO-AHEAD Greenfield Property Holdings plans to list a variable loan-stock (VLS) company on the JSE next year.

Greenfield, which has surprised investors with a string of large developments, was listed in July last year through a reverse takover of Frencorp. The shares, which came on the market at 162c, are tightly held, but have advanced steadily to 410c.

Portfolio

Details of the new listing, which will have an initial portfolio worth R170-million, are eagerly awaited — given the first company's strong performance.

The announcement is expected in March, coinciding with interim results from Greenfield Property Holdings.

Greenfield joint managing director Jeff Myerson says the development follows the steady build-up of property assets in the past four years.

"We realised we could not continue development and bringing in new partners. We could have ended up with minority holdings in some properties and a daunting number of partners.

"Now we have a sizeable enough investment vehicle to stand on its own feet."

Mr Myerson says one of the attractions of the VLS company is that the portfolio will be confined to property, mainly shopping centres and office blocks which the group has built and managed itself.

"We will not be involved in unknown projects."

The first two buildings in the R600-million Woodlands office park project in Sandton will be included in the portfolio.

Greenfield will retain a large holding in the VLS company, probably between 20% and 30%, says Mr Myerson.

Roots

The group has its roots in a small family-owned saddlery and harness business in downtown Johannesburg in the late 1920s. Ironically, the original shop stood on a site where the group has completed its R54-million Newgate shop, office and parkade development near the JSE.

The company prospered when it went into tent manufacturing, but founder Morris Liebowitz always had a sharp eye for property.

Thirty years ago he said the family should buy land "between Johannesburg and Pretoria".

Residential property development began in Morehill, Benoni, and Dalecross and Paulshof, Sandton.

The company was building houses on land acquired in 1967 when it was proclaimed the site for the Sandton City shopping centre. Planning, development and promotion of Sandton City were undertaken by Greenfield in partnership with another company, but it later sold its interests.

Strategic

Today Greenfield in heavily involved in development, management and long-term property investment. Residential development is still an important part of the operation.

A strategic 30% stake in Schneid Israelite & Associates gives Greenfield a presence in the important project management field.

In its maiden year to June Greenfield posted an 89% improvement in taxed earnings at R5,2-million. Earnings a share were 57,4c, and a dividend of 28c was paid.

Mr Myerson says there has been some surprise at Greenfield's achievements, coming from a comparatively small financial base.

Elastic bridge

FOR the first time in SA, Murray & Roberts Civils will employ a European bridge construction method using "elastic" shafts.

The bridge will be built at the Rickivy slip on Town Hill outside Maritzburg.

The R16,3-million contract was awarded by the National Transport Commission. It is scheduled for completion in January 1991 and involves the widening of both carriageways of the N3 to accommodate four-lane traffic.

More and more for the men with the mostest

By Charmain Naidoo

IT'S the silly season. Groaning executives are clearing out their "for the man who has every-

gling for trout in New Zealand or salmon in Alaska."

for Christmas.

"If people want to give me something, I'd rather they gave the money to a charity. It's the time of the year when

ory capacity, storing about 62 000 characters — or enough space for 3 000 phone numbers. It has a six-line, 32-column screen and a 32KB

R32m for CA Brand

(32)

CA BRAND Civil Engineering has been awarded three contracts worth R32-million.

S Times 17/12/84

The largest calls for the construction of 26km of tarred road and 150 precast culverts near Swartruggens. The R18-million contract will take about 15 months to complete.

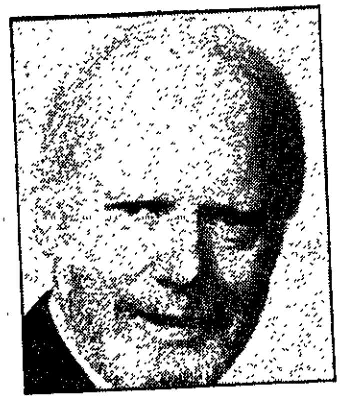
The company will also construct 28km of roads near Siyabushwa for the Kwandebele Department of Works. It will involve building bridges over small rivers.

The third contract is worth R3,8-million for regrading of 45km of gravel road in the Malikwe area of Bophutatswana.

The industrial market

(32) Star 19/12/89

By Neil Fraser, executive director, BIFSA



Bifsa expects building activity levels to decelerate further, in line with the overall business cycle in 1990.

"Given our belief that interest rates will remain on a fairly high level for at least the next six months, and coupled with an expected slower increase in real personal disposable income in the year ahead, we expect business conditions to remain rather sluggish in the private residential sector and forecast a further decline of one percent in real investment for 1990.

"Activity levels in this sector of the market will hopefully be supported towards year-end by the recently announced joint guarantee scheme of the Urban Foundation and the Association of Mortgate Lenders.

"As far as public sector investment in residential structures is concerned, we expect that the declining trend discernible over the past five years will continue and that a negative real growth rate of five perecent will be recorded in 1990.

"Although we expect that business conditions will likewise deteriorate in the non-residential sector, the longer gestation period of projects in this market sector will ensure that building activity levels will probably remain on a reasonable level in the private sector until at least mid-year.

"The availability of new work is expected gradually to decrease and a marked keener tendering environment is to be expected during 1990. Overall, we forecast that private sector non-resdential investment will record a negative real growth rate of 4,5 percent in 1990.

"The ongoing upgrading of existing schools, particularly as far as electrical work is concerned, and the erection of new schools for the black population group, will possibly remain the only meaningful sources of government non-residential building work.

"We forecast that public non-residential investment will decline by seven percent in real terms in 1990.

"Notwithstanding the fact that we expect the demand for building work to drop, we believe that building material price rises will continue on a high level.

"Given the deterioration in the building climate, we would urge building-material manufacturers and merchants to practise restraint in price increases.

"The present high cost of building will no doubt have a severe negative effect on building demand in the year ahead. Overall, we expect building material prices to increase by 18 percent in 1990.

"Viewed against the background of lower expected activity levels in the building industry, we believe that the availability of skilled labour will improve in the year ahead.

"In the light of the fact that higher unemployment levels are foreseen in 1990, which will among others weaken the bargaining position of trade unions, we forecast that labour costs will increase by 14 percent next year.

"Given the expected deceleration in input costs and the fact that the downswing will translate into a keener tendering environment, contractors and sub-contractors will once again be forced to cut their profit margins.

"In the light hereof, and coupled with an expected slower increase in labour costs, we forecast that building costs, as measured by accepted tender prices, will increase by 12 percent in 1990."

Argus 19/12/89 (32)

Profit turns to loss for Blue Downs builder

Business Staff

BESTER Investments, one of the biggest home builders in Blue Downs, tumbled to an attributable loss of R3,7 million in the six months to August from a R2,5 million profit a year ago.

The loss of 31,1c a share was a turnaround from 18,5c earned last year.

In the year to February 28, the group had an after-tax loss of more than R1 million, a loss of 8,8c a share.

Turnover dropped by 14,6 percent leading to a 63 percent slump in group trading profit to R5,9 million (R15,9 million) compared with the previous year.

No dividend

No dividend will be paid for the third six-month period in a row.

Profits were also hit by a general reduction of profit margins because of "unfavourable conditions in the property market."

The interest burden increased from R12,8 million in 1988 to R14,8 million in 1989.

Mr Bester said the results were negatively influenced by the large number of completed and partly completed units unsold at August 31.

However the reconstruction of the group in terms of the Taxation Laws Amendment Act of 1988 had been approved by the Receiver of Revenue and all the assets and operations of the group would be transferred into a single operating subsidiary, thus facilitating the disposal of about 80 of the present subsidiaries.

"The rationalisation in terms of the exemptions granted has begun. The proposed new structure should not only provide a substantial saving in administrative costs, but will also improve the operating efficiencies of the group as a whole," he said.

Commenting on prospects, he said the property market was depressed and margins were under downward pressure, mainly because of the high level of interest rates and the general lack of business confidence.

"There are no signs of an improvement in the market and accordingly no material improvement in trading results for the second half of the current financial year can be expected," he said.

R60-m expansion at Gypsum Industries

32

BAHS Star 19/12/89

Gypsum Industries is embarking on a R60 million expansion programme to meet demand for plasterboard products in the 1990s.

Growth plans, centred on a recently acquired factory and warehouse complex in Brakpan, will represent the company's biggest single investment in its 60 years in South Africa.

The expansion will boost Gypsum's capital expenditure to more than R120 million since 1980. — Sapa.

BUSINESS PERSONALITY OF THE WEEK

Looking after home buyers

b/t Argus 30/12/89 32

By MAGGIE ROWLEY
Business Staff

PUSHING for government measures to help stabilise the building industry and encouraging training to improve standards in the industry are two of the major challenges facing Harold Matthiae, newly elected president of the Cape Peninsula Master Builders' Association.

Born in Germany, Mr Matthiae trained as a building enegineer qualifying in 1953 before emigrating to South Africa the following year at the age of 24, taking up a job with LA Steens in Cape Town.

After six months he left and joined the Citizens Housing League which was supplying low cost housing for the underpriviledged.

After spells in the service and maintenance departments he transferred to the construction arm of the company as construction manager and overseered a number of low cost housing schemes in Bishop Lavis.

In 1968 he left to start up his own company. But disaster struck on the first contract — a concrete mixer fell on him. For three weeks he was on a respirator in intensive care and it was a matter of "touch and go". It took him five months to recover fully.

Shortly before the accident he had been approached by the Ovenstone group who wanted to start a construction company.

"The day I had the accident I had decided to take up their offer. However, I was out of action for so long and they were anxious to start their new venture so they took over Bellandia.

"When I recovered I joined Bellandia in charge of southern suburbs. Up until then they been operating solely in the northern suburbs."

Projects he handled during this time included the first 42 homes in Marina da Gama.

"That was a huge challenge as they were putting in the services, including the waterways, at the same time as we were constructing the homes."

Another project they handled was the construction of a Constantia home for fishing magnate, Mr Jack Ovenstone, which was later sold to millionnaire Dr Mario Chiavelli for R1million — the first Cape Town home to fetch that figure.

In 1975 he transferred to the northern areas operations for five years before leaving to branch out on his own.

"By then I had had enough and wanted new challenges. Being my own boss meant a chance to get into a different sector of the market."

Since 1980 Harold Mathiae Construction has done everything from speculative building to industrial construction and plot and plans houses.

But his greatest interest lies in building large homes with interesting finishes and he recently completed the construction of a R1,4million home in Constantia.

"Although it is not necessarily the best business or the most financially rewarding I really enjoy building luxury homes as one gets the opportunity to devote more personal attention to the project."

● See page 3.

Harold Mathiae . . . facing challenges.

P.T.O.

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CONSTRUCTION – GENERAL

1990

MAY

BIDay 5/1/90 (32)

Govt moves hit engineers

EDWARD WEST

RESTRICTIVE economic measures have made forward planning in SA's R5bn civil engineering industry increasingly difficult, industry sources said yesterday.

SA Federation of Civil Engineering Contractors (Safcec) executive director Kees Lagaay said yesterday in an interview that the civil engineering industry had to plan on a 12 month basis, from Budget to Budget.

But, he said, the industry needed a firmer committment by government on infrastructural development. At least 70% of the industry's activity derived itself from the public sector.

As an example of the predicament faced by the industry with government's proposed cuts on infra-structural expenditure, Lagaay said the industry spent hundreds of millions of rands on importing plant and equipment during 1988.

The imports were due to the slump in engineering contractual work during the preceding four years which eroded the industries plant and equipment base. Much plant was exported during this period.

When business activity picked up in 1988, new plant, which needed to be relaced on average every four years, was needed, he said.

Government plans to cut infra-structural spending together with the general economic slowdown, have put pressure on the employment and payments for this plant in some companies.

Whilst there was still a fair amount of work for the next twelve months, order books were shrinking and Lagaay forecast a downturn in business actvity.

Some smaller contractors, who relied on a regular supply of smaller jobs, were already short of work, said a Safcec review.

Preliminary forecasts of new contract values during the first 11 months of 1989 showed a 20% downturn.

From mid-1989 industry business confidence started declining. Government and private sector spending cutbacks and the cancellation of a number of contracts for which tenders had already closed, contributed to this mood.

However, during 1990, civil engineering contractors expected to benefit from higher expenditure from RSCs on township development.

Builders hit by rising costs

CAPE TIMES 11/1/90 (32)

Financial Staff

BUILDERS are finding it almost impossible to keep the cost of a house and plot down to R65 000, to qualify for the first time home buyers' subsidy, says Theo Stergianos, executive chairman of Disa Development Corporation.

He said after the general meeting of the Bellville-based company yesterday that he expected results in the current year to be "fair" in spite of pressure on margins caused by rising costs.

Wages in the building trades had just risen by between 15% and 20%. Materials had risen by 19,47% in the year to September and he expected a similar rise in the current year.

About 80% of Disa developments are for coloured, black and Asian first time home buyers. Stergianos said costs were being kept down by reducing the size of the house, designing it to save as much space as possible.

"But the main expense of building a house is the plumbing and electrical wiring. This costs just as much whatever the size of the structure. And we cannot go on reducing the size of houses indefinitely.

"I think the maximum price of a house qualifying for the first time home buyers subsidy should rise every year, in tandem with the inflation rate, and should now be R75 000."

"In the mid-1970s we considered houses with 100 m² of floor space to be small. House design has changed completely since then."

Home subsidy too low, says Disa chief

B Day 11/1/90

32

Own Correspondent

BUILDERS are finding it almost impossible to keep the cost of a house and plot down to R65 000 in order to qualify for the first-time home buyers' subsidy, and the limit should by now have been raised to R75 000, says Disa Development Corporation executive chairman Theo Stergianos.

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Materials had risen by 19,47% in the year to September and he expected a similar rise in the current year.

About 80% of Disa developments were for coloured, black and Asian first-time home buyers.

Stergianos said costs were being kept down by reducing the size of the house and designing it to save as much space as possible.

"We make the house as square as possible. The squarer a house is, the cheaper it is to build.

"Rooms are smaller, and we do things like reducing the overhang of the eaves and bringing down the height of ceilings.

"But the main expense of building a house is in the plumbing and electrical wiring.

Inflation rate

"This costs just as much, whatever the size of the structure. And we cannot go on reducing the size of houses indefinitely.

"I think the maximum price of a house qualifying for the first-time home buyer's subsidy should rise every year in tandem with the inflation rate, and should now be R75 000."

Stergianos said demand for houses was as great as ever, although the combination of high income tax and high interest rates was making it harder for people to afford them.

There had been some cancellations following the last rise in interest rates.

Disa was at present putting in services for a new coloured housing development at Eerste River, where building would start in April or May.

It would start new Indian and white townships at East London in the middle of the year.

"And we are just about to start on a very low-cost housing scheme at Khayelitsha, where we are building two-bedroomed houses which will sell for only R35 000 including the plot.

"But these are very small houses indeed, with only 40 sq metres of floor space, and the plots are also small.

"In the mid-1970s we considered houses with 100 sq metres of floor space to be small.

"House design has changed completely since then."

Road expenditure cut drastically

32 Argus 12/11/90

PRETORIA — The Transvaal Provincial Administration had "drastically" cut expenditure on roads until March this year, a spokesman for the department said here yesterday.

Commenting on a report in Finansies en Tegniek that expenditure on provincial and national roads would be cut about 30% to R580m, he said each province had its own budget for roads and was dependent on the Department of Transport for funds. Roads and public works were affected.

Our correspondent in Cape Town reports that state funding of roads in the Cape Town metropolitan area has been cut back 40% to R11,2m in real terms. Cape Peninsula Regional Development Association chairman Clive Keegan said in a statement this week that planned five-year metropolitan expenditure would have to be stretched out over 19 years.

Building industry set for hard times in 1990

32

Argus 22/1/90

By HANS-PETER BAKKER
Staff Reporter

THE building industry is set for hard times during 1990, with high mortgage rates and a rising cost of building materials.

With mortgage rates expected to stay about 21 percent this year and the rising cost of living, the qualifying criteria for loans was getting harder to satisfy, said Mr Johan Grotsius, executive director of the National Association of Home Builders.

Mr Grotsius said the number of homes and the value of building plans passed have shown a marked drop.

"If cost escalations were taken into account, that comes to a drop in real terms of about 20 percent."

This would put a brake on efforts to make up the backlog in the country's housing crisis and would result in "several more casualties in the home-building industry, who are already cutting back on staff and overheads".

Reduced demand

Mr Dan Curran, commercial manager of LTA Building, Cape, said the demand for building had been substantially reduced. The upmarket (more than R300 000) housing range had, however, remained "brisk".

Mrs Ursula Segalla, of the Bureau for Economic Research at Stellenbosch University, confirmed the reduction in building demand and said indications were that the trend would continue.

She said the bureau's studies also indicated increases in material and labour costs.

According to Dr Charles Martin, chief economist of the Building Industries Federation of SA, the cost of building an average home was about R900 a square metre — up 18 percent on the same time last year. For 1990 a minimum increase of 12 percent was expected.

The cost of materials was expected to rise between 18 and 20 percent, with substantial increases in the price of timber, crushed stone and imported materials, Dr Martin said.

The Star
Finance
Star 23/11/90

Developers edge downmarket to stay in business

Certain developers and building companies are recognising the difficulties facing lower-income families who want their own homes, says Mr Mike Morkel of SPT Housing Consultants.

Because of this "affordability squeeze", some companies are beginning to edge downmarket to safeguard their sales and stay in business in a fiercely competitive market.

This trend is expected to intensify from April when the loan guarantee fund comes into operation, making it possible for people to obtain bonds of up to R35 000.

Last October, the Urban Foundation, together with the Mortgage Lenders' Association of SA, announced an initiative to establish a loan guarantee fund.

ON APRIL 1

"Indications are that the fund will start operations on April 1", says Mr Morkel.

"Employers who want to take advantage of the opportunities that will be created by the fund are advised to do their homework in the next few months.

"Companies operating housing schemes should continue to shop around when considering buying a home."

Mr Morkel points out that shopping around has always been relatively straightforward for whites. They are serviced by a network of competent agents and are well catered for in the daily and weekend press.

NOT EASY

On the other hand, shopping around in the black, Coloured and Indian markets has never been easy.

SPT, a consultancy specialising in assisting employers structure and implement their housing schemes, has been aware of this for some time. Because of the lack of information about housing opportunities, it recently launched the Housing Monitor.

The publication tells readers how to contact the lower-cost developers, where the areas are in which houses are available, and the type and cost of housing.

It has a fund of information on the availability of housing in the black, Coloured and Indian markets which companies, employer organisations, trade unions, housing organisations and community-based groups can refer to.

400 DEVELOPERS

The publication is updated twice a year and ad hoc special updates on the latest housing developments are inserted when necessary.

The first edition includes a listing of 400 active developers and detailed information on 60 specific projects.

Mr Morkel says: "Having this information at their fingertips will take some of the difficulties and frustrations out of implementing company housing schemes.

"It will make it easier to track down developers and to make comparisons between them to ensure getting value for money."

He says there is a need for employers and employer associations to exert pressure on black local authorities to hold down the cost of land servicing.

RUSH AT DELFT

"This is essential if developers are to reduce the cost of serviced sites and be able to deliver complete housing packages below the R35 000 cut-off level."

The House of Representatives' affordable housing project at Delft on the Cape Flats, has attracted many buyers since a show village was opened there recently.

The project is limited to Coloured buyers where the breadwinner earns more than R400 but less than R1 000 a month.

In phase one of the development 2 000 families are scheduled to be housed by the end of this year.

Star 23/1/90 (32)

Builders and suppliers clash over spiralling costs and monopolies

By Frank Jeans

The building-cost spiral goes on and this year the industry can expect a 18 percent jump in material prices, further aggravating the affordability factor in housing.

Commenting on the price escalation and criticising the "mini and maxi monopolies" among materials producers, a leading builder, Robert Giuricich, predicts that costs will double in five years — possibly sooner.

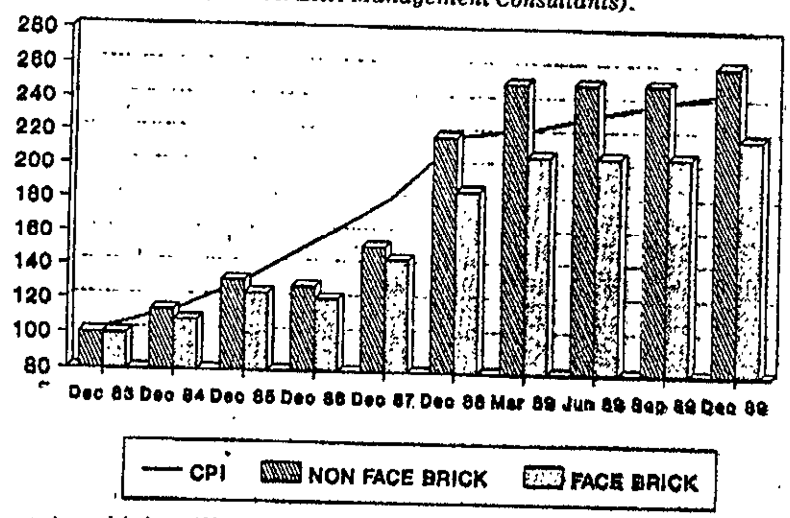
Writing in the latest issue of *SA Builder*, official journal of the Building Industries Federation (Bifsa), Mr Giuricich hits out at the protectionist policies which have created an industry where a few major companies have a "free hand in fixing prices or becoming price leaders and controllers".

"Major companies in the brick industry say there are no monopolistic conditions," says Mr Giuricich.

"The cement industry also does not admit to this them. But what do we have in the brick industry?

"A handful of smaller companies who rub their hands in glee when the major producers increase their prices so that they may follow suit and keep theirs marginally below those of the majors, thus reaping the benefits of quasi-monopolistic situations."

Brick price index compared with CPI.
(Source: LHA Management Consultants).



Cement producers

A past president of the Master Builders Association (Witwatersrand), Mr Giuricich, criticises the cement producers who are allowed to retain their cartel arrangements, thus "fuelling inflation and playing havoc through hefty, regular and truly unjustifiable annual price rises".

"Phenomenal profits are unashamedly blazed across annual reports which will probably be bound in leather in years to come, as they have to do something with the money and profits they make," he says.

Peter Kett, commercial director of Blue Circle Cement, says the cement industry had been thoroughly investigated by the Competition Board, which concluded that trading arrangements were not in conflict with the national interest.

"For several years our prices have been below the inflation rate," he says.

"I don't understand the basis on which Mr Giuricich talks about unjustifiable annual price rises."

Brick prices

Keith Nurcombe, national marketing director of the leading brick producer, Corobrik, says: "Pricing in the brick industry is absolutely non-collusive and there is strong competition within the clay brick industry.

"Indeed, the industry can show, and has already indicated, that pricing in many instances has been in line with inflation and usually slightly less.

"From Corobrik's point of view, we have generated articles for the Press based on statistical research sourced from an independent Pretoria organisation and covering price increases and the cost components rises of building materials for housing.

"These figures tell us that the clay brick as a cost input to a house has not been untoward in price rises. In fact, it is on the side of conservative pricing."

Mr Nurcombe says that in a business where the industry has, over the past two years, been averaging 65 to 70 percent of its productive capacity, the costs have obviously been high, both in terms of fuel and labour inputs.

"Factories, therefore, can hardly be considered to be running at fat profits when they are so severely under-utilised."

COMPANIES

32

BD 24/11/90

W & A Investment Corporation subsidiary buys US service company

ZILLA EFRAT

W & A INVESTMENT Corporation's London-listed subsidiary AAF Investment Corporation has made its second acquisition in the rapidly growing system and modular building market.

After completing the £5,6m acquisition of UK-based Premier Construction last month, AAF will pay £3m cash for Mobilbau Inc, which operates in eight US states.

AAF CE Peter Greenhalgh says Mobilbau is primarily a service organisation offering design, project management and financing for system and modular buildings.

Its client list includes NSA, General Electric, Disney, Westinghouse and Hospital Corporation of America.

Mobilbau will continue to be operated by its existing management team from its head office in Ohio.

Together, Premier and Mobilbau have a combined turnover of more than £20m a year.

Thus, says Greenhalgh, they offer "excellent prospects for rapid growth in both the short and long term".

The total price of £8,6m for Premier and Mobilbau represents a price earnings multiple of 7,5 times.

"These companies are leaders in a niche industry that is showing explosive growth in markets around the globe," says Greenhalgh.

Both Premier and Mobilbau concentrate on the quality end of the market. There is scope for cross-fertilisation of technology, design and marketing skills between the UK and US businesses, he says.

After paying for the two companies, AAF still has over £18m cash on deposit for investment in modular building and other industries.

Shoredits lays plans for downswing

JACQUES MAGLIOLO

BUILDING company Shoredits is consolidating all activities in expectation of cut-throat competition later this year.

The group is frantically filling order books, now standing at R150m, reducing overheads and has, according to chairman Andy Shoredits, stopped the buying of all new plant and hiring of personnel.

"The group needs to strengthen its financial position before the downswing begins (which is) bound to leave a trail of mergers and takeovers."

However, it is not certain whether present objectives can be maintained. Though Shoredits makes the assurance that it "has to consolidate", the group made similar promises in its June 1989 annual report, nevertheless acquiring a 51% stake in Coolchem — an industrial refrigeration company — and 51% of a Swiss electronics firm, Staefa Control Systems. B/Day 24/1/90

These companies are expected to help push turnover by end-June to more than R200m (1989: R190m). The group justifies these acquisitions saying that to survive in the construction industry companies will have to develop relations with the EC, Eastern Bloc and Far East.

Shoredits says there is a lot of foreign capital ready for the taking and that a company has only to look for it.

At end-June the debt to equity ratio stood at 2,93:1; but Shoredits says a 20-for-100 rights issue reduced it to 1:1.

He adds that the group intends to reduce gearing by paying a part of short-term debts out of current profits. This should reduce the net interest payment of R4m and thus provide much needed relief to margins.

32

"We also no longer have a problem child," he says, indicating that problems with FTR Handling have been resolved by the introduction of new management.

While the recent 30% cutbacks on National Road Funds and similar cuts by municipalities signal a downswing, Shoredits is optimistic that the group will "have an excellent year to end-June".

Compared with the rest of the building and construction industry, Shoredits provides favourable returns with an earnings yield of 27,5% (market average: 15,4%), but is paying a slightly lower dividend yield at 5,0% (6,1%).

Govt cutbacks put damper on civil engineering prospects

Star 26/1/90 (32)

By Sven Lünsche

Prospects for the civil engineering industry this year look gloomy, with cutbacks in government expenditure beginning to bite.

The value of new contracts awarded fell 16 percent last year to R2,4 billion, compared with R2,85 billion in 1988.

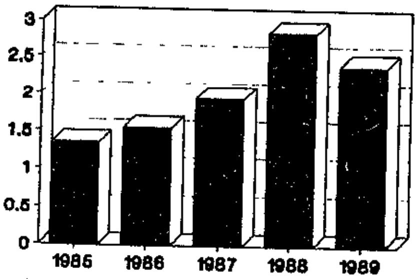
The SA Federation of Civil Engineering Contractors (Safcec) expects a further decline in the current ahead.

The Safcec figures released yesterday show that last December R220 million worth of contracts were awarded, compared with R215 million in November.

Total road contracts were valued at R126 million, while water and sewerage projects had a combined value of R55 million in December.

The figures recorded by Safcec represent about two-thirds of all civil engineering contracts awarded.

Commenting on the outlook for this year, Safcec executive director, Keith Lagaay, says: "The stricter control of government expenditure impacted adversely on the number of contracts awarded last year and we expect a further slowdown over the next two to three years."



Value of new contracts awarded (R-billions).

Almost 70 percent of civil engineering work undertaken is for government departments, and Mr Lagaay forecasts substantial capital expenditure cutbacks in this year's Budget.

To add to the woes of the industry, civil engineering work at Mossel Bay's Mossgas project is beginning to taper off, with R250 million worth of contracts currently being completed.

The major contracts are expected to run out by the middle of this year.

The first tender documents for the Lesotho Highlands Water Scheme are being released in March, but work on the dam will only start in 1991.

On a more positive note, Mr Lagaay says that township development will continue at a strong pace, while the Regional Services Councils will provide work through upgrading and extending existing township facilities.

However, high interest rates are likely to put a damper on private sector developments in black areas, a trend which started early last year.

Mr Lagaay expects a further boost for the sector from the mining industry, which has indicated that capital expenditure to the year 2000 would total about R30 billion.

"However, there are as yet no indications when the bulk of this money will be spent," he adds.

Mr Lagaay says most contractors entered the year with a lot of work on their books, but new contracts will taper off towards the middle of the year.

All roads leading to civil engineering cut-backs

B/Day 30/1/90 (32)

BRENT MELVILLE

CIVIL engineering contractors who basked in the relative security of a first-quarter upsurge last year, are beginning to tighten their belts as government cuts back on road and infrastructural spending.

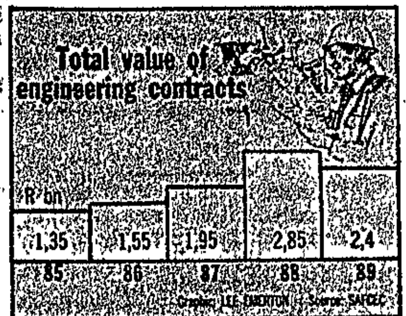
After starting the year with bulging order books and contracts heightening expectations of a revival, the business mood of the R5bn a year industry had been severely eroded during the last half of 1989, an industry spokesman said.

Figures provided by the SA Federation of Civil Engineering Contractors (Safcec) show a significant downturn on the value of contracts reported, especially over the last six months when the value of contracts dropped by 35% to R1,1bn (R1,7bn).

This compares with a first half rise of 18% to R1,3bn (R1,1bn).

December's total of R220m (R215m) — consisting of 150 contracts — brings the total value to R2,4bn, a 16% drop from the 1988 total of R2,85bn.

Safcec executive director Kees Lagaay said as Safrec was notified of only about 60%-65% of public and private sector awards, the figure could be closer to R4,0bn (R4,8bn).



The December total consisted of 40 road contracts totalling R71m (December 1988 — 87,5m), 30 contracts for township roads and internal services worth R55m (R62,5m), 40 water and sewerage contracts worth R55m (R28m).

All other contracts totalled R40m (34,9m).

Lagaay expected the value of work done in SA and TBVC states for the year to conform to last year's figure at about R5bn-R5,5bn (R5bn).

First half figures were at R2,3bn — an inflation-adjusted increase of 12,5% over 1988.

Lagaay estimated this would decrease to an inflation-adjusted 10% for the year.

In addition, he said the industry was still fairly well employed and had a substantial amount of work on its books.

However, there was concern about how severely clients would prune their infrastructure spending this year.

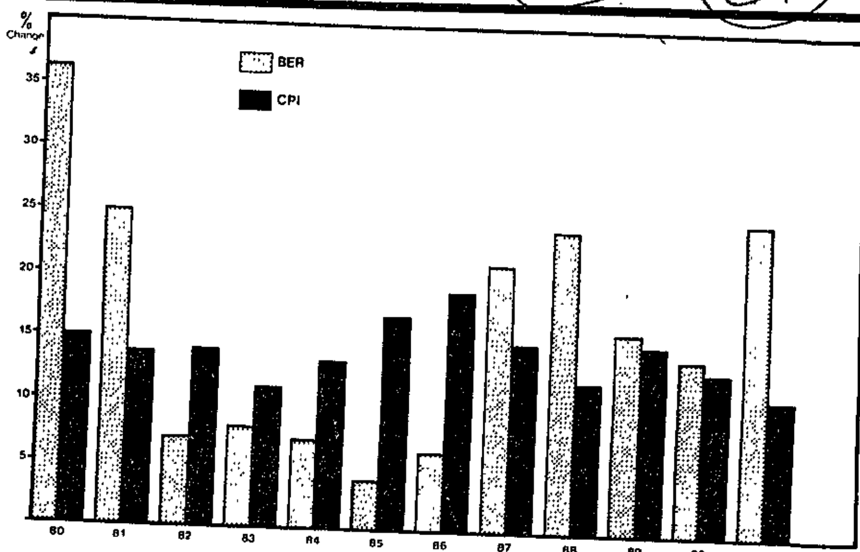
"Besides the effects on the industry's labour force and profitability, this raised doubts about the utilisation of the industry's plant," he said.

Higher expenditure by the Regional Services Councils on township development, increases in expenditure by the mines, and the gradual move towards more contracting out rather than using in-house contruction capacity, by public authorities, would benefit the industry, he said.

These were, however, unlikely to fully off-set expected cuts in government construction expenditure, which included the cancellation of about six national road rehabilitation contracts last year after tenders had already been submitted.

Another worry was the possibility of retrenchments for between 8 000 and 10 000 of the industry's 95 000-strong labour force.

Star 31/1/90 (32)



Building cost increases and inflation rate (1991 projected).

Building costs to go up 54 pc in three years, property seminar told

By Frank Jeans

House prices will continue to rise, probably above the Eighties' average of 16,6 percent a year and building costs are expected to rocket by 54 percent over the next three years. Office rents will bound ahead accordingly.

These were aspects of the frightening impact of inflation and the cost spiral which came through clearly at the annual seminar held by The Property Economist Organisation in Sandton yesterday.

Mr Neville Berkowitz, chairman, presented a scenario for the future, with some alarming socio-economic facts, to 400 top property people and delegates who were left in no doubt about the challenge of urbanisation ahead.

He said: "It is estimated that 10 years from now the total black urban population will be 17,3 million — an urbanisation rate of 68 percent.

"This implies that while there were seven million blacks in the cities in 1985, the figure will swell by a further 10 million by the year 2 000."

Looking at the cost spiral and its effect on property, Mr Berkowitz said with the limited supply of new houses being built, especially for whites, the price of existing homes would continue to rise "probably above the eighties' average of 16,6 percent a year compounded".

Estimating the prime rate at an average of 18,5 percent over the next three years, Mr Berkowitz said there could be a softening of rates in the second half of this year by about two to three percent.

"However, bond repossessions could maintain their present trend as the economy slows and monthly repayments are missed by certain hard-pressed homeowners.".

Looking at the office rental market and the effect of soaring building costs, Mr Berkowitz forecast that rents would rise by 11 percent this year, 13 percent in 1991, six percent the following year and 17 percent in 1993.

He said it was unlikely that the new house construction market would be competitive to the existing home market as the current gap making new houses 35 percent more expensive would widen to 45 percent this year and probably hover around the 30 to 40 percent in 1991-93.

"While we face a slowing economy over the next 12 to 18 months, this is counterbalanced by improving political perceptions.

"Usually in a downswing we have worsening economic and political perceptions, as in 1976-78 and 1984-86.

"The counterbalancing should prevent any dip in prices in the next 12 to 18 months and will kick-start an upswing in prices in 1991-93."

Building costs to rise

By Charmain Naidoo

BUILDING costs are expected to rise by more than 50% in the next three years, says property economist Neville Berkowitz. S Times 4/2/90

Mr Berkowitz thinks the increase will lift commercial and residential rents.

His forecast is that building costs could increase by 54% from 1990 to 1992 and by about 75% from 1990 to 1993.

He expects rents to to rise by between 40% and 50% where there is an acute shortage of space.

"Certain office and industrial markets fall into this category as do some residential rental markets in high-demand areas."

Overall, rentals will rise by about 11% this year, 13% in 1991, 19% in 1992 and 17% in 1993. (32)

"These projections put rentals at 80% of building cost increases over the next three to four years, mainly as a result of a low-growth economy of 2,1% a year."

Strong demand and limited supply will mean higher rents for flats, houses, townhouses and cluster homes.

Construction of white housing is on a downtrend — 28 000 homes were built in 1974 and 16 000 in 1989.

32

STAR 5/2/90

Building slide likely to continue

By Frank Jeans

The building industry slide is expected to continue this year on the back of the high cost of finance, soaring material prices and the worsening affordability of housing.

Indeed, the results of a recent survey indicate that there has been a continuous downward trend in the amount of work available to the industry in the past four years.

These points emerge from the latest annual report of the Master Builders Association (Witwatersrand), which says: "The demand in both residential and non-residential sectors is high but is inhibited by the high cost of financing.

"The latest figures indicate that there may be an estimated countrywide shortfall of about 800 000 units in the low-cost market.

"If we can, therefore, overcome the affordability problem we will be able to create thousands of job opportunities which again will stimulate the whole economy."

In hindsight the report put the escalation in building material prices in 1989 at about 21 percent on average. Looking at the labour situation in the industry, the report points out that there has been a levelling off in the number of strikes and work stoppages in the 18 months.

Nevertheless, there remains the major problem of stayaway action.

"The more powerful Cosatu and Nactu union bodies have called for stayaways to support objections," says the report. These have been generally effective for whatever reason and the employer response has been 'no work, no pay' in most instances.

"However some employers have begun using disciplinary procedures such as 'absence from work without permission' in an attempt to break the ease with which stayaways are answered by workers."

ILCO HOMES FM 9/2/90

Grey view (32)

Activities: *Construction and marketing of mass housing.*
Control: *Directors 91,3%.*
Chairman and MD: *A C Demmers.*
Capital structure: *30,75m ords. Market capitalisation: R38,4m.*
Share market: *Price: 125c. Yields: 6,0% on dividend; 25,6% on earnings; PE ratio, 3,9; cover, 3,9. 12-month high, 165c; low, 100c. Trading volume last quarter, 100 shares.*

Year to June 30	'88	'89
ST debt (Rm)	0,3	13,5
LT debt (Rm)	—	—
Debt:equity ratio	n/a	0,36
Shareholders' interest	0,85	0,67
Taxed profit (Rm)	8,4	9,0
Earnings (c)	27,4	29,3
Dividends (c)	7,0	7,5
Net worth (c)	99,5	121,3

The listing of Ilco Homes has so far brought limited benefits. With directors now controlling 91% of the shares there is no market in the stock — only 100 shares were traded in the last quarter of 1989 — and earnings have been disappointing.

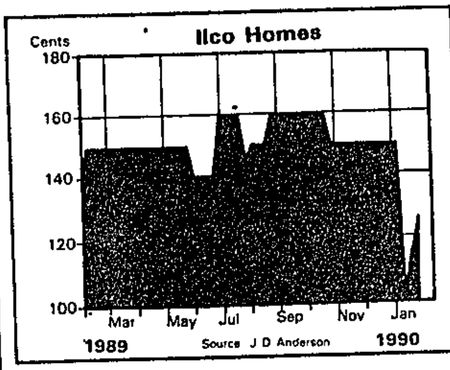
Disclosure policies are unlikely to encourage investors. Turnover is not disclosed and nor is the pre-interest profit stated. While no current tax was payable last year the deferred tax liability has risen to R13m or more than a third of the R37m capital employed.

No explanation is given for the R7,7m advance from the operating company to the holding company. To cloud the issue further, the group is restructuring to take advantage

FM 9/2/90 (32)

of the moratorium on stamp and transfer duties. This effectively eliminated an R8m advance to subsidiaries and partially accounts for a threefold increase in work in progress.

Financial director Warwick Lombard says that the reversal of this loan to the subsidiaries will mean that Ilco will forgo the benefit of interest income from this source, but it is hoped the company will use the assets gained to increase profitability. However, he admits that interest payable will be much higher



this year because of higher rates and borrowings.

Overall, Lombard says the current financial year is not going to be good, especially as interest rates are likely to remain high. He feels a decline of 10%-15% in attributable profits for the year is a conservative probability. On that outlook there can be little upside in the share.

Gerald Hirshon

Grinaker to build Bedfordview health and country club

By Stan Kennedy

Grinaker Projects has signed a R10 million contract to design and construct a heath and country club in Bedfordview.

The development, on the site of the old Bedfordview Country Club, is a joint venture between the town council and the Health and Country Club. The council will retain ownership of the land.

SMC 6/2/90 (32)

The complex will have a heated, half-size Olympic swimming pool, spacious aerobics, weight and circuit training facilities, saunas and other facilities.

Mr Terry Walton, managing director, Grinaker Projects, says: "Facilities also include a multi-purpose hall, committee rooms, ladies' bar and a restaurant geared for formal functions, as well as for business, private and club lunches for up to 2 000 people."

Basil Read recovers to perform well

BRENT MELVILLE

DESPITE high interest rates hammering Basil Read's housing division, the building and construction group appears to be recovering well with the announcement of its interim results to end December.

With a bulging R400m order book, directors are confident of achieving budgeted profit for the financial year, in spite of the performance of the housing division, which should do no more than break even.

The lacklustre housing sector relegated group turnover to showing a scant 4% rise. (32)

The contribution from the group's civil engineering divisions proved more charitable, pushing operating income up a respectable 21% to R9,1m (R7,5m) on an improved margin of 5,3% (4,6%).

BDay 13/2/90

Improvement

Directors say a great deal of emphasis has been placed on the management of the group's cash resources in view of the existing high interest rates.

As a result net interest paid for the period dropped by 13% to R2m (R2,3m), leaving income at R7,1m (R5,2m) — a hefty 36% improvement.

The group becomes liable for tax over the next half of the year, though directors are confident of real growth in both its dividend and earnings a share.

Interim earnings were up by 35% to 49,4c (36,7c) a share and directors declared a half-way dividend up 54% to 10c (6,5c) a share — in line with distributing its interim and final dividends more equitably.

Directors have been disappointed with the performance of its Aurora Granite division. Basil Read's investment in Aurora amounts to R5,2m.

With a current NAV at 413c a share, the investment represents 36c. Directors do not expect the operations of Aurora to effect the earnings or finances of Basil Read.

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Most analysts agreed that Mr Man-

for an indefinite time," particularly with a non-performing gold price.

Genrec acquisitions bear fruit

STAR 15/2/90

By Ann Crotty

(32)

Genrec, which is involved in the construction, engineering and manufacturing industries, has reaped considerable benefit from the previous year's acquisitions and reported a 93 percent surge in turnover to R252,7 million (R130,6 million) for the six months to end-December.

Operating profit surged to R8,3 million f)rom R2,9 million and attributable profit was up from R2,9 million to R7,5 million, equivalent to earnings per share of 65c (28) a share.

An interim dividend of 12,5c a share has been declared.

The directors are confident that earnings in the second half will be higher than those achieved in the first.

This optimistic outlook is based on the fact that the tank container export market remains buoyant.

"This, together with the recent award of the Marion draglines and our share of the Hook-up contract for the Mossgas offshore platform, has added in excess of R100 million to the forward order book," they say.

FM 16/2/90 (32.)

EVERITE FM 16/2/90 (32)

Poised for recovery?

When new chairman Emmanuel Arni wrote in his maiden annual review that "it would be imprudent to forecast any significant improvements in profits in the year to June 1990," he wasn't exaggerating. In the upshot, first-half earnings fell from 14,8c to 10,3c a share, but MD George Thomas points out some extenuating circumstances.

In the first place, when Arni took up his pen, the full impact of the 13-week strike was not clear. After clipping about 3c a share off earnings to June, it cost another 5c-plus in

Everite's Thomas . . . factories operating satisfactorily

the latest six months. Then, the latest period reflects the full weight of government anti-inflationary policies, whereas July-December 1988 was an extremely busy period. And there were losses of about R1m from Agriplas at Bellville and Tiger Tiles at Bronkhorstspruit, both since closed.

Also, reported earnings are after additional replacement cost depreciation and the cost of this adjustment increases inexorably at current inflation rates. The charge in the latest six months was 6,1c a share — within 0,1c of that for the full 1989 financial year. The quality of earnings is, of course, enhanced appropriately and this must be borne in mind when comparing the company with others which do not allow for inflation.

In fact, earnings on an historical cost basis fell only 15,9%, on sales which fell 10% by value and 17% by volume.

The directors say all major factories are now operating satisfactorily. With orders at a high level this should continue. They expect some recovery in second-half earnings.

Given continued tight economic conditions, analysts do not expect second-half earnings to recover fully to previous levels. But even a return to just over 12c would take annual earnings to, say, 22,5c, against 1989's 26,0c. The group remains virtually ungeared, shareholders' funds exceeding R300m. NAV, with assets at replacement cost, is 359c a share (June 1989: 335c). Strong liquidity enabled the interim dividend to be held at 7,5c, so the 13c total should be in no danger.

Longer-term prospects look sound. Thomas envisages further expansion, though, in an implicit criticism of previous management, he says he's not keen on buying other people's problems — as with Agriplas.

Suffering from the twin disabilities of the strike and the dependence on the construction industry, the share has been a dull performer. At 245c, it is only 10c higher than when the *FM* reviewed the annual report in September. But with a slightly above average yield and at a 35% discount to NAV, it could have recovery potential.

Michael Coulson

Four FSI companies issue cautionaries

STAR. 16/2/90. (32) (1487)

Four companies associated with FSI Corporation's expansion into health care have issued cautionary announcements. They are Noristan Holdings, Aurochs Investment Company, Citizens Holdings and Crest Holdings.

FSI Corporate Services said yesterday that shareholders were advised in December of the acquisition by Noristan of a controlling interest in Aurochs and the intention of changing the nature of Auroch's business from that of a property company to one operating in the health care industry.

"Negotiations are under way which, if successfully concluded, may affect the value on the Johannesburg Stock Exchange of shares in Noristan, Aurochs, Citizens and Crest. A further announcement will be made in two weeks' time.

"Until such further announcement, shareholders in the four companies are advised to exercise caution in dealing in their shares." — Sapa.

Business Report

Group Five posts higher profits

Cape Times 16/2/90 (32)

By ARI JACOBSON

GROUP FIVE, the building and construction group, engineered a healthy 26% increase in pre-tax profits to R17,2m (R12,3m) for the six months to December 31.

This increase rippled through to earnings a share which, before extraordinary items, were up 21,4% at 70c (50c). An interim dividend of 23c (22c) has been declared.

CE Peter Clogg says, "even after the acquisitions of SM Goldstein companies and Gough Cooper, Group Five has minimal gearing — down at R512 000 from R1,3m for the relevant periods."

The group boasts a cash flush position of R66m despite the trail of acquisitions.

The effective tax rate should not exceed 30% for the next two years, says Clogg.

Although the construction industry is facing a general downturn, he says that most Group Five companies have good contracts on their books to carry them through the year ahead.

The SM Goldstein companies, acquired in January 1989, have now started to make a contribution to group profits with Gough Cooper also following this trend over the last six months.

- Group Five Holdings declared an interim dividend of 22c (21c) on the back of earnings a share before extraordinary items of 68c (54c).
- SM Goldstein turned an after-tax loss before extraordinary items into a profit of R2,9m.

Earnings a share before extraordinary items reversed the loss of 2c to 29c.

A total dividend of 42c was declared — made-up of a special dividend of 33c and an interim dividend of 9c.

R66m in kitty as Group 5 prospers

ST Times 18/2/90 (32)

By Julie Walker

GROUP Five continues to pave the way to prosperity with another fine rise in earnings.

Turnover in the six months to December climbed by 80% to R652-million and earnings a share were 15c up at 70c.

Chief executive Peter Clogg says the Goldstein companies and Gough Cooper made profits and have good prospects.

Group Five has R66-million cash which will be applied to acquisitions, products and services to the building industry and to public utilities.

Difficult

Mr Clogg expects road building to decline and building and properties to remain stable, although housing will be difficult because of high interest rates. Civil engineering work is declining, but increasing in other countries. Mechanical work will be buoyant. Group Five is well placed to take advantage of the next economic upturn.

Basil Read was also able to turn in a good show in the same reporting period. Its earnings were up by 35% to 49,5c a share on turnover only 4% higher at R171-million. The company reports that its housing division made fewer sales.

It says that granite arm Aurora has not yet met expectations, but its earnings will have no effect on Basil Read's profits or finances. Aurora represents 36% of its net asset value of 413c. The share price is 335c.

Mervyn King expects Frame's earnings to exceed last year's in spite of difficult trading conditions.

The textile giant added a quarter to its turnover to R458-million in the half-year to December, but earnings a share of 54c were only 8% up.

Blame

Tighter margins and higher interest rates took most of the blame. Some customers also cancelled or delayed their orders, leading to higher working capital requirements at Frame.

Frame has adopted the partial method of providing for deferred tax, and restated last year's results for comparison.

Seardel raised its earnings by 12% to 62c a share on turnover 22% up to R470-million for the six months to December.

Accompanying great results from Hiveld, chairman Leslie Boyd hopes that sanctions against SA steel exporters will be lifted, reopening markets in America and Europe. This could help to stabilise the rand in the 1990s.

Nevertheless, Mr Boyd expects Hiveld to earn less in 1990 than in 1989, but more than in 1988. Last year it earned 450c a share from turnover of R1,6-billion. A well-covered dividend of 130c was paid.

A decision on the proposed stainless-steel plant is expected soon.

Palabora also featured among mineral producers reporting this week. Its 1989 profit before tax climbed by 62% to R682-million, and attributable earnings by 71% to R298-million. It paid 875c in dividends compared with 565c in 1988, putting it on a historic yield of 16%.

Fraser Alexander improved its margins in the half-year to December. Turnover was up by 19% at R98-million, yet earnings were lifted by a quarter to 62,5c. Economies of scale helped it to contain costs and price competitively to maintain growth in all divisions.

Chemserv felt the pressure last year. The special-chemical maker's turnover was 18% up at R336-million, but earnings edged up by 1% to 305c and the 100c dividend was no improvement on 1988.

Of the 36 companies reporting this week, 30 made more profit than in the previous comparable period, and the earnings of 15 were at least 20% up.

Everite was a casualty of lost production in the half-year to December. Turnover dropped by 10% to R162-million, and earnings were 30% lower at 10,3c a share, using replacement cost depreciation.

Management says Everite's factories are operating satisfactorily, and outstanding orders should ensure this continues.

COMPANY ROUND-UP

PRELIMS	Turnover (Rm)	% change	Profit before tax (Rm)	% change	Earnings a share (c)	% change	Div a share (c)	% change
Hiveld	1613,9	+36	566,1	+153	450,0	+165	130,0	+128
Masonite	102,0	+13	15,1	−6	140,0	+4	56,0	−16
Chemserv	336,0	+18	N/A	—	305,0	+1	100,0	0
BTR Dun	631,8	+19	106,9	+52	310,0	+88	140,0	+33
Stanbic	—	—	529,5	+30	340,0	+26	112,0	0
Smithmin	45,8	+18	7,6	+15	19,6	+32	6,5	+30
Palamin	—	—	682,4	+62	N/A	—	875,0	N/A
Aries	17,9	+11	3,2	+11	15,4	+2	5,0	+11
Adcorp	31,7	+36	2,6	+35	20,0	+37	9,0	+28
Ninian	—	—	10,9	+3	261,0	+10	73,0	+12
Utico	360,9	+16	35,9	+15	307,4	+18	153,0	+39
INTERIMS								
Genrec	252,7	+93	8,3	+185	65,0	+132	12,5	N/A
KNJ	161,2	−9	10,4	−20	11,5	−36	—	—
Group 5	652,3	+80	17,2	+40	70,0	+27	23,0	+5
GSHold	652,3	+80	17,2	+40	68,0	+26	22,0	+5
Goldstein	—	—	2,8	N/A	29,0	N/A	42,0	N/A
Retprop	—	—	0,3	+80	33,0	+10	33,0	+10
Frame	457,8	+25	27,0	+17	54,0	+8	30,0	0
Confram	457,8	+25	27,8	+15	31,7	+7	18,0	−0
Sunbop	316,6	+34	111,7	+36	67,8	+39	46,0	+38
Seardel	470,6	+22	25,2	+12	62,0	+12	8,0	0
QData	32,4	+48	3,4	−4	10,9	−11	4,1	0
Bas Read	171,5	+4	7,1	+36	49,4	+35	10,0	+54
Kilpton	39,8	+41	3,7	+63	26,5	+30	—	—
Indsel	—	—	24,8	+31	8,7	+29	5,5	+22
Natsel	—	—	25,3	+33	10,4	+29	6,5	+18
Distillers	N/A	+13	97,2	+17	33,4	+18	10,0	+81
Afmin	9,6	+116	1,6	N/A	3,3	N/A	0,5	N/A
Conshu	286,1	+42	28,7	+22	30,1	+6	10,5	+12
Everite	162,2	−10	13,9	−41	10,3	−30	7,5	0
Evhold	162,2	−10	13,8	−32	29,6	−32	21,0	−4
Sondor	9,5	+13	2,5	+4	7,35	0	2,5	N/A
Consol	631,7	+61	76,8	+23	56,3	+12	—	—
Alexandr	98,1	+19	—	—	62,5	+25	14,0	+27
Fratex	98,1	+19	—	—	35,1	+25	8,0	+29
Wayne	57,6	N/A	4,6	N/A	4,3	0	1,5	0

N/A — not applicable

THE WEEK IN BRIEF

A SUMMARY of the week's corporate anouncements.

Monday — Ozz transmuted listing statement. Lucem minority accepts Ozz shares and cash in respect of 18,6-million shares.

Furnfair members agree to disposal of assets to Rusfurn. Offer to minority accepted by 16%.

Members of Bidvest — formerly Curries — approve acquisition of 55% of Afcom.

Tuesday — Hyperette issues another warning.

Wednesday — Sankorp to increase ownership of UGI, the holding company of Unitrans, to 51%.

Macmed bonus offer results in the issue of 10,47-million shares.

Thursday — Mortgage Securities 101 lists Class A and B debentures.

Midas expects much lower earnings for the year to February 1990.

Friday — Noristan, Aurochs, Citizens and Crest issue warning. Last day to register for Aurochs shareholders to participate in Noristan offer 2/3/90.

Tiger Oats buys 50% of Durban Confectionery Works, maker of Beacon sweets.

Farm-ag, Staalchem issue warning.

FM 23/2/90 (32)

GROUP FIVE FM 23/2/90 (32)

Pessimistic rating

Considering that revenue in the six months to end-June was twice as high as in any previous six-month period, a downturn of only R54m, or 8%, shows that activity remained buoyant in the six months to end-December. Even better, pre-tax profit continued to advance, by 26%.

Indeed, as pre-tax profit has risen for at least the past six six-monthly periods, the group can hardly be accused of the practice, all too common in the construction industry, of chasing turnover irrespective of margins.

The interim report says that both the S M Goldstein companies (acquired from January 1 1989) and Gough Cooper (July 1) were profitable. Current conditions in the various market sectors range from "difficult with high interest rates" (housing) to "buoyant" (mechanical), but, on balance, the directors expect a "slight improvement" in second-half taxed profit. They add that the group is "well placed" to take full advantage of the next economic upturn.

Net cash balances (R45m at June 30) increased further, to R60m. Acquisitions that will extend the spread of activities are being sought through a new division under David Bath, who has joined the board. While on the face of it net current liabilities of R35,3m (June 30: R24,4m) hardly bear out this apparent high liquidity, financial director Theunis Kotzee says "accounts payable" of no less than R259m, include provisions and items relating to work in progress. He adds that a tightly-run construction group should show this sort of ratio.

First-half growth at the pre-tax level is in line with the 30% envisaged for the full year by CE Peter Clogg (*FM* November 24). Taking the interim report at face value, second-half earnings of, say, 75c-80c a share would take the current-year total to 145c-150c a share — somewhat less than the 20% growth then implicitly forecast by Clegg, to about 160c a share. On the other hand, the first-half tax charge was a couple of points higher than the 30% the group says should be the maximum for the next two years, so 160c could still be within reach.

Though results have been unbrokenly excellent since the August 1987 management buy-out, the company has never won a market rating remotely in line with competitors like LTA or Grinaker. The 370c share price is exactly what it was when we took a detailed look at the group on January 27 1989.

In the entire construction sector, only Otis and Portland Holdings, both arguably special cases, offer higher yields. Group Five must wonder what it has to do to overcome this adverse market perception, which certainly doesn't seem to be justified by the figures.

Michael Coulson

MODEST FALL-BACK

Six months to	Dec 31 '89	Jun 30 '89	Dec 31 '89
Turnover (Rm)	361	706	652
Pre-tax profit (Rm)	12,3	13,7	17,2
Attributable (Rm)	9,2	13,0	11,7
Earnings (c)	55	78	70
Dividends (c)	22	25	21

CM Times 26/2/90 32

Home buyers threaten to stop payment

Staff Reporter

THE Natal Building Society has forwarded complaints from more than 100 Khayelitsha and Crossroads residents about their homes to the company which built them, private property developers Bester Homes

The home-owners say they do not want to continue paying their mortgages until their homes have been adequately completed.

They say that promises to supply electricity have not materialised and claim the houses are dangerous because walls and ceilings are cracking at an "alarming rate".

They also claim that doors and windows have been so poorly fitted that they are unable to prevent large amounts of sand from blowing into their homes.

Lack of water pressure and poor toilet flushing systems were also listed in their letters to the building society.

Chief NBS building inspector Mr C I Tzamtzis last week wrote to Bester Homes outlining the home-owners' grievances.

A spokeman for Bester Homes could not be contacted at the weekend but last week the company said in a statement to the Cape Times that it featured "high-quality craftsmanship".

It also said it had built more than 40 000 homes in Khayelitsha, Crossroads, Blue Downs and Bothasig at a rate of between 70 and 100 houses a month since 1987. Client organisations had included government, provincial administration, local authorities, state corporations and institutional investors.

Two quantity surveying firms merge

Star 27/2/90

32

An expanding workload of construction projects in the public and private sectors has led to the merger of two major quantity surveying companies.

The formation of a new consultancy, Reid Kippen Duncan & Andrews, has resulted from the merger of Du Toit & Mittens with Reid Kippen & Associates.

R400-million

The company is involved in building projects with a combined value of about R400 million.

A senior partner of Reid Kippen says: "The merger will link the manpower and technological resources of two professional consultancies.

"The securing of new contracts by the consultancies has necessitated the creation of a broader base of expertise."

bruary 27 1990 (32)

Residential market takes political events in its stride

Property & Construction

FRANK JEANS

There does not appear to have been any nervous over-reaction in the residential property market to the sensational political events of recent weeks.

Contrary to a perception that upmarket owners might well off-load their expensive properties in the wake of overtures to the new South Africa, the market is taking the positive view, according to leading agents.

They say that not only is there continuing stability at the top end of the market but there is growing interest in South African residential property from abroad.

Scott McRae, managing director of Camdon's Nationwide, says: "People overseas have been labouring for years under what I call a political discount in regard to South African property.

"With the normalisation of South Africa that factor is being removed and local properties could, in due course, escalate to price levels more in keeping with those abroad."

Lew Geffen, of Lew Geffen Estates, who is active in a market where properties are at the R1,5 million to R2 million mark, also has a bullish view of that sector.

"If anything, I am short of stock of upmarket properties and when they do come on to the market they are snapped up," says Mr Geffen.

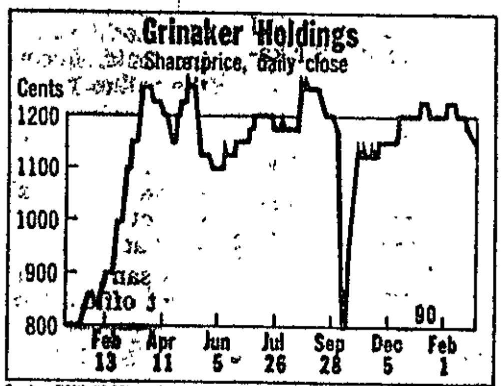
"The outlook us definitely positive and I know of a number of influential people who are now planning to return to South Africa to live."

There are no apparent fears, either, over the prospect of a removal of the Group Areas Act.

Mr McRae says: "In parts of South Africa the Act is already being ignored and property prices are flourishing in mixed communities.

"This is the case, too, in neighbouring states where there were no negative effects resulting from the removal of legislation controlling property purchases by all races."

And the price trend in residential property? "Prices have never been stronger in the middle to upper end of the market and this year will see further escalations," says Mr McRae.



Graphic FIONA KRISCH Source JSE

Reshaped Grinaker lifts earnings 63%

32

ZILLA EFRAT

GRINAKER Holdings posted a 63% growth in attributable earnings in the six months to December with most subsidiaries in both electronics and construction sectors performing soundly.

However, Elex Electronics and Grinaker Construction's housing and property development division produced disappointing results.

Grinaker earnings rose 51% to 58,2c (38,6c) a share on an increase in the number of shares in issue. A dividend of 13c (10c) a share has been declared, up 30% and covered 4,5 (3,9) times.

Grinaker recently restructured its electronics interests through the reverse listing of Grinaker Electronics Holdings (GEH) into the Mooi River Textiles cash shell, now called Grintek.

GEH subsidiary Siltek then acquired

☐ To Page 2

Grinaker earnings

32 ☐ From Page 1

M & PD Electronics and a 76% stake in HiPerformance Systems, formerly Hewlett-Packard SA.

Grinaker's turnover rose 58% to R940,8m (R594m), reflecting steady growth by the group's core businesses and the addition of new subsidairies.

An improvement in operating margins to 6,9% (5,5%) resulted in a 94% increase in operating profit to R63,6m (R32,7m). Following a 94% rise in income from investments to R10,7m and a 175% leap in the interest bill to R9m, pre-tax profits were 86% higher at R65,3m (R35m).

After an increase in the tax rate, taxed income was 84% up at R35m (R19). After a significantly higher share of profit attributable to outside shareholders, attributable earnings of R20,3m (R12,5m) were achieved.

Gearing, unchanged from the interim stage, was at 18% (25%) and borrowings increased to R93m (R80m). Capital expenditure for the first half was R23,1m (R12m) and commitments at the year-end amounted to R14,2m (R21,3m).

Directors say government measures to contain economic growth and the fear of government expenditure cuts have contributed to lower profit margins and increased competition in current tenders.

They do not expect earnings growth in the second six months to match that of the first six months. However, earnings in the second half are expected to exceed those of the first half year.

Grinaker's earnings surge

Star 27/2/90 (32)

Finance Staff

Anglovaal's construction and electronics group, Grinaker, has increased its attributable earnings by 65 percent to R20,34 million (R12,5 million) in the six months to December.

Turnover rose by 58 percent to R941 million (R594 million) and a rise in margins from six to seven percent reflected an 86 percent increase in pre-tax profits to R65,3 million (R35 million).

Earnings per share rose by 51 percent to 58,2c (38,6c) of which an interim dividend on 13c (10c) has been declared.

Commenting on the results the directors state that both the construction and the electronics division performed strongly over the period.

"However, disappointing performances were experienced by Elex Electronics, which is part of the electronics division Grintek Limited, and Grinaker Construction's housing and property development division," they said.

On propects, the directors state that although the overall value of work at the end of December was at a satisfactory level, "the rate of growth in earnings for the second six months is not expected to match those of the first half".

Grinaker has been undergoing a major restructuring, after selling its stake in Grinaker Electronics to cash shell Grintek (formerly Mooi River Textiles), and subsequently acquiring a 67 percent stake in Grintek.

Value of building plans passed increases by 18%

(32) GERALD REILLY (2)

PRETORIA — The value of building plans passed last year increased by 18,6% from 1988 to R9,150bn, Central Statistical Service (CSS) said yesterday.

Plans for houses and flats decreased by 4,5% to R3,806bn.

But there was a huge increase in the value of non-residential building plans — by 74% to R2,834bn.

Additions and alteration plans were valued at R2,510bn, an increase of 19,5%.

And buildings completed were up by 27,1% to R5,237bn.

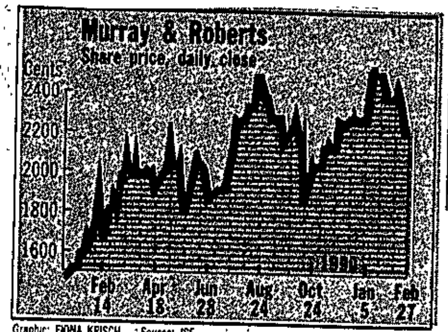
BDay 27/1/90.

In this category residential buildings valued at R2,314bn — an increase of 13,2% — were completed.

And in another release CSS found in October last year unemployment measured by the "expanded definition" reached 859 000 — a rate of 12,5%.

And by end-October the black population had risen to 21,3-million with 6,7-million being economically active.

In the PWV area where 23% of blacks live, the unemployed rate decreased from 13,6% in September to 12,8% in October.



Graphic: FIONA KRISCH Source: JSE

Murray & Roberts sets its sights high

BI/DAY 28/2/90 BRENT MELVILLE (32)

PROMPTED by strong across-the-board divisional growth and healthy order books, Murray & Roberts (M & R) CE David Brink said yesterday that turnover would top R4bn by the year-end.

Brink said that the performance of all M & R's divisions, led by excellent growth in its construction and properties interests, would enable the Sankorp-controlled industrial holding group to more than double the R1,95bn sales figure recorded at the interim stage to December.

Attention to margins enabled operating profit to climb by an impressive 28% to R131,4m (R102,6m) in the first six months, dampened only by a 20% rise in the interest payment to R11,2m (R9,3m) and a 62% hike in the tax charge to R50,2m (R31,0m).

A reduced dividend to outside shareholders and preference dividends totalling R3,9m (R7m), as well as a non-operating income of R3,8m (-R700 000) resulted in a 35% hike in attributable earnings of R67,6m (R50m). This translated into earnings of 241c (181c) which covered the 40c (33c) interim dividend 6,0 (5,5) times.

Brink said strong cash flow had allowed the expenditure of R128m of the year's R158m capex budget on several acquisitions intended to augment the group's industrial division.

During the six months, 100% of Autocast Foundry was purchased for about R35m, 96,5% of Protective Packaging and an additional 41,9% of VSA Motor Distributors — bringing its total shareholding to 81,4%.

The construction division was the star of the stable in percentage terms.

SOWETAN BUSINESS
Building the Nation

32

Stop ignoring us, say black builders

Black builders claim they are being ignored in the allocation of stands in the townships, despite an escalating housing shortage. Sowetan Business reporter JOSHUA RABOROKO investigates.

THE secretary of the United Builders Association of South Africa, Mr Kenneth Cele, claims that black builders are ignored by the South African Housing Trust when stands are allocated to contractors.

The trust is responsible for the development of black areas and stands are allocated by the black councils.

Cele says sites are instead allocated to white contractors, who are then able to take advantage of the massive housing shortage in the townships - estimated at over 800 000. The squatter community now extends beyond six million.

The builders also contend that their progress is hampered by:

* Lack of access to legislature.
* Little or no capital to acquire land.
* Bureaucratic clumsiness.
* The Group Areas Act.
* Over regulation, and
* Lack of skills and expertise.

According to Ubasa white contractors, who have the finacial muscle, have flooded the townships.

They say local authorities appear to be working with the Trust to stifle the advancement of the small entrepreneurs because "they have turned down most applications from black builders and yet they want to be seen to be supportive of black economic empowerment," he says.

Supportive

The president of the African Builders Association, Mr Joas Mogale, says the black entrepreneur has never been able to gain momentum in terms of capital. He operates in a deprived community and has been hampered by a number of obstacles beyond his control.

He says white contractors cannot meet the demands of their own areas and should thus be supportive of the black colleagues. They can do this by passing on their skills and injecting capital into the black building sector, he says. Given current disparities, a tremendous input is required.

"A spokesman for the SA Housing Trust says there are doing all they can to help black builders. They normally hold discussions with individual builders who experience problems with finance and skills. He did not have estimates of how much money the Trust used last year to help them.

The spokesman denied that they discriminated when allocating sites to builders. However, he added, "we have to screen applications to find out whether each entrepreneur is of good standing and whether he can be trusted."

He confirmed that they sometimes worked in conjuction with the local authorities, but said their main task was to develop the land.

Approach

An executive member of the United Municipalities of South Africa, Mr Godfrey Mothibe, said their policy was based on the free enterprise system. They believe that black builders have to be given an opportunity to advance economically.

They are against discrimination in the allocation of sites and want all builders approach them with their problems. "There are certain disparities regarding allocation of sites in the townships, but these issues have to be treated at a high level," he said.

The association is concerned about white builders who exploit the black market. He invited black builders to a meeting of the association to be held in Daveyton on March 3. "We want to iron out this issue once and for all," he said.

Black builders believe that housing is an emotional political, social and economic issue. Housing is more than just a shelter. For the owner, it represents his standing as a citizen. For communities it brings stability and gives the fabric of a society strength in the face of modern ills like crime, drugs and delinquent youth.

Spending

For the black business community South Africa's housing shortage has the potential to create a wealth of opportunities. If cor-

Statisticians estimate that by the year 2000, about 40 percent of all the private consumer spending will come from the black sector. They also estimate that by then, the urban population alone will have grown to 18.8 million. This means that 2.9 million new homes will have to provided over the next 12 years to eliminate the existing backlog.

In an international initiative, the Urban Foundation has linked overseas forces with the local private sector to provide bonds for people wanting to borrow amounts of less than R35 000. It is hoped that this scheme will help small builders.

Blue Circle's results sidestep building industry down-turn

B10aq 4/3/90

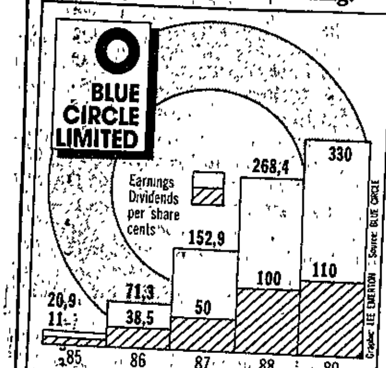
BRENT MELVILLE 32

MALBAK-controlled cement group Blue Circle has posted solid results for the year to end-December despite a down-turn in the building and construction industry.

The group's trading surplus rose 23,7% to R171,3m (R138,5m) on a rise in turnover to R741m (R527m).

This reflected consolidation of Murray & Roberts (M & R) quarry works with Ready Mix Materials.

Attributable income to minority shareholders rose to R12,2m (R2,2m) and directors attributed this to the M & R 40% Ready Mix holding.



Associated companies contributed R10,7m (R11,3m) — slightly less due to former associate Quarryman becoming a wholly-owned subsidiary after the M & R merger.

Excluding an extraordinary profit item of R552 000, which financial director Angus Morrison attributes to the sale of certain properties, earnings showed a slight improvement to 329,8c (305,5c) a share.

With the extraordinary profit, earnings fell by 4% to 331,8c (346,5c) a share, as last year's extraordinary profit stemmed from the sale of the group's Ash resources interest.

During the year, the group changed the basis of accounting for deferred taxation from comprehensive to partial. This raised earnings by 94,3c (78,1c) a share.

The dividend was 110c (100c).

On a wider asset base of R416,9m (R312,7m), depreciation accounted for R44,4m (R28,3m) and finance charges fell 57% to R7,5m (R17,4m).

BDay 2/3/90 (32)

Bleak outlook for builders, says BER

CAPE TOWN — The outlook for the building industry remains bleak for 1990, according to the Bureau for Economic Research's latest Building and Construction report.

And Johannesburg's CBD faces a serious ageing problem.

In its latest report on the property industry, the BER said grade-C office blocks in Johannesburg were about 22% vacant while grade-B vacancies were about 15% empty.

In a report on the building industry outlook, building trends research section head Ursula Segalla said architects experienced poor conditions during the fourth quarter of 1989 and expected conditions to again be poor during the first quarter of 1990.

There had been a decided drop in the number of contracts awarded, although the value of contracts awarded remained almost unchanged.

Office take-up in the Johannesburg CBD towards the end of 1989 was stalling, while at the same time Sandton CBD showed a high take-up — far in excess of the Johannesburg CBD. It said this confirmed that the decentralisation trend was still intact.

Oversupply

Property owners reaped huge capital gains during 1989 because of steadily rising market rentals and declining capitalisation rates. Landlords of office buildings had fared well and for the first time since 1982 rental growth had exceeded the escalation in building costs.

Durban and Cape Town CBDs had low vacancy factors, but Durban's CBD would face an oversupply crisis in the early 1990s, the BER said.

Landlords could look forward to strong office rental growth.

According to the BER, prices for middle- and lower-class houses appeared to be levelling off.

However, prices for upper-class houses were "racing ahead" at 23% higher than last year.

Initial calculations showed the average increase last year was "well below the inflation rate" at about 13% or less.

The BER estimated the average for 1990 "could be about 5%, which implies no growth from the present levels".

Political optimism among upper-income whites, however, could lead to upper-income housing prices performing "markedly better than the average", while the opposite might hold true in lower-income suburbs.

Flat rental growth was decelerating and rentals were about to level off, with the exception being the wealthier areas in northern Johannesburg. — Sapa.

FM 2/3/90 (32)

MURRAY & ROBERTS FM 2/3/90

Improving contracts

Construction, industrial and engineering giant Murray & Roberts (M&R) performed well at the interim stage, delivering a 35% increase in attributable earnings. But this peformance may not be maintained for the full year to end-June. (32)

"We are a bit cautious on the last six months because, though we know it's getting tougher, we are not certain of business trends in some of our divisions," says financial director Lionel Bird. "We are sticking to the prediction (in the annual report) that we will achieve real growth in earnings and dividends for the 1990 year despite the low growth, a depressed economy and prevailing high interest rates."

That puts estimates on M&R's earnings for the year anywhere between 15% and 35% up on the R118,4m (426c a share) earned in the year to June 1989.

A key feature of the latest results is the improvement in profit margins. Turnover rose 19% to R1,9bn while operating profit increased 28% to R131,4m. Bird says margins improved across the five main operating divisions, thanks to a programme introduced to eliminate losses on contracts.

"It's been an overall quality drive aimed at cutting out loss contracts through better tendering and better execution of contracts to remove waste. We believe we can achieve profit growth without having to increase turnover by the same extent," says Bird.

The major contributor to operating income was M&R Industrial which kicked in R48,2m (R45,6m); but M&R Construction weighed in with a hefty R33,9m, up 49% on the year-ago R22,8m. M&R Suppliers and Services contributed R34,3m (R30,5m) while the best percentage gains came from M&R Properties, up 126% at R9,5m (R4,2m), and M&R Engineering which

FM 2/3/90 (32)

jumped 92% to R7,7m (R4,0m).

A rise in the effective tax rate to 42% (33%) took some of the shine off these performances and Bird says the rate can be expected to continue edging up towards the maximum 50%.

Bird expects the construction business to hold up for another 12-18 months. He says institutions are pumping money into property development because the surge in the equity market has left them relatively underinvested in property.

Next year's earnings will probably be diluted by conversion of the 7,4m compulsory convertible debentures. This occurs on July 1 of the financial year following the year when M&R's total dividend reaches 125c a share. The last annual dividend was 110c and, with the interim up 21%, it seems certain that 125c will be reached this year. However, the effect of the increased share capital on the payout per share will probably be softened by a lower cover.

Group policy is to hold cover between 2,5 and 4,0 times; it has been running at or near 4,0 for the past three financial years and Bird indicates there is scope for a reduction once the new shares are issued.

Brendan Ryan

FM 2/3/90 (32)

GOING UP

Six months to	Dec '88	Jun '89	Dec '89
Turnover (Rm)	1 643,0	1 802,0	1 964,0
Pre-tax profit (Rm)	93,3	105,1	120,2
Attributable (Rm)	50,0	68,4	67,6
Earnings (c)	181,0	245,0	241,0
Dividends (c)	33,0	77,0	40,0

M&R prospers, ponders the imponerables

S Times 4/3/90 (32)

Business Times Reporter

MURRAY & Roberts chief executive David Brink could not spend much time savouring the interim earnings rise of 33% this week.

Like many a chief executive these days, he was pondering a highly uncertain future. Not only is there a good prospect that earnings growth by the yearend will be less than 33%, but he has to contemplate the effects of a different socio-political climate on his conglomerate.

Commanding

M&R, with sales heading for R4-billion this year and controlled ultimately by Sanlam, has to think seriously about ANC talk of nationalisation of the commanding heights of the economy.

Mr Brink thinks nationalisation is a less imminent prospect than pressure to redistribute income and wealth.

"Without being paternalistic, we have long sought to promote blacks. But there is a terrible shortage of engineers and technicians. There is only one black engineer for every million of population.

"You don't make engineers overnight. A kid doing maths and science today will be an engineer or technician in 25 years. Unfortunately, too few are doing maths and science."

In more positive vein, M&R could be a great money-spinner in a more stable Southern Africa. It is well poised to attract money diverted from defence and security to health education and welfare.

Mr Brink says: "The possibilities are incredible. One dam across the Congo River would provide enough electricity and water for half the sub-continent. Then think of all the roads, the housing, the hospitals and schools we could build."

M&R has done well since Mr Brink took over four years ago. With these interim results, the group has exceeded its targets by far. Like Derek Keys and Grant Thomas, Mr Brink is seen as a star in the Sanlam constellation.

I asked colleagues of Mr Brink what it was about his regime that made the marked difference to group performance and the answer was unanimous — discipline and attention to detail.

Important

Thanks to the iron hands of Mr Brink and construction chief Charl van der Merwe, M&R no longer boobs on contract estimates. Elimination of contract losses has been an important part of the group's recent performance.

In the six months to December, M&R lifted turnover by 19% to R1,9-billion, operating profit before interest by 28% to R131,4-million and taxed attributable profit by 35% to R67,6-million. Earnings a share were up by 33% at 241c (184c).

In those earnings there was a "non-operating" profit of R3,8-million (14c a share). Mr Brink says it was not an extraordinary item and therefore did not come in below the line.

The group achieved good earnings growth in spite of a huge rise in the tax rate (42% from 33%). Mr Brink believes the rate will be more like 40% for the year.

The industrial division is still the most important contributor to earnings before interest and tax, chipping in no less than 36%. Two years ago, when construction was ailing, industry brought in more than 50%.

Mr Brink says the outlook for industrial consumables is good. He believes the motor industry is unlikely to slow much further, improving the outlook for foundries.

Insurance

In the latest result, suppliers and services were second most important with a 26% contribution. Construction brought in 25%. Properties accounted for 7% of the cake and engineering 6%. Mr Brink says construction, property, project management and civils look good for at least a year.

The removal of prescribed asset requirements has led insurance companies to step up property investments.

Debt at the end of December was down to 23% of permanent capital, leaving R196-million of unused debt capacity.

In the past six months the company has spent R128-million on acquiring 100% of Autocast, 100% of Pretoria Precision Casting, 42% more of VSA, making the stake 81%, and 96% of Protective Packaging. It has merged its ready-built accommodation company (CI Parkhomes) with Zozo, ending up with 60% of the equity in a dominant company.

Mr Brink says M&R will make acquisitions where there is a good prospect and provided the target has the relevant expertise. Sanlam imposes no constraints and M&R could conceivably bid against Federale or Malbak.

M&R is probably looking at earnings of slightly more than 500c this year. The share at 2 200c is only 4,4 times prospective earnings, proving once again that second-line stocks are badly undervalued.

Correction on Blue Circle

B/Day 6/3/90 **Business Day Reporter** 32

A BUSINESS Day report last Thursday on Blue Circle's year-end results described the company as "Malbak-controlled". Malbak in fact shares joint control with British based Blue Circle Industries Plc — both with a 42,2% shareholding.

32

Ezebilt sees good growth prospects

ANDREW GILL

DEVELOPMENTS in low-cost housing and the need for cheaper accommodation were likely to offer good opportunities for internal growth in Ezebilt Products, Masonite (Africa) chairman Alan Wilson said in the company's annual report.

Other growth opportunities for Masonite's wholly owned subsidiary included industrial markets "which will be exploited through product development and focused marketing".

In Masonite's 1989 annual report, Wilson said the communication gap between management and workforce must be narrowed and greater understanding created between the two.

Masonite declared a dividend of 56c a share earlier this year, compared with last year's 67c.

(32) (whole page)

☐ COMMERCIAL AND INDUSTRIAL PROPERTY

Commercial & Industrial Property
A Star survey

Big drop in retail vacancies

There has been a sharp decline in the number of vacancies in Coreprop's retail portfolio over the past three years – 5,15 percent to 2,5 percent.

Chief executive Mr George Skinner says: "While there has been a dramatic downward trend in vacancies, rental increases upon renewals or replacement of tenants have continued to grow at close to 35 percent increases on average during the period July last year to January 1989.

"This compares with rises of 28 percent and 31 percent respectively for the preceding two years."

Mr Skinner foresees 1991 as the year of increasing demand for retail space. Many major known projects will be under construction during this time for completion in 1992.

Industry welcomes Sapoa decision on committee

The decision by the South African Property Owners Association (Sapoa) to scrap its Specialist Retail Committee and replace it with the Shopping Centre Committee has been welcomed in the retail business.

The emphasis of the former committee was on the retail side of centres, but the new body's brief will embrace all parties involved in the shopping-centre operation.

Mr George Skinner of Coreprop and Mr Gavin Main, Liberty Life Properties' director of shopping centres, headed a steering committee to set up the new division.

"In creating the new forum for the burgeoning shopping centre industry, we regard interaction with municipalities, town planners, architects and major retailers of the utmost importance," says Mr Skinner.

Other aims of the committee include:

- The promotion of the role of shopping centres in the marketing of consumer goods and services;
- Codes of fair business ethics with retailers and consumers, as well as with Government and public agencies; and
- Encouraging research into the architecture and design of shopping centres and into the development of improved management and maintenance methods.

"It appears that there is also a huge credibility gap between financial institutions, developers and retailers," says Mr Skinner.

Rents 'set to stay ahead of inflation'

Retail rents are expected to outstrip inflation this year, says Mr Grahame Lindop, national leasing director of Anglo American Property Services (Ampros).

"As always," he says, "good locations will stand up to the rental increase."

The property business, though, looks like getting tougher for everyone, and, Mr Lindop believes, new deals will be more difficult to conclude this year.

While Ampros's retail portfolio of 347 835 sq m countrywide is virtually fully let, renewals will be done at the higher levels – particularly in centres which have been revamped.

Johannesburg appears to be lagging behind other major centres in terms of achievable rentals.

"While deals are being concluded at up to R100 a sq m in prime locations in Cape Town and Durban, good Johannesburg locations have some way to go before reaching the same high levels," says Lindop.

"Therefore [illegible]

Retail property boom is expected

Retail property is heading for a boom on the back of the gathering momentum of urbanisation, which means a golden era for shopping-centre developers.

That's the view of Mr George Skinner, chief executive of Coreprop, which, with a portfolio of 60 retail complexes under its banner, is one of South Africa's largest management companies in the field.

"Harnessing the urbanisation thrust to the benefit of the retail property business, by identifying the opportunities created, can bring new prosperity to the development companies," he says.

Making an interesting comparison in urban build-up, Mr Skinner says the shift to the cities in Europe and North America began in the early 1800s and went on until World War 2.

These countries moved from a 55 percent to an 85 percent urbanisation situation.

In South Africa, since influx

George Skinner, chief executive of Coreprop, says there will be big opportunities with the trek to the cities.

control was lifted in 1986, rural blacks have flowed to the cities and the country is now 55 percent urbanised.

"Within 10 to 15 years, I expect the figure to be 85 percent – a tenth of the time it took Europe and America," he says.

"Cities experiencing rapid urbanisation are Johannesburg, Durban and Cape Town.

"Third World people are drawn there because they feel welcome and perceive opportunities. Cities such as Bloemfontein, East London and Pretoria should be encouraging urbanisation."

Mr Skinner foresees areas such as Doornfontein, Ellis Park, Joubert Park and Hillbrow becoming major residential areas, and while Third World shoppers flock to the CBDs, the First World motorised class will flow to the suburbs.

"This is already happening in central Durban," says Mr Skinner.

Looking to the latter half of the decade, the Coreprop chief executive believes housing densities will increase and there will be a shift to non-racialism and class distinction in shopping.

"Even the poorer shopping centres will thrive and require revamping," he says.

Sandton 'needs shot in the arm'

Sandton's rental structure needs a shot in the arm, for at present rent levels in the municipality are three times lower than in comparable business centres overseas.

Pointing out that Sandton's rents should be increasing by an additional three percent a year, "at the very least", Mr Jeff Myerson, joint managing director of the Greenfield group, says:

"The effective increase in rentals in Sandton over the past four years has averaged 10 percent a year.

DEPRESSED

"This is because of a number of related factors – such as the high rate of inflation, the depressed state of the economy and a lack of real growth in the economy.

"This is wholly insufficient and rents in the burgeoning

Jeff Myerson of Greenfield says Sandton's rents, which, effectively have risen only 10 percent over the past few years, are lagging behind similar areas.

municipality are lagging significantly behind those in similar centres abroad," Mr Myerson says.

The average escalation of 10 and 12 percent, Mr Myerson believes, needs to grow to at least 15 percent.

Commenting on the retail market, the Greenfield managing director believes that with traders turning more and more to the rural areas of the country, they need to be made more aware of the requirements of a rapidly changing market.

INTEREST

"The siting, design and content of buildings and the structures should blend in with prevailing circumstances, preferences and trends – such as the heightened awareness of the environment.

"A main reason for the greater interest in rural markets is the Government's designation and aggressive marketing of so-called growth points, many of which have excellent potential for the retailer," he says.

Mr John Whiting, Pangbourne Properties chairman, bullish on the retail sector.

Downturn 'not likely to affect the prime sites'

The expected moderate downturn in general economic activity is unlikely to dampen demand for strategically located retail accommodation in the major areas.

Taking a bullish view of prospects is Mr John Whiting, chairman of Sandton-based Pangbourne Property (Panprop).

"The retail sector of the market will be cushioned against the effects of the downswing by heightened consumer confidence, the Government's perceived inability to smother inflation, heftier public service wage packets and growing trade union bargaining power," he says.

"Prime rentals will probably escalate as retailers clamour for space to take advantage of a perceptible increase in consumer confidence."

Mr Whiting believes that on the back of measures to combat inflation there remains a lack of public confidence in the Government's ability to contain price spirals.

"People, particularly the majority of credit users in the middle income group, are consequently prepared to incur debt by adopting a buy-now policy to counter shrinkage in the rand's future purchasing power."

The effect, too, of strong bargaining power by the black unions has also led to "meaningful wage increases", [illegible] will embrace all parties involved in the ... centre operation.

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"Therefore, rents in Johannesburg are likely to move faster than those in Cape Town and Durban which may have peaked at the top end of the market."

There is unlikely to be any rush of new retail development in the Johannesburg area, mainly because most regions are already saturated.

On the other hand, the needs of black shoppers to the south of the city have not yet been met, so trading conditions in central Johannesburg are expected to remain strong.

"The city's inner core will also continue to be boosted by demand from nearby grey areas and Newtown, once redeveloped, is certain to draw much of its business from residential areas close to the central business district," says Lindop.

Ampros sees big benefits in the revamp of existing retail complexes — a trend which is paying off in higher rents.

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"This is wholly insufficient and rents in the burgeoning muncipality are lagging significantly behind those in similar centres abroad," Mr Myerson says.

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Sales indicate rise in demand

The demand for industrial land is hotting up judging by the performance of Randburg-based Bankorp Property Services, which has notched up a total of R20 million in sales over the past two years.

Mr Sakkie de Klerk, Bankorp's general manager of marketing, says the "extremely lively market" is, to some extent, the result of rocketing rentals.

"These rents are approaching high yield expectations," he says, "making it a relatively easy decision for many industrialists to opt for their own developments in which they also enjoy the advantage of capital appreciation down the line."

Another factor has been the noticeable shift from older-style industrial townships to that of industrial parks where a better balance between a productive environment and aesthetic requirements, such as landscaping, can be achieved.

"It is our experience that industrialists do not compromise when it comes to the need for excellence in terms of access, be it roads, freeways, railways along with a strong infrastructure and proximity to labour and markets."

Star performer in the BPS portfolio is Route 24, the industrial township beside the Jan Smuts' Highway.

The first phase of 21,5 ha was sold out in record time and business in stage two of 18 ha has been equally brisk.

There is renewed interest for erven in the long-established Alrode area and Bankorp Property Services is planning developments there.

the prime sites'

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Taking a bullish view of prospects is Mr John Whiting, chairman of Sandton-based Pangbourne Property (Panprop).

"The retail sector of the market will be cushioned against the effects of the downswing by heightened consumer confidence, the Government's perceived inability to smother inflation, heftier public service wage packets and growing trade union bargaining power," he says.

"Prime rentals will probably escalate as retailers clamour for space to take advantage of a perceptible increase in consumer confidence."

Mr Whiting believes that on the back of measures to combat inflation there remains a lack of public confidence in the Government's ability to contain price spirals.

"People, particularly the majority of credit users in the middle income group, are consequently prepared to incur debt by adopting a buy-now policy to counter shrinkage in the rand's future purchasing power."

The effect, too, of strong bargaining power by the black unions has also led to "meaningful wage increases".

High interest rates, it seems, have been no deterrent to purchasing power, for spending last year accounted for about 56 percent of gross domestic product.

- Interim results for Pangbourne for the six months to last December are excellent, with turnover at R12,6 million, up by 8,32 percent on the previous year.

With earnings of combined units recorded at 34,48c each (28,80c) registered unit holders will receive a distribution of 33,66c a unit — 20,12 percent higher than the 1988 interim period.

32 Star 7/3/90

COMMERCIAL AND INDUSTRIAL PROPERTY

Office ownership is new trend

The small office continues to grow in popularity today and is a highly competitive commodity to be reckoned with by the more traditional decentralised office buildings.

"There is also an urge to own one's office building," says Mr Rodney Timm, of Rosebank group Baker Street Associates.

Mr Rodney Timm of Baker Street Associates — "urge to own one's office block."

"This market sector has, in terms of sectional title units as well as small free-standing units, been confined mainly to Randburg and decentralised areas of Pretoria."

In a round-up of Witwatersrand nodes, Mr Timm sees a "refreshing rejuvenation" taking place in Johannesburg's central business district.

"Two new major developments which have recently begun or are about to begin are the Braampark scheme, which is being created by Stocks Construction for Sanlam and in which Sats is to occupy a fair portion," he says.

"The second is the new Liberty Life development of the whole block bounded by Bertha, De Beer, Jorissen and De Korte streets, which Liberty acquired from Unidev last year."

ROSEBANK

The site adjacent to Thrupps, which was bought by Sanlam and a new development along with Time Developments is expected to begin soon.

The suburb will continue to command some of the highest rents for office accommodation.

RANDBURG

There continues to be appeal for office accommodation and many new developments have been started both by private developers and institutions.

The take-up rate for leased accommodation has not, however, reached the expectation levels and this has resulted in a vacancy rate of about 12 percent.

SANDTON

The spread of office projects to the north of Rivonia up to the freeway is now well established. Bentley Office Park, a Sage development, is in high demand.

The Sunninghill office development, too, will add further strength to the market.

The small office building concept has proved successful at Woodmead Office Park, which is now virtually fully developed and occupied.

BEDFORDVIEW

Demand for offices on the eastern side of the CBD has grown over the past few years. Bruma is proving attractive and the fact that office sites are not lakeside is no deterrent.

The recently completed Riverwoods project has leased well probably as a result of this project's excellent design.

MIDRAND

With a number of prestige industrial developments in the industrial strip between the M1 and the old Pretoria road, Midrand is now a prime property investment area.

The structure plan for the new central business district reveals a strong attempt by the council to integrate the existing CBD and the new central area on Old Mutual's land beside the airport.

VERWOERDBURGSTAD

The success story continues and of the 55 000 sq m of office accommodation completed during 1989, fewer than 10 000 sq m are still vacant. It is expected this space will all be taken up soon.

Fedlife has begun its office development north of the lake and Stocks has started its R100 million hotel and office project.

PRETORIA

The supply of A grade office space in the central business district is all but fully let. The decision by the Government not to proceed with the decentralised military headquarters augurs well for the future of the city centre despite the major decentralisation trend by the private sector office users.

Arcadia continues to attract high demand and the new Sanlam Centre development along with the Shoreberg project, both being built by Shoredits, will meet additional demand.

Commercial & Industrial Property A Star survey

Sandton Square: centre for specialists

The Grinaker group is gearing up for the start of one of the most ambitious property developments in recent years — the R300 million Sandton Square which was recently given the go-ahead.

The square will be an exciting extension of Sandton's business heart and will have specialist shops and offices linking with the existing commercial centre.

Mr Joe Bentel, managing director of Retail International, which is leading the development team, says: "We have met every parameter set by Sandton Council and evolved a people-oriented development in 19th century Italian-Venetian architectural style.

Office accommodation on four levels will amount to about 30 000 sq m and there will be parking for 2 600 cars.

An impression of Sandton Square's retail area in Venetian style.

Jo'burg area office market to grow

The office markets of Johannesburg, Sandton and Randburg, at present totalling 2,6 million square metres of A and B grade space, will swell by a further 300 000 sq m as new developments come on stream this year.

And of that latter figure, an estimated 186 000 sq m has already been let.

These figures come from Mr Stanley Arenson, director of Sandton group, Russell Marriott & Boyd Trust, who underlines the fact that Johannesburg continues to be an attractive development centre in spite of suburban growth.

Of the total 186 000 sq m, the city has the lion's share of new projects on the way (145 000 sq m), followed by Randburg (80 000sq m) and Sandton (25 000 sq m).

More than 130 000 sq m of the Johannesburg tally has been prelet.

Lookin- further ahead, Arenson says: "From 1991, there will be 400 000 sq m more coming on to these markets, with Johannesburg's share at 143 000 sq m and Sandton 113 000 sq m.

"And with the dramatic jumps in building costs, it is inevitable that rents will rise to R30 and R40 a sq m."

Arenson endorses the view of sustained growth ahead for the retail sector on the back of more buying power among all population groups.

Mr Simon Noyes-Lewis, of MBT's industrial division, says the market continues to be buoyant, with industrialists apparently more optimistic about South Africa's future.

A newcomer to the industrial scene, the Kya Sands township, north of Strydom Park is a popular target area for business as an alternative to Strydom and Wynberg which are more expensive.

Toll roads give jobs to thousands

Star 7/6/90 (32)

By Frank Jeans

If there is some uncertainty about prospects for the civil engineering industry generally, the roads sector looks set for seven prosperous years from privatised freeways.

Mr Ron McLennan, chief executive of Tolcon, the highway construction group, says: "Toll roads will provide work valued at an estimated R2 billion over that period."

Last year the two toll road companies operating in South Africa generated contracts with a total value of R500 million, thus providing jobs for thousands.

"Tolcon is creating roads which the State is no longer able to afford and its maintenance work prevents roads from deteriorating," says Mr McLennan.

From the middle of this year, Tolcon will start work on widening the section of road between Villiers and Heidelberg.

The next phase is the 95 km stretch from Keeversfontein to Warden — a contract valued at R500 million.

SBA 9/3/90 (32)

Prices rise as land becomes scarce

It's virtually a land-grab situation in the Johannesburg area as industrial sites become scarce and institutional money chases parcels of land, without even an end-user in mind, to supplement fast-diminishing stocks.

Mr Jannie van Gemert, managing director of a leading property broking group, Wilfred Isaacs, says: "Vacant industrial and commercial land throughout the Johannesburg region is extremely scarce, with the result that prices are rising.

RESOLD

"We sold a site in January last year at about R95 a square metre and it was resold last December at R120 a square metre."

Mr van Gemert has no doubt that the larger institutions and developers, who are facing a chronic land shortage, are ready and willing to buy sites at the going rate and holding them for development at a later stage.

"This is in direct contrast to the traditional institutional view that, instead of buying land and holding it, one should pay more for land at a later stage once a specific user had been secured, thus having a custom-designed development and the advantage of an immediate return on capital invested," says Mr van Gemert.

In many cases in the periphery of Johannesburg, refurbishment of older factories has resulted in substantial growth in income for owners.

For example in Park Central, Selby, Benrose and Reuven, rentals were about R7 a square metre, but since subdivision and revamping, rents are now higher than the R10 a square metre mark.

Construction industry training scheme falters for want of cash

Star 7/3/90 (32)

By Frank Jeans

A training drive to provide SA with its own skilled labour force in construction, thus removing the dependence on costly immigrant workers, is in the danger of collapsing through lack of funds.

The programme is seen as vital as SA moves ahead with major projects such as the offshore oil scheme at Mossel Bay and the Lesotho Highlands water scheme.

The Mossgas planners who, until now have provided upfront funding for the South African Fabrication & Construction Training Trust Fund, is to cut off the cash at the end of May.

Rene Schmetz, executive director of the fund and of the Construction Engineering Association, says: "Approaches to the Government have, to date, not had the desired results."

The trust fund was set up two years ago in an effort by the CEA and the South African Federation of Civil Engineering Contractors (Safcec).

It has trained nearly 7 000 people in mechanical, electrical and civil engineering jobs.

"The objective was to make SA more reliant on a local labour force and drastically reduce the importation of expensive foreign labour," says Mr Schmetz.

The threat to the fund follows questions over the viability of Mossel Bay and the cancellation of other synfuel projects, including Gencor's oil-from-torbanite and AECI's coal-gasification schemes.

"There has also been lack of support for the training programme from some companies, which seem to prefer to import foreign workers. It is a short-term solution and almost always leads to an escalation of overall project costs," says Mr Schmetz.

"It is clear that in the absence of sufficient funds, a further influx of expatriate labour of 850 people or more will probably be needed to complete the job at Mossel Bay."

Controllers are trying to raise more cash to train 1 200 people over the rest of this year.

COMMERCIAL AND INDUSTRIAL PROPERTY

32

Indications are: fair weather ahead

Competition has presurred developers to produce more

By Errol Friedmann, managing director, J H Isaacs Group Limited

Sensitivity to mood and circumstances dominates the South African economic theatre and that reliable barometer, the state of the property market, continues to reflect "fair weather" despite the political maelstrom.

All sectors of the property market indicate stable and firm conditions — even with over-heating in isolated locales such as Clifton.

Unlike the finrand market — that instant changeable ad mercurial indicator of foreign confidence — the real estate industry takes time to react to political turmoil.

No new trend is in evidence and the only indication of possible reassessment appears to be some slight hesitation by the very rich in finalising residential buying transactions.

It is early days for fact-founded prognoses to be made. Insufficient time has passed since President F W Botha-buoyed spirits, hopes and sentiment.

The substance of Mr Nelson Mandela's cold water douche, which brought reality back to where it always should have been, remains to be tested.

In the meantime, this review of the short-term market to come has to be suitably Dickensian.

Perhaps it is the worst of times and the best of times as contenders for power (enthusiastically abetted by the media) tamper with our emotions.

The timid will return to the fence; I prefer to take Sunter's High Road.

Unequivocably, property is in fine shape — industrially, commercially and residentially — never mind high interest rates.

While there is no such thing as "100 percent sold out" or "100 percent fully let", the broad market place may be characterised as such ... or as near as dammit.

The investment sector has never been under greater pressure to produce product to satisfy incessant demand by discriminating (and some not so discriminating) buyers.

Many life companies, pension funds and private investors are, to put it crudely, stuffed with cash resources awaiting suitable investments.

Some that I know, and with millions to spend, have found nothing worth buying in over a year of diligent evaluation of the best that agents could put before them.

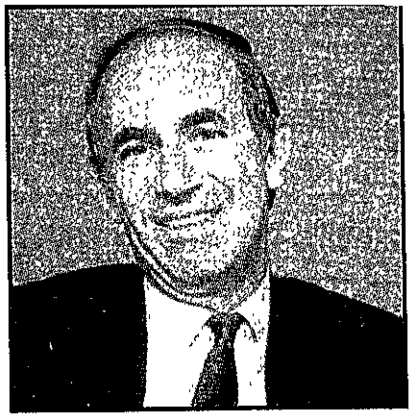
It is trite to record that just about every top-quality developed property — particularly office blocks, shopping centres and industrial buildings — is already institutionally owned. That's been the status of the past decade.

Consequently, competition between the big investors for the few really good developments in the pipeline has resulted in escalating pressure on entrepreneurial developers to "manufacture" more.

Short of a small revolution across the land, that pressure will not evaporate this year and the biggest danger is the collapse of those developers that get either their arithmetic or their tenancy projections wrong.

A few of the major institutional investors, unable to secure their share of the property investment cake, have bravely and probably correctly changed their investment criteria.

Property types that have previously



Mr Errol Friedmann.

been taboo for acquisition have been re-evaluated and are now considered "kosher for buying".

For example, two types normally shunned by most of the big investors and which have recently been included on shopping lists are hotels (with recreational and resort possibilities) and residential township developments. Another new trend this year among the major investors is a change in attitude towards partners.

The macho, lone ranger approach — "we do our own thing, just bring us the schemes" — will certainly undergo change in the search for "new product".

Some of the big guns, and quite a number of the smaller ones, are overtly seeing joint venture projects of various types with entrepreneurs, property companies, property trusts, and the bigger, more creative estate agents.

The mix of institutional financial expertise, cash resource and strength on the one hand, coupled to the track record and creativity of the developmental entrepreneur, will, I believe, take root in the industry this year with benefits to all parties in the mature years to come.

Meanwhile, down in the market place, the weight of cash and shortage of supply is impacting throughout the industry.

Buying yields for the best buildings (usually office blocks) in the right localities are on the slide.

They're down to 8,5 percent now and indications are that a pattern of between 7 percent and 8 percent could well materialise later in the year.

Disbelievers can double check through their brokers at the JSE: returns offered by the best property funds are well down on those prevailing only a few months ago, even dipping below 7 percent.

The commercial, industrial and retail letting markets which, in themselves are a mini-barometer of the state of the industry, continue to reflect strength with supply barely keeping pace with demand in those areas where office space users and industrialists really want to be.

Rentals, which are still the envy of the Western world with their comparative value, continue to escalate. No plateau has been reached.

For general working purposes, this year will see gross office rentals for prime space tending around R30 a square metre: industrial accommodation will range up to R12 a square metre and for retail space in the best centres the rate for a medium size shop will approximate R100 a square metre.

Commercial & Industrial Property

A Star survey

Written and edited by Frank Jeans.

Small firms 'to move to suburbs'

Star 14/3/90 (32)

The future of the retail development market lies with the small neighbourhood shopping centre, says Mr Pat Flanagan, managing director of RMS Syfrets.

"Few opportunities remain for the development of regional centres. I can think of only five regional centres which are likely to proceed in the foreseeable future and once they are in place, South Africa's needs for this kind of shopping will be full catered for," he says.

Mr Pat Flanagan says "neighbourhood shopping centres will spring up."

Notwithstanding this view, RMS is at present busy with the letting of two major regional centres — the 65 000 sq m Southgate Mall, south of Johannesburg and the 85 000 sq m Northgate Centre to be developed north east of Randburg.

Mr Flanagan believes new centres could be developed in East London, Westville and southern suburbs of Cape Town. Benoni could also be a target area for a retail development.

"The greatest growth over the decade, however, will be in neighbourhood or suburban centres," he says. "They will spring up in new and established residential areas and other places that are at present undershopped."

The typical neighbourhood retail development will be between 1 200 sq m and 10 000 sq m and will comprise of a food major tenant supported by between five and 30 small convenience stores.

Flanagan joins the chorus of developers who see tremendous potential for retail growth in the black areas.

RMS Syfrets continues to be active in the industrial market, with Mr Ian Young, director of the industrial division, reporting good deals in Isando, Cleveland and Crown.

Net rents ranged between R5,80 a sq m and R6,10 for larger space, while 350 sq m mini warehouse units in Cleveland fetched R8,50 a sq m.

Building hit by interest rates

NEIL YORKE SMITH

HIGH bond rates continue to have a negative effect on residential building activity, but demand for large-scale investment building remains strong, according to building industry players.

Murray & Roberts (M & R) construction executive chairman Charl van der Merwe said in an interview there was still momentum in the construction industry, largely as a result of institutional demand.

"There is strong demand from large institutional investors who have massive funds to invest," he said.

Developers confirmed demand for large commercial property projects was keeping building activity at reasonable levels.

Because of the detailed planning and costing involved in project developments, many of which had predetermined conditions and terms, margins remained good.

However, Van der Merwe confirmed a serious slowdown had occurred in the house building sector.

"Prospective buyers are suffering as a result of high bond rates," he said. "At current prices and interest rates, many people cannot afford to build." (32)

A recent Master Builders Association (MBA) report said the industry continued to suffer the dampening effect of high interest rates and spiralling building costs.

Surveys indicated steadily deteriorating conditions in the industry since 1988 and a downward trend in the amount of work available during the past four years.

Tough conditions were reflected by increased tendering competition among contractors and sub-contractors. Yet there was a shortfall of as many as 800 000 units in the low-cost housing market.

There was potential to create thousands of jobs and simultaneously stimulate the whole economy if the "affordability problem" could be overcome, it said. However, building material prices continued to escalate and were expected to rise an average of 21% in 1990.

☐ COMMERCIAL AND INDUSTRIAL PROPERTY

New attitudes give

As South Africa strides into the new decade with high hopes of democratic reform following the unprecedented moves by President F W de Klerk and the incorporation of ANC leader, Mr Nelson Mandela into the negotiation process, there are strong pointers to the country's economic future, and the property industry in particular. GERALD LEISSNER, managing director of Anglo American Property Services (Ampros), looks ahead to the 90s.

Changing attitudes towards this country must inevitably result in major expansion of the trade community along with renewed confidence in the future, thus impacting significantly on the property market.

In the process, Johannesburg will continue to reinforce its role as the continent's leading financial centre.

This trend, Mr Leissner believes, will be all the more strengthened by the fact that Soweto and its people will be brought into the plan for the decade and beyond.

"The expansion has seen substantial growth in the financial institutions and the legal and accounting professions with a corresponding fillup for property developers in the Johannesburg and neighbouring central business districts such as Sandton, Randburg and Bedfordview," says the Ampros managing director.

"Those who predicted a move towards Third World quality have been proven wrong by the high standard of buildings being erected."

Mr Leissner also believes that the Newtown redevelopment to the west of Johannesburg, parts of which are now complete, proves that South Africa is more than ever in line with international development standards.

"This project has served to shift the city's core, thus extending the vision for the area which began with the move there of the Stock Exchange in 1978," he says.

"Unfortunately, the Johannesburg City Council is only now

Mr Gerald Leissner, MD of Anglo American Property Services.

learning to be proactive in its actions, having taken many years to learn the lessons of Durban and Cape Town."

One might well expect drastic changes and a breakaway from the tendency to plan only for whites "in the face of a massive presence of black residents, workers, entrepreneurs and consumers".

The Ampros managing director believes, too, that the challenges which have been "met with dynamism in Johannesburg have been reflected elsewhere.

"Pretoria remains a government city, but with the Government's continued expansion, growth in the capital has been consistent," he says.

Even now, in the wake of the De Klerk initiatives, many countries are reported to be eager to set up embassy status as well as renewing trade and business missions.

In this connection, Denmark is taking the lead in setting up an embassy again.

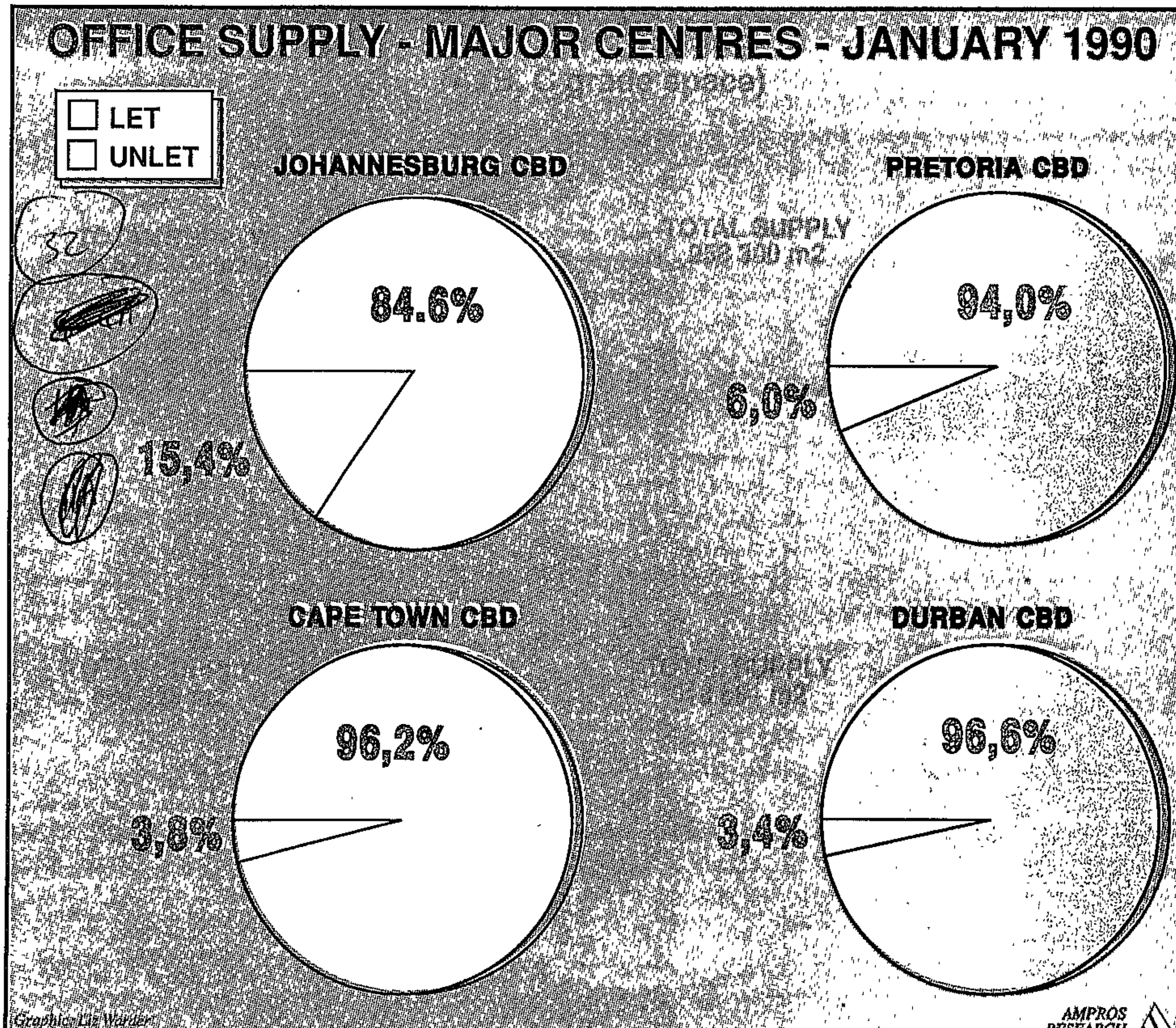
This greater diplomatic representation in South Africa must inevitably spin off into big benefits for the office development market, not to mention steady demand for residential units.

Cape Town, too, has moved into the big league of international-style development with its Docklands venture, while Durban has "reaped the rewards" of major development during the 80s.

Looking at the retail sector, Mr Leissner sees major advantages arising from the privatisation process of South African Transport Services and the development of its land and airspace areas around rail stations.

"Overall, I have no doubt the new decade will be one of immense challenge for the property industry," says Mr Leissner.

rise to optimism in SA



New development for Rustivia Ext 3

Rustivia Extension 3, the fast-developing industrial area on the East Rand near the R22 motorway and Jan Smuts Airport, is to get a mini-industrial village.

The village will be developed by LTA Developments for the Southern Life Property portfolio.

"The township of Rustivia Extension 3 has been completely sold, since its rezoning to industrial use in mid-1989", says Mr Brian Langford, senior partner of API Property Group.

Construction on the Rustivia Industrial Village has started and will be ready for occupation in June.

Rentals at the Village are projected at the R8,50 a square metre level.

There will be 24 units ranging from 260 sq m to 675 sq m, including office space.

An investigation, by API agents for the Rustivia Industrial Village, into the availability of industrial land in the East Rand areas of Edenvale, Kempton Park and Germiston has shown that anyone requiring larger amounts of land already in township, have a problem.

Sebenza and Eastleigh are almost fully sold and Spartan and Isando are almost fully developed although some commercially zoned land is in the process of being rezoned industrial.

Fe

FM 9/3/90 (32)

MASONITE

Chipping dividends

Activities: *Making wood and mineral fibre building products.*
Control: *Masonite Corp (USA) 67,3%.*
Chairman: *F J Raubenheimer; MD: A H Wilson.*
Capital structure: *6,82m ords. Market capitalisation: R85m.*
Share market: *Price: 1 250c. Yields: 4,5% on dividend; 11,2% on earnings; PE ratio, 9,0; cover, 2,5. 12-month high, 1 425c; low, 1 000c. Trading volume last quarter, 14 000 shares.*

Year to Dec 31	'86	'87	'88	'89
ST debt (Rm)	—	—	—	2,5
LT debt (Rm)	0,5	0,3	—	5,4
Debt:equity ratio	—	—	—	0,15
Shareholders' interest	0,63	0,61	0,61	0,59
Int & leasing cover	n/a	n/a	n/a	71,8
Return on cap (%)	17,5	19,2	24,6	20,7
Turnover (Rm)	69	74	90	102
Pre-int profit (Rm)	7,9	9,5	15,3	15,4
Pre-int margin (%)	11,5	12,8	16,9	15,1
Earnings (c)	89,8	101,5	134,0	199,6
Dividends (c)	40	72	67	56
Net worth (c)	432	472	559	642

Yet another dividend cut, even though earnings have continued to rise. This year, though, the cut is realistically justified by the fact that greater retentions are needed to finance additions to forestry plantations, plant and equipment. Realistic, because increasing borrowings at present interest rates would lead to the problems of reverse gearing, at least in the short term.

Last year, of course, Masonite increased its long-term debt to help finance acquisitions of new plant and part of its factory expansion expenditure.

Raising additional equity capital seems out of the question — the American parent is most unlikely to invest more money in SA even if the political climate is changing and, presumably, it does not want its interest diluted. The best to be expected is that the American parent will not be pressed to divest but will insist its offshoot continues to finance itself as conservatively as possible.

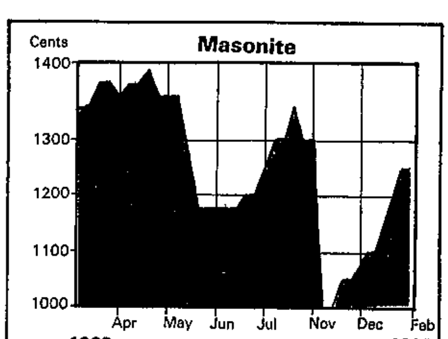
Last year's trading proved to be less difficult than initially expected, though newly-appointed chairman Alan Wilson notes mixed performances. Sales to the furniture and motor industries tumbled, as both industries suffered the effects of credit curbs. Sales to the building sector increased or held steady. This year, Wilson indicates, is likely to be much the same.

Exports stepped in to keep the Estcourt factory running at full capacity, despite lower domestic sales, but this led to narrower margins. For the present there is the prospect of the rand remaining relatively firm which, in turn, makes it less easy to increase export profits.

Capital expenditure this year will be directed both at increasing the company's plantation holdings and adding to factory capacities. Presumably that implies some further clipping of the return on assets (ROA) ratio, as new plantations contribute only once trees can be felled. And, as long as ROA remains lower than the cost of borrowing, retentions will continue to rise.

Wilson gives no indication of this year's likely dividend, though he expects earnings will be little different from last year's. The tightly-held share is best suited to long-term portfolios.

Jim Jones



Joining forces to get to grips with high inflation

BDay 13/3/90

32

INFLATION in building costs holds at around 18% overall — and is to be combatted by the two main bodies representing the building and civil engineering industries.

The Building Industries Federation of SA (Bifsa) has joined forces with the SA Federation of Civil Engineering Contractors (Safcec), to look into areas where inflation is outstripping the general inflation rate.

Bifsa executive director Neil Fraser says: "It is still too early to say why the prices of such products as bricks, sand, crushed stone and ceiling materials should be subject to an annual inflation of more than 15% — but we will be looking for ways to slow the trend.

Maintained

"We will also look into cases where price increases are maintained at around the official inflation rate.

"Increases should not be imposed as a matter of course merely because we operate in an inflationary environment and because there is no competition to control them.

"All the producers put general inflation forward as their reason for increases —, but I am concerned that a lot of the increases could arise out of monopolies and cartels."

Labour costs to the industry are also increasing faster than the general rate of inflation, and the per capita cost of labour will continue to increase rapidly in the foreseeable future.

Fraser says the only way to cushion the effect of this is to increase the efficiency and productivity of the industry.

"Training to upgrade the skills of people in the industry is essential," he says.

"It is estimated the formal building industry employes about 200 000 site workers.

"In the past 20 years, a mere 50 000 have passed through Bifsa's training colleges, meaning that only about 15% of the people employed in the formal sector of the industry are trained to a reasonable level."

Bifsa is tackling the problem on two fronts. On the one hand, it is attempting to improve the training of newcomers to the industry, while on the other it has embarked on a drive to upgrade the skills of established workers.

"If we could raise productivity by only 10%, this would be a major force to counter inflation," Fraser says.

The informal sector is also a significant operator, comprising an estimated 40 000 self-employed builders — many of whom employ labourers.

The impact of this sector is borne out by the experience of leading brick manufacturers, who measure their average order in hundreds — as compared with the tens of thousands which was the norm in the past.

Recognising the importance of the informal sector, Bifsa is introducing courses to meet their needs at various levels.

Architects may be allowed to pass own building plans

B|Day 13/3/90 (32)

CAPE TOWN — Government was investigating the possibility of allowing architects to certify their own building plans, Trade and Industry Minister Kent Durr said yesterday.

MIKE ROBERTSON

Durr said he could see no reason why qualified architects should have to wait for months to get approval for their plans when they could certify for themselves whether national building regulations had been complied with.

If such an amendment to existing laws was made, local authorities could do random checks to see if laws were being complied with.

The national building regulations introduced five years ago had reduced the physical bulk of regulations to be complied with to less than 10% of those previously in existence.

But government now wanted to see if building regulations could be deregulated even further. Allowing self-certification was one way in which the process of getting building plans passed could be considerably speeded up.

Durr, who was addressing a Press conference after tabling the annual report of the South African Bureau of Standards (SABS), said the bureau had emarked on a plan of action aimed at contributing towards economic growth in SA through the promotion of quality.

He said after 1992 European countries would be moving towards providing mutually accepted standards for products. They would insist commodities from abroad, including SA, complied with these standards.

The SABS had already introduced a listing scheme for manufacturers whose quality systems met standards.

To date, 360 SA companies complied with these standards and it was expected the total would exceed 600 by the year-end.

The SABS would be convening a conference to discuss the possibility of establishing standards for the use of environment-friendly labels.

SABS head Jean du Plessis said the bureau was aware of products advertised as being environment friendly but were not.

Durr said the SABS planned to have discussions with the Newspaper Press Union to establish guidelines for advertising products that were environment-friendly.

He said the objective of the SABS conference would not just be to establish a standard for the use of an environment-friendly mark, but also to encourage the use of such a mark to bring consumer pressure to bear.

● See Page 4

Builders may pay more tax

CPT Times 15/3/90

(32)

Staff Reporter

CONSTRUCTION companies may have to pay a lot more tax in future, starting from the forthcoming year, according to tax expert Graham Cochrane of Price Waterhouse.

Up to now these companies had been in an unusual tax position because much of the development they undertook was not on their own land, he said.

Companies in general were taxed on stock held at the end of the year. However, if that stock was comprised of "work in progress" on someone else's land, the construction company was not taxed on it, he said.

In boom times, many of the companies did not pay tax at all as they had a negative cash flow while their investment in stock was increasing.

During downturns, however, they would often have to pay tax.

The Margo Report had recommended that there should be no tax distinction between the construction industry and other businesses, despite the unusual business cycle of this particular industry.

Finance Minister Barend du Plessis has now decided to phase in the Margo Commission recommendations on the construction industry over the next five years.

Cochrane said that this change would restrict the growth of companies providing housing, "and yet housing is a priority".

The building industry is also a very substantial employer. Cochrane said there seemed to be a conflict between what Du Plessis said in his budget preamble about the need to provide housing, and this particular tax provision.

Builders await concession blow

ZILLA EFRAT (32)

THE construction industry is expected to be adversely affected by yesterday's Budget announcement of the withdrawal of the tax concession relating to valuation of stock.

Finance Minister Barend Du Plessis said the value of consumable stores and spares — as well as work in progress — in the case of construction companies would from now on be included in taxable income. This new measure would be phased in over five years.

Building Industries Federation of SA executive director Neil Fraser said the move would have a detrimental effect on the construction industry, especially in the light of the deteriorating business environment. BDOM 15/3/90

Murray & Roberts Construction executive chairman Charl van der Merwe said it would affect the profitability of construction companies.

They would have to pay tax earlier, and this would affect their cash flow, which in turn would be affected by high interest rates.

However, Grinaker Holdings deputy chairman Don Sherwood did not expect his company to be affected, as it had provided for deferred tax.

Boost for house building industry

Star 16/3/90 (32)

By Frank Jeans

Finance Minister Barend du Plessis's 51 percent boost for the housing sector — from R959 million to R1,4 billion — has given cheer to the homebuilding industry which has been in the doldrums of high interest rates.

The factor of affordability has put a drag on the volume of new homes coming on to the market.

Mr Johan Grotsius, executive director of the National Association of Home Builders, says the industry still has to look at the distribution of the additional funds.

"More specifically, we have to wait and see the policies of the individual ministers who administer housing portfolios.

Expensive formula

"Once-off contract housing is an expensive formula and is not producing the housing quantities the country requires."

Along with additional funds, Mr Grotsius urges greater attention to mass housing programmes, while avoiding the mistakes of the past.

He emphasises that we do not need the drab uniformity of the Sowetos but housing developments with more attention to imagination in design and living style.

The heightening pressure for rental accommodation is a sure sign that demand is inevitably increasing for the building of new homes.

Mr Grotsius sees as particularly encouraging to the homes market the lessening of financial pressure on the public as the result of the R4,5 billion tax concessions.

"People will now be able to put more into their bonds and find it easier to meet monthly commitments."

The real estate industry has welcomed what one leading agent says is a confidence building Budget.

Mr Scott McRae, managing director of the Camdon's Nationwide network, says: "I have no doubt the residential property market will react positively.

"The beneficial effects should be felt at all levels of the market."

Mr McRae endorses the view that tax concessions will bring relief to middle to lower income households which have been hard-pressed financially by high bond rates.

"At the upper end of the market, the generally positive nature of Minister du Plessis's measures will serve to reinforce confidence."

On a more negative note, the civil engineering industry is set to suffer from the determination by the Government to control public sector spending.

A cutback on capital-intensive projects could be a blow to "civils" which has been wincing under the threat of a slowdown in funding.

Strong buffer

Nevertheless, the industry has a comfortable R3 billion worth of work on its books and this, for the present, is a strong buffer to any easing up in public projects — the industry's major source of work volume.

Mr Kees Lagaay, executive director of the South African Federation of Civil Engineering Contractors (Safcec), says: "The present workload of R3 billion is a fairly satisfactory level, even taking into account the possibility of a slowdown in activity this year.

"It is too early to predict the effect of any cutbacks which could be in the pipeline up to 1991."

Bleaker outlook for building industry

Cape Times 3/7/90

32

CONDITIONS in SA's building industry have deteriorated, with architects and builders experiencing worse business conditions in the second quarter of 1990 than expected, the Bureau for Economic Research (BER) of the University of Stellenbosch reports.

According to the BER report, architects in particular note that conditions in the building industry are continually deteriorating, largely due to political uncertainty, causing investors to have "a wait and see attitude to starting large capital projects".

Architects also state that many projects have been halted or shelved, and point out that in gaining contracts "invariably, the firm who has the resources, financial and otherwise, to make the best visual presentation, regardless of ability, is awarded the contract".

Large numbers of government projects have been and are still being halted, and architects feel that "if the government does not start spending some money soon the building industry will be badly damaged.

"In some regions, such as the Eastern Cape, architects claim that residential building has come to a complete halt, except for low cost housing," the BER states.

Architects and quantity surveyors expected further deteriorations in business conditions for the third quarter of 1990, saying that "unless there are drastic improvements in the political and economic conditions in this country, things will carry on deteriorating".

Contractors and sub-contractors were "also not overly-optimistic about future expectations". — Sapa.

Star 17/3/90 (32)

Speedier building could slash costs

HOUSE prices could be cut by as much as 20 percent if builders could get registration of townships earlier, says Dave Brink, chief executive of the Murray and Roberts group.

"We could build low-cost housing in a matter of weeks but the industry is paying the banks interest at 20 percent for 15 to 18 months in land holding costs," he said in an interview in Cape Town this week.

"Housing development has become a financing game and not a building game."

Housing costs could also be lowered drastically. Housing standards were probably more sophisticated than the country could afford.

"The building regulations are still too sophisticated and still in the first world. There are few Meccano-type buildings you are allowed to erect."

Poor people were allowed to put up a plastic hut but developers could not build industrialised housing.

With industrialised building, M&R could build a fully equipped school to Department of Education standards and have it running in four months.

Construction could also be speeded up if developers were allowed to go ahead and give a warranty that work would be done properly.

Discussing the group's performance for the half-year to December 31, Mr Brink said M&R's construction companies made the biggest profit improvement with a 48 percent increase to almost R34 million before tax and interest.

Money Matters

TOM HOOD

Construction now provided 24 percent of group profits.

Construction was a net earner of interest while the other divisions wee interest payers and so it was a top performer.

Top profit contributor was M&R Industrial with R48 million, up only 6 percent.

Order books in construction and engineering were good, especially in the Cape. The relaxation in prescribed investments for financial institutions had resulted in good demand for property development.

The group was now more selective with contracts. It was eliminating loss-making contracts and paying more attention to detail and a more disciplined approach to working.

With high inflation and a 50 percent tax rate "you cannot fund growth if you are not getting your margins."

Discussing rising building costs, Mr Brink said labour costs were going to be under pressure because of the new political situation.

The group estimate of capital expenditure was R158 million this year and he expected spend[illegible] would come close to [illegible]

Operating profit w[illegible] 3 percent higher at 2[illegible] a share for the first half, while total earnings were up 33 percent to 241c.

Last June the group had R125 million in the bank but that had been spent and borrowings were now R120 million.

While interest took R11,2 million (up 20 percent) in the first half, the tax bill soared by 62 percent to R50 million.

The interim dividend was raised by 21 percent to 40c after last year's total payout of 110c.

'House prices could be cut 20pc'

W/C ARGUS 17/3/90 32

By TOM HOOD
Business Editor

HOUSE prices could be cut by as much as 20 percent if builders could get registration of townships earlier, says Mr Dave Brink, chief executive of the Murray and Roberts group.

"We could build low cost housing in a matter of weeks but the industry is paying the banks interest at 20 percent for 15 to 18 months in land holding costs," he said in an interview in Cape Town this week.

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Top profit contributor was M and R Industrial with R48 million, up only 6 percent.

Order books in construction and engineering were good, especially in the Cape. The relaxation in prescribed investments for financial institutions had resulted in good demand for property development.

Several service companies were also benefiting from the Mossgas project.

"The Cape is active and we don't see much of a fall-off in business."

The group was now more selective with contracts. It was eliminating loss-making contracts and paying more attention to detail and a more disciplined approach to working. With high inflation and a 50 percent tax rate "you cannot fund growth if you are not getting your margins."

Discussing rising building costs, Mr Brink said labour costs were going to be under pressure because of the new political situation.

There were cries of anguish when prices of two commodities, bricks and stone, increased. But these increases were cyclical and it became a buyer's market when business went flat.

The group estimate of capital expenditure was R158 million this year and he expected spending would come close to that.

Budget blow to construction

Business Times Reporter

THE construction industry has been dealt a heavy blow by Wednesday's Budget.

Until now, says Roger Bramwell, a partner at the accounting firm, Ernst & Young, work in progress on certain contracts fell outside the definition of trading stock for income tax purposes. It was thus not added back to the taxable income of the contractor.

Contracts affected are those carried out where the land does not belong to the contractor. In terms of common law, the construction work, once completed, no longer belonged to the contractor and therefore fell outside the ambit of the trading stock definition.

In future, however, work in progress will often be treated as trading stock, resulting in increased taxable income.

The change is in line with the proposals of the Margo Commission.

A financial executive of a quoted construction group says the industry is waiting for clarification of the new measures.

The main effect, he says, will be on cash flow.

Companies which have made comprehensive deferred tax provision should only be affected on the bottom line to the extent that they will lose interest on cash resources which, in terms of the new regulations, will have to be paid out earlier.

But companies which have only made partial provision for deferred tax could feel the effect more severely on cash flow and earnings.

"Our group follows fairly prudent practices and the effect of the change will not be great."

R500-m portfolio merger

24/3/90 (32)

Land Securities Management (Landsec), the property administration joint venture by New Kleinfontein Properties and Divaris Real Estate, has acquired the entire administration business of GE Symons, the Mayfair property company.

The merger creates a financial services company with a portfolio base totalling R500 million.

Mr Robert Terry, operations director of Landsec and co-owner of Divaris, says: "We have been looking for acquisitions to build on the base of the takeover last April of the Landmark-LK Jacobs management division, renamed Land Securities Management."

Sowetan Business

Board to train estate agents

32

By JOSHUA RABOROKO

BLACK estate agents and builders are daily losing contracts worth thousands of rands in black townships to white competitors.

This was revealed in a study of the black housing market conducted for the Estate Agents Board by Dr A Oosthuizen of Market Research Africa.

The study was to establish to what extent a secondary black housing market already existed and how fast this market would grow as a result of efforts by Government, the private sector and others to stimulate home ownership in the townships.

The study cited the lack of formal business training as one of the main reasons why blacks lost out to whites, was that they had not received formal training in business practices in the area they operate in. This was a disadvantage particularly when they had to fight for contracts by tendering to organisations.

Because of this report the Estate Agents Board has committed itself to train black estate agents.

Training

Following the completion of the study, the board had formed a steering committee under the chairmanship of board member and housing expert Mr Boet van Staten, to identify issues, initiate a national educational and training programme for black estate agents and to persuade Government to introduce an educational programme for black consumers.

The committee consists of representatives of the Development Bank, the Urban Foundation, the National Association of Home Builders, the South African Housing Trust and financial institutions.

A spokesman for the board confirmed the plan and said they would consult with black builders and estate agents about implementing the massive programme.

The president of African Builders Association, Mr Joas Mogale, said that as blacks were still new in business at a contractual level, they were being exploited. He said: "We have to change this by fighting for what is ours and also ensure that we upgrade ourselves."

Left out

According to Mogale black builders are the key to change and development. They could improve themselves by initiating, directing and co-ordinating development programmes.

However, Mogale said, when the survey was conducted blacks were not consulted and as a result it would be difficult for them to participate on the programme.

He was supported by the secretary of the United Builders Association, Mr Kenneth Cele, who said they felt left out when major decisions were taken on the critical housing shortage.

"There is a need to come up with new strategies to meet the housing situation that involves blacks - not just as consumers, but also as builders, contractors, developers," Cele said.

Mogale said that blacks had a key role to play in solving the housing crisis and they should not be "mere actors" while the white contractors enjoyed the greater slice of the cake.

African Builders Association president Joas Mogale.

Cover now available for latent defects

88

32

B Day 22/3/90

A WELCOME introduction for commercial property owners is "latent building defects" cover — a new product to be launched by builders, civils and engineering underwriting managers BCE and Fedgen next month.

BCE MD David Taylor says international demand has arisen from building owners for such cover in the wake of a spate of building problems arising from latent defects.

These are not generally covered by standard all-risks policies nor by the usual fire or specified perils insurances.

"With a policy such as this, a claim can be settled quickly and without argument as there need be no dispute over the value. It is simply the value insured," says Taylor.

Citicorp Insurance Brokers provide an Inherent Defects Insurance (IDI) Policy or Decennial Insurance — a 10-year non-cancellable policy. The policy covers:

- Destruction of premises or damage which renders them unstable;
- Threat of imminent collapse arising from inherent defects;
- The cost of demolishing and removing debris resulting from such damage;
- Reasonable legal, professional or consultants' fees incurred in connection with destruction or collapse;
- Additional costs of repairs or reinstatement.

The Citicorp policy is available only in certain countries, mainly in Europe, and only for new buildings.

metaalwerk, wat die volgende insluit: Die aanbring van staalplafonne, metaalvensters, metaaldeure, siermetaalwerk, metaalrame, metaaltrappe en boumetaalwerk, die vervaardiging en/of aanbring van getrokke metaalwerk, plaatmetaal en uitgedrukte metaal, afgesien daarvan of die artikel wat gebruik word, deur die persoon wat dit gemaak of voorberei het, in die gebou of bouwerk aangebring word of nie;

verfwerk, wat die volgende insluit: die prosesse van versiering emaljering, vlamskildering, marmering, beitsing, vernissing, vergulding, belyning, sjablonering, muurplakking, spuitskuldering, glasuring, waspolering, distempering, afwitting, klerukalking en houtverduursaming, en wat ook insluit die verwydering van verf, die skraap, was en skoonmaak van geverfde of gedistemperde mure en die was en skoonmaak van houtwerk wanneer sodanige verwydering, skraap, was en skoonmaak enige van genoemde prosesse voorafgegaan;

pleisterwerk, wat die volgende insluit: Modelleerwerk, granoliet- en komposisiebevloering, komposisiemuurbedekking en -polering, voorafgegiete of kunsklipwerk, muur- en vloerbeteëling en plavei- en mosaïekwerk, met inbegrip van die aanwending van asfaltmastik of bitumineuse mastik vir doeleindes van waterdigting op horisontale of vertikale vlakke, afgesien daarvan of die artikel wat gebruik word, deur die persoon wat dit gemaak of voorberei het, in die gebou of bouwerk aangebring word of nie;

loodgieterswerk, wat die volgende insluit: Loodsweiswerk, gasaanlêwerk, sanitêre en huisingenieurswerk, rioollêwerk, kalfaatwerk, ventileerwerk, verwarmingswerk, die aanlê van warm en koue water, die installering van brandvoorkomingstoerusting en die vervaardiging en aanbring van alle plaatmetaalwerk, afgesien daarvan of die artikel wat gebruik word, deur die persoon wat dit gemaak of voorberei het, in die geboue of bouwerk aangebring word of nie;

die uitrus van winkels, kantore en banke, wat die volgende insluit: Die vervaardiging en/of aanbring van winkelfronte, vensterafskortings, vertoonkaste, toonbanke, skerms en binnenshuise los en vaste toebehore;

staalwapening, wat die volgende insluit: Die maak en oprigting van bekisting en toesighouding oor die buig, plasing en vassit in die regte posisie van staal en beton;

staalkonstruksie, wat die volgende insluit: Die aanbring van alle klasse staal- of ander metaalsuile of -lêers, staalbalke of metaal in enige ander vorm wat deel van 'n gebou of bouwerk uitmaak;

houtbewerking, wat die volgende insluit: Timmerwerk, houtwerk, masjinering, asbesteël, dakspaan- en ander dakbedekkings, klank- en akoestiekmateriaal, kurk- en asbesisolasie, houtlatwerk, komposisieplatfonne en muurbedekking, die insit van muurproppe, die bedekking van houtwerk met metaal, blokkies- en ander bevloering, met inbegrip van bevloering met hout, kurk en rubber (en die skuur daarvan met skuurpapier), kurktapytstof, en enige klas of soort linoleum wanneer dit in 'n gebou of bouwerk aangebring word en die aanbring van asfaltversadigde vilt of materiale by vloere en/of mure en/of dakke, afgesien daarvan of die artikel wat gebruik word, deur die persoon wat dit gemaak of voorberei het, in die gebou of bouwerk aangebring word nie.

(4 Mei 1990)

metal work, which includes the fixing of steel ceilings, metal windows, metal doors, builder's smithwork, metal frames, metal stairs and architectural metalwork, the manufacture and/or fixing of drawn metalwork and sheet and extruded metal, whether or not the fixing in the building or structure is done by the person making or preparing the article used; 32

painting, which includes the processes of decorating, enamelling, graining, marbling, staining, varnishing, gliding, lining, stencilling, paperhanging, spraying, glazing, wax-polishing, distempering, lime and colour washing and woodwork preservation, and which also includes paint removal, scraping, washing and cleaning of painted or distempered walls and washing and cleaning woodwork when such removal, scraping, washing and cleaning are preparatory to any of the said processes;

plastering, which includes modelling, grano-lithic and composition flooring, composition wall covering and polishing, precast or artificial stone work, wall and floor tiling and paving and mosaic work, including the application of asphaltic or bituminous mastics for the purpose of waterproofing on horizontal or vertical surfaces, whether or not the fixing in the building or structure is done by the person making or preparing the article used;

plumbing, which includes lead burning, gas fitting, sanitary and domestic engineering, drainlaying, caulking, ventilating, heating hot and cold water fitting, fire prevention installation and the manufacture and fitting of all sheet metalwork, whether or not the fixing in the building or structure is done by the person making or preparing the article used;

shop, office and bank fitting, which includes the manufacture and/or fixing of shop fronts, window enclosures, showcases, counters, screens and interior fittings and fixures;

steel reinforcing, which includes the making and erection of shuttering and the supervising of the bending, placing and fixing in position of steel and concrete;

steel construction, which includes the fixing of all classes of steel or other metal columns or girders, steel joints or metal in any other form which forms part of a building or structure;

woodworking, which includes carpentry, woodwork, machining, turning, carving, fixing of corrugated iron, asbestos tiles, shingling and other roof coverings, sound and acoustic material, cork and asbestos insulation, wood lathing, composition ceiling and wall covering, the plugging of walls, the covering of woodwork wth metal, block and other flooring, including wood, cork and rubber (and sandpapering of same), cork carpeting and any class or kind of linoleum when fixed in any building or structure, and the application of asphaltic saturated felt or fabrics to floors and/or walls and/or roofs, whether or not the fixing in the building or structure is done by the person making or preparing the article used.

(4 May 1990)

Blue Circle braces itself for a cooling off period

BDay 27/3/90 (32)

Business Day Reporter

THE demand for construction materials weakened during the final six months of 1989, and Blue Circle expects that sales volumes for these products will decline further in the current year.

But looking further down the road, Blue Circle is confident that demand for its products will increase at a greater rate than the economy as a whole. This is because there is an urgent need to speed up housing and infrastructural developments in the less developed areas of the country.

Blue Circle concentrates on the manufacture and supply of basic materials to the construction and building industries. The group also manufactures and distributes engineering products.

In its latest annual report, for the 12 months ended December 1989, Blue Circle proudly notes that it celebrated its 75th anniversary last year. Earnings increased by 8% to 329,8c (305,5c), while the dividend was raised by 10% to 110c. Net worth per share advanced to 1 320c from 1 096c.

Blue Circle changed the basis of accounting for deferred taxation from the comprehensive to the partial basis. The 1988 comparative figures have been restated for this change.

During the period under review, turnover rose by 40,6% to R741m, while the trading surplus increased by a proportionally lower 23,7% to R171,3m. The group blames the lower margins on the fact that selling price increases have generally been below inflation. This factor, combined with the reduced demand for construction materials, has made it difficult for Blue Circle to recover inflationary-led cost increases.

Overlap

The substantial increase in turnover occurred primarily within the materials and engineering divisions. The materials operation supplies construction aggregates and ready mixed products to the construction, mining and manufacturing sectors.

During the past year, Blue Circle successfully merged its materials operations with the Murray & Roberts aggregate and ready mixed interests. Consequently, management has spent time rationalising overlapping operations and consolidating the administrative function of the merged groups.

The materials operation should produce slightly lower profits this year. Although the directors anticipate substantial volume decreases in some areas, increased rationalisation benefits and productivity improvements should counter the effects of these volume declines.

Within the engineering division, turnover rose substantially because of the high level of low-margin equipment sales. The introduction of new products and increased market penetration will allow the engineering arm to produce an improvement in turnover and profit despite the expected economic slowdown.

The directors anticipate that the demand for cement will continue to decline thoughout this year and into 1991. They say prices are constrained by market forces and margins will come under pressure.

Overall, Blue Circle expects that earnings for the current year will be maintained at 1989 levels.

You'd better hurry if you want that subsidy

Sowetan 29/3/90

BUILDING costs are rising rapidly and would-be home owners should act quickly before they pass the magic subsidy level, says Mr Russell Glyn-Curthbert, marketing director of Gough Cooper Homes.

Homes costing up to R45 000 qualify for a R12 000 free subsidy under the Government's scheme to assist first-time home buyers. But after that, buyers are on their own, having passed out of the subsidy bracket.

Further assistance for buyers struggling to save a deposit comes in the form of a Bonus Discount of R2 400 offered by Gough Cooper to be used as part of their deposit. This offer is valid until the end of April.

Says Glyn-Curtbert: "Gough Cooper are still the inflation beaters in the supply of affordable housing. We use innovative skills and the financial muscle that comes from being part of the huge Group Five empire to offer exceptional value for money, well below the inflation rate.

"We believe that everyone deserves to have a home of his own, and we do our best to make that dream come true. Our easy deposit scheme, and numerous financial packages which can be set up with employers who wish to assist their staff's housing needs, offer an outstanding ~~opportunity~~ for buyers."

32

Hurry

~~But~~ they must hurry, he says. If they wait much longer, the cost would have crept past the R45 000 barrier, and their hopes of a subsidy would have vanished.

Gough Cooper are already busy in Port Elizabeth, Pinetown, Pietermaritzburg, Durban, Soweto, Tembisa, Mamelodi and Soshanguve.

For further information contact Mr Kevin Dan at (011) 789-2060.

PROPERTY

Argus 29/3/90 (32)

Black housing industry loses R100 million

From JABULANI SIKHAKHANE

JOHANNESBURG. — Property developers who made huge investments in land holdings in expectation of a continued boom in the black housing market, lost an estimated R100 million last year.

Franz Pretorius, general manager, project finance department of the Urban Foundation told a seminar on low-cost housing in Sandton that the industry still faced a major decline in turnover and profitability.

He said large land holdings were financed by expensive borrowings and, at current mortgage rates, very little reduction in stockholding was contemplated.

LARGE TRACTS

The Urban Foundation, which controls about 40percent of all land for housing development in black areas, bought large tracts of land four years ago in expectation of a boom.

When interest rates were around 12,5 percent, it was feasible to develop the land, but the sharp increase in interest rates to 21 percent (23 percent in real terms) has made housing unaffordable to most people, he said.

The general manager of African Life Homes, Guy Leitch, said the homebuilding industry had over the past two years experienced a cyclical downswing caused by rapid increases in interest rates.

Margins and affordability came under pressure from higher building material costs.

CONSTRAIN DEVELOPERS

Mr Pretorius said the Urban Foundation was concerned that negative prospects facing developers and the homebuilding industry would constrain major developers from bringing suitably serviced land on stream to meet demand for housing, particularly at the lower end of the market.

He said investment by fund managers could help inject much needed cash flow into the hands of major developers.

This would help reduce their cost of borrowing, improve gearing and facilitate the delivery of housing in the middleand lower-income market segments.

Debenture funding could be one mechanism to make investment in residential landholding attractive for fund managers, he said.

FIXED MARGIN

Using debenture funding, for instance, in an unlisted property-owning company, debentures could offer a fixed margin pitched slightly above a comparable term gilt or semi-gilt rate.

"The debenture capital and interest rates will be indirectly guaranteed by a commercial bank or other recognised financial institution," Mr Pretorius said.

He said the intention of the Urban Foundation was to promote the development and establishment of an appropriate landholding investment vehicle and solicit investor support.

Supreme Manufacturing turning around

32 **ANDREW GILL**

SUPREME Manufacturing Holdings (SMH) — formerly Victoria Lewis Holdings (VicLewis) — has announced a R1,4m profit turnaround in the four months since its formation and acquisition of VicLewis. BDay 30/3/90

In the audited nine-month results, chairman Edward Ronbeck said this indicated the restructured and enlarged SMH was becoming a truly diversified manufacturing holding company.

SMH after-tax profit for the four months since September increased to R1m because of a R420 000 tax credit.

This compared to VicLewis's six-month loss of R800 000 posted in September.

The directors have decided not to declare a dividend because of the relatively high gearing — reduced from 251% to 63% — and restructuring.

Future prospects included the establishment of bases in Europe and the exploration of export possibilities, "to lessen dependence on the local market".

Earnings are forecast at 5,4c a share.

Basil Starke flips into R3,2m profit after restructuring

Business Day Reporter

THE restructured Basil Starke Group has produced a dramatic turnaround in results by achieving a profit, before minority interests, of R3,2m against a comparative loss of R3,1m for the previous year to December.

The performance, on turnover of R151,7m (R136,9m) and operating income of R7,2m (-R845 000), comes on the back of major group restructuring.

As of January 1, Basil Starke Investments had become an investment holding company with an 87% interest in the building and construction group as its only asset.

In terms of the restructure the subsidiaries of Basil Starke Investments have become subsidiaries of Basil Starke Holdings, the wholly owned subsidiary of the Basil Starke Group.

Chairman Basil Starke said that the turnaround over the past financial year was achieved against a backdrop of a continued conservative accounting policy.

(32)

While the group's gearing had improved during the year under review — to 242% from 287% — it was still not satisfactory and for this reason directors deemed it prudent not to declare a dividend. Earnings were at 15,5c (-36,9c) a share.

With reasonably healthy order books, Starke is optimistic that the group will increase earnings.

30/3/88

Cenprop to raise R65-m for development

Star 30/3/98 (32)

Finance Staff

Rosebank is to get more offices and shops and the centre of Johannesburg is to get a new shopping centre.

Centrecity Property Fund (Cenprop) is raise R65 million through a rights issue which will be used to finance these and other projects.

The funds raised, together with cash resources, will be used to:

- Finance the development of an 18 500 sq m office buildings and 650 sq m of additional retail space at the Mall, Rosebank, with a total project value of R51 million;
- Finance the development of a 6 500 sq m shopping complex, expected to cost R20 million, on the site bounded by Rissik, Commissioner and Joubert Streets in Johannesburg;
- Fund the acquisition of a 2,3ha site in Durban to be used for the development of a 12 500 sq m shopping centre with a total cost ofR30 million.

A further R10 million will be used to enhance and expand existing buildings.

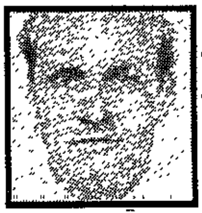
Star 31/3/90

Have faith in property

32

Money Matters

MAGNUS HEYSTEK



RESIDENTIAL property prices, particularly in certain areas and for certain types, have been rising sharply in recent months.

What makes this performance noteworthy is that this has happened in the face of high interest rates and a declining economy, which normally tend to depress property prices, or at best keep a lid on them.

This begs the question: What is the residential property market likely to do in coming months?

And is it a good time to buy residential property or should one sit on the sideline waiting for a shake-out in the market?

When approached on this subject my advice to would-be homeowners is usually that they should not try to "read" the market and should buy that roof over their heads as soon as possible.

I know of so many people who have tried to be clever in the property market and severely burnt their fingers in the process.

One particular case comes to mind, and I can vouch for its authenticity.

An acquaintance of mine sold his property in an exclusive suburb in Cape Town some years ago at a time which he perceived to be at the top of the market.

His intention was to rent a house for six to 12 months and then buy another property at a lower price.

Unfortunately for him, what he had perceived to be the top of the market turned out to be the start of a sharp rise in property prices.

He eventually bought back his OWN property for R50 000 more than for what he sold it.

The lesson of this particular incident, is that one should not speculate with one's home.

Many people might be tempted to realise profits on their properties by selling now, but that might turn out to be a very expensive mistake — especially if South Africa follows the high road to the future.

While the immediate political outlook is hazy, to say the least, South Africa might just be at the threshold of a new era in its history, if its apparently insoluble problems can be overcome.

What should not be overlooked is the potential boost the country will receive by rejoining the rest of the Western world.

Returning to the fold of civilised nations could lead to a re-rating of South Africa Inc, which would be bound to give an enormous boost to local residential, commercial and industrial, properties.

Just imagine what would happen to local prices if Japanese and other wealthy international investors were allowed to buy property in South Africa?

For the price of a one-bedroomed apartment in Tokyo a Japanese could afford to buy an estate in South Africa complete with tennis court, swimming pool and stables.

And who says this cannot happen?

Other factors to be taken into account when trying to determine the future course of the property market include the rate of economic growth, the real level of interest rates, immigration vis-a-vis emigration, building costs and political events.

The last factor, to my mind, will ultimately determine the future course of residential property prices.

If South Africa can follow a fairly orderly route to a more democratic society, basically along the route of a market economy, then one can expect property prices to keep on rising at a fairly steady pace.

But a sudden, and not too altogether unlikely, deterioration of the political situation would serve to place a damper on the heady property market.

Under such a scenario one can expect much of the steam in the market to disappear overnight.

That again could lead to an oversold situation, as has happened three times before in the past 30 years — after Sharpeville in 1960 and Soweto in 1976 and 1985-86.

These three periods, in particular, eventually turned out to have provided many bargains for people with longer-term faith in this country.

But pray that we don't again find ourselves in that kind of situation.

D&H pushes up earnings

BRENT MELVILLE 32

MALBAK construction arm Darling & Hodgson group (D & H) has pushed earnings up a healthy 36% to 47,6c (35,1c) for the half year to February.

This is calculated after accounting for the adoption by D & H's 42%-owned associate Blue Circle of the partially deferred tax method of accounting.

By altering its accounting methods, the group increased earnings by 5,8c on restated comparative figures which were credited 4,9c a share.

The interim dividend improved by 31% to 10,5c (8,0c) a share. Attributable profits were at R30,9m (R22,7m) off a 49% hike in operating income to R54,7m (R36,8m). Turnover was up 25% to R297,7m (R239,1m).

B|Day B|Day Dip 3|4|90

MD Richard Bruyns said the results reflected the emphasis placed on improving efficiency and cost controls.

A striking feature of the results is the 20% dip in the interest bill which is attributed to the group's strong cash flow.

The increase in the tax rate — due to assessed losses being utilised — and a higher share to outside shareholders accounted for the more conservative bottomline figure. On the balance sheet a R3,2m overdraft was turned to R22,8m in cash. Net asset value improved to 401c (320c).

Looking ahead Bruyns was confident of an improvement on first-half performance in the second half, implying full-year earnings of about 95c a share.

KENNISGEWING 359 VAN 1990

DEPARTEMENT VAN MANNEKRAG

WET OP ARBEIDSVERHOUDINGE, 1956

REGISTRASIE AS 'N WERKGEWERS-ORGANISASIE

Hierby word vir algemene inligting bekendgemaak dat die Small Builders Association (Cape) met ingang van 24 April 1990 ingevolge artikel 4 (7) van die Wet op Arbeidsverhoudinge, 1956, as 'n werkgewersorganisasie geregistreer is ten opsigte van alle klein werkgewers betrokke by die Bounywerheid soos hieronder omskryf, in die landdrosdistrikte Die Kaap, Goodwood, Bellville, Simonstad, Wynberg en Kuilsrivier.

Vir die doeleindes hiervan beteken—

"klein werkgewer" 'n werkgewer wat hoogstens 75 werknemers in diens het;

"Bounywerheid", sonder om die gewone betekenis van die uitdrukking enigerwyse te beperk, die nywerheid waarin klein werkgewers en hul werknemers met mekaar geassosieer is met die doel om geboue en bouwerke op te rig, te voltooi, op te knap, te herstel, te onderhou of te verbou en/of artikels te maak vir gebruik by die oprigting, voltooiing of verbouing van geboue en bouwerke, afgesien daarvan of die werk verrig, die material berei of die nodige artikels gemaak word op die terreine van die geboue of bouwerke of elders, en omvat dit alle werk wat daarin uitgevoer of verrig word deur persone wat by ondergenoemde werksaamhede of onderafdelings daarvan betrokke is, met inbegrip van uitgrawings en die voorbereiding van terreine vir geboue, asook die sloping van geboue tensy die betrokke werkgewer bewys kan lewer dat sodanige sloping nie uitgevoer is met die doel om die terreine vir bouwerksaamhede voor te berei nie:

Messelwerk, wat die volgende insluit: Betonnering en die aanbring van betonblokke, -platblokke of -plate en glasstene, die beteëling van mure en vloere, voegvulling plaveiwerk, mosaïekwerk, voorwerk met leiklip, marmer en komposisiemateriaal, rioollêwerk, leiwerk en pandekking en bitumen-, asfalt- en plaatwerk;

lakpolitoerwerk, wat die volgende insluit: Politoerwerk met 'n kwas of kussinkie en bespuiting met 'n kompoisiestof;

skrynwerk, wat die vervaardiging van alle skrynwerkartikels insluit, afgesien daarvan of die artikel wat gebruik word, deur die persoon wat dit gemaak of voorberei het, in die gebou of bouwerk aangebring word of nie;

ruit-inloodwerk, wat die volgende insluit: Die vervaardiging en/of aanbring van ligte en reklameligte en die beglasing wat daarmee in verband staan;

klipmesselwerk, wat die volgende insluit: Klipkap- en klipbouwerk, asook die kap en bou van sier- en monumentklipwerk en die vervaardiging en oprigting van grafstene en begraafplaasgedenktekens van alle soorte, betonnering en die aanbring of bou van voorafgegiete en/of kunsklip of marmer, plaveiwerk, mosaïekwerk, voegvulling, muur- en vloerbeteëling, die bediening van klipwerkmasjinerie, uitgesonderd klippoleermasjinerie, en die skerpmaak van klipmesselaarsgereedskap, afgesien daarvan of die artikel wat gebruik word, deur die persoon wat dit gemaak of voorberei het, in die gebou of bouwerk aangebring word of nie;

NOTICE 359 OF 1990

DEPARTMENT OF MANPOWER

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LABOUR RELATIONS ACT, 1956

REGISTRATION AS A TRADE UNION

It is hereby notified for general information that the Small Builders Association (Cape) has with effect from 24 April 1990, in terms of section 4 (7) of the Labour Relations Act, 1956, been registered as an employers' organisation in respect of all small employers engaged in the Building Industry, as defined below, in the Magisterial Districts of The Cape, Goodwood, Bellville, Simon's Town, Wynberg and Kuils River.

For the purposes hereof—

"small employer" menas an employer who employs not more than 75 employees;

"Building Industry" means, without in any way limiting the ordinary meaning of the expression, the industry in which small employers and their employees are associated for the purpose of erecting, completing, renovating, repairing, maintaining or altering buildings and structures and/or making articles for use in the erection, completion or alteration of buildings and structures, whether the work is performed, the material prepared or the necessary articles are made on the sites of the buildings or structures or elsewhere, and includes all work executed or carried out by persons therein who are engaged in the following activities or subdivisions thereof, including excavations and the preparation of sites for buildings as well as the demolition of buildings, unless it can be shown by the employer concerned that such demolition was not carried out for the purpose of preparing the sites for building operations:

Bricklaying, which includes concreting and the fixing of concrete blocks, slabs or plates and glass bricks, the tiling of walls and floors, pointing, paving, mosaic work, facing work in slate, in marble and in composition, drainlaying, slating and roof tiling, bituminous work and asphalt and sheeting work;

french polishing, which includes polishing with a brush or pad and spraying with any composition;

joinery, which includes the manufacture of all articles of joinery, whether or not the fixing of the article in the building or structure is done by the person making or preparing the article used;

leadlight-making, which includes the manufacture and/or fixing of lights and display signs, and glazing relating thereto;

masonry, which includes stone-cutting and building in stone, also the cutting and building or ornamental and monumental stone work and the manufacture and erection of grave-stones, and cemetery memorials of all types, concreting and the fixing or building of precast and/or artificial stone or marble, paving, mosaic work, pointing, wall and floor tiling, operating stone-working machinery other than stone-polishing machinery and the sharpening of mason's tools, whether or not the fixing in the building or structure is done by the person making or preparing the article used;

metaalwerk, wat die volgende insluit: Die aanbring van staalplafonne, metaalvensters, metaaldeure, siermetaalwerk, metaalrame, metaaltrappe en boumetaalwerk, die vervaardiging en/of aanbring van getrokke metaalwerk, plaatmetaal en uitgedrukte metaal, afgesien daarvan of die artikel wat gebruik word, deur die persoon wat dit gemaak of voorberei het, in die gebou of bouwerk aangebring word of nie;

verfwerk, wat die volgende insluit: die prosesse van versiering emaljering, vlamskildering, marmering, beitsing, vernissing, vergulding, belyning, sjablonering, muurplakking, spuitskuldering, glasuring, waspolering, distempering, afwitting, klerukalking en houtverduursaming, en wat ook insluit die verwydering van verf, die skraap, was en skoonmaak van geverfde of gedistemperde mure en die was en skoonmaak van houtwerk wanneer sodanige verwydering, skraap, was en skoonmaak enige van genoemde prosesse voorafgegaan;

pleisterwerk, wat die volgende insluit: Modelleerwerk, granoliet- en komposisiebevloering, komposisiemuurbedekking en -polering, vooraf gegiete of kunsklipwerk, muur- en vloerbeteëling en plavei- en mosaïekwerk, met inbegrip van die aanwending van asfaltmastik of bitumineuse mastik vir doeleindes van waterdigting op horisontale of vertikale vlakke, afgesien daarvan of die artikel wat gebruik word, deur die persoon wat dit gemaak of voorberei het, in die gebou of bouwerk aangebring word of nie;

loodgieterswerk, wat die volgende insluit: Loodsweiswerk, gasaanlêwerk, sanitêre en huisingenieurswerk, rioollêwerk, kalfaatwerk, ventileerwerk, verwarmingswerk, die aanlê van warm en koue water, die installering van brandvoorkomingstoerusting en die vervaardiging en aanbring van alle plaatmetaalwerk, afgesien daarvan of die artikel wat gebruik word, deur die persoon wat dit gemaak of voorberei het, in die geboue of bouwerk aangebring word of nie;

die uitrus van winkels, kantore en banke, wat die volgende insluit: Die vervaardiging en/of aanbring van winkelfronte, vensterafskortings, vertoonkaste, toonbanke, skerms en binnenshuise los en vaste toebehore;

staalwapening, wat die volgende insluit: Die maak en oprigting van bekisting en toesighouding oor die buig, plasing en vassit in die regte posisie van staal en beton;

staalkonstruksie, wat die volgende insluit: Die aanbring van alle klasse staal- of ander metaalsuile of -lêers, staalbalke of metaal in enige ander vorm wat deel van 'n gebou of bouwerk uitmaak;

houtbewerking, wat die volgende insluit: Timmerwerk, houtwerk, masjinering, asbesteël, dakspaan- en ander dakbedekkings, klank- en akoestiekmateriaal, kurk- en asbesisolasie, houtlatwerk, komposisieplatfonne en muurbedekking, die insit van muurproppe, die bedekking van houtwerk met metaal, blokkies- en ander bevloering, met inbegrip van bevloering met hout, kurk en rubber (en die skuur daarvan met skuurpapier), kurktapytstof, en enige klas of soort linoleum wanneer dit in 'n gebou of bouwerk aangebring word en die aanbring van asfaltversadigde vilt of materiale by vloere en/of mure en/of dakke, afgesien daarvan of die artikel wat gebruik word, deur die persoon wat dit gemaak of voorberei het, in die gebou of bouwerk aangebring word nie.

(4 Mei 1990)

metal work, which includes the fixing of steel ceilings, metal windows, metal doors, builder's smithwork, metal frames, metal stairs and architectural metalwork, the manufacture and/or fixing of drawn metalwork and sheet and extruded metal, whether or not the fixing in the building or structure is done by the person making or preparing the article used;

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painting, which includes the processes of decorating, enamelling, graining, marbling, staining, varnishing, gliding, lining, stencilling, paperhanging, spraying, glazing, wax-polishing, distempering, lime and colour washing and woodwork preservation, and which also includes paint removal, scraping, washing and cleaning of painted or distempered walls and washing and cleaning woodwork when such removal, scraping, washing and cleaning are preparatory to any of the said processes;

plastering, which includes modelling, grano-lithic and composition flooring, composition wall covering and polishing, precast or artificial stone work, wall and floor tiling and paving and mosaic work, including the application of asphaltic or bituminous mastics for the purpose of waterproofing on horizontal or vertical surfaces, whether or not the fixing in the building or structure is done by the person making or preparing the article used;

plumbing, which includes lead burning, gas fitting, sanitary and domestic engineering, drainlaying, caulking, ventilating, heating hot and cold water fitting, fire prevention installation and the manufacture and fitting of all sheet metalwork, whether or not the fixing in the building or structure is done by the person making or preparing the article used;

shop, office and bank fitting, which includes the manufacture and/or fixing of shop fronts, window enclosures, showcases, counters, screens and interior fittings and fixures;

steel reinforcing, which includes the making and erection of shuttering and the supervising of the bending, placing and fixing in position of steel and concrete;

steel construction, which includes the fixing of all classes of steel or other metal columns or girders, steel joints or metal in any other form which forms part of a building or structure;

woodworking, which includes carpentry, woodwork, machining, turning, carving, fixing of corrugated iron, asbestos tiles, shingling and other roof coverings, sound and acoustic material, cork and asbestos insulation, wood lathing, composition ceiling and wall covering, the plugging of walls, the covering of woodwork wth metal, block and other flooring, including wood, cork and rubber (and sandpapering of same), cork carpeting and any class or kind of linoleum when fixed in any building or structure, and the application of asphaltic saturated felt or fabrics to floors and/or walls and/or roofs, whether or not the fixing in the building or structure is done by the person making or preparing the article used.

(4 May 1990)

Work starts on R135-m Braamfontein project

Star 5/4/90

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By Frank Jeans

Construction work has started on Sanlam's R135 million commercial development on Braamfontein Ridge, Johannesburg.

Main contractor, Stocks Construction (Rand) has launched the first of five phases of the 40 000 sq m Braampark which is one of the biggest city developments in recent years.

The 10 380 sq m first phase of offices with a contract value of R35 million, is being taken by the data division of South African Transport Services (Sats). A restaurant will also be part of this stage.

Mr Neil Gardner of Stocks Properties which, along with Sanlam, is handling the marketing, says there is already brisk demand from "several large space users".

The first phase is scheduled for completion by the middle of next year and the other phases will begin on market demand.

Braampark is adjacent to the Civic Centre on the site of the old fever hospital on the northern slope of the ridge.

Three buildings on the property have been listed as national monuments and Mr Bart Dorrestein, managing director of the Stocks & Stocks group says these will be preserved and refurbished.

"Indeed," he says, "the appearance of the old hospital of red brick and Victorian arches has greatly influenced the design approach of the new development."

BASIL STARKE FM 6/4/90

Housing swings

32

Basil Starke's swing from profit to loss and back to profit between 1987 and 1989 demonstrates either the high risk associated with the construction industry, or over-optimistic management — or both.

In 1989, the manufacturing element of group turnover generated the first marked improvement in attributable profits for the first time since the July 1987 reverse take-over of the listed Ovenstone companies. And, whereas manufacturing represented 16% of

FM 6/4/90 (32)

TURNAROUND

Year to Dec 31	1988	1989
Turnover (Rm)	136,8	151,6
Operating income (Rm)	0,8	7,1
Attributable earnings (Rm)	(3,8)	2,7
E.P.S. (c)	(36,9)	15,5
Dividends (c)	—	—

total sales of R151m, it produced 48% of the attributable profit. This division netted losses of R0,5m and an annualised R0,4m in 1988 and 1987 respectively. The turnaround comes largely because of the sale of the furniture manufacturing division of subsidiary Premier Wire.

On the other hand, the construction component of the company's activities accounted for 82% of turnover, but just 52% of the attributable profit of R2,7m. However, this still represents a turn-around from the 1988 loss of R3,2m though there is still some way to go to catch up with the R4m, annualised, profit that was recorded in 1987.

Preliminary balance sheet figures illustrate an exceptionally highly geared operating company. Current liabilities exceed current assets in a ratio of 1,13. But, more significantly, if the redeemable preference share capital is extracted from shareholders' funds where it is shown and reflected as part of long-term borrowings where (arguably) it should be, interest-bearing debt is 345% of ordinary shareholders' funds of R6,7m. The effect of these borrowings on the profit performance of the group is seen in the rise in interest paid from R1,9m in 1988 to R3,8m. This represents 58% of 1989 operating income.

MD Maurice Phillips says he sees no reason why performance in 1990 should not be similar to 1989. Since dividends have been forgone this year because of the geared position of the group, unless there is a radical change either in the group capital structure or a major jump in attributable earnings, the dividend may well have been passed again next year.

Gerald Hirshon

Building ripoffs rife, says city lawyer

APR 645
9/1/90
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By EDWARD MOLOINYANE
Staff Reporter

LAWYERS are handling hundreds of cases between buyers and building contractors who vanish, leaving would-be homeowners penniless.

A lawyer who cannot be named said his workload had increased dramatically since 1988 when a housing scheme was started in Khayelitsha.

He said most cases were "hopeless" and if a developer was traced it took time to take the matter to court and even when this was done the victims still remained the losers in that the house, if it was ever built, was never finished.

He felt strongly about procedures followed by financial institutions in granting loans to township home-buyers.

He said many of the problems could be minimised if financial institutions "policed" the building process.

Financial institutions seemed to grant bonds without first establishing the developer's bona fides, resulting in bogus "contractors" taking advantage, he said.

The lawyer noted two ways in which developers were exploiting township people's ignorance:

- Buyers often signed contracts they did not understand and these were often in favour of the developer; and
- Developers made the purchaser sign authorisation for the withdrawal of the entire bond before building commenced.

This in some cases resulted in the developer starting the foundations and then vanishing after withdrawing the money.

SA Perm regional bond sales representative Mr Stan Elliot said they were concerned about the situation and had opened an office in Khayelitsha to offer advice to home-buyers.

"What people do not understand is that the contract is between the developer and purchaser, but we have noted that many developers are taking advantage of the ignorance of some people in the townships."

MCW 9/4/90

Dreams shattered by shady dealings in township housing

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By EDWARD MOLOINYANE
Staff Reporter

ALMOST a year after Mr Meriman Voboyi and his wife, Elizabeth, paid a R5 000 deposit to building contractors to extend their two-roomed Khayelitsha house, no building has started, they have lost the R5 000 and their dreams of providing accommodation for their three children have been shattered.

And, after being told to wait for their bond to be registered, the couple has not heard from the builders since December and their chances of recovering the money look bleak.

The contractors have disappeared without trace, leaving the Voboyis bitter and helpless.

ORDEAL

The Voboyis' ordeal began last April when two men claiming to be partners in a building construction concern arrived at their home one Saturday.

Armed with documents in financial institution letterheads, the neatly dressed men who claimed to be builders said they were "helping people obtain loans".

Apart from having close working relationships with financial institutions, the men claimed to own Malikhaya Building Contractors based in Guguletu.

They couldn't have come at a better time, for the Voboyis had wanted to add two rooms to their tiny house for their children for years.

But finance had always been a problem and Mr Voboyi, a printing company employee.

Already in possession of a plan for the extension, the idea appealed to the Voboyis, who were made to sign "bundles" of documents.

Promising to return the following week with a quotation for the extension, the men took the plan and left.

Mrs Voboyi said: "After a few days they came and asked us to accompany them to their lawyer in Mandalay who was handling the bond applications for them."

"We signed more documents and the lawyer told us to wait for at least four weeks for the bond application.

"We were beyond ourselves with joy when he later phoned to say a bond for R20 000, the amount needed for the extension, had been approved."

But the lawyer told her, because their house was rented the institution wanted them to deposit R5 000 to help assist them purchase the property before the loan could be granted.

"My husband got the money from his employer and the day he intended to take it to the institution the two men arrived early in the morning and offered to drive him to the building society. On their way they said the cheque should also be signed by the lawyer and they headed for Mandalay.

RIPPED OFF

"The trio told my husband to leave the cheque as they now had authority over it and they would deposit it themselves.

"They assured him that everything was in order and building would resume in the next few days."

The couple became really anxious one morning in December when one of the contractors known to them as Mr Mtselu, called their home and said they should not go to Mr Badul because he was allegedly "trying to cross them".

"We called Mr Badul who said he did not know the two contractors whom he alleged had ripped off many people. He said our money had been taken by the two and advised us to lay charges at the police station, offering to be our witness in the case."

Attempts to locate the contractors have also been fruitless as Mr Mtselu's Tembani home is always deserted, said Mrs Voboyi.

Listed in the telephone directory as Mtselu Design Homes (Domestic and Industrial Design), the company has used various names in its business dealings in the townships.

A recent visit to the area revealed that the company did not have an office but shares a room with a dressmaker.

After several attempts, The Argus contacted managing director Mr Julius Mtselu.

He said the couple's money had been handed over to their lawyer Mr G R Badul who had also acted as their accountant.

He said they "fell out" in December because of a financial dispute after the lawyer failed to give them their profits.

"That guy still owes us more than R10 000 and we have left some houses unfinished because of him."

New direction pays off at Darling & Hodgson

Bottom Line

MICHAEL MENOF

Star 9/4/90 32

Darling & Hodgson was founded on construction, but soon found that the bigger you grew the worse the headaches.

Losses and a different philosophy among the founding vendors and Gencor led to a split.

Today D&H is owned 61 percent by Malbak. It has changed course and is now a tightly focused group of companies supplying basic products to the greater construction industry.

With little debt, tax losses that saved cash flow and reserves now positive, D&H has recovered and restored its foundation.

Its major investment is a 42,2 percent stake in SA-listed Blue Circle. Other interests include locks, concrete pipes, pre-cast culverts and sundry pre-cast products associated with the pipe product.

After its successful development at Woodbridge Island, Cape Town, D&H has continued in property development by buying a 70 percent interest in 100 ha of industrial saleable land in Midrand.

This revised strategy of selling products to the construction industry or property development is paying dividends as seen in the 1990 interim results.

The trend in 1989's annual report is continuing, despite the demand for cement and building materials falling off and lower volumes expected.

The tax losses are disappearing quickly — R35 million in assessed losses were down to only R11 million at end-August 1989.

Since this balance will be used in 1990, and to give shareholders a more meaningful comparison of earnings per share, they have been restated on the notional basis of charging a tax rate of 48 percent and showing the effect separately in 1989's annual report, says Chairman HF Brown.

With growing cash resources, the group is keen to grow by acquisition and is always on the look out for opportunities.

Investments such as Blue Circle, where the group does not control, but owns a long-term interest and wields significant influence, are classified as associates.

Their turnover, income before tax and tax are consolidated with the rest of D&H's subsidiaries.

For the first time Blue Circle's contribution to profits was below 50 percent, lessening the group's dependence on it.

Turnover exceeded the half-billion-rand mark, ending at R542,4 million (1988: R396,9 million). Operating income totalled R101,7 million (1988: R73,6 million).

Interest expense was virtually halved to R6,5 million (1988: R11,4 million). After deducting tax of R30,7 million (1988: R21,5 million) and outside shareholders' profits of R5,2 million (1988: R1,3 million), earnings attributable to ordinary shareholders jumped 50 percent to R59,3 million (1988: R39,4 million).

Earnings per share were 91,4c (1988: 60,8c).

Total dividends for the year were increased to 29,5c (1988: 18c).

Mr Brown says the highlights for the year were the outstanding performance of Rocla following the successful rationalisation of the Vianini operation establishing a plant at Rocla, Roodepoort, to manufacture concrete poles for street lighting and electricity distribution, less reliance on Blue Circle for income, the purchase of Laudon Locks for R7,3 million and 100 ha of industrial land in Midrand where sales are already exceeding expectations.

But the demand for two-lever locks dropped sharply.

The group's businesses are cash generators and the rates of profitability, notwithstanding SA's high inflation rate, show real growth, says MD SR Bruyns.

Opting for supplying building materials is also evidenced by Blue Circle Materials' merging with Murray & Roberts Materials, leaving Blue Circle with 60 percent of the combined business.

Shareholders' funds together with insignificant outside shareholders' interest were R240 million (188: R194 million) at end-August.

Distributable reserves are now positive — R21,4 million (1988: negative R4,6 million). Working capital improved to R39,5 million (1988: R19 million).

The investment in Blue Circle is listed at cost, whereas its market value is around R30 million higher — a neat hidden reserve.

Net asset value per share has increased to R3,64 (with listed investments at market value it is R4,09).

But it doesn't end at August 31 1989. With a further R31 million in profit for the six months to February 1990 — up 36 percent on the corresponding period last year — the net asset value per share is R4,11, just about equalling its current JSE price.

Already Mr Brown's forecast of 77c for the whole of 1990 appears conservative, with D&H reporting 47,6c earnings at the half-way stage.

Forget about the usual conservative comment on the expected decline in demand for the group products. The cement industry is "royal game" and overcomes significant undercapacity with regular government-sanctioned price increases.

While SA faces an uncertain future, the building and construction industry will always be needed. By opting to be supplier, D&H will be a key player.

Having mighty Gencor and Malbak behind it, it cannot but succeed.

Still, there was a stage when Gencor didn't know quite what to do with D&H — perhaps the enormous tax losses and a little help from Blue Circle were the motivation to preserve it — a sound business decision in retrospect.

SA's 'silicon valley' finds strong support

Star 10/4/90

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The idea of fostering a South African "silicon valley" has been strongly supported.

The country's first technology park, based on United States and British science parks — the Technopark at Stellenbosch — is proving successful.

The developer, Technocape, says the idea is for the private sector, in partnership with universities, to harness the skills of the community to bring the best research minds to bear on practical problems identified by industry.

The development of Technopark, with the support of the local universities and the Cape Chamber of Industries, has already seen more than 60 percent of the land sold.

Several of the country's leading technology-based companies have decided to locate facilities at Technopark, providing a core for a range of smaller satellite companies offering an enhanced level of skills and ability.

(32) Star 10/4/90

Madeiran tax haven to get boost from property group

Property & Construction

FRANK JEANS

The establishment of a trade and industry free-trade zone and the development of a major off-shore financial centre in Madeira has created an attractive alternative to other tax havens in the world.

Quick to see the advantages is one of the South Africa's leading property groups, JH Isaacs.

Under the banner of its British subsidiary, JHI International and Pivotal Projects, it has secured rights to develop an industrial park within the Madeira free-trade zone.

Negotiations with potential investors are well advanced.

With an airport near by and a telecommunications system, the park will be similar to recent developments in other parts of the world.

Industrial and office accommodation will be built to specifications conforming to those in South Africa.

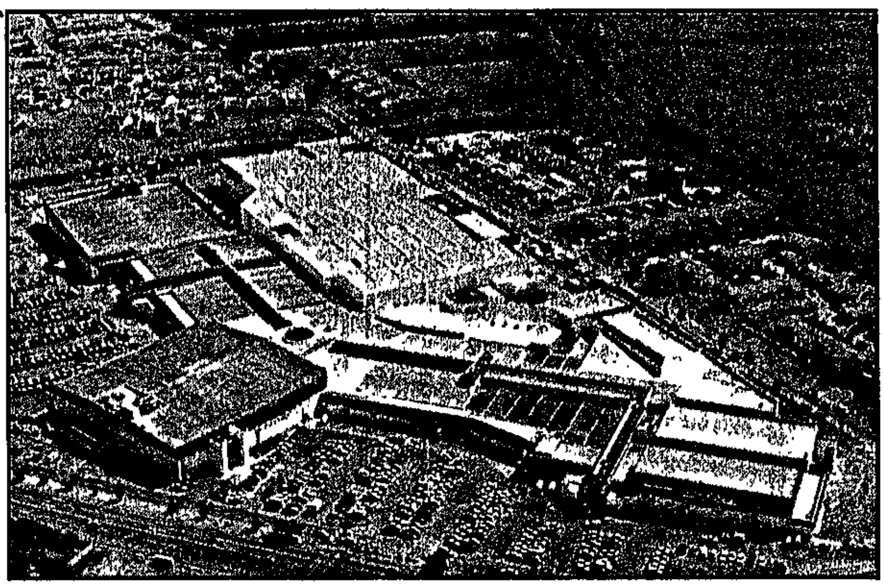
Lease terms will also be similar to those in this country, with 10 to 15-year leases incorporating standard rental escalation and review periods.

Applications from clients who want to buy units on a 50-year lease will be considered.

A JHI spokesman says: "The strategic location of Madeira puts it within easy reach of major shipping and air routes and thus offers international manufacturers an advantageous trading base into Europe, Africa and North and South America."

Building of the park is expected to be completed at the beginning of 1992, although the first buildings are planned for occupation at the end of this year.

The industrial sales division of the local JHI operation is handling deals.



Mall completed

The upgrading and extension at the Blue Route Mall (left) in Cape Town has been completed, making it the eighth largest shopping centre in South Africa.

Stauch Vorster was the main architect for the R69 million development and Ovcon the main contractor.

The complex, which now covers 46 000 sq m, includes a new Woolworths store and a 14 500 sq m Hyperama.

Blue Circle facing uphill growth task

Star 11/4/90

Diagonal Street

32

LYNNE PEACH

Building and construction group Blue Circle is in good financial shape but will probably battle to provide any profit growth this year, brokers say.

They say the group's major markets are being hit hard by measures to slow the economy down.

In the annual report, chairman Trevor Coulson says that while the engineering division is forecasting an increase in demand for 1990, there is likely to be a further decrease in sales volumes for construction materials, which form by far the largest portion of group turnover.

Overall, he says group budgets for 1990 envisage that earnings will be at substantially the same level as those of 1989.

The main business of the group is the manufacture and supply of basic materials to the construction and building industry.

In addition, the group manufactures and distributes engineering products.

There are three major divisions — cement, materials and engineering.

Last year the cement division accounted for 46 percent of group operating profit, materials accounted for 40 percent and engineering for the remaining 14 percent.

The percentage contributions from the cement and engineering operations were down, compared with those of the previous year, while the materials division achieved an increase of 36 percent over 1988's figures.

Mr Coulson says the merger of Murray & Roberts quarry operations into the materials division has been effected by the formation of Ready Mix Materials in which Blue Circle holds a 60 percent share.

He says although the merged entities are operating satisfactorily, the rationalisation benefits flowing from the merger have not yet been fully realised.

The group's major shareholders are UK-based Blue Circle Industries and JSE-listed Darling & Hodgson, each with a holding of 42,4 percent of the equity.

In the year to December 1989, group turnover climbed 41 percent from R527 million to R741 million.

Cost pressures and higher depreciation limited the rise in operating profit to 15 percent from R110,2 million to R126,9 million.

After a substantial fall in interest expense from R17,4 million to R7,5 million, pre-tax profit increased 29 percent from R92,8 million to R119,4 million.

Taxed profit advanced a lower 23 percent from R75,1 million to R92,4 million due to a rise in the effective tax rate from 19,2 percent to 22,6 percent.

After a higher share of profits to minorities, attributable profit eased rose eight percent from R84,1 million to R90,9 million. Likewise, earnings per share moved up from 305,5c to 329,8c.

The dividend was 110c a share — 10 percent higher than 1988's 100c.

The balance sheet was stronger, with a sharp reduction in long-term loans from R38,5 million to R7,6 million.

As a result, gearing improved from 14,1 percent to 9,1 percent.

Mr Coulson says borrowings are not expected to increase in the coming year.

Net asset value grew 20 percent over the year from R10,96 a share to R13,20.

Blue Circle, priced at R16,50, is trading on a P/E ratio of five and provides a dividend yield of 6,7 percent.

Although the rating is attractive, brokers are reluctant to recommend the share until the economy shows signs of bottoming out.

COMMENT: Blue Circle's share price confirms the start of an uptrend two to three months ago.

There is good support for the share at its current price level of R16,50 but the price will have to break through resistance at R17 before further rises can be expected.

Over the past two months the share has made two unsuccessful attempts to break above R17.

Contest aims to find Small Builder of Year

The South African Housing Trust has launched a national competition to find the Small Builder of the Year.

32 Star 1/4/90

The trust's projects are the proving ground for a new generation of builders and artisans specialising in the market's greatest need — affordable homes.

Wallie Conradie, managing director, says: "We are proud of our role in helping to develop a cadre of new builders who provide employment as well as accommodation and who refuse to be daunted by slim margins.

"These men deserve greater recognition for the work they do and the contribution they make to housing."

The trust believes the time is right to provide a showcase for affordable housing.

Entries for the competition close on May 31 this year. All builders working within the small builder programme on South African Housing Trust-facilitated projects are eligible.

The trust has approved housing projects valued at more than R1 billion, which will eventually create more than 50 000 homes and 46 000 serviced stands.

SA Federation of Civil Engineering Contractors executive director Kees Lagaay sees conditions in the industry becoming tougher before they improve. Picture: ROBERT BOTHA

Road firms alarmed by cutbacks in contracts

32

PIERRE DU PREEZ

ROAD construction companies are experiencing severe difficulties because of recent reductions in the allocation of contracts by government authorities.

Figures released by the SA Federation of Civil Engineering Contractors (Safcec) yesterday indicate a continued downturn in the number of road contracts awarded for the three-month period December 1989 to February 1990.

Road contracts totalling R495m (R535m) were awarded in this period. The figures include contracts for township roads. This is 8% down on the corresponding three months for 1988/89.

In 1989 the total value of road contracts (including the construction of toll roads) was about R1,5bn — 27% down on the 1988 figure of R1,9bn.

Safcec executive director Kees Lagaay said the figures represented at least 70% of all road contracts awarded in SA.

He expressed his concern about the decline, saying many contractors were "unhappy about the situation".

He added the decrease was even more worrying when inflation was taken into account.

Experts

Spending on provincial roads by the four administrations had dropped from R769m to R756m.

Grinaker civils division chairman Bean Bornheimer said yesterday the government's cut in capital expenditure on infrastructural development would certainly affect the profitability of the civil engineering industry in the next 12 to 18 months.

He added that economic experts had predicted a 10% real decrease in the volume of civil engineering work available during the next year, with a large decrease in the construction of new roads, and a small increase in the amount of township development.

Bornheimer believed the civil engineering industry as a whole might have to reduce staff in the short term.

He nevertheless applauded government's resolve to trim overall spending, and agreed the quickest and easiest way this could be done was by cutting capital expenditure.

However, he said, the cuts should be redressed as soon as possible by a gradually reducing current expenditure and redirecting those funds into significant infrastructural development.

Home builders face price crisis

32

CAH-TI 4 35 11/4/90

Own Correspondent

JOHANNESBURG. — The home-building industry is facing an affordability crisis as a result of high interest rates on mortgages, especially in the middle to upper segment of the market.

Sources in the home-building industry mostly agreed yesterday that their 1989 turnover dropped by between 20% and 50% in comparison with 1988.

Sage Schachat group executive director Mr Hylton Katz added that in recent months the unrest in the black townships had not added to the confidence of that sector.

The only company which recorded a near-standstill was Cape-based Bellandia Homes, whose 1989 turnover rose by 20% before inflation adjustment against 1988.

Managing director Mr John Clark said his company operated in the R80 000 to R250 000 white housing market, and the R60 000 to R100 000 coloured and black markets.

"In a period of prolonged high interest rates, items with big price tickets are the first to experience a drop in demand.

"The upper end of the market can withstand this to a certain extent because the buyer can borrow from his relatives or dig into savings to produce a larger deposit and so reduce the size of his bond."

National Association of Home Builders executive director Mr Johan Grotsius said that the average drop in turnover for the industry was 4,5% compared with 1988 but with inflation added this was more in the region of 20% to 25%.

Another factor inhibiting the market was red tape in getting ground proclaimed, according to Murray & Roberts Construction executive director Mr Charl van der Merwe.

Murray & Roberts Construction is a developer, and is involved in acquiring the ground and building the houses. It operates in the R40 000 to R70 000 market for Indian, coloured and black buyers.

Ribco construction director: housing Mr John Adendorff said black housing turnover had dropped by 50%. The company was a developer, not an estate agent, but he estimated that the housing they built would sell for R35 000 to R100 000.

"That market has dropped. Now we are looking at building houses of R10 000 to R12 000 for which there is a demand.

"We are a bit worried now because we have had a lot of inquiries but the clients are nervous, partly for political reasons and partly because of interest rates."

Darryl's top of the class

By Ian Smith

HIGH-FLYING Darryl Phillips, who successfully transplanted his business expertise from Johannesburg to the City of London, is looking further afield.

The latest acquisition of Acsis Group, which is quoted on the LSE, is Los Angeles-based Hirsch Bedner & Associates, international hotel planners and designers. It has offices in Hong Kong, London and Atlanta.

Acsis has acquired all of the share capital of HBA International for \$8-million. At the same time it becomes the world leader in hotel design.

S/Times 15/4/90

Double

If HBA achieves specified profits in the years to December 1993 an additional \$20,95-million will be paid, with a maximum of \$10,05-million satisfied by the issue of Acsis shares.

"This will mean a significant expansion of our hotel interior design activities," says Mr Phillips.

The Acsis group's three companies in hotel design were jointly ranked No 3 in the world market. HBA is the market leader.

Mr Phillips says: "The acquisition puts us firmly in the top spot, with roughly double the turnover of our nearest competitor."

He has seen the virtual shell he took over 2½ ago grow into a diversified niche marketing and hotel services group, with market capitalisation up from the original £500 000 to £93-million.

The group's pre-tax profit was £7,3-million last year. Analysts are looking for £13-million in the current year to December 31.

The share price has held up remarkably strongly in a rattled London market.

The HBA acquisition will give Acsis a wider spread of international operations. About half of HBA's operations are outside the US, and the company is particularly strong in Australasia and the Pacific Rim countries.

It has built hotels in China and is involved in developments in Eastern Europe and Russia.

"In this market hotel designers and planners with international resources and strong reputations can secure contracts wherever the greatest activity is taking place," says Mr Phillips.

LTA complex sold to pension funds

Star 17/4/80 (32)

LTA Developments' 12 000 sq m complex at Route 24 — Sanlam's industrial park on the Jan Smuts Highway — has been on-sold to the pension funds of mine officials and employees for R11,2 million.

LTA's project comprises nine units of about 1 300 sq m each.

LTA Developments' managing director, Ray Bowers, says: "The development has been timed to meet an unprecedented peak in demand for factory units of this size in prime industrial areas."

Building outlook bleak

EDWARD WEST (32)

BUILDING industry prospects for the rest of 1990 remain bleak and it is unlikely political developments will translate into a short-term boom for the domestic economy. B/Day 18/4/90

The Building Industries Federation of SA (Bifsa) said in the latest SA Builder, the private residential building market remained unsatisfactory, but non-residential building activity was relatively buoyant.

However, non-residential building activity was expected to deteriorate during the year. The overall economy was on a clear downward trend, Bifsa said.

Domestic expenditure and economic growth would moderate during the rest of 1990 against the background of tight monetary policy.

The recent strength of the rand against the dollar would have a positive effect on inflation and reduce forward cover market problems, but the stronger rand was rendering SA exports less competitive.

Bifsa believed government would not allow the rand to strengthen above the 0,41 level in the short term. Interest rates would decline by mid-1990, but Bifsa did not expect prime rate to decline below 18% in 1990 and 15% in 1991.

Investment in housing by government was expected to decline further and due to Budget expenditure cutbacks.

Labour cost increases were slowing, but building material prices continued to rise at unacceptably rapid rates during the first quarter of 1990, Bifsa said.

Cenprop asks unitholders for R65-m

18/4/90

Centrecity Property Fund (Cenprop) is to make a rights issue of 20 new units for every 100 units held.

Unitholders who subscribe for new units at 240 cents each and continue to hold them, can expect total distributions during the 1990 financial year of 25,88c a unit, an increase of 26 percent over the the year to December 1989. The yield on the issue price represents 10,78 percent.

After the rights issue, Cenprop will have raised about R65 million which, together with its cash resources, will give it R110 million to enable it to proceed with planned developments.

The rights issue opens on Friday and closes on May 11. It is underwritten by UAL Merchant Bank. — Sapa

F/M 20/4/90 (32)

F/M 20/4/90 (32)

BLUE CIRCLE F/M 20/4/90

Good foundations (32)

Activities: *Manufactures and supplies building materials; also engineering products.*
Control: *Blue Circle Industries Plc and D&H each hold 42,4%.*
Chairman: *T Coulson; Group MD: G Hardy.*
Capital structure: *27,5m ords. Market capitalisation: R454m.*
Share market: *Price: 1 650c. Yields: 6,7% on dividend; 20% on earnings; PE ratio, 5; cover, 3. 12-month high, 1 875c; low, 1 100c. Trading volume last quarter, 164 000 shares.*

Year to Dec 31	'86	'87	*'88	*'89
ST debt (Rm)	60,5	37,5	43,3	48,8
LT debt (Rm)	97,7	74,7	41,2	9,1
Debt:equity ratio	0,75	0,44	0,14	0,09
Shareholders' interest	0,45	0,50	0,61	0,68
Int & leasing cover .	1,7	3,9	6,3	16,9
Return on cap (%) ..	9,7	16,7	19,8	18,7
Turnover (Rm)	301	378	527	741
Pre-int profit (Rm) ...	41,4	72,6	110,2	126,9
Pre-int margin (%) ..	13,7	25,9	20,9	17,1
Earnings (c)	72,6	151,2	305,5	329,8
Dividends (c)	38,5	50	100	110
Net worth (c)	666	755	1 129	1 320

* On basis of partial deferred tax.

With low gearing and surplus cement production capacity, Blue Circle is well placed to benefit from any upswing in cement and building materials demand. But the company itself does not expect an improvement until 1991 at the earliest. The decline in gearing to 0,09 (0,14) at year-end contrasts with around 0,90 in 1985, when profits crashed. Chairman Trevor Coulson says borrowings should not increase this year and capex will remain within the limits of retained income and depreciation provisions. Depreciation provides a large resource — it took 26% of the trading surplus last year.

Last year capex rose to R147m (R77,6m) with two-thirds spent on businesses acquired — that is, the consolidatation of the new assets acquired in merger of M&R's quarry operations into the Blue Circle's materials division. Coulson says capex, on essential replacements and plant improvements, is likely to be higher this year.

Cement accounted for 40% of gross assets and 46% of earnings before interest and tax. Materials accounted for 44% and 40%, and the engineering division for the rest.

A slight increase in demand for cement in the first half was offset by a decline in the second, and sales for the full year were only 2% higher than in 1988.

Higher costs, particularly of labour, offset the 10% and 5% cement price increases introduced during the year and, as a result, the operating margin slipped to 30% from 32%.

The materials division, where the margin was 12,7% (16,4%), was also hit by lower demand in the second half. The annual report says rationalisation benefits from the merger in Ready Mix Materials, in which Blue Circle holds 60% and M&R 40%, have not yet been fully realised.

More progress is expected this year and may offset an expected further decline in sales. The engineering division continued to raise earnings.

Returns on shareholders' funds and on gross assets declined, but were still satisfactory at 27,3% (31,3%) and 24% (26,7%). The pre-interest margin was 17,9% (20,9%).

EPS were 8% higher, helped by the switch from comprehensive to partial deferred tax. If the change is excluded, EPS rose only 3,5% to 235,5c (227,4c) and were less than the interim forecast of 245c — reflecting the sharpness of the second-half downturn.

Still, Blue Circle's shareholders can take comfort from the longer-term profit record. In the past six years, including the 1987 Crash, EPS have grown (off a low base) at a compound annual rate of 35,5%.

Blue Circle's Coulson ... expects higher capex

This year, the report says, earnings from the cement division are expected to be maintained, those from materials to be slightly lower and those from engineering higher. Coulson says it will be a major challenge for management to maintain operating profits at the same level as in 1989. Lower interest payments will have little effect on the bottom line, where little if any immediate improvement is to be expected. *Teigue Payne*

Grin and bear it for civils

(32)
ST Tues 27/1/90

By Don Robertson

CIVIL engineering has taken the modest increase in public-sector spending this year on the chin.

Large concerns believe that work in hand will see the industry through difficult times.

Spending by the Government on construction projects is estimated to rise by an inflation-related R12,2-billion this year.

Roads

Central Statistical Service figures show that estimates of expenditure by the Government, the provinces, regional and divisional councils, technikons, agriculture and public corporations will rise by 16,2% from last year's R10,5-billion.

This compares with a 25,5% increase in spending between 1988 and 1989 and reflects the downswing in the economy.

Civil-engineering groups hope to win a large share of the business.

Of concern will be the allocation for work on provincial roads where spending will fall by 4,4% to R1,1-billion from R1,2-billion in 1989. Expenditure by regional councils on roads will, however, rise by 10,4% to R843-million from R764-million.

Pieter Myburgh, executive director of the SA Bitumen and Tar Association, claims there is a spending backlog of R30-billion for road construction and maintenance. In the past 10 years, expenditure has fallen by about 30% in real terms.

Government spending on housing will rise to R275-million from R219-million. Spending by regional services will decline. But ancillary services and public corporations will lift expenditure on housing to R623-million from R481-million.

Kees Lagaay, executive director of the SA Federation of Civil Engineering Contractors, says the private sector can expect to win about R5-billion in contracts from the public service this year.

It will add to the R3-billion the industry had on its books at the beginning of the year.

S Times 22/4/90

32

Building managers under Unisa attack

By Charmain Naidoo

SOUTH Africa's approach to management of buildings is way behind the times, says Pluto Webb, a Unisa School of Business Leadership professor.

His criticism is echoed by SA Property Owners Association (Sapoa) executive president Brian Kirchmann, who says some townhouse developments also suffer at the hands of unqualified managers.

But Anglo American Property Services (Ampros) managing director Gerald Leissner says the criticism is unfounded.

He says professionals manage buildings as efficiently in SA as anywhere in the world.

Professor Webb, a former director of CSIR's Building Research Institute, says more than R12-billion is spent annually on construction and related facilities in SA.

"But little, if anything, is done about the efficient management of these investments. ..

Wild

"In these times of inflation and wildly escalating costs, the economics of operating and running buildings is a matter of great concern not only among leaders in the industry but to everyone in the country."

Professor Webb says this is particularly true of housing and of vital interest to the building industry.

One of the biggest shortcomings is the failure of developers and owners to provide manuals for buildings.

"Consumers normally receive a comprehensive manual on the working, maintenance, repair and operation of cars, hi-fi sets, radios and the like.

"Yet in the case of a many R50-million building, no such documentation exists."

It is an indictment of the building community that there are no suitable education and training facilities for those responsible for the operation and management of a building.

"There is not one appropriate course at either technikon or university level providing formal training in this field.

"This highly responsible position, which looks after the health and security of the tenants and manages the cost, is usually put in the hands of a junior or relatively unqualified person. We in SA have a lot to learn," says Professor Webb.

Mr Leissner says Ampros has a staff of 2 150, all part of the buildings management team.

Saving

"We have cleaners, security guards, engineers, technicians ... a multitude of people who are concerned only with the management, operation and maintenance of buildings.

"At the Carlton Centre we have an energy management centre which we run ourselves. Our cost structures are carefully worked out for maximum efficiency."

Mr Leissner says training and education form a large part of the operation. He dismisses allegations of unqualified management.

But Professor Webb says: "If only 1% of annual capital expenditure on the construction of building and other facilities were to be saved by better management, a yearly saving of R120-million could be achieved."

Energy and water often represent about 22% of a building's running costs.

"Experience in the USA and Japan shows that electricity savings of up to 30% can be achieved by simply improving the management of buildings. With big buildings in the CBD, savings can be as much as R30 000 a month."

He says some buildings for the public sector are "much too expensive and pretentious".

"It is a good example of a Third World economy in which people aspire to First World standards. It gives substance to the allegations sometimes made that an official's status is judged by the size of his office."

● A two-day conference on these problems has been arranged by the Unisa School of Business Leadership in conjunction with Sapoa and the Association of Facilities Management on May 15, 16.

The conference will cover energy and water conservation, cleaning, security, the impact of design and legislation, education and training, and likely trends.

Boumat anticipates a turnaround

BDay 23/4/90

(32)

ANALYSIS
STEPHEN RICHTER

BOUMAT's share price and earnings have been under pressure recently due to the poor state of the building industry. But once interest rates begin to decline, turnaround prospects for the group are encouraging.

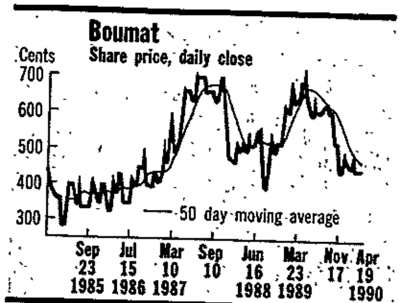
Boumat controls a portfolio of businesses supplying materials used in building, home improvement and allied activities. In addition, the group is involved in the distribution of engineering products to the industrial, civil engineering and mining sectors.

Indicator

With high interest rates causing a slowdown in the building sector, this has placed pressure on companies supplying the industry, to maintain market share. While Boumat has been successful in this regard, operating margins have suffered.

For the year ended March, 1989, operating profit expressed as a percentage of sales stood at 6,5%. This was the highest level recorded by this indicator for at least the past six years, and compares with the 3,7% low reached during 1986.

But in the latest interim period covering the six months ended September, 1989, the operating margin slipped by



Graphic: FIONA KRISCH Source: JSE

one full percentage point to 5,5%, which accurately reflects the tougher conditions currently existing in the industry.

The group should be given full credit for trying to keep shareholders informed regarding management's earnings expectations of 114c for the year ended March, 1990, which appeared in the 1989 annual report. But due to the significant competition and substantially lower operating margins which were evident at the interim stage, the earnings estimate for financial 1990 was revised downward to 81c.

An additional negative factor for Boumat is the sharply higher debt position, which resulted in a 62% increase in interest payments at the interim stage to R5,8m (R3,6m). Chairman Irvine Brittan blames the decline in funding from creditors as a major reason behind the higher debt levels. This has resulted from the majority of Boumat's suppliers pushing for the group to speed up its payments. In return, Boumat has attempted to insist on better payment terms such as increased discounts.

Dividend

The share price has fallen to its yearly low in response to the abovementioned negative factors. But a strong point going for the group is its ability to maintain a respectable dividend payout in the face of adverse conditions.

In 1985, Boumat paid a total dividend of 38c, while earnings were a mere 1c, while in the following year, a dividend of 34c was declared on earnings of only 8c. For financial 1990, even though earnings are expected to drop, the group expects to pay an increased dividend of 45c (38c).

Brittan explains that the directors base their dividend policy on the group's ability to pay. Consequently, they would focus on the financial position of the group as the primary consideration, and then would use the guideline of 10% of beginning NAV as the dividend payout for the following financial year.

But the group has given shareholders an alternative choice to the cash dividend in the form of a bonus share scheme. Since the vast majority of shareholders choose to accept their bonus share entitlements, the impact on the group's cash position is softened considerably.

Long-term prospects for the group are extremely healthy as the continuing demand for housing will insure a steady stream of future business. Brittan points out that while homebuilders are designing and building smaller houses, each unit includes many more fixtures and fittings than was the case in what was historically referred to as "sub economic" housing.

Consequently, the share appears to offer value to patient investors looking for an above average dividend yield. And with NAV expected to begin the current financial year at roughly 500c, then based on a price of 450c, the dividend yield on the share should be maintained above 10% through the end of financial 1991.

(32) Star 24/4/90

The Star
Finance

Property & Construction

FRANK JEANS

Demand booms for Sandton office space

The Sandton office market continues to be strong, with take-up of prime space exceeding 15 000 sq m in the past two months.

On top of that, negotiations now under way could push the figure to 25 000 sq m for the three months to end-April.

Mark McCreedy, executive director, RMS Syfrets Transvaal, says: "This strong letting situation far exceeds the normal trend.

Annual take-up

"The average annual take-up of offices in Sandton's central business district in the past five years has been about 45 000 sq m."

A particularly active area is the Wierda Valley node, where 26 000 sq m of office space will be coming on to the market within the next eight months. Of this, 7 000 sq m has been pre-let.

RMS Syfrets' Mark McCreedy, left, and Mike Deacon.

RMS Syfrets' Mike Deacon recently sold a development in Wierda Valley to a consortium of pension funds for R6,5 million.

The building has a rentable area of 2 400 sq m and will be available for occupation at the end of this year.

Mr McCreedy sees a noticeable trend of tenants moving to the peripheral areas of Sandton.

Substantiating this view is supported by the recent deal involving the Deloittes group which has signed up for 14 000 sq m in the Greenfields Property development at Woodlands.

R30-million shopping complex opens doors

A major shopping complex has opened its doors in the northern suburbs, adding further scope for retail property in an area which already has the massive Cresta Centre at Blackheath.

Randridge Mall, in John Vorster Drive, beside the newly-opened and upgraded DF Malan Highway, has come into operation at a cost of R30 million.

Extensions at the mall by Basil Read for Southern Life Properties have trebled its size and apart from new retail tenants, it now has coffee houses, restaurants and medical suites.

Anchor tenant

George Ellis, managing director of Ellis & Associates, which is letting the shops, says: "Response from retailers has been fantastic.

"We have been able to be every bit as selective as we wished in choosing our tenants."

Anchor tenant remains Pick 'n Pay, which owned the original centre before selling to Southern Life last year. Other majors are Woolworths and Edgars.

"The original centre was no longer adequate to meet the needs of shoppers in the area," says Johnny Johnson, Southern Life Properties' managing director.

"The western suburbs of Randburg are among the fastest-growing in the country."

Rivonia complex will shift focus westward

(32) Star 24/4/90

Work has begun on the R8 million Rivonia Exchange office complex in Sandton — a development by Group Five Properties and Osmond Lange Developments.

The 2 500 sq m project, with two detached buildings, is said to be the first commercial one on the western side of the Rivonia arterial road.

Completion is scheduled for November, with occupation from next January.

Chris Drummond, joint managing director, Group Five Properties, says: "Historically, Rivonia has been the poor relation of Sandton.

"In recent years, however, there has been a narrowing of the rental gap between Rivonia and Sandton CBD, where some occupiers have become disillusioned by the congestion and the poor access and egress.

"Rivonia, on the other hand, with its proximity to the N3 highway, is only 20 minutes from central Johannesburg and 25 minutes from Pretoria."

The design is by architects Osmond Lange and the accent is on flexibility for tenants, with office space in the range of 400 to 2 500 sq m.

Bob Stevenson

45 years in building

One of the building industry's best known figures, Bob Stevenson, has retired after 45 years in the business

... annual review. — Sapa

Concor and Group Five in the running

ST 26/4/90

32

By Frank Jeans

The first tenders for the massive Lesotho Highlands Water Project were submitted on April 20 and indications are that two major South African construction groups are "well placed" to obtain a lion's share of work.

Two multi-nationals with the Concor and Group Five companies as local partners, are in the running for major contracts.

Mr Jurgen Schultz, group managing director of Concor, says: "The giant Katse Dam in the scheme will give a strong boost to Concor, not to mention the effect on morale through opportunities for young engineers and managers."

Mr Schultz welcomes the chance to be involved with leading international construction groups. In Concor's case, the link is with Impregilo of Italy, which will be remembered for its involvement in the Kariba project.

Other participants are reported to be the German group, Hochtief, which with the local company created the Huguenot Tunnel, and British and French groups.

The first phase contracts are worth a total of more than R2 billion and will continue over six years.

LP rejects Group Areas proposals

Star 26/4/90 (32)

By Peter Fabricius, Political Correspondent

CAPE TOWN — Labour Party MPs have criticised Government proposals to replace the Group Areas Act with measures to ensure that established residential patterns and living standards do not alter when blacks move in.

They said remarks made in an interview by Minister of Constitutional Development Dr Gerrit Viljoen yesterday were "an insult to people of colour".

LP support is vital if the Government is to succeed in replacing the Act with other measures.

President de Klerk said last week when announcing that the Act was to go, that it would be replaced with non-discriminatory measures which would maintain residential patterns.

The measures would be "generally acceptable" — meaning they would at least have to be approved by all three Houses.

But yesterday the LP, majority party in the House of Representatives, dismissed Dr Viljoen's indications of what the new measures would look like.

The Minister stressed that protection of property values would be a main aim of the new measures, because property was one of the main investments of the average South African.

This investment could be maintained only if an area's special residential pattern and living standard were kept up.

Dr Viljoen said the resistance of most whites to other races moving into their areas was directed not so much at their skin colour as against their different lifestyle.

Therefore, measures would have to be introduced to prevent slum conditions, overcrowding and unhygienic practices. By maintaining living standards once the Act was lifted, the Government would indirectly be protecting property values.

An LP spokesman said Dr Viljoen's argument "is not logical and an insult to people of colour. He says that before the Act is scrapped they (whites) will need protection against us turning white areas into slums, dropping standards and property values.

"We maintain that the Group Areas Act is inherently racist, discriminatory and evil and a denial of fundamental human rights, and must therefore be scrapped and not replaced."

Mr Yunus Moola, Minister of Local Government and Solidarity MP, said he had no objection in principle against measures to maintain living standards in residential areas, as long as there was no prescription as to who could live where.

Scrapping the Act would not have a dramatic effect on lifestyles overnight.

He expected that without the Act, residential patterns would form around people's interests: Catholics would move towards areas around Catholic churches whereas fishermen would want to move closer to the water.

CERAMICS

Productivity developme

Mr Peter Sneddon (from left), chief executive of Cullinan Brick, representatives of a French company — Ceric — Mr Mario Roretti and Mr Angelo Rubli and Cullinan production manager Mr Kurt Matheis discuss the building of the company's new tunnel kiln.

R30-m brick-manufacturing plant for Midrand

(32) Star 27/4/90

Cullinan Brick is spending more than R30 million on a new hi-tech brick-manufacturing plant situated at Midrand.

The new plant will come into operation this year and features a revolutionary steel-cased tunnel kiln which will form the core of the plant.

The facility will offer the company a number of significant benefits for its investment. The process will result in less wastage enabling better use of valuable clay reserves. The high degree of mechanisation and the low energy consumption required to operate the plant make it extremely economical to run.

Company spokesman Mr Dan Retief says the plant will be able to make products of superior quality and consistency over an extended range, thus allowing available clay deposits to be fully utilised.

The plant will use clays found in the Midrand area.

Other divisions within the group will carry out the site excavation and reticulation work. Refractories from Cullinan Refractories will be used to line the kiln.

The new plant has the capacity to produce about 60 million bricks a year.

core of the plant. make it extremely e

Sanitaryware hit by sag in demand

Star 27/4/90 (32)

The sanitaryware industry, along with other industries connected to the building sector, is being hit by falling demand.

Cobra Bathrooms sales and marketing director Mr Ronald Ford says demand is down about 15 percent against 1989 figures.

"The main reason for the drop is the unstable political situation, which has resulted in unrest in some areas. This has stopped builders from going on site.

"For example, there is development of 3 000 houses at Pietermaritzburg which was due for completion in March this year. Only 130 units are finished. Sanitaryware such as baths and basins are installed in the final stages of a development so delays in construction adversely affect sales.

"Interest rates are another contributing factor leading to a lower demand for housing and thus lower sales for us. Distributors are not holding stocks. Instead, they are treating us as their bonded warehouse. They are placing small orders and demanding immediate delivery," says Mr Ford.

He says the main contribution to sales is being generated by a slight increase in demand as a result of home renovations but this has not been as significant as was hoped.

Cobra has cut back to a four-day week because of the lack of product demand.

Sanitaryware is made using local clays, which are poured into plaster-of-paris moulds and allowed to set for about 24 hours.

The mould is removed and the product is dried out for about five to seven days. The rough edges are cut off each piece and it is sanded to leave a smooth suface suitable for glazing.

The glaze is sprayed on and allowed to dry.

The piece is then fired for 36 hours — Cobra uses a tophat kiln. The temperature is increased slowly until it reaches 1 200 centigrade, cooling also takes place gradually.

Each piece is then inspected and imperfections in the glaze are ground out and over glazed. The product is then re-fired for another 36 hours, though at a slightly lower temperature.

Should the product still have defects it would have to go through a third firing.

"Three firings is all we allow — if there are still problems with the product then it is scrapped. Products can only be recycled before the glaze is sprayed — wastage is about 10 percent," says Mr Ford.

Sanitaryware is, like many other ceramic products, subject to fashion.

The trend is away from hard colours and towards pastels with white as the most popular.

In addition to white, Cobra produces pieces in seven colours.

In terms of design Mr Ford says people are looking for something different.

"Although they are not made in South Africa, the wealthier buyers are looking for baths with a Victorian look to them. We have had considerable success with our square look which we introduced about eight years ago.

"In general the sleek look is popular. People's taste in basins has changed, with a move away from the basin on a pedestal towards "vanity" basins fitted into a slab or cabinet," says Mr Ford.

FNB lines up for new bond-rate war

CT 30/4/90

By Magnus Heystek
Finance Editor

The mortgage bond war between the country's leading financial institutions shifted into higher gear over the weekend when First National Bank (FNB) announced a comprehensive new approach to home mortgage financing which includes a reduction of up to 0,5 percent in mortgage rates.

It's mortgage rate has been dropped to 20,75 percent across the board while a further reduction of 0,25 percent will be made if the client utilises at least two other products from the FNB-stable, including associate insurance companies.

Further salvos in this battle between banks and the former building societies are expected in coming weeks, with spokesmen for at least two financial institutions predicting a decline of at least one percent in the home mortgage finance rate before the end of the year.

In another development United, still the biggest lender in the residential property market, is at present negotiating for a substantial shareholding in De Huizemark, one of the country's largest property marketing companies.

United, in an effort to hold off the increased competition from the banks in recent years, already owns 33 percent in Multi-Listing Services (MLS) as well as a strategic interest of 25 percent in Aida Holdings, the only listed estate agency.

By gaining strategic stakes in estate agencies United has stolen a march on its competitors as this provides it with an ideal vehicle to increase market penetration. It is understood that Aida franchise holders will be trained to grant United bonds immediately on the sale of a property.

Yesterday FNB — after nearly a week of "informed speculation" in the financial press — placed full-page advertisments in the country's Sunday papers announcing its decision to drop the interest rate as well as other significant moves in the mortgage bond war.

R4,3-bn 'book'

FNB has built up a mortgage finance "book" of more than R4,3 billion since it entered the home loans market in 1983, roughly equivalent to 10 percent of the total residential mortgage finance market.

In addition to a reduction of mortgage rates, FNB is now offering 90 percent bonds on properties valued up to R150 000 plus a further 10 percent for renovations and extentions.

It is also enticing mortgage holders to transfer to FNB by offering to pay for bond cancellations and re-registration costs, under certain conditions.

Like several other financial institutions, FNB now offers endowment and unit trust-linked bonds, a relatively innovative financing mechanism that offers the possibility of earlier repayment of mortgage bonds, depending on the performance of the stock market.

The home-owner can choose the endowment option through Southern Life or go the unit trust route with Guardbank, one of the best performing unit trusts.

While FNB's decision to reduce its mortgage rate took the market completely by surprise last week, spokesmen for other institutions pointed out that this move only brings FNB's rate into line with that charged by the other institutions.

But from a psychological point of view, which is bound to have a positive marketing impact, FNB's decision was timed nicely, creating expectations of further declines later in the year.

It could also rejuvenate the residential property market which has been showing signs of slowing down in recent weeks.

Senior general manager Jimmy McKenzie thinks mortgage rates could decline to 19,5 percent by the end of the year, which is bound to be a major saving for homeowners.

Already the decline of 0,50 percent means a reduction of R40 to R1 720 in the monthly repayments on a housing bond of R100 000 while the minimum monthly repayments on an FNB bond of R60 000 will decline by R30 a month to R1 030.

Steve Kesler

Brick chief urges joint effort to cut costs

An appeal to the building industry to co-operate in reducing building costs has been made by Errol Rutherford, outgoing president of the Clay Brick Association.

He was responding to statements alleged to have been made by industry spokesmen blaming the clay brick manufacturers for price increases.

He said: "When viewed against the rate of inflation and the total rise in building costs, clay brick increases of between 13 and 16 percent are within acceptable limits."

FORUM

Urging the building industry to co-operate in containing costs, Mr Rutherford said the CBA and its members would welcome the builders and their allied industries to a forum where a common cost-effective means of packaging, transportation and handling of materials to site could be worked out so as to reduce the cost of building.

"Despite high interest rates and tight affordability levels, co-operation between the building industry and its suppliers to cut costs would be particularly beneficial in the provision of housing and the creation of market opportunities for all," Mr Rutherford said.

Star 1/5/90

The Star Finance

Surge in demand for A-grade offices likely to outstrip supply

32

The surge in the office letting markets in Johannesburg, Pretoria and the Witwatersrand — particularly in A-grade space — shows no sign of easing.

Steve Kesler, director of commercial leasing for the JH Isaacs group in the Transvaal, says: "Given a stable political situation, I expect an undersupply of office accommodation developing towards the end of this year and into the first quarter of 1991."

He says there is little prime space in Parktown, Rosebank, Milpark, Bedfordview, Ellis Park and Woodmead.

Areas with some good accommodation still available include Sandton, Randburg and the Johannesburg central business district.

Increases likely

"In areas of undersupply, rents remain in the region of R22 to R24 a sq m net, with the likelihood of increases towards the end of this year.

"Rosebank, in partcular, could test the R30 a sq m level soon."

There is also, at present, considerable demand for space that will become available in the latter part of next year and he believes most of these new developments will be prelet before completion.

Property & Construction

FRANK JEANS

The projects include those by Sage in Parktown next to the Sunnyside Park Hotel, the Sasol Pension Fund in Rosebank and JHI House at the Rosebank Mall.

"To give some idea of the size of the market, we at JHI are currently negotiating requirements of up to 265 000 sq m across the board."

There is also strong demand for office blocks with individual naming rights for tenants wanting space ranging from 250 sq m to 1 500 sq m, both for lease and sale in Johannesburg's northern suburbs.

In its financial year ended February 28, 1990, JH Isaacs leased about 68 000 sq m of office space in the Witwatersrand. The gross value of leases was more than R100 million.

Reserve Bank to build in Newtown

Star 1/5/90

Staff Reporter

The first major project announced in the redevelopment of Johannesburg's Newtown area is the erection of a Reserve Bank building on the corner of West and President streets.

Excavation for the building which planning chief Mr Eddy Magid has dubbed the "financial anchor of the CBD", is expected to start in about eight months, said Reserve Bank administration manager, Mr Eric Pike.

But the bank's new branch office is unlikely to be the first building to be occupied in the first phase of the redeveloped area west of the city.

Oakwood Realty/Office Accommodation Investment which was last week awarded the R22,1 million tender to develop the remainder of phase 1, including Turbine Hall and Boiler House, has undertaken to commence immediately, he said.

Mr Pike said no details were available at this stage as a brief was still being prepared for the architects. Completion date is expected to be in four or five years' time.

No decision has been taken on the future of the Rserve Bank's existing three Johannesburg premises.

Rent boycott hits council for R7,8-m

Star 1/5/90

By Abel Mabelane, East Rand Bureau

The administrator of Tokoza (near Katlehong), Mr Gert Muller, said there was a 100 percent rent boycott in the township with arrears owed to the council by residents now standing at R7,8 million.

Mr Muller was appointed administrator of the Tokoza Council after several councillors resigned because of pressure from the community left the council without a quorum.

"Since I took over as administrator on April 11, the council has not collected a cent from the residents which means the rent boycott is 100 percent effective," he said.

He added that the council had no reserve funds and the salaries of its employees were this month paid by the Transvaal Provincial Administration (TPA).

Different organisations

Mr Muller said the TPA could, however, not be expected to foot the council's bills indefinitely.

He said he was going to hold talks with the Tokoza Civic Association tomorrow, because they were alleged to be behind the rent boycott in the township.

Mr Muller said members of the TCA had already indicated they would like to meet him alone without councillors and he said he was prepared to meet their demands.

By meeting the different organisations in the township, he would be able to determine whether the problems in Tokoza were political or internal.

Mr Muller said if the problems were within the council, he would address them, but if they were political they would be beyond his scope.

Sanlam backs down over Yeoville ridge plan

Star 2/5/90

By Shirley Woodgate

Yeoville residents have claimed victory in their fight to block a multimillion rand project on Yeoville ridge, Johannesburg, after the developer backed down and withdrew an application for rezoning.

Local councillor Mr Martin Sweet congratulated Sanlam on its decision to scrap controversial plans to build a supermarket and offices on "the stand with the finest view in Johannesburg", and said the move was a major win for public participation in environmental affairs.

(32) (88)

Not only had a precedent been set for future business encroachment in residential areas but the people had shouted loud enough to be heard by a large corporation backed by massive funds.

"I now challenge other councillors also to take up the appeals of their ratepayers bent on preserving their environment,"

The fight to prevent business encroachment in Yeoville was initiated by concerned residents who believed the shopping centre was unnecessary and their roads would be congested by the increased traffic.

Sanlam said surveys indicated a need for another shopping centre and claimed this development was preferable to Ponte-style flats for which the stands were zoned. But the residents dug in.

Backed to the hilt by Mr Sweet they drew up a petition with 2 500 names and entered into direct negotiations with the developer and the city council.

A Sanlam representative confirmed that the application had been withdrawm ahead of a Tribunal hearing today but declined to comment further.

Tenders for Cape Flats project to be called for

BDay 2/5/90 (32)

TENDERS from civil and electrical subcontractors will be called for this month by the Department of Local Government, Housing and Agriculture for the servicing of sites in the second stage of the House of Representatives Cape Flats Delft housing project.

Delft project director James Slabbert said 2 200 homes would be built and occupied by the end of 1991, bringing the total population of the project to 20 000.

The department was now evaluating tenders received for the levelling and moving of more than one-million cubic metres of earth, likely to cost about R2,8m.

The civil and electrical subcontractors would install services worth about R10,8m, Slabbert said.

Work on the show village, scheduled to open on November 1, has already started and proposals from developers and builders have to be submitted before the end of June.

"The accepted developers will be required to erect three show houses in the price categories R12 500, R15 500 and R17 500," Slabbert said.

Over 200 houses have been completed by developers in the first stage of the Delft project and 200 houses are due to be handed over each month.

"Families have been moving in at the rate of about 20 a day."

Including land, the houses cost about R20 000 to R30 000. To qualify, family breadwinners have to earn between R400 and R1 000 a month.

Monthly repayments on the subsidised bond range between R64 and R330.

Another side of the project is the self-help scheme which is being carried out in conjunction with Cape Utility Homes (CUH).

There are 200 self-help sites at Delft and 70 people have already started work on their houses.

Inspections

CUH provides technical advice and materials in a packaged form and at low cost. In terms of the tender, the only work they can do directly is cast the foundation slab and construct the bathroom area.

CUH offers advice for a year and if the self-helper has not finished his house by the end of that period he has to finish on his own, although his work will still be subject to periodic inspections.

Slabbert said self-help was more acceptable to lower income buyers than before and he could foresee it being extended to other areas where the housing shortage was critical.

Expansion costs hit Unispin's profits

STar 2/5/90 (32)

By Ann Crotty

Start-up costs relating to expansion heads the list of reasons why Unispin has reported disappointing figures for the 6 months to end-March.

Earnings for this review period were 8,2c a share, comparing very unfavourably with the 21,9c that was reported for the 8 months to end-February 1989. The interim dividend was 2,5c a share — the February '89 dividend was 5,5c.

The directors do stress that the figures are not comparable. During 1989 the company changed its financial year end to end-September and "previous figures for different periods are therefore not comparable in what is a seasonally influenced industry."

Turnover was R56 million with operating income of R8,3 million. This reflected a drop in margins from 17,9 percent to 14,8 percent.

Interest payments shot up from R1,3 million to R4,8 million. According to the directors: "Interest paid has increased due to the planned expansion."

Attributable income for the interim was R2,8 million compared with the R7,7 million earned in the 8 months to end-February '89.

(The group has tax losses and so does not provide for a tax charge. But when it introduces a notional tax of 15 percent, earnings are reduced to 7c a share.)

Apart from the expansion programme, other strategic factors which may have had an adverse impact on the group's operating performance during the interim include the relocation of the short staple plant from its previous rented facilities to Unispin's own factory and, the replacement of old spinning frames with new automated ones.

Given the heavy costs of the expansion and diversificant programme, investors will need to be convinced of some major benefits in the medium to longer-term.

Certainly, there does not appear to be much cause for optimism in the short-term as current trading conditions are tight due to the economic climate and the continued unrest.

ENGINEERING CRISIS

FM 4/5/90 (32)

To cope with the essential development and "maintenance" of the economy, SA needs a minimum 50% annual increase in the number of civil engineering graduates, says the President of the SA Institute of Civil Engineers Louis de Waal.

Compared with a number of First World nations, SA lags far behind and has an enormous catch-up job ahead of it. But, far from closing the gap, first-year civil engineering university registrations have dropped by about one-third over the past 15 years.

Consider the following statistics: Japan, with population of 120m, turns out 500 engineers per million of population a year. In the US, with 240m people, 370 engineers per million graduate, West Germany (61m) 340, France (55m) 270, the UK (56m) 250, Australia (18m) 220 — while SA (with 35m) limps along with only 35 engineers per million population graduating each year.

At the technikon level too, the number of technical diplomas granted each year is way below par. "SA's current 1:0,8 ratio between civil engineers and technicians must improve to at least 1:3," says De Waal. "In booming, industrialised South Korea, the ratio is 1:20, in Hong Kong it is 1:7 and in Sweden the figure is 1:5."

But, while student numbers at technikons are growing at a gratifying pace, this has led to a further problem: a grave shortage of classroom space. "About 4 500 applicants to the Cape Town technikon had to be turned away this year," De Waal says.

Govt told to spend more to keep engineering industry on even keel

BRENT MELVILLE

GOVERNMENT must increase expenditure to the civil engineering industry by at least 20% — or R800m — just for it to maintain an even keel, the SA Federation of Civil Engineering Contractors (Safcec) warned yesterday.

Safcec said this was because the industry relied on work from public authorities.

Safcec executive director Kees Lagaay, speaking at the Capex and Industrial Prospects Conference, warned that static expenditure by public corporations and the private sector would have to be made up.

This would occur through public authority spending and was necessary to keep SA's R6bn a year civil engineering industry from floundering.

He said he could foresee only a 9% increase in expenditure by public authorities next year, attributed mainly to an expected increase in spending from local authorities and RSCs of 17,5%, or R2,47bn from last year's R2,1bn.

Of the remaining public sector spending, central government's R1,1bn input was not expected to change, the provincial roads department would increase negligibly from last year's R600m and work from self-governing states would drop by 8% to about R184m (R200m).

Private sector spending, which accounted for R1,6bn (27%) of last year's civil engineering output would increase to about R1,85bn and public corporation spending from R400m to about R500m.

By type of work, roads last year accounted for R2,4bn, or a full 40% of all civil engineering activity. Lagaay figured major toll road work would drop by about 15% this year, the difference was "hopefully" to be made up by government and homeland road works.

Water and sewerage work was worth R600m last year, which Lagaay estimated would increase to about R800m.

At the bottom line, Lagaay forecast a 12,5% civil spending increase to about R6,75bn — a real drop of 2,5%-5%.

Safcec calls on govt to help civil engineers

Cape Times 4/5/90 (32)

Own Correspondent

JOHANNESBURG. — Government must increase expenditure to the civil engineering industry by at least 20% — or R800m — just for it to maintain an even keel, the SA Federation of Civil Engineering Contractors (Safcec) warned yesterday.

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New company to build 'priceless' houses

CORDAC Construction has launched a property development company to specialise in luxury housing for buyers not deterred by price tags of more than R1m.

Priceless Properties directors Sol Pienaar and Tony Pappalardo plan to put the first batch of six houses on the market over the next year.

The first, which will be go on sale this month, is a four-bedroomed house in Morningside, Sandton.

The main bedroom has a private courtyard and jacuzzi, and the en suite bathroom has an all-glass shower projecting out over another private courtyard.

The second house, in Atholl and due to be sold in June, has an entrance reached by a bridge over a water feature, and a kitchen in beech, with black marble counter tops.

Pappalardo said he insisted on quality finishes.

"It is no good cutting corners if you want quality. We use only the best."

(32)

B/Day 9/5/90

Constructors and builders should aim for unity

(32)

Reports by
CHARLOTTE MATHEWS

ONE of the aims of the building and construction industry over the next decade should be the formation of a single, united industry which stretches across southern Africa, says Building Industries Federation of SA (Bifsa) executive director Neil Fraser.

The initial basis for such a merger was in the field of training, he argued.

Fraser, speaking at a recent Press breakfast, said there should be a construction industry rather than a building industry. Until now the building, civil engineering and housing industries had been seen as separate.

The SA Federation of Civil Engineering Contractors (Safcec) and Bifsa had been talking about rationalising training colleges.

Fraser's statement was echoed by a recent statement from the SA Institute of Building (SAIB), the body representing management in the construction industry.

SAIB was making a full effort this year to seek closer ties with Bifsa, the Master Builders Association and other controlling and professional bodies in the industry.

"We want to avoid any duplication of effort or the overlapping of functions that occurred in the past, particularly in the industry's educational work," SAIB vice-president Gerhard Meijer said.

Fraser said the construction industry should be spread throughout southern Africa because labour moved across borders.

"Therefore you should make sure everyone else has the same training standards. We have had meetings with other countries and are using training as a catalyst for a more general co-operation.

"The desire for knowledge and training also transcends the formal and informal sectors."

At Bifsa's four training colleges pre-employment trainees were being taught on a modular, competency system instead of the old apprenticeship basis.

Trainees worked through a programme at their own speed consisting of various modules which were largely self-taught. As he finished a module the trainee took a test based on quality and time and was given credit for each module passed.

Fraser said the biggest problem was not training entrants but upgrading the skills of those already in the industry. Of around 200 000 workers in the industry only about 12,5% had seen reasonable training. Other trained workers had dropped out in bad times in favour of more protected employment.

Over the next 12 months Fraser forecast a levelling off of activity in the building industry owing to the stringent financial situation.

"There is not so much work around as before, but there will be no dramatic valleys as we saw a couple of years ago. I think activity will come off 10% or 12% compared to last year." But in the long term he was optimistic.

"There is a huge housing problem which is a building-related situation. This also creates a need for schools, hospitals, shops and churches. In the medium to long term the building industry is strong and it is therefore necessary to raise training levels."

Outlook for housing bleak

GERALD REILLY

PRETORIA — Political unrest was increasing and this, with demands for the redistribution of wealth, would have a negative effect on investment in housing, Stellenbosch University's business school chief Attie de Vries said here yesterday.

Speaking at the Home Builders' Conference he said SA was in the midst of vast socio-political change which would unleash strong demands for income redistribution, and intensified trade union action was likely.

De Vries said the level of activity in the building industry would be negatively affected until virtually the end of 1991 with a sharp decline in real terms.

Contractors would be faced with ever increasing competition and continually rising costs, including labour and materials.

(32)

"Survival will be the name of the game through an ability to adjust to the changes ahead." B/Day 9/5/90

De Vries said the current backlog of more than 1-million housing units for blacks, plus an ever increasing annual need, would lead inevitably to more public sector resources being redistributed to meet the need.

Home building industry needs major surgery, says NPI chief

GERALD REILLY

PRETORIA — The building industry should take a close look at itself and decide where it was heading against the background of an abysmal track record, National Productivity Institute executive director Jan Visser said yesterday.

Speaking at the Home Builders' Conference, Visser said the industry had become known as one of poor workmanship and costly rework.

There were few home builders who could sleep well knowing they were producing relatively defect-free dwellings at minimum cost.

It was vital for management to want to change for the better, he said.

The institute found the biggest single factor hampering productivity was a lack of planning.

On top of the list of structural problems was an inadequate supply of well-enough educated and trained workers — from managers down to supervisors, artisans and workers. The industry had badly neglected training over the years.

One reason for this was the job reservation system which prevented the proper training and development of black building workers.

The effects of this fallacy were now more damaging than the fallacy itself, because few trainees were entering the industry. The number of apprentices declined from 6 444 in 1972 to only 1 212 in 1988 and only 214 at the beginning of 1989.

When it was realised the construction industry employed more than 400 000 people in 1988, and if only 230 qualified people were added to the industry a year, the size of the skilled manpower problem became evident.

The number employed by construction companies and contractors declined from 327 000 in 1980 to 308 000 in 1988. Earnings of employees increased by 190% while labour productivity declined by almost 8% in the same period.

Capital productivity declined too, by 12%, and total factor productivity by 10%. Productivity and quality in the building industry were on the wane, but steps could be taken to rectify the situation, Visser said.

What was needed was an industry programme to develop productivity and quality performance. Not only was it necessary for the industry to embark on major manpower development programmes, but it was within the means of everyone.

To effectively meet the challenge of providing quality housing at economic prices, interfacing between government and the private sector was essential.

Get your act together, building industry told

By Claire Robertson, Pretoria Bureau

The home building industry must improve productivity and quality in order to correct its "abysmal track record", according to Dr J H Visser, executive director of the National Productivity Institute.

Addressing a housing conference in Pretoria yesterday, he said the industry had become known for its "poor workmanship and costly re-work".

"Given the Government's recent positive action in making considerable funds available for housing, and the Urban Foundation's initiative in master-minding the easing of financial restrictions on the funding of low-cost housing, builders and developers have never had so great an opportunity to show initiative.

Critical factors

"The industry has the potential to make this happen, but to do so it will have to take notice of a number of critical factors," he said.

These were cost, quality and productivity.

It had been calculated, he said, that the cost of "doing things wrong" could be as high as 20 percent of a building's cost.

Expense involved in ensuring that "things come right" usually amounted to three or four percent of the cost of sales of a well-run company.

"It never happens that the correct quality leads to higher costs. The contrary is true.

"Management has to become involved in improving productivity," he said.

The biggest single factor hampering this on the building site was lack of planning.

"Activity sampling studies, which could be done by any building contractor, would show whether people are working or not. If they don't work, a simple measure would indicate why this is the case; for example waiting for materials, instructions, equipment, or idleness etc.

"From these measures a picture will soon emerge which would shock most managers.

"Many people tell me that the labour unions are killing all efforts to improve productivity and quality. I must agree that at times I fail to understand their reasoning, but one thing I do know is that when participative management methods are actually practised, most of the union problems disappear."

Structural problems in the industry mitigating against higher productivity and quality included an inadequate supply of trained workers.

"The industry badly neglected training over the years," he said, pointing out that the number of apprentices dropped from 6 444 in 1972 to only 214 at the beginning of last year.

Only 230 a year passed tests from 1980 to 1988 — in an industry which employed more than 400 000 people in 1988.

"I believe it is time for the industry to take a good look at itself and decide where it is heading. The track record is abysmal... it is up to the management in the industry to take steps."

Star 14/5/90 (32)

Builders hard hit by cutbacks, interest rates

By Tom Hood

CAPE TOWN — Recession has hit the building industry harder this year than contractors, architects and quantity surveyors expected, says the Stellenbosch Bureau for Economic Research.

"Government cutbacks as well as high interest rates are causing big problems," the bureau says in its latest quarterly building survey.

"The political situation is also causing many people to hesitate when it comes to investing money in large projects."

However, 55 percent of building contractors report a shortage of foremen and 64 percent a shortage of skilled artisans.

The cost of financing is blamed by 69 percent of companies for hampering their business, while 78 percent reported insufficient demand.

Thirty-nine percent of building contractors say the value of work in hand is lower than a year ago and 40 percent say it is lower than the previous quarter.

Sixty-four percent of sub-contractors report the value of work on hand to be lower than a year ago and 60 percent say the volume is lower.

Competition is keener, say 94 percent of sub-contractors, and 55 percent report a shortage of artisans, with 39 percent seeinga shortage of foremen.

Projects shelved

Architects and quantity surveyors report many capital projects are being shelved once they reached tendering stage.

Some architects say architecture is becoming a luxury profession due to economic conditions. They are also fighting unfair competition from draughtsmen, who do not have to adhere to professional standards and can cut costs.

Conditions in the industry have been deteriorating since the third quarter of 1988. Business got worse in the March quarter this year and is expected to deteriorate further.

Companies will also be hit by tax changes that will cost them R50 million this year and more in the next four years.

The value of uncompleted buildings, on which builders were previously not taxed, is now to be reclassified as stock in trade and attract tax from this year.

The BER says builders will have to pass on part of this increased tax to consumers in the form of increased building costs.

Reports from architects indicate an increased number of smaller projects are on the drawing board.

The amount of and value of house building for the March quarter showed a substantial drop compared with a year ago. However, the levels showed a minor improvement over the December quarter.

Competition for tenders for residential buildings is increasing, an indication that the amount of work available is falling, says the bureau.

Building contractors in the non-residential field are having an even harder time. The level of business confidence continued to fall throughout the industry, with no sign of an improvement in the June quarter.

D PLACE

SA's 'prime plot' sold for R5-m

32

Star 14/5/90

Staff Reporter

What has been described as the most valuable piece of real estate in the country was auctioned on Friday for more than R5 million.

Dennis Bakos and his four brothers bid R3 050 000 for erf 229, Hurlingham, in November, but the offer was rejected.

The seller, the Department of Local Government, Housing and Works, would accept Friday's highest bid of R5 050 000, spokesman Mr Gordon Verster said.

The 5 ha site is on Empire Place, opposite Tara psychiatric rehabilitation hospital, and was originally intended for an extension of Tara.

The Bakos brothers — Dennis, Don, Norman, Tyrone and Barnard — said they would apply for residential zoning, but were not sure what type of development they intended.

BDay 16/5/90 (32)

Warning on errors in road privatisation

ALAN FINE

ONLY an effective price mechanism — private enterprise and free competition — can ensure the most efficient allocation of scarce resources concerning roads, Free Market Foundation director Leon Louw said this week.

Addressing an SA Institute of Civil Engineers seminar near Johannesburg on road financing and toll roads, Louw argued the density of traffic on a road did not determine its real value.

He lamented errors which had been made in the privatisation of roads in SA in the past, and suggested several guidelines to avoid these in future:

- Private road construction and toll rates on such roads should be deregulated;
- The present basis of contracting whereby after, say, 25 years the road is transferred to the state should be altered. If normal ownership rights existed on roads, toll rates would be lower because instead of the need to recover capital from tolls, road owners would own a valuable resource;
- For the time being existing roads should not be privatised as this had been politically disastrous;
- Rural roads should be privatised before urban ones, as it would be easier and more saleable to the public;
- The "cartelisation" of road privatisation should not be forced on future privatisation. Rather, individual companies or syndicates or the existing cartels should be free to operate independently and competitively;
- When roads are privatised there should be an out-and-out sale to the highest approved bidder, a better arrangement than sub-contracting or other partial solutions;
- Privatisation should itself be privatised, and the relative merits of alternative methods evaluated by independent experts.

● See Page 14

Star 17/5/90 (32)

The Star
Finance

Amaprop profit up 23 percent

Finance Staff

Anglo American Property Service's (Amaprop) profit for the year to end-March rose by a satisfactory 23 percent to R30,32 million or 67,4c per share.

The dividend of 42c per share and the loan stock interest of 84c per unit are both 20 percent up on 1989.

According to directors the growth in earnings was largely the result of the increased rental income from Amaprop's extensive office and shop portfolio as well as the profits from the land trading business.

The company also received increased operating profits from the Carlton Hotel.

During the past year Amaprop sold six properties to the Apex Property Trust as well as disposing of Gardens Shopping Centre.

The cash received from these sales was used to repay Amaprop's short-term debt and provide the company with sufficient funds to finance developments currently under way.

These developments include an additional office block at Bruma Lake Office Park, the extension to the Carlton Centre shopping complex and the revamp of 320 West Street in Durban and Southern Life Centre in Cape Town.

CARLTON CENTRE

During the year Amaprop acquired First National Bank Group Pension Fund's 10 percent interest in the Carlton Centre.

Commenting on the performance of the industry, Amaprop notes that after two years of strong growth, rent levels are stabilising for both shops and offices.

Amaprop's portfolio is 96,4 percent let and all leases have escalation clauses.

The dividend is 1,6 times covered by earnings. From this year Amaprop intends paying both an interim and final dividend.

'Govt broke civil works undertaking'

(32) BRENT MELVILLE

SA's labouring civil engineering and construction industries have slammed government for effectively backing out of its undertaking to hand over the R1,2bn a year workload being done at present by its own construction units.

According to industry spokesmen, authorities were backing out of the deal because shrinking budgets made out-of-house contracting difficult at present.

Minister of Public Enterprise Dawie de Villiers said last year that by 1994, 75% of all expenditure on construction and maintenance of national and provincial roads would be contracted out.

But an industry spokesman said the undertaking had apparently been made only on the provision that the national allocation remained "at least constant" in real terms. B Day 18/5/90

However, Group Five chairman and Safcec (SA Federation of Civil Engineering Contractors) vice-president Peter Clogg said budget cuts had not been made on an equitable basis. Cuts should be made evenly across the board, and not where it was convenient, or "to secure government jobs at the expense of" the private sector. Of the industry's R4,7bn turnover last year, Safcec estimated that about two-thirds, or R3,6bn, was allocated to public sector spending. Official government figures peg in-house expenditure at an additional R1,2bn.

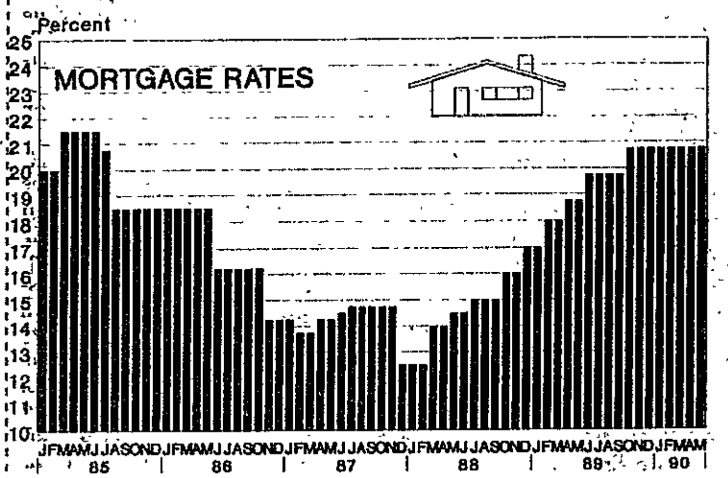
According to Safcec figures, the total provincial road budget was R500m last year, with the national road budget also about R500m. Safcec executive director Kees Lagaay said: "The real shortfall in public authority spending was with work allotted to the private sector on provincial roads for which an additional R200m annually would have to be contracted out to meet De Villiers's target."

Safcec past president and LTA chairman Brian Hackney said it was imperative that the R1,2bn worth of civil engineering construction and several hundred million rands worth of maintenance work be contracted out, and subject therefore to competition.

Clogg said: "If we are forced to tighten our belts, government should do the same."

There's only one way for rates to go — down

Star 19/5/90 (32)



HARD-PRESSED businessmen, troubled house owners and any anyone else who is being financially squeezed by South Africa's gravity-defying high interest rates: take heart. Interest rates have peaked and their next move will be downwards.

Several bankers interviewed this week were unanimous that interest rates were ready to fall. In fact, but for Reserve Bank intervention they would have fallen already, they say.

However, there was no unanimity about when the decline will start — except that it will be sooner than previously expected.

Mr Jimmy Mackenzie, senior general manager at First National Bank, said there were signs that the economy was turning down quickly. He had thought

DEREK TOMMEY

that rates would start to fall in November. But he was now convinced that they would come off sooner than that.

He did not want to be too precise but believed that there could be a full one percent cut in the bank's prime interest rate early in the fourth quarter.

Mr Don Hunter, managing director of the Allied Building Society, said it was an open question when the authorities would act to let rates decline. But he believed that they should start coming off in the third quarter.

Mr Richard Laubcher, managing director of Nedbank, said he would not be surprised to see interest rates start coming off towards the end of the present quarter or early in July.

However, the bankers pointed to a further drop in the gold price, which might increase pressure on the foreign exchange reserves which could delay Reserve Bank action to lower interest rates.

Any increase in overseas rates would also put upward pressure on rates here.

A major factor which could influence Reserve Bank thinking is the trend of the inflation rate. Economists believe that the Reserve Bank would like to hold interest rates at their present levels until the the year-on-year inflation rate, which was 14,9 percent in March, drops to around 13,5 percent.

But at the same time, the Reserve Bank cannot run the risk of "over-kill" and end up with a major recession.

'Coloured' teachers in protest march

MORE than 2 500 teachers dispersed peacefully after presenting a memorandum detailing grievances against the "coloured" education system at the House of Representatives' offices in Johannesburg on Friday.

The huge throng sat down at the Bree Street entrance of the Department of Education and Culture offices while three teachers presented the memorandum to Transvaal chief education inspector Johnny Francis, who was booed and heckled.

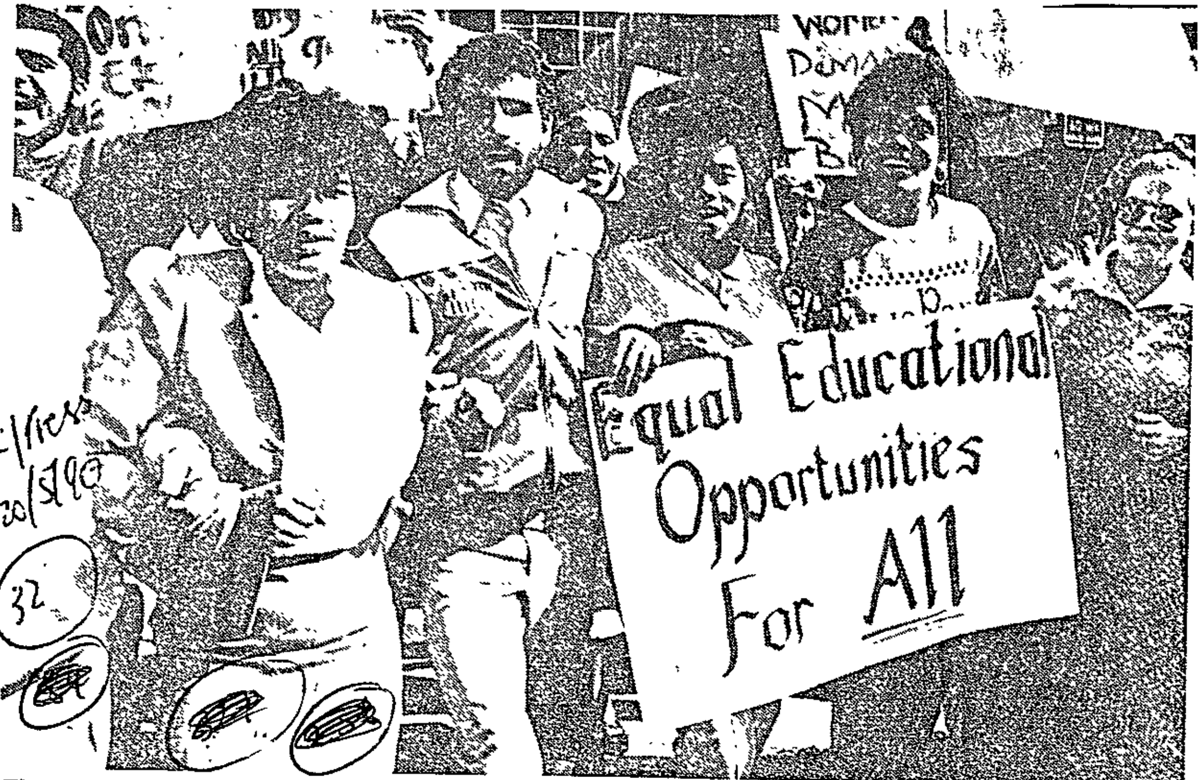
On several short-term demands, Francis indicated his department was flexible, but he could not give a firm undertaking that several teachers dismissed for their alleged political involvement would be re-employed.

Provincial Teachers' Union member Mike Davey warned that if any who took part in the protest were victimised "we will come out in a much bigger force".

The march marked the end of a four-day "chalksdown" protest, which started on Tuesday.

The education head office in Cape Town is expected to respond to teachers' demands tomorrow. – Sapa

C/Press
30/5/90
32



The crowd of teachers marching to hand in their grievances about the education system.

Najwah Allie

NAJWAH ALLIE
Labour Research Service

Enclosures: questionnaire
SAE

The old ways give way to progress . . . a bridge spans a remote river Picture: JAMES SOULLIER

3/1 Mar 20/3/90 (32)

Engineering in the raw in the midst of nowhere

By Charmain Naidoo

A TRIP into the Lesotho Highlands is like a journey into another century.

The air is unspoilt by pollution and until now the hand of industrial civilisation has left this country untouched.

Bringing the late 20th century — in the form of the multi-billion-rand Lesotho Highlands water project — to the mountain kingdom requires a pioneering spirit and the solution of huge logistical problems.

A flight over the snow-capped mountains in a Lesotho Government helicopter — piloted by a young Basutho trained in West Germany — makes the First World seem far away.

Competition

Pony-riding tribesmen come into view. They are wrapped in colourful blankets and sport conical grass hats.

Moving like toys on the ground are signs of progress — giant earthmovers, crushers, trucks and other construction paraphernalia.

LTA is the construction company largely responsible for preparing the infrastructure for Phase One of the project that will provide water to the Pretoria-Witwatersrand-Vereeniging area.

This week members of the the LTA team who have been on site for the past two years talked about their R100-million slice of the project.

Their brief is:

- To build a bridge spanning two hills on the Malibamatso River. From the bridge to the river is a vertical 89 metres — 30 storeys high.
- To carve out a 57km access road that connects the little town Leribe to the Malibamatso bridge.

Another 42km road — the tender won by a French company — is being built from the bridge to the dam site at Katse. Three-quarters of the contract has been completed.

LTA Earthworks managing director Frank Crowley says the job is on schedule and profitable.

The big-hearted Irishman — as at home on site as he is behind his office desk — believes the success of any project depends on a happy team.

"We place emphasis on our staff. The labour turnover has been almost nil. If you have a happy workforce, things get done efficiently and quickly."

Arthur Smith is the project director. He oversees the building of the access road and makes sure things go smoothly.

Mr Smith describes the task of building a road in the middle of nowhere as "engineering in the raw".

"There are few pioneer engineering jobs in the world today. Building from Leribe to the bridge is different from constructing a freeway in Johannesburg.

"We had to ship all the equipment over the mountain before we could start work.

"Work began in mid-winter 1988 — the same year the army was flying in food to snowbound herdboys up in the mountains."

Triangle

The weather in the mountains is unpredictable — conditions change rapidly with little warning.

"That made it difficult for us. But six weeks after we started, the first families moved in. It gets so cold in the winter, the men work in freezer suits to protect them."

LTA has been careful not to disturb the ecology.

Employees from the construction company have even committed themselves to restock the crystal-clear trout-filled streams at their own cost.

At one place, the road cuts across one of the highest points in Southern Africa.

Mr Smith says: "In about 12km, the road ascends the altitude difference between Durban and Johannesburg."

Concrete

Mike Parker, site agent on the Malibamatso bridge gives an example of how difficult it was in the beginning.

"It took nearly six hours to get from Ficksburg to the site before the road was built. Today, it takes just over an hour. Our record was an 18-hour trip when the area was deep under snow."

The mountain area, preserved from modernisation because it was so inaccessible by road, is set for major changes.

The first signs of an awakening economy are evident in the country the United Nations branded the 12th poorest in the world.

LTA alone has employed 800 locals. It is estimated that a total of 1 600 are working on the preliminary construction phase.

Many of the tribesmen have never worked for cash wages. They subsisted by keeping sheep or tending crops. The money one man earns in a month is more than a whole village previously made in a year.

Mr Parker says: "When we arrived, there was one tiny shop in the village selling washing powder and cool drinks.

"See these fur-lined leather gloves? I bought them at that same store last week."

Camps

LTA has set up several camps in the area. The main one at Leribe provides accommodation for 20 families.

At Ha Lejone — pronounced by the Scots, English and Irish on the team as Hello Johnnie — LTA has its "singles" camp, complete with a clubhouse.

Tenders for Phase One, the building of the dam at Katse, are in.

Although the results will only be known by late October this year, rumour in the industry is that Group Five and Concor are most likely to win the contract.

Star 22/5/90 (32)

Housing critical to reform

The critical need for improved educational, health services and housing could put a damper on the excitement generated by the constitutional reform process, says Mr John Grotsius, executive director, National Association of Home Builders (NAHB).

Speaking at the recent NAHB conference in Pretoria, he said high interest rates have been a major cause of the low level of activity in the home-building industry.

"This has resulted in a dissipation of the industry's resources and an acceleration of the tempo at which the housing backlog is growing," he said.

"At this crucial stage, the home-building industry must make a meaningful improvement in its level of activity and develop a sound housing policy which will ensure an industry less susceptible to economic fluctuations.

"For the industry to move into a modest growth phase, the cost of money for housing has to be reduced by at least four percentage points in order for monthly bond repayments to go down by 20 percent or more."

BASIL STARKE FM 25/5/90

Credibility gap (32)

Activities: *Building, construction and property development.*

Control: *Basil Starke Family Holdings (Pty) 36%.*

Chairman: *B E Starke; MD: M Phillips.*

Capital structure: *17,5m ords. Market capitalisation: R4,4m.*

Share market: *Price: 25c. Yields: nil% on dividend; 62,0% on earnings; PE ratio, 1,6. 12-month high, 41c; low, 18c. Trading volume last quarter, 86 000 shares.*

Year to Dec 31	**•'87**	**'88**	**'89**
ST debt (Rm)	8,3	18,9	14,9
LT debt (Rm)	2,6	6,6	9,3
Debt:equity ratio	2,30	2,87	12,42
Shareholders' interest	0,21	0,20	0,19
Int & leasing cover	7,4	nil	1,5
Return on cap (%)	26,5†	(1,9)	13,5
Turnover (Rm)	77,3	136,9	151,6
Pre-int profit (Rm)	7,0	(0,8)	7,2
Pre-int margin (%)	9,0	(0,6)	4,7
Earnings (c)	24,0	(36,9)	15,5
Dividends (c)	5	—	—
Net worth (c)	122	38	52

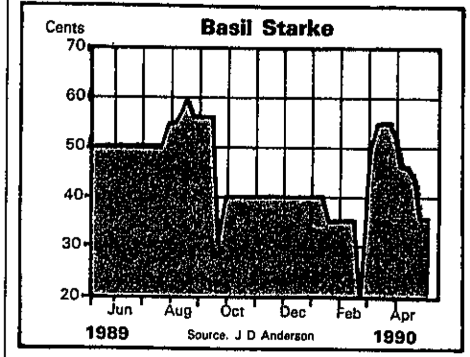
• Nine months
† Annualised

Viewed against chairman Basil Starke's forecast, that 1990 results should again be satisfactory, the current 1,6 historic p:e ratio suggests there is something of a credibility gap between the perceptions of management and investors on where the group is heading.

Reasons are not hard to find. For one thing, overall performance has been miserable since the back-door listing in 1987. For another, the balance sheet is still horribly overgeared. And, if a third reason is needed, it would be that management does not seem to have any fixed ideas of what the group structure should be — at the time of the listing in 1987 BSI was simply the holding company of Basil Starke Group. But then it added various activities of its own which, with effect from the start of the current year, have been transferred to BSG, thereby reverting to the pyramid structure once more.

To be fair, 1989's performance was materially better than 1988's. In that year BSI incurred a loss of almost 37c a share after having reported positive earnings of 2c for the first six months which was followed by a forecast of earnings totalling almost 24c a share at the time of the rights issue. At least this time around the income statement was back in the black, even if the final outcome

FM 25/5/90 (32)



— EPS of 15,5c — was still materially lower than in 1987's nine-month accounting period.

The balance sheet follows much the same pattern, with the 1989 version a bit stronger (or less weak) than in 1988, but still worse than in 1987 despite the rights issue which raised R6,9m in August 1988. These funds were raised mainly to redeem pref shares but the gearing ratios have, nevertheless, increased since December 1987 from 2,30 to 2,42 after an intervening peak of 2,87 in 1988. The continued weakness of the group's position is further reflected in the narrow 1,5 times interest/leasing cover.

On the bright side, however, attention to asset management seems to be bearing fruit. Accepting that one swallow doesn't make a summer, general pressure on the balance sheet has been reduced by stretching out creditors. These are now financing almost 34% of total assets against only 18% a year ago, which assisted materially in boosting gross return on net funds employed to around 24%. So at least the group derived a positive gearing effect from its heavy debt burden and, if this situation can be maintained, there is a reasonable chance that BSI will be able to trade itself into a more acceptable financial structure over time.

This process will be helped by the sale since the financial year-end of a property surplus to the group's requirements for R1,9m. If this sale goes through (it was still subject to a suspensive condition at the time the annual report was issued), and if the full amount is used to reduce debt, this alone would bring the debt:equity ratio down to about 2,2. A repeat of last year's profit plough-back of R2,9m would further reduce the ratio to 1,7 — still not ideal but at least moving in the right direction.

The bottom line is that the group cannot afford a repeat of contract losses such as those responsible for the 1988 debacle; nor for the next few years is it likely to be able to afford to pay a dividend.

But it is by no means beyond the bounds of possibility that the group can, with a bit of care, trade itself back into good health, and if it does so heavy pessimism reflected in the present market rating of the share will prove to have been unwarranted. Under the circumstances, it is difficult to recommend the share as a punt, other than to say that at 25c, how much lower is it likely to go?

Brian Thompson

Govt is in quandary over Walmer Estate

SAT 25/5/90

Political Staff

CAPE TOWN — The Government is in a quandary over what to do with the controversial ministerial houses built in Walmer Estate at a cost of R4,9 million after failing to convince Labour Party leader the Rev Allan Hendrickse and his Ministers to move in.

The Department of Transport, Public Works and Land Affairs has confirmed that it is finally considering letting or selling the homes.

The Labour politicians have never lived in the luxurious houses, hemmed in by high security fences, on the slopes of Devil's Peak. They are accommodated in luxury flats in Rondebosch.

Residents of Walmer Estate objected strongly to the prospect of having the MPs living in their neighbourhood, fearing it would be a security risk.

The Labour Party also used the luxury homes as a means of protesting against the Group Areas Act, saying they would refuse to move in unless the Act were scrapped.

Now, however, the Government is anxious not to lose any money, but officials are concerned that the Group Areas Act might hinder a profitable sale.

New homeowners complai

Argus 28/3/90 32

Builders 'taking advantage'

By EDWARD MOLOINYANE
Staff Reporter

SOME building contractors and developers in the townships are taking advantage of the fact that most home-buyers have been staying in shacks for the better part of their lives and have little knowledge of building and builders, the homeowners believe.

This is the view of many home-buyers in the townships who have complained about the "extremely poor quality" of houses sold to them.

The latest complaints are from about 300 homeowners on the northern side of Nyanga township in Crossroads.

Some have been staying on the properties since 1988, while others moved in last year.

About 102 of the two, three and four-roomed houses, which sell for between R16 000 and R25 700, have been financed by the South African Housing Trust (SAHT), which still faces a bond repayments boycott on properties financed by it in Khayelitsha.

Four of the owners said their complaints about faults noticed when they moved in had been reported to the developers who had promised to take immediate action.

However, more than a year later, no action had been taken and the condition of the houses had deteriorated.

One of the angry homeowners, factory employee Mr Elby Dyasi of stand 735, who pays a R170 instalment said he "could not remember" how many times he had complained since he moved into the house in June last year.

The four owners said they feared the house may collapse on their families "any time" as water spurted from the floors in all the rooms when it rains because "there is no foundation".

Cracked walls

The walls are cracked; toilet and kitchen pipes are connected and when the toilet is blocked (which happpens frequently) the contents pour into the kitchen sink and that of neighbours; the roofs are leaking and there are holes in the ceilings.

They said electricity, which had been promised, had not been provided.

Mr Dyasi, whose two-roomed house cost R16 000, also said the door keys issued could open most homes as they were identical.

Car salesman Mr Dennis Bunu of stand 107, who moved into his house in October 1988, said he and about 150 others on properties built by Bester Homes had been made to pay R200 "key money" before they could be allowed to move in even though they had paid the deposit.

The agent had told him and others when he purchased his R25 000 four-roomed house that his monthly instalment would be R260 — but he was paying R452.

Contractors either said they were "not aware" of any complaints or that these would be attended to.

Mr D J Farquharson of Bester Homes said his company had about 300 sites in the area.

He said a "significantly small part" of the houses had some problems.

"It fact should be recognised that the private sector has built 110 000 houses for the black community over the past 12 months"

He said the Provincial Administration had been responsible for laying the infrastructure.

He said a committee representing residents had been elected and the problems raised would be attended to.

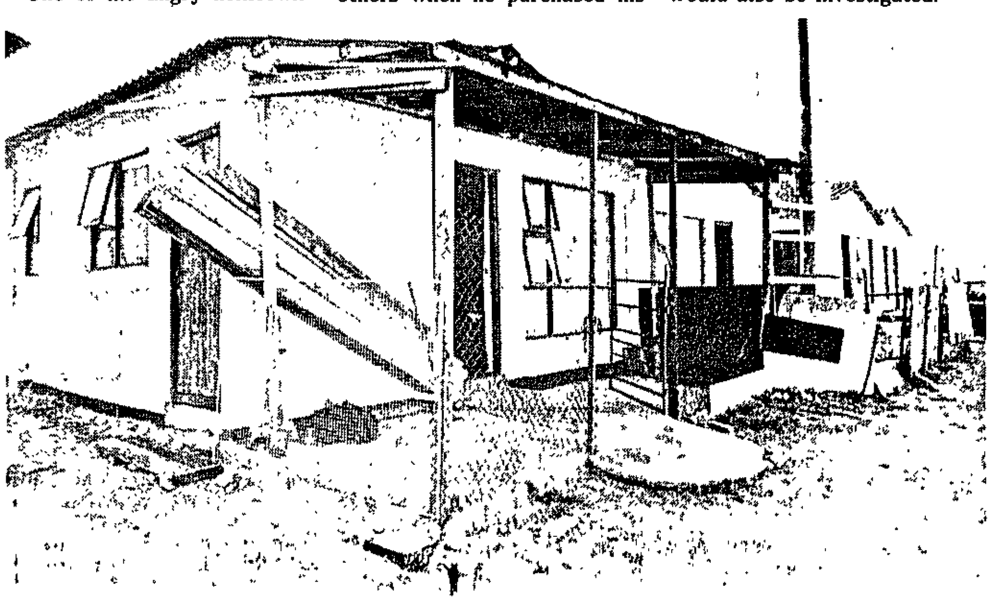
Reacting to the R200 "key money", he said this was an "occupational interest" charged when the buyer wanted to move into the property before it had been registered at the deeds office.

Mr Stephan Van Dreyer of Habitech said complaints would be investigated and rectified.

Stocks and Stocks' Mr Mike Niven, whose company had built about 160 houses, said maintenance forms had been received and complaints, including identical door keys, would also be investigated.

Pictures: LEON MÜLLER, The

STINK PIPES: Mr Elby Dyazi outside his h showing the connected water and sewage He says that when the toilet is blocked the tents pour into his kitchen sink.



UNCERTAINTY: Stands have not been demarcated and homeowners are uncertain about their rights on the properties as they have not been given acceptance certificates.

HOLES: Mr Dyasi pointing to his holed due to moisture penetration in Crossroads. ter also spurts from the floors in the rc leading to floods "just like in shacks".

Boumat on expansion trail in Cape

With the R6,1 million acquisition of W Miller (Pty) in Somerset West, building supplies company Boumat Ltd has signalled its decision to expand its general builders' merchant operations.

Boumat, which a couple of months ago launched its own builders' merchanting chain called "Builders' Market", is keen to penetrate the affordable homes market. It sees this market as having exciting growth potential.

Along with the Millers acquisition and its fledgling builders' market chain, Boumat also has general builders' merchants operations in northern Natal.

Boumat executive chairman Irvine Brittan says the group now has a strong foothold in the market catering to the "Affordable" housing market and the home renovator and improver.

Millers, which is well situated on the Somerset West-Cape Town highway, is known for its merchant business, its roof-truss fabricating plant and its DIY retail outlet.

Boumat intends that the Millers operation will remain independent of its recently opened Cape Town builders' market but will also fall under the plumbware (Western Cape) umbrella.

32

In competition

Star 28/5/90

Mr Brittan said: "Builders' Market and Millers carry very similar product ranges and operate in similar markets but will compete for business and we expect them to make a real impact on the Western Cape market.

"These moves signal our clear intention to establish a countrywide chain of general builders' merchants and to provide the full range of products and services needed.

"We believe that in the new South Africa, as more and more South Africans enter the housing market, there will be considerable scope in providing products and services for those first-time home owners. This is where we see future growth and want to be strongly placed to grow with that market. We see exciting potential in this area and are actively expanding our horizons".

Mr Brittan added that Boumat does not intend to combine the new outlets in any way with its existing and long-established merchant operations. These units will remain competitive and each highly focused in the areas of plumbing, sanitaryware, tiles, ironmongery and engineering supplies.

The R6 142 000 cash purchase price for Millers will have no effect on Boumat's earnings or net asset value for the year ended March 31, 1990.— Sapa.

Barprop reshapes portfolio

32

Star 29/5/90

Finance Staff

Barlow Rand Properties (Barprop) has concluded property transactions for more than R40 million in a major reshaping of its portfolio.

The sale of property and the purchase of land forms part of a strategy in which the focus is shifting from an essentially industrial bias to a spread of industrial, office and other commercial property.

The largest deal, negotiated by Niki Vontas of The Board of Executors Properties, involves the sale of 16 predominantly industrial properties to Pangbourne Properties for R27,5 million.

Most are leased to companies within the Barlow Rand group.

Colin Steyn, MD of Barprop, says the proceeds of the sales will be invested in the acquisition and development of well-located facilities satisfying the quality and growth requirements of prime investment property.

Besides the Pangbourne sale, other sales totalling just under R12 million have been made at Isando, Port Elizabeth, Standerton, Welkom and Virginia properties.

R542-million construction programme

Building boom for city

CAPE Town's municipal area, including the central business district, is experiencing a multibillion rand building boom.

Commercial developments totalling more than R1,6-billion have been completed in the past 24 months while the total capital investment of buildings under construction is more than R542-million, most of which is in the CBD.

And project worth many millions of rands more are in the pipeline, including three new office blocks on the foreshore at a total cost of about R70-million.

Cape Town architect Mr Louis Karol said today that his office alone had drawings of new buildings for the CBD totalling about R350-million and he had received a preliminary proposal on yet another building with a capital investment of about R100-million.

The new buildings on the Foreshore include:

● A 17-storey office block off the Heerengracht between the Capetonian Hotel and Radio City and fronting onto Pier Square which is to be built at a cost of R35-million by Murray & Roberts Properties. Construction of the block, which has been designed by Louis Karol architects, will start in July and is due for comp-etion within 18 months. When completed the building, which is on a 3 200m² site, will offer about 11 500m² of A-grade office space and parking for 200 cars.

● The R13-million new headquarters of the Housing League on Coen Steytler Avenue.

Mr Johan Nel, general manager of the Housing League, said they were devel-

By MAGGIE ROWLEY, Business Staff

24 HOURS NEWS WATCH

Cape Town City Planner Mr Neville Riley this week confirmed that the building momentum in the CBD was not letting off and said the city council was in confidential negotiations with developers for further multimillion rand projects.

He said the total value of plans approved by the city council had increased 73 percent between 1985 and 1989. In 1985, 10 226 plans with a total value of R271 173 349 were given the go-ahead by the council against 10 934 plans with a total value of R415 492 112 last year.

"It has been increasing on an annual basis and we don't see any sign of this pattern tailing off.

"Cape Town is well on the up and up. This is a very recent phenomenon and is, I believe, a direct result of the political ethos in the city at present. There is confidence in the future.

"It has also been boosted by the city's commitment to being proactive, to facilitating development."

He said the city council was about to appoint a major advertising company to sell the city as an investment opportunity both in South Africa

ground parking garage in St George's Street between Wale and Shortmarket streets which was recently given the green light by the city council.

● Equikor's R40-million The Terraces development on the corner of Waterkant and Bree streets. The 18-storey office tower is due for completion in December. A-grade office space is available to let at R25/m².

● Standard Bank's R34-million upgrade of the Cape Town Centre.

● A "substantial" development for the CBD is planned by the Board of Executors and Ovcon which recently purchased half a block bordered by Adderly, Parliament and Longmarket streets.

Board of Executors managing director Mr Bill McAdam said there were two alternative plans for the site, one a large plan the other smaller but either way the "development, offering primarily office space but also some retail, will be substantial."

Details would be released at a later stage, he said.

● The R26,6-million extensions and refurbishing of Protea Assurance in St George's Street.

● The R8-million extension to the Supreme Court in Keerom Street and the offices of the Attorney General and State Attorney in Queen Victoria Street by Yntze Schrauwen which are expected to be completed by August next year.

● The R4-million Foregate Square in Cape Town harbour.

Commercial street area including Nerina Centre at 64 Buitenkant Road and Minelli House at 50 Buitenkant Street.

When completed the buildings will offer 15 000m² of A-grade office space (at R14 to R18 a square metre) and retail space (from R15 to R20 a square metre). The development is already 80 percent let.

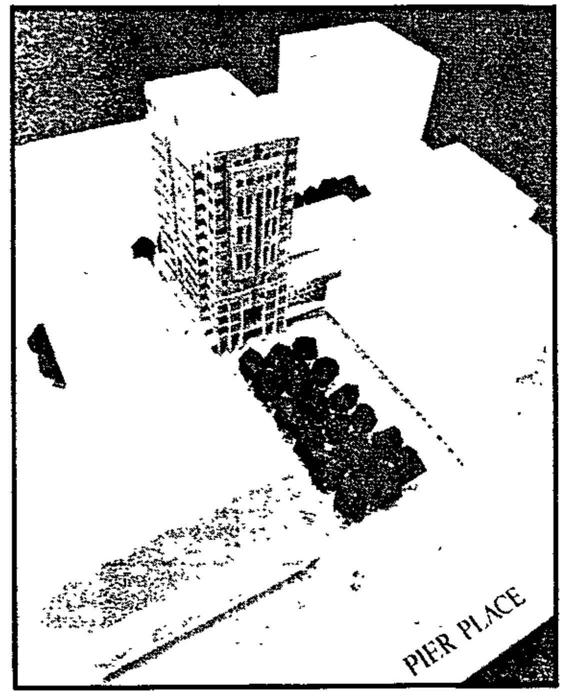
● The R9-million contract awarded to Ovcon Cape (Building) for the refurbishment of the old warehouse to create a new hotel on North Quay in the Victoria and Alfred Waterfront project.

● The R40-million Fedlife Assurance block and parking facilty at 80 Strand Street. The 10-storey building will offer 10 000m² of office space and parking for 285 cars. It is scheduled for completion in June next year. Office rentals are 25/m².

● The R12-million redevelopment of the former Avalon Hotel into office accommodation is nearing completion. There is 5 800m² of lettable space. Office rentals are R19 to R22m².

● Devland Properties R20-million Design Centre on the Foreshore, phase one of the eventual R300m project to redevelop the old Imperial Cold Storage site to provide the link between the city's central business district and the Victoria and Alfred Waterfront Project.

The Design Centre will be used to accommodate upmarket retailers, couturiers, jewellery manufacturers and other specialist stores. Plans for the final stages still have to be confirmed but details would be released within a year, said managing director Mr Mark Abromowitz.



A scaled down model of the R35-million Pier Place office block which is to be built off the Heerengracht between the Capetonian Hotel and Radio City.

Mr Riley said a decision on the adjoining 5 hectare power station site would probably be made later this year.

A special committee, consisting of city councillors and heads of various departments in the city council as well as Devland and Devland's advisers on the project, the Louis Karol architecture firm, was established last week to plan the technical development of the two sites jointly.

Mr Karol said the total capital investment of both sites would probably be in the region of R400-million. "They form the vital link between the city and the Alfred and Victoria Waterfront project and as such the development of this land needs special attention and is being given joint technical consideration. The first technical meeting will take place today," he said.

● City architect Mr Dennis Fabian said they had a number of preliminary proposals including a R7,5million office block, offering 5 000m² of office accommodation in the Bree Street area and a eight storey, R10-million office block on the foreshore offering 8 000m².

● Faircape Homes's R3,5-million upgrde of 56 Barrack Street which is due for completion in about four months' time. It will offer 3 600m2 of office space which has been revamped to A-Grade specifications.

● Faircape's R6,5-million Longwharf office block in Long Street offering 3 000m² of A grade office space and 33 basement parking bays due for completion in December.

● Southern Life Properties has completed the R3,5-million upgrade of the office tower of Picbel Centre and is doing a feasibility study for phase two of the project which involves refurbishing the retail section. It is reliably understood that a R6-million conversion of the arcade into a shopping centre is being considered.

● Syfrets have shelved plans for a R10-million Polyclinic in Long Street on the Foreshore and are considering a number of other options for the site including an office complex.

● Old Mutual have purchased the Boland Bank building in Long Street for R4,4-million but does not plan any development on the site as yet.

The ground floor and the third floor would be let to the public, he said.

Excavation of the 12 094m² site had begun and the project was due for completion in May next year.

● The adjoining site on the corner of Coen Steyteler Avenue and Long Street bordering the Roggebaai Post Office building has been purchased by Stocks & Stocks who are planning "a prestige office block", at an estimated cost of R20-million to R25-million office development. The site consists of two erven with a permissible bulk of about 22 000m² of floor area.

Stocks Properties are considering several proposals due to the high level of interest being shown by prospective tenants. Construction is due to start in three months' time with a 20-month construction period.

and support the huge "urban pioneering community" arriving here from the hinterland.

"For this to happen we need a strong vibrant city centre. There is a synergy between the two and we will have to look to increase the momentum of major capital infustion," he said.

Other projects on the drawing board and under construction include:

● The R85-million Pier Head retail centre on the water's edge in the harbour stretching back towards Granger Bay which is part of the Victoria and Alfred Waterfront project.

●The R20-million hotel and medical facility planned by Clinic Holdings, the JSE listed City Park, on the CNA-/Technikon building site in Bree Street which they have purchased.

● The R25-million under-

title office complex in Hope Street.

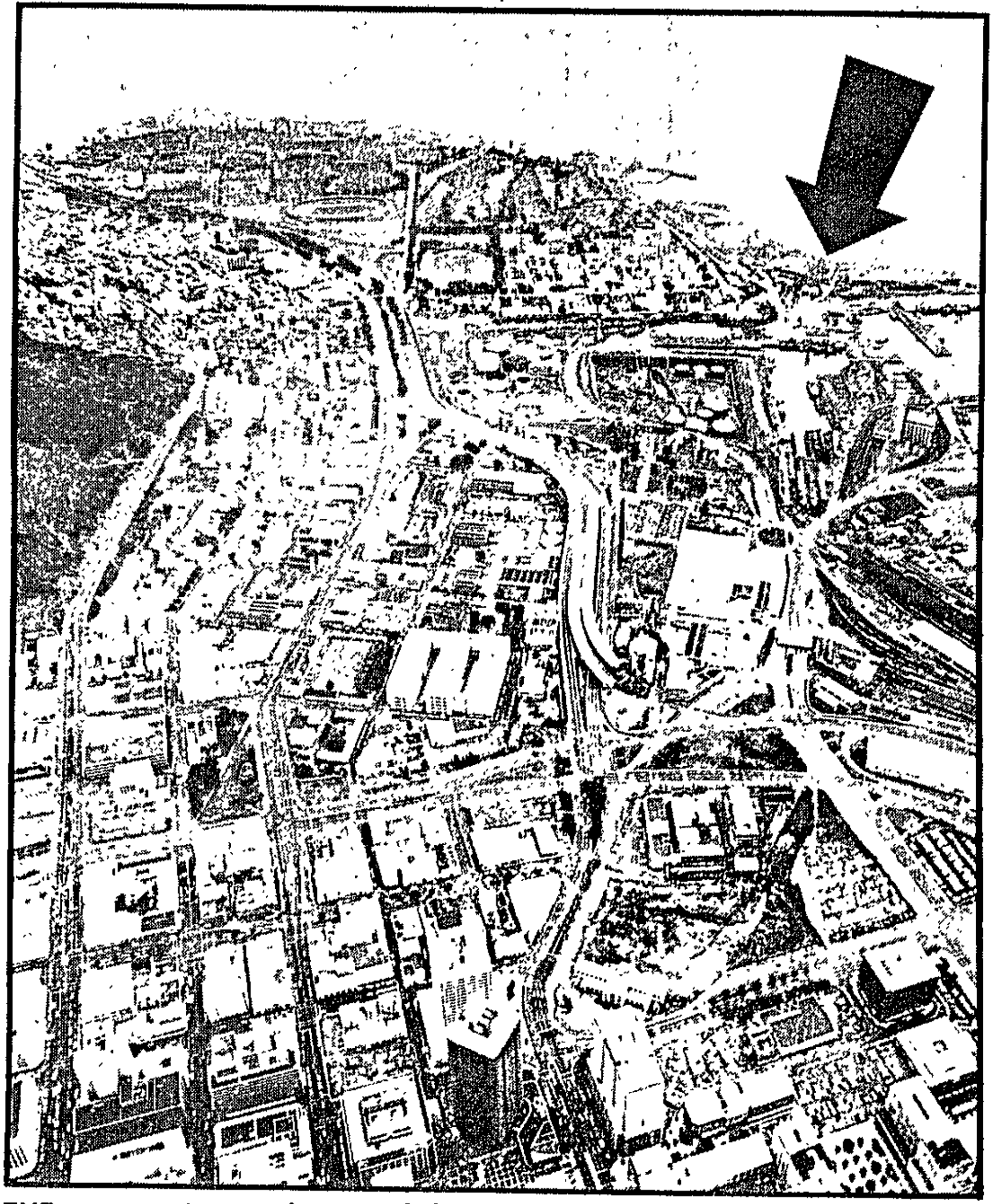
● The R3,7-million De Waterkant Piazza townhouse development in Loader Street.

● The R7-million refurbishment of 44 Hertzog Boulevard (foremrly the Medipark Building).

● The R2,2-million restoration of Winchester House at the corner of Long and Shortmarket streets. The building, formerly the property of the Cape Heritage Trust, was sold last year on condition that it be restored to its original concept.

When completed in February next year the ground floor will house a restaurant and coffee shop while the remaining four floors will offer 840m² of office space.

● The Solomon Brothers' R13-million upgrade and restoration of four buildings in the Buitenkant, Roeland and



THE arrow points to the site of the R85-million "speciality retail" complex to be built at the water's edge in the harbour as part of the Victoria and Alfred Waterfront project close to the North Quay warehouse, which is being converted into a hotel, and the brewery.

CAPE TOWN, TUESDAY MAY 29 1990

Billions pour in

Huge building boom reshaping the face of Cape Town

ARGUS 29/5/90 32

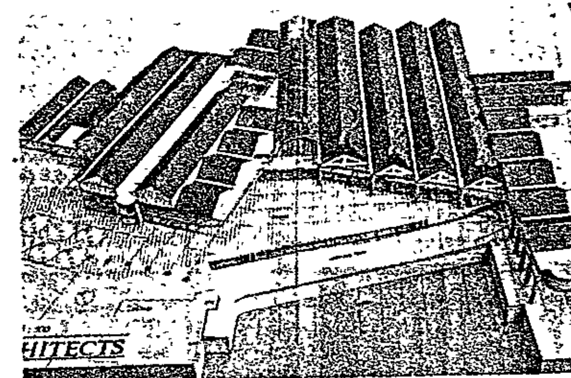
By MAGGIE ROWLEY, Business Staff

A MULTI-BILLION rand building boom is under way in Cape Town, changing the face of the city.

More than R1,6 billion of commercial developments have been completed in the Cape Town municipal area in 24 months.

A further R542 million of buildings are under construction and plans totalling millions, if not billions, of rands more are on the drawing board for the next few years.

One Cape Town architectural firm alone has drawings for buildings in the central business district with a total capital investment of more than R350 million planned for the near future and preliminary proposals for other multimillion rand developments in the offing.



SUPER COMPLEX: A scaled-down model of the R85-million "speciality retail" complex to be built in the harbour as part of the Victoria and Alfred Waterfront project.

New developments for the city centre include three major office blocks for the Foreshore at a total cost of about R70 million.

The largest of these is a 17-storey office block off the Herengracht between the Capetonian Hotel and Radio City and fronting on to Pier Square which is to be built at a cost of R35 million by Murray & Roberts Properties.

City planner Mr Neville Riley said the total value of plans approved by the City Council had increased 73 percent between 1985 and 1989 and there was no sign of this momentum tailing off.

Power-station site

He said the council was holding confidential negotiations with developers for further multimillion rand projects and was about to appoint a major advertising company to sell the city as an investment opportunity in South Africa and overseas.

"If we are to meet the challenges of the future we have to encourage further development and investment in the city. There is a tremendous need to generate wealth in the city to help assimilate and support the huge 'urban pioneering community' arriving here from the hinterland."

Architect Mr Louis Karol said a special committee consisting of city councillors, heads of departments on the council and Devland property developers was established last week to give joint consideration to technical matters for the development of the prime five-hectare power station site belonging to the council and Devland's adjoining Imperial Cold Storage site.

"Vital link"

He said total capital expenditure on these sites would be about R400 million.

"These sites form the vital link between the city and the Alfred and Victoria waterfront project and as such the development of this land needs special attention and is being given joint technical consideration. The first technical meeting will take place today."

He said the power-station site could provide underground parking space for about 2 000 cars.

80 new shops, cinemas, restaurants for harbour

News 29/5/90 (32)

By MAGGIE ROWLEY, Business Staff

AN R85-million "speciality waterfront" retail complex is to be built on the water's edge of Cape Town Harbour stretching back from the Working Quay towards Granger Bay.

The Pier Head retail complex — part of the Victoria and Alfred Waterfront project — will consist of more than 80 shops, 10 cinemas, 15 restaurants, a flea market, and a

City building boom — page 25

2 000m² fish and fresh produce market. Parking will be provided for about 2 500 cars to serve the maritime precinct, including about 500 underground parking bays.

Mr Louis Karol, the city architect whose firm is designing the complex, said construction would begin soon and would be completed within two years.

Managing director of the Waterfront project, Mr David Jack, said today that the new retail complex was planned as part of the historic maritime complex and will be built in a style very much in character with the harbour warehouses.

"It will complement other historic buildings in the Pier Head precinct including the Old Union-Castle office, the North Quay warehouse which is being revamped into a R9-million hotel, the old harbour tearoom and the Port Captain's office on the Pier Head itself.

NEGOTIATIONS

"Negotiations are also under way with potential tenants for these old buildings. We plan restaurants in the Port Captain's office, and the old harbour tearoom and speciality retailing for the Old Union Castle office."

Mr Jack said the Pier Head precinct was approved by the city council last month. However, the services agreement was still being negotiated with the council.

Mr Karol said the entire project would be built around a glass-domed galleria looking out on the harbour and the old clock tower. Jutting off the galleria would be shops while the restaurants would face on to a large piazza which would be built up to the water's edge.

Space had also been allocated for large anchor tenants on the ground floor and first floor.

Mr Jack stressed that the complex would be unique to South Africa and similar to overseas "festival waterfront" complexes such as in Sydney, Vancouver and San Francisco.

"The closest thing to it in South Africa is the Workshop in Durban. The attraction of the complex will be its focus on entertainment and leisure. It will be a place where people will go day and night, seven days a week.

APPROPRIATE

"The shops will all be speciality shops appropriate to the waterfront and which also serve the adjoining residential areas."

He said the old North Gate customs building, which was later used by I&J, would be converted and house the fish and fresh produce section of the new complex.

"We see this being a showcase for the fishing industry. It will be open seven days a week and sell a whole range and variety of produce from the sea."

32

Rental growth slows

Property & Construction

STAN KENNEDY

The high rental growth and rapid take-up of office space in 1988 and 1989 has slowed and rental increases this year are expected to be about 15 percent, says Mr Grahame Lindop, national leasing director, Anglo American Properties (Ampros).

He says the office rental market is feeling the impact of economic and political factors.

"The tightening of the economy, particularly in terms of high interest rates, is beginning to bite. We see companies putting a hold on expansion, not growing their businesses or taking on new staff and, therefore, not taking more office space.

"In addition, I believe the economy has reached a natural peak in the business cycle which would have, in any case, resulted in a falling-off in demand. However, there are indications that the downturn will be much shorter than in previous cycles."

An element of caution is also having a dampening effect on the market, as people adopt a wait-and-see attitude in their planning but this could be reversed if there is a breakthrough in political talks, he says.

Rentals for A-grade office space in major centres rose 13 percent in 1987, 34 percent in 1988 and 24 percent in 1989 to an average of of R24/sq m net.

New company to market compressors

A new company has been formed in the Flemingo group to market the Airman range of screw compressors in South Africa.

There are more than 500 Airman units in use in South Africa, many on building sites, and the new company, Jarocom, ultimately aims to capture about 10 percent of the estimated R80 million-a-year market.

Manufactured in Japan by Hokuetsu Kogyo, one of the four largest manufacturers of compressors in the world, the Airman units have advanced technology.

Star 29/5/90

NEWS

Home and car insurance costs look set to rocket

By Michael Chester

Homeowners and motorists have been warned to brace themselves for dramatic increases in insurance on houses and vehicles. They could exceed 20 percent in the next 12 months.

The warning comes from the South African Insurance Association (SAIA).

The combined blows look set to add serious fresh burdens to household budgets already under pressure from inflation and high interest rates.

SAIA chief executive Rodney Schneeberger said last night that the scale of increases was inevitable, but imperative.

The short-term insurance industry, he said, had been rocked by:

- New estimates that the toll of claims over the tornado which hit Welkom two months ago could soar to more than R300 million.
- New guesstimates that the number of vehi cles likely to be stolen by the end of the year could climb to 72 000. To this had to be added the crippling cost of claims from mounting road accidents.

The Automobile Association noted in a recent count that premiums on motor insurance had already jumped in past months, and should be expected to leap between 20 percent and 40 percent by the end of the year.

Now the SAIA has said that premiums on houseowner and householder policies, covering property and all contents, can be expected to increase by 20 percent or more.

Mr Schneeberger said the association had sent letters to top insurance companies warning them to call a halt to a three-year rates war to win new custoners.

Alarm bells had been rung by figures showing that total income from premiums on houseowner and householder policies dropped by 2 percent last year.

Mr Schneeberger said it seemed that several insurance brokers and their clients had been lulled into a false sense of security when the insurance pay-outs on catastrophes dropped to almost zero last year.

ACI 24/5/90 (32)

Property men in bid to attract Hong Kong investors

Faced with the return of Hong Kong to China in 1997, many of the city's residents are eyeing the prospect of resettling in South Africa, says Mr Scott McRae, managing director, Camdon's Nationwide.

On the strength of this Camdon's, as well as some of South Africa's leading developents — Club Mykonos, Caribbean Estates, Santorini, Marina Martinique — will be represented at two international exhibitions in Hong Kong next month.

The exhibitions are being supported by the SA Government, which is keen to attract immigrants with expertise and investment. The SA Consul will host a seminar organised by Camdon's at a leading Hong Kong hotel.

Camdon's participation is the outcome of a visit to the Far East last year by Mr McRae, who assessed the prospects for marketing South African property.

"Among the well-informed South Africa is seen as an excellent property investment haven. By Hong Kong standards, of course, South African property is ridiculously inexpensive. In high density Hong Kong, property sells at an absolute premium and it is said if you drop a handkerchief on a street, the area it covers is worth several thousands rands.

"Even more significant is the fact that potential investors are prepared to consider South Africa at a time in the country's political development when some groups are predicting doom and gloom."

He says even in Europe, the South African embassy in Vienna has been besieged by people from eastern Europe wanting to emigrate to this country.

R85m pier plan

CNT 7475 30/5/90

32

Staff Reporter

CONSTRUCTION of an R85-million retail complex in the historic Pier Head area of Table Bay harbour, embodying 80 specialist shops, 10 cinemas and about 15 restaurants, is to start soon, says architect Mr Louis Karol.

A central and focal point of the shopping area will be a fresh produce market, modelled on the highly successful Granville Island fresh produce market in Vancouver, Canada, he says.

A special village mall is to be created in the centre, where small traders will be able to hire barrows and sell from them.

The mall connecting the village square to the other retail outlets on Pier Head will be devoted to festival-type shopping, "to cater for the masses of people who will come to the harbour area to enjoy passive recreation".

Both open and closed parking is to be provided and in the immediate area of the speciality retail centre there will parking for more than 1 000 cars.

The project is part of the massive Victoria and Alfred redevelopment scheme, in which work has already begun on construction of the first hotel in the old harbour, at North Quay, and on restoration of certain historic buildings.

Mr Karol said yesterday that the retail complex offered Cape Town a first opportunity "logically to create a speciality retail centre for the city".

"The situation of the scheme is unique in that access for shoppers will be both from the freeways and Beach Road.

"The hinterland of this site comprises Green Point, Sea Point, Bantry Bay, Clifton and Camps Bay. These areas are among the best residential areas in Cape Town, with an upper-bracket population.

"A large proportion of these people now have to travel all the way to Cavendish Square, Claremont, for their speciality shopping."

Mr Karol said the aim in designing the new complex was "to create an atmospheric building compatible with the environment and existing architecture in the harbour".

The central theme of the project, he said, was the glass-roofed galleria centring on to Pier Head and the historical Clock Tower, on the opposite side of the water.

"The interior design decor will be tailored to suit this kind of atmosphere."

Council gives golf course housing the nod

Star 30/5/90 By Louise Burgers, Municipal Reporter (32)

Houghton residents have won the battle against the development of cluster housing on Houghton golf course.

The Johannesburg City Council decided yesterday that it would permit single unit dwellings per 2 000 sq m.

The applicant, JCI, withdrew its original proposal to develop cluster housing on the golf course after vehement opposition from residents last year. It re-submitted an application after amending plans to fulfil the requirements of the lower Houghton density policy.

CONSTRUCTION — GENERAL

1990 - ~~[illegible]~~

JUNE — ~~July~~ ~~Aug~~ ~~[illegible]~~ DEC.

Star 22/6/90

Pegg's estate sequestrated

(22)

CATHY STAGG

THE estate of Mr Stuart Pegg, allegedly one of the men behind the R47 million Trust Bank fraud, was finally sequestrated in the Rand Supreme Court yesterday.

Mr Pegg was arrested and detained in Switzerland in April this year. Yesterday, the Attorney General for the Witwatersrand Local Division, Mr Klaus von Lieres, said he had decided not to continue with extradition proceedings against Mr Pegg.

Time up

Mr von Lieres said time had run out and the Swiss authorities had not granted his application for an extension.

He understood Mr Pegg faced criminal charges in Switzerland as a result of complaints laid by Trust Bank.

Efforts to contact Trust Bank's attorney, Mr Antony Mostert, yesterday were unsuccessful as he is in Luxembourg for the matter involving Mr Pegg.

Trust Bank's media manager, Mr Louis de Villiers, said the bank preferred not to comment on what action was being taken by the bank against Mr Pegg overseas — nor on the Attorney General's decison.

Yesterday Mr Justice H J C Flemming granted the final sequestration of Mr Pegg's estate. The application was initially launched in December last year after the bank discovered the R47 million fraud.

In papers before the court, Trust Bank's attorney, Mr Mostert said he had personally spoken to Niko Shefer (who has since stood trial, been convicted of fraud and sentenced to 14 years' imprisonment) and Mr Shefer had confirmed Mr Pegg's involvement.

According to evidence led during the trial a former bank clerk, Gotz Guntenhoner, (convicted of fraud and sentenced to 14 years' imprisonment in an earlier trial) stole clearance vouchers and, after these inter-bank transfer documents had been completed, the funds were used to buy gold coins, emeralds and an aircraft.

The idea of using funds from this fraud, about R26 million, to buy a Falcon 50 aircraft, was proposed by Pegg, Mr Mostert said in an affidavit.

In an affidavit, a facsimile of which was apparently sent to Cannes, France, Mr Pegg had protested his innocence and said he had earned commission "in the normal course of business" but Mr Mostert rejected this.

Transactions

He said it was significant that Mr Pegg referred to various discussions and transactions with a variety of people and organisations — yet did not submit any evidence from them to support his claims. Among people mentioned by Mr Pegg were members of the Department of Foreign Affairs and local aircraft firms.

Trust Bank has obtained a judgment against Mr Pegg in Luxembourg for more than R47 million.

Property syndicates for the sophisticated investor

(32)

Str 7/6/90

Money Matters

MAGNUS HEYSTEK

A GROWING band of sophisticated investors are increasingly turning their attention — and money — to property syndications as a way of earning steady and solid capital growth.

Although property syndication as an investment medium is very much in its infancy there are longwaiting lists of people wanting to get a piece of the action.

Basically, it means that you become part of a syndicate under the umbrella of a large financial organisation, to develop and fund prime commercial or industrial properties. Normally a minimum amount of R10 000 is required for this kind of investment.

The investment is secure as it is effectively a stake in a fixed commercial or industrial property which has a net worth (in theory,) at least equal to the value of the investment.

Due to the growing popularity of syndications these investments can also be bought and sold on the secondary market.

Property syndications have been around on a private basis for many years, but public participation only really got off the ground in 1986 when the Board of Executors (BOE), identifying the need for greater public participation in this type of investment medium, started marketing syndicates to the public.

Since then various other large and sound financial institutions, like Syfrets and Masterbond, have entered the market.

Rental income

In a nutshell, a property syndicate finances a large commercial or retail property development for which it receives an income in the form of rental. Obviously, the higher the rental the higher the income for the syndicate.

An example of a property syndicate currently being marketed is the Sandton Health and Racket Club. With a long and escalating lease on such a prestige building the syndicate putting up the money to buy the building, is assured of its rental.

BOE, for instance, has so far established 19 property syndications with a combined value of R96 million with approximately 1600 investors.

The average syndicate can be expected to yield a combined compound income and capital return of at least 21,5 percent before tax and approximately 16,5 percent after tax based on the top marginal rate of 44 percent.

Obviously, the lower one's marginal rate of tax, the higher the after-tax yield, while non-tax paying entities (like pension funds and charitable organisations) can look to returns of 21,5 percent.

However, past experience has shown these figures to be conservative with most investors earning far higher rates of returns.

Compared with other types of investments, property syndication offers very attractive overall returns, comparable with equity investments and/or unit trusts, with far less volatility.

They are ideal for people needing a high income stream some years down the line. Compared with equities and fixed income gilt investments, property syndicates outperform them over a period of fifteen years.

Although conventional property syndicates cannot match the overall capital returns of equities, it is possible to greatly increase the yield of property syndicates by gearing the property investment. This is particularly attractive in the case of investor's who do not need the income-stream from their investments.

Gearing is achieved by borrowing up to 50 percent of the investment back from the institution setting up the syndicate, thereby reducing the taxable income which promotes extra capital growth.

This mechanism, a recent innovation, increases overall returns greatly, even exceeding the overall returns earned by non-geared equity investments and gilt-investments (see graph).

Geared property syndicates maintain their relative superiority until approximately the sixth year when the income-stream from the property greatly exceeds the interest paid on the loan. At this stage the property is geared up once more to approximately 50 percent of its underlying value, assuming that property values have risen during this same time.

Only in periods of exeptional economic slumps will property values not keep pace with the inflation rate.

According to Barry Steinberg, financial manager:properties at BOE, a number of factors will determine the performance of a property syndication investment, and when selecting which syndication to invest in, the following should be considered.

- The position of the property. A good situation might mean a lower starting yield but better capital growth prospects.
- Starting and forward yields. Yields are dependant on location of the property and present market retail rates of interest.
- The lease on the property. Here the terms and renewal dates of the lease, escalation of rentals, quality of tenants and presence of a turnover clause which might boost returns are relevant.
- Market rentals. Should market rentals in the area where the property is situated be higher than the present lease then when the lease is renegotiated a jump in return will occur. This factor may change a good investment into an excellent return.
- The condition and age of the property. Will the property require undue maintenance in the future which could affect the net income return? Also, an old building might require costly refurbishment to attract good tenants and good rentals.

There's no doubt property syndicates, especially if it is possible to gear the investment, can prove to be one of the better alternative investments available.

Thusfar, the number of syndicates that have been put on the market have performed well and, in the absence of a collapse of business confidence, will continue to be a suitable investment especially for investors in high marginal tax brackets.

Countdown begins for Lesotho water project

Cape Times 4/6/90

32

Own Correspondent

JOHANNESBURG. — The countdown to the award of Southern Africa's biggest contract yet — the first phase of the R6bn Lesotho Highlands Water Project (LHWP) — has begun.

Nine consortiums comprising SA and international contractors are vying for contracts for the construction of the massive Katse Dam and three access tunnels, worth about R1,7bn.

Lesotho Highlands Development Authority (LHDA) technical director Bob Witherell says with only two months of adjudication left it is virtually anybody's guess as to who will cart off the spoils.

Six consortiums have tendered for the dam and seven for the tunnels.

Contractors will also be tendering to the Trans-Caledon Tunnel Authority in August for two tunnels on the SA side worth R600m. The two tunnels will supply Lesotho water to the Vaal River.

Industry sources, however, are already touting the Group 5 consortium — which includes Concor and German company Hochlief — as the likely winner.

Its tender for the dam is reputed to be in the region of R715m — a massive R200m less than its nearest rival bid. Its bids for the tunnel contracts have been pegged at about R370m each.

Witherell confirmed that Group 5 and its partners had put through the lowest tenders on all four projects, but said there were some problems with the consortium's foreign financing and it was "by no means" the favourite at this stage.

The Star
Finance

5/6/90

Cape Town braced for office rent war

Office rentals in the greater Cape Town area are levelling off and a rental war with discounting and incentives from landlords is expected soon in some quarters as the economy cools further, says Mr Barry Erasmus, a director of DCF Properties.

He says the maximum gross rental for serious inquiries at the moment is R25 sq m.

"This is for existing space and one can assume that buildings coming on stream now, what with increased building costs, will be looking to R28-R30 sq m in order to get a reasonable return on investment.

"There is already enough A-grade space at the R25 sq m level to meet demand."

He said with all the "vast space" coming available in the next six to 12 months, rentals could drop to attract tenants.

ENTICEMENT

"And we could see in some circumstances, in some buildings, a repeat of what happened four to five years ago when landlords offered up to six months free rent to draw tenants. We are approaching this situation," he says.

However, Mr Philip Upton, marketing director, Divaris Real Estate, believes Cape Town will survive the cooling in the economy better than the rest of the country.

"In the short term there may be minor discounting and incentives from landlords but these will be isolated cases and definitely not the norm."

Amaprop negotiating R300-m building portfolio

(32) Star 5/6/90

pany's existing property holdings nearby. These include the tower block at 88 Field Street (administered on behalf of Southern) and the neighbouring Pine Parkade.

The Retprop portfolio being negotiated includes a number of other well-known buildings such as Cape Town's 35 Wale Street and Monex House.

Largest property is Pointons building in Pretoria. Others include Springs Post Office tower, Potchefstoom Pick 'n Pay centre, Pick 'n Pay at Witpootjie, Roodepoort Plaza and Unipark office/parking complex in Braamfontein.

The R16 million offer being considered is made up of R3,5 million from Amaprop for Retprop shares and R12,5 million from Anglo American Property Services for the management contract.

In terms of the complex deal, debenture-holders are entitled to 90 percent of the net profit of Retprop.

The Mall takes on a fresh ambience

Architects Stauch Vorster have created a new image for the Mall of Rosebank, an up-market shopping centre in Bath Avenue, through the addition of six cinema entertainment complexes on the lower level, refurbished entrances and interiors and more fashion and specialty food shops.

The refurbishment, which cost R6 million, is almost complete.

"In today's shopping centres, there is a strong shift towards entertainment and speciality retail as opposed to essentially functional centres where money and merchandise merely change hands," says designer Mr Tom Cox.

"Designers of retail centres have to recognise and

Thousands face repossession threat

Homeowners' debt soars to new peak

Star 5/4/90 32

By Michael Chester

Threats of house repossessions by banks and building societies have reached record levels as more homeowners are overwhelmed by inflation and high interest rate bond repayments.

The Information Trust Corporation, which runs a national network of computer systems to keep track of trends, reports that:

- The number of debt judgments handed down by magistrates' courts over arrears on mortgage payments has almost doubled compared with only a year ago.

The May 1989 total of 872 soared to 1 577 last month, equal to an annual figure of almost 19 000. The mountain of debts to be settled from court actions last month alone climbed from R44 million to more than R82 million.

- Debt judgments in the Supreme Court, the last leg before actual repossession by sales in execution notices, jumped from 260 to a record 892. Amounts to be cleared rose from R16,5 million to R45 million.

ITC chairman Paul Edwards said the toll of repossessions was now the worst on record.

Black families

"What is becoming of increasing concern," he said, "is the number of black families who purchased homes of their own for the first time in the past couple of years.

"They were encouraged into home ownership and now find they do not have the experience to have allowed elbow-room to cope with changes in interest rates and changes in circumstances with their personal finance."

Black families in the lists of sales in execution announced every week were of particular concern.

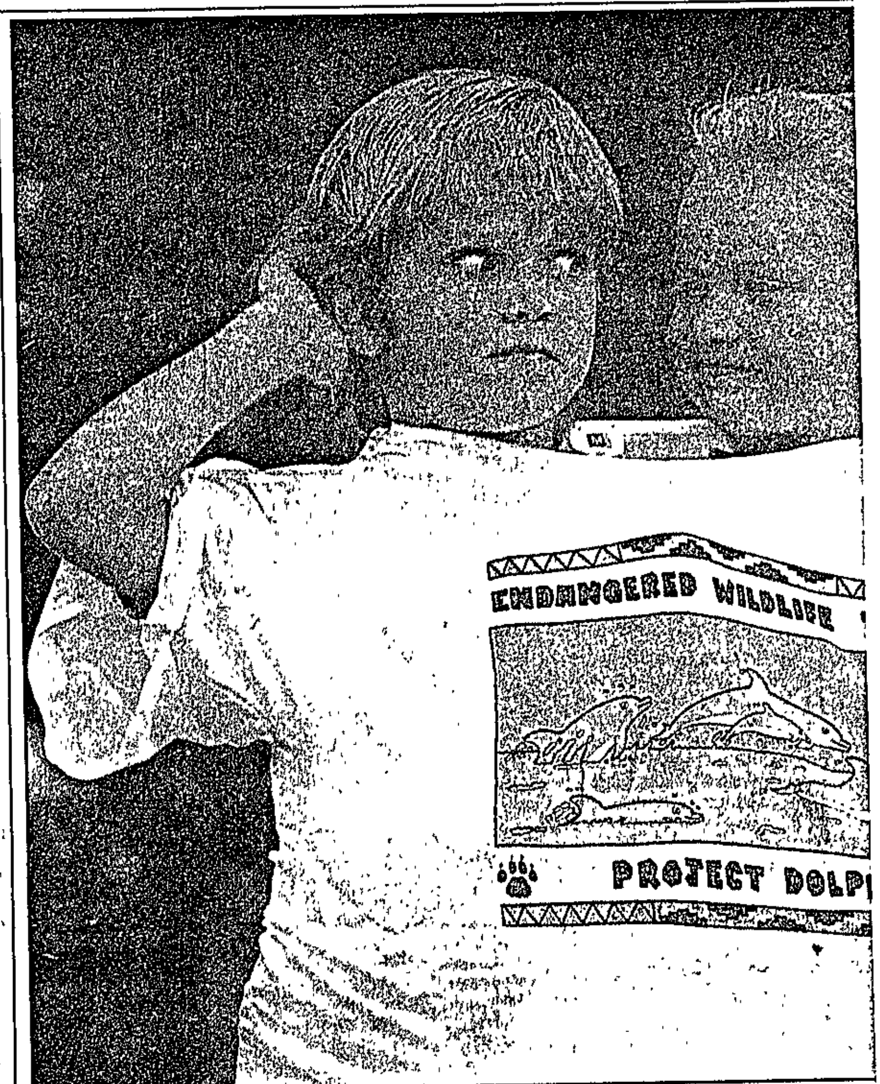
Mortgage Lenders' Association president Bob Tucker said the catastrophe was spread across high and low-income families alike.

The association compiled no precise breakdown of repossession statistics, but there was grave concern about the scale of the problem.

"We are now seeing the tragic aftermath of the house-buying spree in the mid-1980s when thousands of families were tempted by low interest rates to buy houses far beyond their means," he said.

"The casualties are home-buyers who made the mistake of thinking that interest rates were going to stay down at 12,5 percent for the duration of their mortgages. The climb in rates to around 21 percent has crippled many budgets.

"Yet even when a sale in execution goes out, it may still not be too late to mount a rescue operation. Battling homeowners should explain their plight to their bank or building society. It may still be possible to avert catastrophe with a package of compromises," said Mr Tucker.



Endangered species? Justin Wills (6) and his sister Nadine (8), of Sundowner, Randburg, n investigate and conserve marine ecosystems.

Gold's slump puts industry in cr

Star 5/4/90 By Magnus Heyste and Peter Fabricius

The crisis in the gold mining industry is deepening as the gold price continues its weak performance on international markets.

Gold shares took a hammering on the Johannesburg Stock Exchange yesterday, with the all-gold index dropping by more than 5,7 percent (93 points) to 1 517.

Uncertainty over Soviet gold sales pushed the price down to an eight-month low of $356,05 yesterday afternoon in London, down from Friday's close of $363,45

It recovered slightly in New York to close at $358 and opened at $359,75 in Hong Kong today.

The slide in gold share prices pulled down the overall index by 42 points to 3 126, but the industrial sector held firm as selected buying of blue chip shares pushed the index up 18 points to 2 978.

Gold's slide is placing the gold mining industry in severe jeopardy. Already the Cabinet has to make a decision on whether to increase its aid to the troubled ERPM mine on the East Rand.

An announcement expected last night has been postponed for at least a week while additional contingency plans are considered.

ERPM has made a last-ditch effort to raise capital, it ing its slimes dumps Boksburg properties.

Money raised by thi however, not reduce R300 million debt, but operating capital for a

Without continued ERPM is faced with tain closure, with abo losses. Once closed, th not be reopened as th rapidly fill with water,

Between 11 and 16 also face uncertainty v price at current level they earned about R foreign exchange last y

Raising risk-free finance for businesses

32 (39)
5/6/90

Businessmen and property developers are increasingly turning to participation mortgage finance as a way of raising necessary capital.

Such bonds are also frequently negotiated by companies using the security of existing, developed properties to raise working capital for their business activities.

According to some property experts, mortgage finance by way of a participation bond can be regarded as superior to a leaseback in that the borrower does not relinquish ownership of the property and therefore enjoys the benefit of any capital appreciation of the property.

It is also preferable for a borrower to utilise participation bond finance, which is a comparatively long-term contract, as opposed to obtaining a bank overdraft, as this can be recalled at any time.

Fixed

Paticipation bonds are generally granted to a borrower on the basis that the bond is fixed for five years, and the capital is thereafter redeemable in annual or half-yearly instalments over a 20-year period.

The mortgagor, at the outset, knows exactly what his capital commitments will be and has the assurance that, provided the terms of the mortgage are met, his bond will not be called in.

The chief appeal of a participation bond to a businessman who has bonded his property is that he is not tying up working capital that could be put to better use elsewhere. At the same time he is not relinquishing ownership of the property.

The manager of a participation scheme is entitled to an administrative fee of up to 7,5 percent on the interest collected from the mortgagor on behalf of the participants. This fee may be regarded as a nominal renumeration for the effort of running a participation mortgage scheme.

The larger scheme managers at all times have a substantial amount of their own funds invested in participation bonds to enable them to accommmodate new investment funds flowing in from new participants or for reinvestment purposes.

Protected

Participation mortgage bonds are ultimately protected by the Registrar of Unit Trust Companies, who has to approve every mortgage bond within the framework of the Participation Bond Act of 1981.

In addition, every mortgaged property must be inspected by the scheme manager every three years.

● *(Source: The Mechanics of the South African Financial System, Edited by H B Falkena, L J Fourie and W J Kok. Published by MacMillan South Africa.)*

32

Star 8/6/90

Housing Bill to help retired

CAPE TOWN — It was always tragic to hear about retired people who had lost all their savings through the action of housing developers, Trade and Industry Minister Kent Durr said yesterday.

Introducing the Housing Development Schemes for Retired Persons Amendment Bill, he said the Bill's main thrustwas to ensure that the occupational rights of a retired person were safeguarded once he participated in a housing development scheme within the ambit of the Act.

It also created the right of occupation in favour of a retired person.

No retired person whose rights fall within the ambit of the Act will undergo the agony of losing that for which the person has worked for. — Sapa.

BUSINESS PERSONALITY OF THE WEEK

Achieving perfect balance

C/C-Argus 9/6/90

By MAGGIE ROWLEY
Business Staff

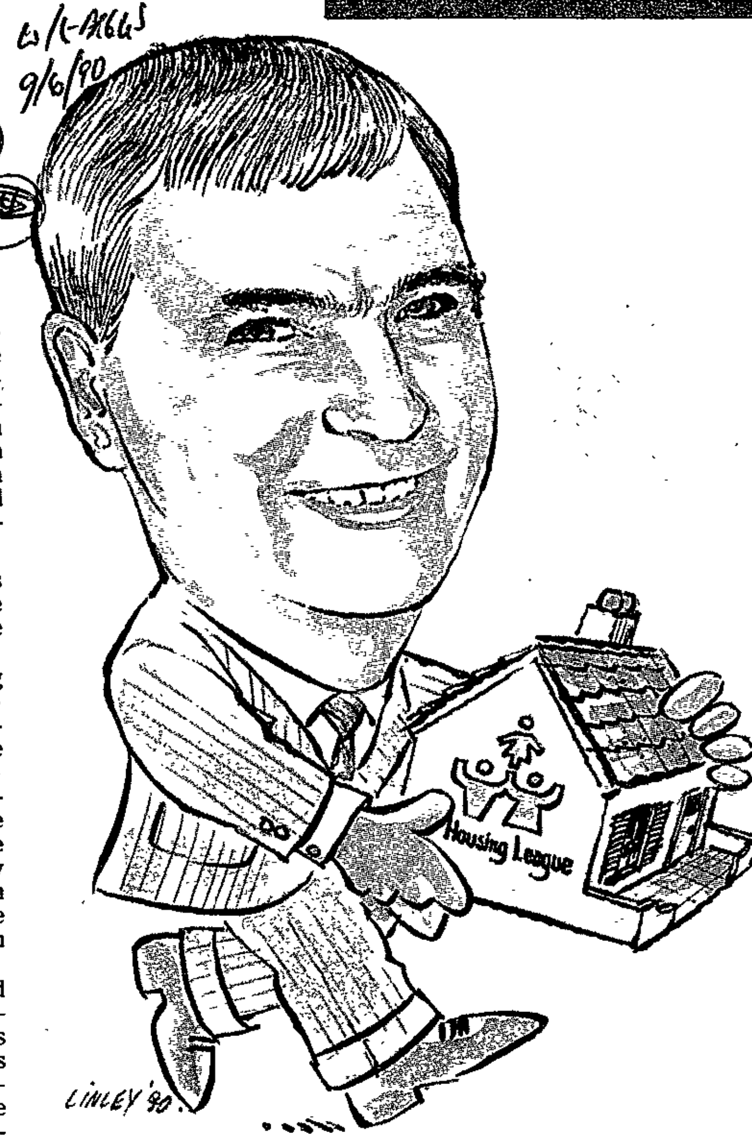
STRIKING a balance between social welfare on the one hand and running a business on the other is the challenge being faced by Johan Nel, MD and vice chairman of The Housing League, South Africa's largest and second oldest housing utility company.

It is a challenge he has more than ably risen to in the four years he has been in the League's hot seat.

Mr Nel joined The Housing League — which aims to provide not only habitable dwellings but to render a wide range of welfare services — almost 20 years ago as financial manager. Then the group's assets at book value stood at R19,4 million. Today they are close to R100 million and he is looking to double that in the next six to seven years.

The League's projected capital expenditure for government-financed projects over the next five years is about R50 million. The company also expects to generate about R20 million to R25 million of its own funds to finance its private projects.

"And inflation will contribute to boost total assets to the R200 million mark," he said.



Johan Nel . . .rising to challenges.

The League was formed nearly 61 years ago by a group of citizens who were concerned about the poor people streaming into Cape Town from the platteland and farms during the Great Depression.

They approached wealthy people for financial support and started with total assets of about R4 360. They finally got the government to agree to fund them on a rand for rand basis.

Since those early days the League has provided more than 12 000 homes for the lower and middle income groups and is the biggest supplier of specialised housing for senior citizens in the Peninsula.

As an organisation "not for gain", all surplus capital is ploughed back into the company to fund new projects.

"One cannot take the myopic view that because it is a non-profit company it should be able to function on lesser reserves. On the contrary, a company such as ours needs an enormous funds to finance the expensive commodities of land, services, building costs and infrastructure to provide housing for people who can least afford it.

"The importance of maintaining a stable financial keel so as to remain buoyant in the face of ever-rising costs and fluctuating political, economic and social tides can never be over-emphasised."

A sound financial base and conservative fiscal outlook is Mr Nel's credo in running the League which has its building unit, the Utility Construction Company, and its own social work department employing 18 qualified social workers.

"The budget for the ensuing

See page 3

Achieving a perfect balance

W/C-NEWS 9/6/90 (32)

From page 1

year in respect of social work services, including educare and service centres, is about R2,2 million, the current shortfall of about R670 000 directly subsidised by the League," said Mr Nel.

As MD of the League, his job is unique in that he has to walk the tightrope between running a business concern and a welfare organisation.

"One has to have an open hand and be sympathetic to people's needs one moment and a sharp businessman the next. It is a skill which does not come quickly but has to be learned over a long period," he says.

Projects planned for the future include:

- A new R13 million head office building on the foreshore which is being built in partnership with a leading Cape Town pension fund and should be ready for occupation in about a year.
- The construction of Drommedaris Flats for senior citizens in Brooklyn which will comprise 159 single and 56 double flats at an estimated cost of R5,2 million.
- The continuation of the Mfuleni development where they have already built 67 houses in partnership with Garden Cities.
- The continuation of their Montclair development where 78 houses have already been built in partnership with Rabie Developers. The township will ultimately provide 725 houses at prices ranging between R60 000 and R72 500.
- A further 68 single and 60 double flats as an extension to the existing 112 flats for senior citizens at Reygerhof in Brooklyn.
- Extensions to the Zorgvliet Service Centre in Brooklyn which will double its capacity so that it will be able to accommodate 260 seniors.
- The Kent Durr Retirement Project in Bothasig which is being built in phases at a total cost of about R14 million and which will ultimately house 434 senior citizens in 232 single and 101 double units.
- Silverlea Fishhoek which is being investigated for possible development as a group housing scheme

Mr Nel said the company had decided to concentrate its efforts in the near future on the provision on flats to let.

He said there was a growning awareness, even in government circles, that home ownership for all was not feasible at this stage and more rented accommodation was required.

"This is where the greatest demand is as many blocks of flats have gone sectional title and prevailing rentals for those that have not tend to be very high.

"Rents determined by the League are much lower than the rest of the market as we do not strive to get a maximum return on our money."

Mr Nel also intends broadening public awareness of the company.

"In the past we have maintained a relatively low public profile so much so that the company has often been confused with being a government-controlled body.

"As a first step we will shortly be launching a national competition to find a suitable new bilingual name which reflects our primary objective of providing suitable housing with adequate community facilities and social work services for families and senior citizens in the middle and lower income groups at prices within their means."

32

Time Housing joins loan guarantee plan

Cit 12/4/90

Time Housing is taking part in the Urban Foundation loan guarantee scheme launched recently.

Through this initiative building society finance will be widely available to borrowers seeking loans for as little as R12 500.

The foundation's scheme addresses the problems of building society reluctance to lend money for homes under the R35 000 mark.

Restricted loans from R12 500 upwards can, in this way, be granted, providing finance in areas where it was previously available only through the SA Housing Trust.

Mike Graham, managing director of Time Housing, says: "We have encountered many potential clients but due to a shortage of finance we have been unable to assist them.

"Fortunately, we have records of all inquiries and with the introduction of the Urban Foundation initiative, we hope to be in a position to aid a large proportion of these people."

Star 12/6/90 (32) (8)

Vacancy rate 3 pc as Liberty boosts letting

In the first quarter of the year, Liberty Life Properties let 15 000 sq m in the Transvaal, made up of 10 000 sq m office and 5 000 sq m shopping centre space.

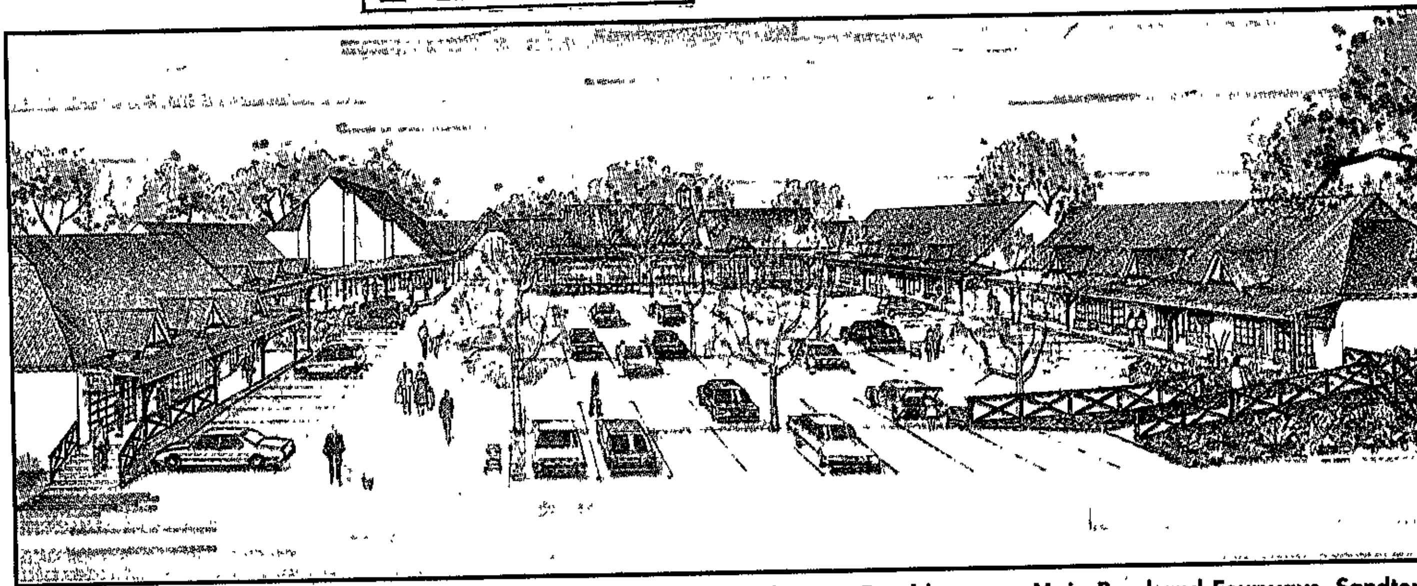
With a total area of 1,5 million sq m in all categories, spaced leased countrywide in the same period was 30 000 sq m, with a total vacancy factor being quoted at only three percent.

The figures include new space, renewals and some space taken additional to existing leases.

"This success," says Mr Russell Inggs, director, leasing and acquisitions, "is attributed to our well-balance portfolio which offers tenants a choice of up-market prestige offices in Braamfontein and Sandton, principally, to a variety of office space in the Johannesburg CBD.

Joining Liberty's portfolio within the next two years will be 171 Katherine Street, a 12 500 sq m office park opposite Barlow Park in Sandton, and Jorissen Place, Braamfontein, which will provide 30 000 sq m in a classically proportioned building on the city's skyline.

The Star
Finance



An artist's impression of the Merrow Down Plaza being built on Witkoppen Road between Main Road and Fourways, Sandton. Developed by a syndicate headed by Gallic Developments and Corbank, the shopping centre is due to open in November.

Developers warned against trend of high bulk building

(32) Star 12/6/90

Property & Construction

FRANK JEANS

Developers should beware of the tendency to build to high bulk as they could put themselves out of prime commercial market places such as Sandton.

That is the view of Kevin Jordaan, managing director of property brokers Jordaan & Associates.

"There is no oversupply of space in Sandton's central business district," he says.

"Any perceived surplus is caused when too much space becomes available at the same time, as happened when Sanlam Park and Norwich Life Towers temporarily flooded the market with 24 000 sq m."

Mr Jordaan believes that because of the high price of land in Sandton, developers tend to build to high bulk and already they are encountering real competition from the low-density outlying nodes where land is cheaper.

There is little doubt that while Sandton's take-up of space is likely to hold at about 60 000 sq m, this demand will be spread over a wider area.

In addition, while the past three years have seen average gross rentals climb from about R18 to R24 a sq m, they cannot be expected to continue to rise at the same rate.

"Demand for CBD space is slackening off and although, at this stage, there is no evidence of an excess of supply, rentals are softening," says Mr Jordaan.

"If the Sandton Town Council continues to insist on the rapid development of Sandton Square, a real problem could develop.

"If not demand-driven, this major project could dump some 50 000 sq m excess on to the market.

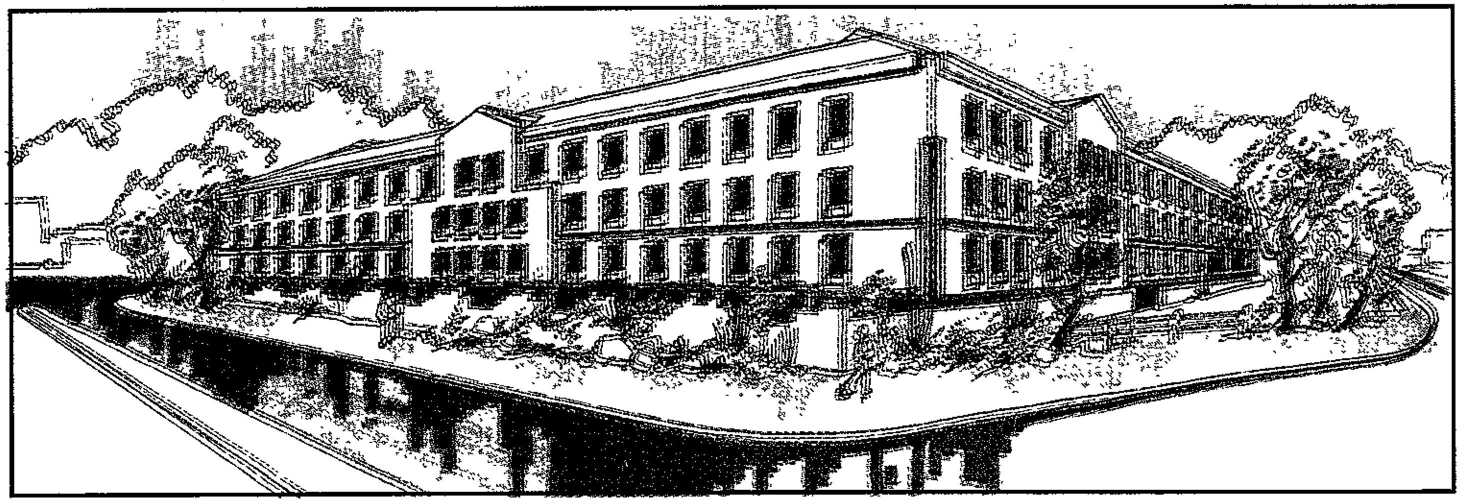
"Landlords would be forced to compete by offering special deals and cutting rents and such a situation would impact severely on the economic health of the area," says Mr Jordaan.

By contrast, rents in the outlying areas such as Rivonia, Woodmead and Wierda Valley are probably set to rise above the general inflation rate.

Industrial market down

Tighter financial restraints on South Africa's economy spell tougher times ahead for the industrial property market, says Metboard Property Fund (Metprop) chairman Bernard Kantor in the fund's annual report for the year to March 31. (32) Star 12/6/90

Managed by Metboard Property Fund Managers, the fund yielded a net distributable income of R10,9 million for the year to March which represents a 12,1 per cent growth. Kantor forecasts distribution to unit holders will increase 12,5 percent in the current year.



Edengate, the latest office project now taking shape in Rivonia, a development by Penny & Page, has been sold for R11,5 million to UAL Merchant Bank Pension Fund clients by RMS Syfrets. It is scheduled for completion in October. RMS executive director Mark McCreedy says: "Edengate will help ease the shortage of prime office space in the Rivonia area, bringing 4 300 sq m over three floors on to the market. The asking rental at R22 a sq m net is very favourable in today's market."

Plenty of momentum still in small-space industrial market

32

While the industrial property market is showing signs of strain as a result of the economic slowdown, there is still plenty of momentum left, particularly from the smaller space users.

Mike Brown, director of the industrial division of RMS Syfrets, says: "The market remains strong in the area of accommodating business in the range of 250 sq m to 1 000 sq m.

"Landlords are still achieving rents of between R7 and R9 a sq m."

Mr Brown believes the slowdown is unlikely to fall to the same levels as experienced in 1984 to 1986.

"The main reason is that most companies have managed their financial affairs far more effectively and consequently are less geared than they were in the years of downturn.

"The market remains buoyant particularly where companies have specific space requirements such as food manufacturers and the electronics industry."

There has been virtually no speculative development since the last recession

As a result, any business requiring large, modern premises, is forced to build and most buildings under construction in the Johannesburg area are for these specific users.

"We believe that with the new polititical dispensation and the probability of other race groups now becoming involved in property ownership that there is likely to be a significant demand for small factories and warehouses close to major black and coloured residential areas," says Mr Brown.

Commenting on talk among brokers and developers about apparent over-development of mini-factories in the Johannesburg area, he says: "Mini-factories are extremely location sensitive and provided they are well situated, they will always be occupied, even during a slowdown."

B Day 12/6/90.

(32)

Building activity set to fall further

CHARLOTTE MATHEWS

BUILDING activity was likely to reach a low point in 1991 after declining gradually from its 1988 real growth rate of 10%, the Building Industries Federation of SA (Bifsa) predicted in its first Statistical Yearbook, published this week.

Bifsa said the decline was particularly evident in the residential sector.

In 1988 the private residential market grew by 11,4%. This was followed by a marked deterioration during 1989 as a result of continued increases in the mortgage rate and slower growth in personal disposable income.

State investment in residential accommodation also declined which Bifsa attributed to a change in housing policy by public authorities towards serviced sites and the closer monitoring of expenditure by public corporations in the run-up to privatisation.

The building cycle would resume an upward trend in 1991/92.

Bifsa said there had been less investment in flats than in townhouses over the past three years. This was because the flat rental market had become relatively less profitable for landlords and because of an increasing preoccupation with security among South Africans.

Between 1986 and 1988 flat buildings completed as a percentage of total residential buildings completed fell to 3,1% from 10,8%.

The number of dwellings completed for blacks at the beginning of 1990 rose to nearly 34% of the total from just over 14% at the beginning of 1987.

"Given that incomes in this sector of the market are biased towards the lower end of the spectrum, the overall demand for housing will most probably become more elastic in future," Bifsa commented.

However, business conditions in the private non-residential market remained buoyant in 1989 in spite of higher interest rates.

"Although building activity will most probably continue at a fairly brisk pace during the first half of 1990, order books should start to deteriorate towards year-end," Bifsa said.

Public investment in non-residential buildings declined by around 9% in 1989. Bifsa expressed concern that government was cutting back on its capital rather than its current expenditure since it would seriously hamper the long-term growth potential of the economy.

B/Day 12/6/90

32

Rising construction costs have serious implications

ESCALATING construction costs remain the most pressing issue facing the property industry, with serious implications for the SA economy.

The industry could respond with a demand for limited price control — or at least for a supervision of material price increases.

The Building Industry Federation of SA (Bifsa) is conducting research into the causes of high cost increases.

Sanlam Properties MD Hendrik Bester says the responsibility lies with building material suppliers.

"We have analysed relative increases in the cost of building materials and both skilled and unskilled labour. The main contributor to inflation in the industry is excessive increases in building materials," he says.

"It is way out of line with all other costs and the situation is threatening the entire property industry."

Bifsa executive director Neil Fraser says the root of the problem could lie with the limited number of suppliers in each field.

Opposed

"I am opposed to price control, except as a very last resort," he says.

"But free market conditions cannot prevail where there are only one or two suppliers.

"In such a situation, the supplier's attitude to his market can become one of 'take it or leave it'.

"Some sort of watchdog control is necessary."

A typical Johannesburg CBD office tower providing A-grade accommodation today costs around R3 000/m² to build. For a developer to achieve a yield of 10%, he must set his rental at R25/m² net, or over R30/m² gross — and continuing escalation in the cost of building materials and high interest rates promise no relief in the future.

Bester says: "As long as businessmen can absorb the necessary rentals we can continue to build, but eventually something will have to give.

"Consumer resistance could force developers to take short-cuts with quality and property companies could be put out of business."

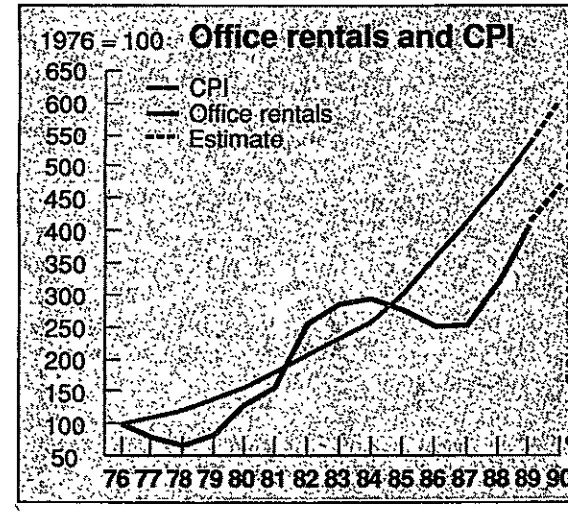
Fraser says he will not blame the situation on any particular group of suppliers at this stage, but culprits will be brought to book as soon as they can be identified.

"It's too easy to criticise. What we are hoping to achieve through our investigations is results," he says.

Bifsa, the SA Federation of Civil Engineering Contractors, the National Association of Home Builders and Sapoa, together with Professor Pluto Webb, of Unisa Business School, and CSIR economist Dr Tobie de Vos have joined forces to create a price monitoring committee.

Its brief initially is to investigate materials which have had price increases greater than the general inflation rate. Inflation in the building industry averages around 19% annually, as compared to an official general rate of 16%.

"The approach is circumspect. Initially, the committee will break down and analyse the cost factors affecting each industry and will invite comment from industry representatives to identify why price increases have been so high," says Fraser.



Turnkey will ensure speed and efficiency

32

B Day 12/6/90

SOARING construction costs make speed and efficiency essential on any project.

Grinaker Projects MD Terry Walton says the turnkey approach can assure these even for the least experienced developer.

"The traditional approach to a contract often leads to conflict between contractor, architect and owner," he says.

"Under this system, the owner locates his site and employs an architect to draw up design plans before putting the project out to tender.

"Usually the tender is awarded to the lowest bidder. In a tight market, such as we have at present, this contractor will have pared down his costs to practically break-even point — and from the moment he comes on site he will be looking for ways to create a profit."

Disputes

Because of this, says Walton, every change to the original plan will lead to disputes and additional charges.

It becomes impossible to complete the project within the original budget and a mood of conflict develops between owner and professional.

Grinaker Projects recognised this problem some 20 years ago, when it pioneered the turnkey concept in SA.

Under this system, the client deals with the contractor, who in turn negotiates with the architect. The client tells the contractor what he needs and sets a price limit — and thereafter it is up to the contractor to produce the goods.

"We take full responsibility for ensuring the project is completed on time and within budget," Walton says.

"This is not to say the client isn't involved. He has bottom-line responsibility and has to sign all the drawings. We welcome his input into the project.

"Many companies appoint someone to attend monthly meetings with ourselves. These are held on site so that he can view the project while obtaining up-to-date information on cash flow, building progress and so on."

Notwithstanding the obvious merit of such a system — particularly for the owner-developer with limited experience of building projects — Walton says it can be open to abuse.

It is essential, he says, that clients use a contractor with an established track record. Without this assurance, he could find himself in the hands of a fly-by-night operator who cuts corners on quality and over-runs his deadlines.

The use of a quantity surveyor will also enable the client to ensure his costs are within reasonable limits, and that the project is being developed to satisfactory quality standards.

"We don't consider a full bill of quantities necessary — but if a client is uncertain about his costs an audit by a QS will provide an elemental analysis of the development at the outset, to advise whether our proposal is realistic."

Time is the third important factor in any project — and, says Walton, a competent turnkey operator will ensure he completes a project on schedule.

"We build bonus and penalty clauses into all our contracts, it simply doesn't pay us to be late," he says.

Blue Circle moves on Luft Industries

ACHMED KARIEM 32

THE Blue Circle Group, manufacturer and supplier of basic materials to the construction and building industry, has obtained a controlling interest in Luft Industries, it was announced yesterday.

Luft Industries chairman Ray Ball said the move would strengthen the company's position in the market place, its access to technical expertise, and its existing overseas links. B Dam 14/6/90

Luft, which is involved in the heating, ventilation and air-conditioning industry, is based in Cape Town and has branches in Durban and Johannesburg. Ball said each operation had full warehouse and workshop facilities and would complement the engineering activities of Blue Circle.

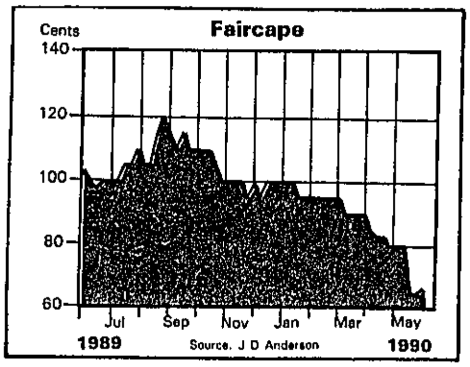
Blue Circle management declined to say how much the deal was worth.

FAIRCAPE F|M 15/6|90

Land delays (32)

The performance of Faircape's core business has been weak, despite the 11% increase in EPS. The bottom line was affected by a change in the basis of tax, and extraordinary profits realised on investments.

Though turnover rose by 38%, operating profits fell by 69%. Joint MDs Mike Vietri



F|M 15/6|90 (32)

Activities: *Property development.*
Control: *Directors' beneficial interest 46% (1988: 23%, 1987: 43%).*
Joint managing directors: *J E Moser; M J Vietri.*
Capital structure: *9,1m ords. Market capitalisation: R6,1m.*
Share market: *Price: 67c. Yields: 17,9% on dividend; 49,7% on earnings; p:e ratio, 2,0; cover, 2,77. 12-month high, 120c; low, 65c. Trading volume last quarter, 109 800 shares.*

Year to Dec 31	**'86**	**'87**	**'88**	**'89**
ST debt (Rm)	0,78	0,95	17,04	11,7
LT debt (Rm)	0,05	0,09	4,06	6,3
Debt:equity ratio	0,88	2,52	3,68	1,53
Shareholders' interest	0,37	0,20	0,15	0,32
Int & leasing cover .	—	5,4	7,0	5,4
Debt cover	0,50	0,27	0,23	0,09
Return on cap (%) ..	32	14	17	5,4
Turnover (Rm)	7,2	19,5	32,9	45,3
Pre-int profit (Rm) ...	0,67	2,6	6,1	2,0
Pre-int margin (%) ..	9,3	10,0	18,7	4,4
Taxed profit (Rm)	0,34	1,1	2,8	2,3
Earnings (c)	6,0	16,9	30,3	33,3
Dividends (c)	—	5	10	12
Net worth (c)	13,8	43,4	63,7	128,0

and Johan "Hans" Moser explain that: "the shortfall in profitability resulted largely from delays in projects coming on stream. A delay on the part of local authorities in approving black development areas for planned housing projects caused holding and building costs to escalate at an alarming rate. Had authorisation to commence planned developments been granted timeously, profitability would have improved significantly."

But does this justify such a large decline? Should management not be aware of the difficulties of dealing with the authorities and take precautions?

The main problem seems to be that about 50% of the group's business is in black hous-

F|M 15/6|90 (32)

ing development. All parties operating in this area are feeling their way through new problems which often arise.

Examples cited by management include heightened demands being made by black buyers who want more and better facilities in new houses, though at the same price. In some areas, blacks have apparently suspended payment of bond instalments and building societies in turn have become more cautious about making bonds available for the sector.

A more important factor for Faircape has been delays in the proclamation of land by the authorities. As a result, Vietri and Moser say, from 1991 the group intends to reduce its land holding in black areas.

F|M 15/6/90

Thanks to the disposal of certain highly geared assets during the year, and 25% of the stake in the Health & Racquet Club Group, Faircape's retained income rose by R3m. Short-term borrowings were reduced and after a switch of further short-term debt into long-term borrowings, the balance sheet has assumed a healthier structure. Still, while debt:equity has dropped sharply from the previous level of 3,68, it remains excessive at 1,53.

Financial director Chris Vietri says the current year will be extremely difficult. In the black market, business was severely cut back in the first few months of the year as a result of political developments.

Not surprisingly, the share trades on a p:e of 2.

Gerald Hirshon

Charities receive boost from estate agent's novel scheme

SUE OLSWANG

PROPERTY giant Lew Geffen has come up with a novel way to support local charities while attempting to ensure that up-market properties are viewed only by genuine homebuyers.

An advert in last weekend's Saturday Star Property section stated adults would be charged an entrance fee (to be given to the Johannesburg Children's Home) to view a country home on offer for between R1,9 million and R2,5 million.

Mr Geffen, managing director of Lew Geffen Estates, said he began charging entrance fees — especially on "real" up-market properties — a few months ago.

"Sellers of up-market properties are often hesitant to open their doors to the world at large," he said. So he devised a scheme to protect the interests of sensitive owners and help charities at the same time.

The non-genuine buyer, according to Mr Geffen, is always reluctant to pay entrance fees.

Mr Geffen said his idea, which has so far collected about R5 000 for the Johannesburg Children's Home and Operation Hunger, was put to The Estate Agents Board before being introduced.

"They have no problem as long as we make sure the money finds its destination," he said.

Mr Geffen said response from the public has been "terrific". "The entrance fee at one home on view was R5 but one guy insisted on giving R50."

A spokesman for the Johannesburg Children's Home said the injection of funds they had received had been "wonderful".

And Operation Hunger's Jeanne Cohen said Mr Geffen's idea has provided a welcome boost for the organisation.

Property & Construction

FRANK JEANS

32

Sanlam's second development at Strijdompark

Insurance giant, Sanlam is making another big stride into a strong industrial growth point — Strijdompark, Randburg.

The group's property division is developing a R12 million industrial park there, with LTA Developments acting for Sanlam.

Fanie Lategan, provincial manager, property investments, of Sanlam Properties, says: "This is our second industrial park development at Strijdompark.

"The strong demand experienced at the existing one had a direct influence on the construction of development No 2."

The 22 000 sq m site on CR Swart Drive has good exposure to the N1 Western Bypass.

The development will have 22 units with a lettable area of 10 200 sq m.

Units vary from 235 sq m to 775 sq m. They are expected to be ready for occupation in November.

"The development has a lot more character than one usually expects of an industrial park," says LTA Developments managing director Ray Bowers.

Ovbel considers sector switch

B Day 19/6/90

EDWIN UNDERWOOD

OVBEL Holdings, the property developer, homebuilder and civil engineering construction contractor, is to consider changing its JSE listing from the building and construction sector to the property sector.

Chairman Andrew Ovenstone said last night a switch to the property sector would be logical in view of property's contribution to total profits and assets.

Last year, property accounted for 78% of group profits before interest paid.

Ovbel recently reported a 20% increase in turnover to R322,41m for the year to end March, which boosted pre-tax income by ~~27%~~ (32) to R9,32m.

The group's ratio of borrowing to shareholders funds at 0,44 was within the group's self imposed limits of between 0,50 and 0,60.

During the last financial year Ovbel's housing interests experienced difficult trading conditions, and the market is expected to remain tight until interest rates start to decline.

Although construction division Ovcon had its best year in the Cape, Namibia and Natal and its business centred in Johannesburg improved, Ovenstone emphasised the industries in which the group operated were of a cyclical nature and the group's results would inevitably follow these economic cycles.

Furthermore, earnings derived from property trading would not necessarily flow evenly from one accounting period to another, said Ovenstone.

While profit forecasting was more difficult this year than last, Ovenstone said Ovbel had assets and resources which should enable it to grow at a satisfactory rate in terms of earnings and dividends over the next three-year period.

The group's strategy was to manage its assets well, hold gearing at around current levels and, subject to gearing constraints, pay as high a dividend to shareholders as the board deemed prudent.

ia's visit. Picture by Associated Press.

Development of two new 'Sowetos' planned

32 ST 20/6/90

By Shirley Woodgate

Plans for two new "Sowetos" have been launched south of Johannesburg, and are aimed at more than doubling the present population of that area by the turn of the century.

The chairman of the Central Witwatersrand Regional Service Council, John Griffiths, said two regions have been earmarked for immediate development.

The first, of almost 10 000 ha, falls within the 12 450 ha to the west of Soweto which was declared a development area in terms of the Black Communities Development Act of 1989.

This section comprises 640 ha north-west of Dobsonville, where at least 10 000 stands will be made available by four private developers.

"But it will be possible to obtain 30 to 40 stands per hectare, which means this area could supply another 20 000 stands," said CWRSC chief executive Len de Wet.

Nearly R20 million has been allocated by the CWRSC for bulk water, sewer and electricity services, and the Transvaal Provincial Administration will redesign the intersection of the two major roads in the area, PW5 and K102, to allow better land use.

The developers are Township Realtors, South African Transport Services, Creation Development Production and FHA Homes.

Another 400 erven on the farm Doornkop have been earmarked for development at a future date, and in addition the TPA has acquired about 600 ha north of Dobsonville which will be allocated for black housing.

The second area, about 9 000 ha located north-west of Evaton and south of Ennerdale to the east and west of the N1 highway, has been earmarked for balanced residential housing for 700 000 people, including site and service, commercial and industrial development.

"Rapid urbanisation has led to estimates that by the year 2000 there will still be a shortfall of 17 000 ha of land in the south-western sector of the Witwatersrand.

"Since it has been indicated that only a portion of the original proclaimed area will be available for housing in the short term because of dolomite and mining rights, this area south-west of Soweto has become increasingly important. It is soon likely to be fully incorporated into the CWRSC from the Vaal Triangle region, to become the largest single development undertaken by CWRSC," said Mr de Wet.

32

Star 20/6/90

MP delivers petition against Houghton office scheme

By Peter Fabricius, Political Correspondent

CAPE TOWN — Houghton MP Tony Leon yesterday handed to the Government a 6 000-signature petition objecting to Sanlam's proposed office park on the "Houghton Island" residential area.

Mr Leon, of the Democratic Party, gave the petition to Local Government Minister Amie Venter.

He said Mr Venter had promised to give the matter "due consideration once the townships board in Pretoria had decided on the application".

The Minister was by law the final court of appeal.

Devastation

Mr Leon said he, city councillor Claire Quail and the residents of Houghton were determined to stop Sanlam's "proposed devastation of a prime residential and educational area".

In a letter to Mr Venter, Mr Leon said the area was a prime example of botanical and aesthetic beauty and would be devastated by the proposed development.

The existing roads and infrastructure would not cope with the extra traffic.

Houghton Island is the wedge of residential stands bounded by Louis Botha Avenue, Carse O'Gowrie Road, Houghton Drive and Boundary Road.

'E 6319E

Vaal councillor condemns plan for 'new Soweto' development

Star 21/6/90 (32)

By Melody McDougall

The proposed development of another "Soweto" on the northern outskirts of the Vaal triangle has been strongly condemned by the chairman of the Conservative Party-dominated Vanderbijlpark Town Council management committee, Gerhard Smith.

On Tuesday the Central Witwatersrand Regional Services Council announced plans for the establishment of two new "Sowetos" south of Johannesburg.

Earmarked

The first of the two regions earmarked for development is an area of about 10 000ha and lies to the west of Soweto.

The second area is about 9 000 ha and is located north-west of Evaton and south of Ennerdale to the east and west of the N1 highway.

This zone has been earmarked for balanced residential housing, for about 700 000 people, as well as commercial and industrial development.

Commenting yesterday, Mr Smith said the proposed development fitted in with Government policy to make available ground for housing accommodation which was merely a form of controlled squatter camps.

One of the major concerns would be the shortage of job opportunities which would result in a drop in the living standard of all residents.

He said Vanderbijlpark was the only Vaal triangle town which had a surplus of ground earmarked for industrial development, in which there was presently no interest. In addition, the country was experiencing a depressed economic situation.

"Therefore this development is not a good idea at all. One cannot draw people to a town if there are no jobs available," he said.

The chairman of the Vaal Triangle Regional Services Council, Gustav du Toit, welcomed the development, saying it was an excellent idea.

Estate agents angry at plan to levy VAT on commission

By Shirley Woodgate

Government plans to levy VAT on estate agents' commission from the sale of homes has raised a storm of protest accompanied by warnings that this will push up the cost of housing.

But leading tax consultant Costa Divaris has dismissed the outcry from estate agents, saying it is logical, if all services are to be taxed, that the selling service by middlemen — the home salesmen — should be included.

Private sale

According to Deloitte, Haskins and Sells tax partner Des Kruger, a provision in the draft VAT Bill proposes that the sale of homes by a registered vendor will attract VAT, but a private sale by the home owner will not be taxed. The selling agent will be charged VAT on his commission.

He added: "The danger is not so much the actual effect of VAT on prices, but traders using the opportunity to increase prices under the smokescreen of the change to VAT."

Cecil Golding, of Pam Golding Properties, said the addition of VAT to sales would push the price of homes up considerably, since the agents would have to add the full increase on to the cost.

Institute of Estate Agents (IEA) spokesman Jan van der Merwe warned of a "dramatic" effect on the market and said his organisation would make representations to the Government once it received details of the draft Bill.

Mr Divaris denied that home prices would rise. "The price people are willing to pay is determined by the market itself, not the costs," he said.

Camdons chief Scott McRae predicted the move would have a drastic effect on estate agents whose margins were already very small. It was likely a lot of agencies would close down.

"The exemption of private individuals will naturally make more people try amd sell their owm homes ... lacking experience or exposure to clients, they may undersell their properties."

IEA president Dave Miller claimed the Government was reconsidering the plan, as it was trying to make low-cost homes more accessible.

OTIS FM 22/6/90 (089)

Between floors (32)

The lift business depends on both the property market and construction industry and, in the six months to the end of May, Otis had problems with both. The mix of business between service sales and new equipment sales shifted in favour of the latter. While both divisions increased sales the service sales grew noticeably more slowly than new sales.

MD Roy Markham, who seems to have been brought in to sort out the company, explains: "Though our new equipment business picked up from the end of last year, we were hit by a number of sites being late. This, together with other sites being on time, resulted in a concentration of activity. Overcoming these problems led to cost overruns

FM 22/6/90 (089) (32)

which hit the operating results."

Similar conditions are expected for the current six months and R2,2m has been provided against unforeseen losses. The directors state that should this amount be exceeded the additional amount will be written off during the second half of the year.

"We hope this will be adequate," says Markham, "but we are not confident that the market has bottomed out. While we will do everything to avoid it, we must warn shareholders of a possible cut in the final dividend."

Looking to next year, Markham feels Otis could resume a growth trend. "Our new order intake is very healthy and we should be able to increase our market share, judging from our knowledge of our customers and the activity level of the industry."

The service business was clipped by a reduction in modernisation of buildings and hence a reduction in refurbishment of lifts. Many of the potential buildings — those which are 20 to 35 years old — are being torn down rather than renovated.

Otis is taking the knock sooner rather than later through the provision for construction costs at the interim stage, and the next six months should see an improved performance even though it is unlikely to match that of 1989. Next year everything will depend on how the construction industry weathers the recession.

Gillian Findlay

SUDDEN JOLT

Six months to May 31	'89	'90
Operating profit (Rm)	9,4	5,9
Attributable (Rm)	4,7	1,7
Earnings (c)	27,4	10,2
Dividends (c)	17,0	8,0

FM 22/6/90 (32)

OVBEL FM 22/6/90

Tighter rates (32)

Ovbel's p:e ratio and dividend yield have shown little change over the past year, despite another solid performance in the 1990 year.

Bellandia, the residential property development and building and low-rise general contracting division, lifted turnover by 41% in the face of shrinking demand for new houses — largely a result of high interest rates. However, competition placed pressure on Bellandia's margins and the division's profit fell.

The Ovcon division, involved in building and civil engineering contracting excluding road works, was hammered by a R1,43m loss incurred on the closure of its Nelspruit operations. Ovcon's contribution to group profit still increased, thanks to good results in the Cape, Natal and Namibia.

Largest contributor to group profit was Ovland. It is active in both land and commercial property investment and trading throughout the country. Conditions were buoyant for much of the year, though a slowdown became apparent in the last quarter.

Ovbel holds 50%-60% of Sun Trail Resorts, Ovdeco Properties and Santareme Bay. These ventures are involved in resort development, property syndication and development of property for third parties on a management fee basis.

The division's coastal resort sales exceeded R13m during the year and this arm generates most of the R30,5m property instalment debtors; all these debtors are secured by underlying, unmortgaged, serviced property. The division is also responsible for most of the deferred profit of R12,5m.

Both short- and long-term borrowings increased sharply following investment of R17m in group property projects considered of short-term duration. Chairman Andrew Ovenstone notes that interest received comfortably exceeded interest charges. The return on capital in the table excludes interest earned on property instalment debtors, as the ratio is calculated on pre-interest earnings. However, the return on equity improved from 12,1% in 1988 to 17% for the 1990 year.

Neither Ovenstone nor group financial director Justin Millar will be drawn on earnings prospects for the current year. Millar comments that political events could delay developments for the group, while the results will obviously be affected by economic conditions. But he cites the deferred profits as a base for solid earnings later.

The 9,4% yield indicates investor caution, but the stock may be worth watching.

Gerald Hirshon

Activities: *Property developers, homebuilding and civil engineering construction contractors.*
Control: *Ovenstone family, directorate and management control.*
Executive chairman: *A D P Ovenstone.*
Capital structure: *29m ords; 1m var rate red prefs. Market capitalisation: R26m*
Share market: *Price: 90c. Yields: 9,4% on dividend; 23,7% on earnings; p:e ratio, 4,2; cover, 2,5. 12-month high, 92c; low, 62c. Trading volume last quarter, 234 700 shares.*

Year to Mar 31	'88	'89	'90
ST debt (Rm)	5,3	3,7	10,2
LT debt (Rm)	9,2	8,9	13,4
Debt:equity ratio	0,53	0,36	0,61
Shareholders' interest	0,37	0,33	0,33
Int & leasing cover	3,47	3,98	19,1
Debt cover	0,33	0,60	0,40
Return on cap (%)	5,8	7,0	6,2
Turnover (Rm)	166	269	322
Pre-int profit (Rm)	5,1	7,6	7,6
Pre-int margin (%)	2,9	2,8	2,3
Taxed profit (Rm)	3,7	5,2	6,2
Earnings (c)	12,3	17,4	21,3
Dividends (c)	6,0	7,0	8,5
Net worth (c)	102	112	125

The worst is over, says CBA chairman

W/ARGUS 23/6/90 (32)

By MAGGIE ROWLEY
Business Staff

THE Clay Brick Association (CBA) of the Western Cape is optimistic that the slowdown in the building industry will be short-lived and interest rates would drop by year end, chairman Mr Harry Voorma, said this week.

In an interview following a Press luncheon this week, Mr Voorma said that high interest rates had had a serious impact on the middle to lower income group housing industry.

"February 1988 heralded a watershed period for the industry as interest rates started to rise, people stopped investing in housing developments and sales levelled off.

"The general level of activity in the past year was about 30 percent lower than the 1987/88 period. However the luxury market was unaffected and there has been more activity in this sector than was seen two years ago."

Mr Voorma said that the worst period appeared to be over.

"News this week that South Africa's foreign debt crisis is over and that South Africa will have repaid the last of its instalments under the terms of the second arrangement of standstill of debt augers well for the property industry.

"So does the new political climate and the move towards a 'new' South Africa," said Mr Voorma.

He said he was optimistic a drop in interest rates could be seen as early as September or October.

"Once interest rates drop I have no doubt that the property industry will rebound quickly and we will see spec builders coming back into the market and developments will start snowballing," he said.

Mr Voorma, who is also chairman of Corobrik in the Western Cape, said price increases of clay products had been lower than the inflation rate in the past year.

The Clay Brick Association, he said, was concerned about the quality of new home building in the Western Cape.

"This concern and a growing lobby for better standards, particularly in the mass housing market, has led to a renewed drive by clay brick producers in the region to ensure that the best possible materials are specified.

"It has been to the general detriment of the building industry that strident complaints — most of them justified — have been voiced by new-home owners, predominantly in the affordable housing sector.

"The material used in the walls of these homes, where there has been premature cracking and other faults, was not clay brick. It must be noted that the dissatisfaction of home buyers has been concentrated on poor workmanship and not materials. Problems arose where alternative building materials were not used in the correct way," he said.

Mr Voorma said it was the contention of the CBA that many housing projects in the Cape did not meet the expectations of buyers in terms of investment value and houses could prove a liability as maintenance costs soared.

The argument that alternative masonry products were cheaper to use, he said were false.

"While specifying bricks other than clay can cost the developer less for ther materials, only by complying with strict building procedures can he be sure that the alternative products will perform well.

"These strict procedures are expensive and would result in the building costing the same as, or more than, one constructed from clay brick.

"Some developers have not observed the construction rules related to alternative products in order to capitalise on the low cost of the materials and the houses have failed to meet basic standards.

"So, while the buyer is offered a cheaper home, his long-term costs, both financially and psychologically are high and will far outstrip those of a home built from clay brick particularly one built from clay face brick."

Saambou in bid to boost share of home loans market

(32) Star 23/6/90

FINANCE STAFF

SAAMBOU is offering home buyers a package of concessions in a bid to boost its share of the home loans market.

Saambou's group MD Christie Kuun, said the cost of the concessions would be considerable.

"They are evidence of our determination to build our share of the home loan market.

"The concessions apply to our existing home loan clients who sell their homes and lodge new bonds with us, and to the buyers of these homes who bond them with Saambou.

"In both these instances, half the bond registration costs will be borne by Saambou, and we will waive inspection and administration fees.

"We will also arrange bridging finance for any of these buyers at a rate of interest lower than those now prevailing".

Mr Kuun said the concessions also include a highly competitive bond insurance package, investment opportunities at attractive rates, and estate and trust planning.

"The concessions to home buyers are part of a more aggressive stance by Saambou. They will be followed by the launch of a range of products in the latter half of the year.

"These products have been designed to customer convenience and to be cost-effective in relation to service charges," he said.

Property still a good investment

For the average salaried person approaching the age of 40 his largest single investment is bound to be the house in which he lives.

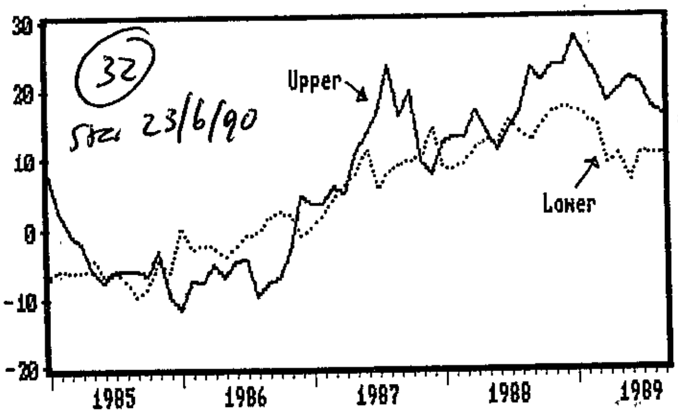
There is no doubt that residential property still remains the best possible investment for the man-in-the street, especially when purchases are made when the market is depressed.

Various factors contribute to this state of affairs: mortgage finance is usually done at very preferential rates of interest (currently between 20,75 and 21 percent), the buyer has very limited risk in the property as most of the risk is carried by the mortgage institution.

Overall returns are also boosted substantially over the long term by making use, in most cases unknowingly, of the principle of gearing.

The property market also tends to be very stable, lacking the sharp and sudden unpredictable movements like the stock market for instance.

At the end of the day, if prices should fall, residential property remains a very useful commodity — it still remains a place where one can live; a roof over one's head, if anything.



Upper and lower class house prices. (Percentage change on a year ago).

But what surprises many people is the fact that residential property prices have not, on average, kept pace with inflation. Certainly, selected properties in certain areas sometimes excell fantastically, but on average property prices over the long term lag the inflation rate.

According to Erwin Rode, a property economist with Real Estate Surveys in Stellenbosch, average house prices countrywide have risen from R63 800 in 1982 to R117 169 at the end of last year. To keep pace with inflation house prices should have averaged R165 880.

What many people forget, or conveniantly disregard, is that property depreciates, especially properties older than 10 years. They have to be maintained and painted which affects the overall return.

But on the other, property investment normally is much less volatile than alternative investments, especially equity invests.

Not only can you sleep soundly over your property investment, you can also sleep in it if need be.

'Building defects rife'

W/C Arch 23/6/90

32

By MAGGIE ROWLEY
Business Staff

ALMOST every dwelling that was up for sale in both the new and second-hand market has defects, says Mr Derek Bonheim, independent property surveyor.

More than 90 percent of houses he had inspected for clients had had problems with walls, finishes, plumbing and drainage, he said at a Press luncheon this week.

"Of the houses I have inspected about 70 percent had problems with roofs and coverings, more than 60 percent had problems with doors, windows, floors and finishes, nearly 30 percent had electrical problems and about 20 percent had problems with the foundations."

Mr Bonheim said that while there were numerous mechanisms in the industry to check standards these had "almost no effect".

"This is borne out by the fact that at the end of the day what is being built is not up to standard."

He said construction problems were on such a large and widespread scale that they represented "a national disaster".

Mr Bonheim urged home buyers not to buy a house until it had been properly inspected.

"In most Western countries no one buys a house until they have had it inspected by an independent building inspector. While a report of this nature costs homebuyers, in the long run it can save them thousands," he said.

The situation, he said, was aggravated by a number of factors. "People selling their homes are motivated by their own short term interests and are not concerned with the long-term interests of buyers.

"Threats of alternative offers often mean buyers rush into the sale without properly inspecting the house. It is very easy to hide defects with a quick coat of paint which will not be picked up through inadequate inspection.

"It is also in the interest of estate agents and developers to ensure the sale takes place as quickly as possible. All this counts against the buyer who is the one left holding the problems," he said.

He said to overcome the immense housing backlog developments had been going up at great speed and "the speed of erection has resulted in reduced quality control".

Mr Bonheim said that with the changing political dispensation there was a push towards home ownership in the lower income group.

"Many of these first-time homebuyers are not familiar with the market and are being taken advantage of.

"And they as a group are the least able to pay for high maintenance costs that result from inadequate quality control and construction methods," he said.

CAPE TIMES 23/4/90

Some builders cut corners

Business Staff

THERE was no doubt that some builders were cutting a few corners by not observing regulation and buying inferior products, Mr Robert Low, director of Murray and Roberts (supplies and services) and national president of the Concrete Masonry Association, said this week.

Mr Low said the home building industry in the Cape had reached a low ebb due largely to interest rates which had nearly doubled since 1988.

This was especially noticeable in the areas of housing design for those with incomes of less than R2000 a month.

"Here where it seems almost impossible to provide a house and ground costing less than R30 000, the prevailing interest rate has made that house completely unaffordable. This is all part of the inflationary spiral.

"A worse situation has arisen for those who managed two years ago to buy at interest rates of 12 percent. They find themselves incapable of supporting the new bond repayments. These people have become bitter and disillusioned and are consequently finding fault both politically and materially," he said.

Mr Low said as a result "many detrimental things have been said about the builders and the quality of the houses".

"No doubt some of the builders indeed cut a few corners by not observing regulations and buying inferior products.

"Some of the bad publicity has been used to decry concrete masonry. The best way to ensure that bricks are of suitable quality is to insist on bricks manufactured with the SABS mark of approval, whether they be clay or concrete.

"Regrettably there are not similar standards for building contractors," he said.

Mr Low said that it was possible to counter inflation with the use of modern building materials.

"The savings in the use of hollow concrete masonry over conventional brick can be substantial — of the order of R2 000 in a house costing R20 000.

"Furthermore there will not be noticeable differences in performance between a house built of concrete masonry and one of clay, and the difference on building techniques is minimal.

"It is for this reason that concrete masonry is fast becoming the most popular building material in the country as it is in most of the modern world where over 60 percent of masonry is built with concrete products."

He said propsective builders should consult the Concrete Masonry Association for advice on the supply and use of concrete masonry.

Participation Mortgage Bonds

A Star survey

Dr Chris Stals ... His current policy of high and real interest rates could herald a boom-time for the participation mortgage industry.

Innovation needed in property financing

(32)

Star 25/6/90

In the new South Africa of tomorrow a great deal more innovative thinking needs to be devoted to devising financial packages which address the property demands of the country's rapidly expanding population and its commercial power base.

It is an area which is being given priority attention by the Syfrets Group — one of South Africa's oldest trust companies and architect of the now well-established participation mortgage bond instrument, which was devised to mobilise private capital for property development.

Syfrets has chosen to tackle these challenges by substantially increasing its presence in the country's main development areas and by introducing a series of highly flexible financing packages designed to meet the needs of most developers.

Although traditionally Cape-based, Syfrets has recently expanded its lending and property development division to Johannesburg.

Heading up Syfrets Transvaal lending operation is Brian Button, who remarks that the Transvaal is the target to bring in at least 60 percent of the group's future business.

He stresses that a key element in this thrust is to provide service and flexibility in any financial package devised for each developer/client, and is essential to accommodate the volatile but exciting conditions increasingly impacting on each individual and corporate entity.

Repayment arranged

Mr Button recalls that in the days prior to the introduction of fringe benefit tax, many homeowners were assisted through carefully structured corporate housing loan schemes which arranged the repayment of mortgages in a manner as to significantly generate cash flow savings to the companies they worked for as well as the employees themselves.

"With the final phasing in of fringe benefit tax on structured housing loan facilities, these initial benefits have been severely neutralised. But, notwithstanding that aspect, innovative packaging still ensures this facility remains a sought-after instrument by major corporations.

"[illegible] careful structuring and taking into account

Earn a high rate of interest – with absolute security

Star 25/6/90

(32)

Participation mortgage bonds occupy a unique position in anyone's investment portfolio. The greatest attractions are absolute security of capital with payments on a regular basis.

Historically, the main source of funding has emanated from pensioners, widows and widowers, pension funds, charitable organisations and persons whose after-tax return on part bonds was higher than that obtainable elsewhere.

Security of capital is of paramount importance, even though many people baulk at having their money tied up for five years.

The Association of Participation Bond Managers tried to have the prescribed minimum time period reduced from five to three years, but were unsuccessful.

What underscores the security of part bond schemes is that generally bonds are only granted up to two-thirds of the value of a property to be secured by the registration of a participation bond.

Thusfar, this security measure has been sufficient to protect investors against sharp drops in property values.

As far as can be ascertained, nobody has ever lost money on a part bond scheme in South Africa. This has been due to the conservative nature of the law controlling this type of financial instrument, as well as the careful screening of properties to be financed by the scheme managers.

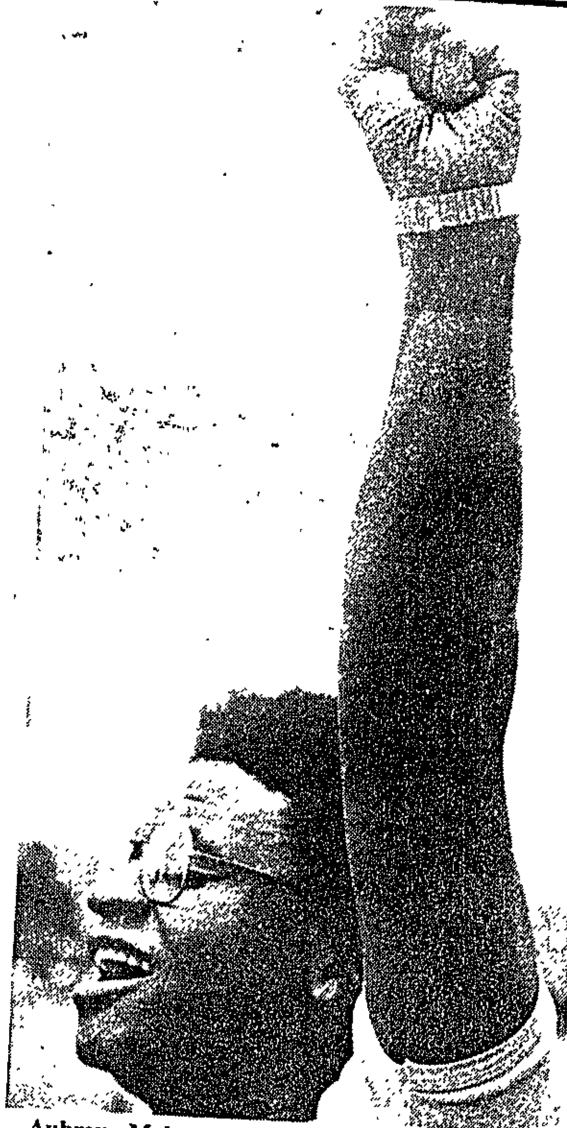
Interest rates applicable to participation bonds are flexible, being determined solely by supply and demand factors influenced by economic market trends.

Most scheme managers incorporate a floor, or minimum rate of interest, in respect of all newly registered participation bonds. This means the interest rate cannot fall below that floor rate for the duration of the investment.

Interest is generally payable quarterly in advance and can be paid into a bank or building society savings account.

In terms of the Participation Bonds Act an investor has to invest his/her money for five years. At the expiration of this fixed period the capital remains invested but may be withdrawn on three months' notice.

Investors generally elect to continue the investment, which effectively results in them receiving the highest rate of interest available on money only invested for 90 days. This is well worth remembering.



Aubrey Mokoena ... chairman of the new organisation

Land developers to work with Soweto Council

Sowetan 25/6/90

A new contractors' and developers' organisation to work with the Soweto City Council has been formed.

The body known as the Soweto Development Liaison Forum (SDLF) was launched at the weekend. It consists of six committees with each concentrating on a particular aspect of building and land development in the township.

(32)

Aubrey Mokoena, a well-known local businessman, has been elected chairman of the organisation.

"The SDLF came to being because of problems between the council and developers. We would also like to facilitate relationships with the industry by liasing with institutions concerned with the harmonious development of Soweto," said Mokoena.

P (32) Star 25/6/90

PARTICIPATION MORTGAGE BONDS

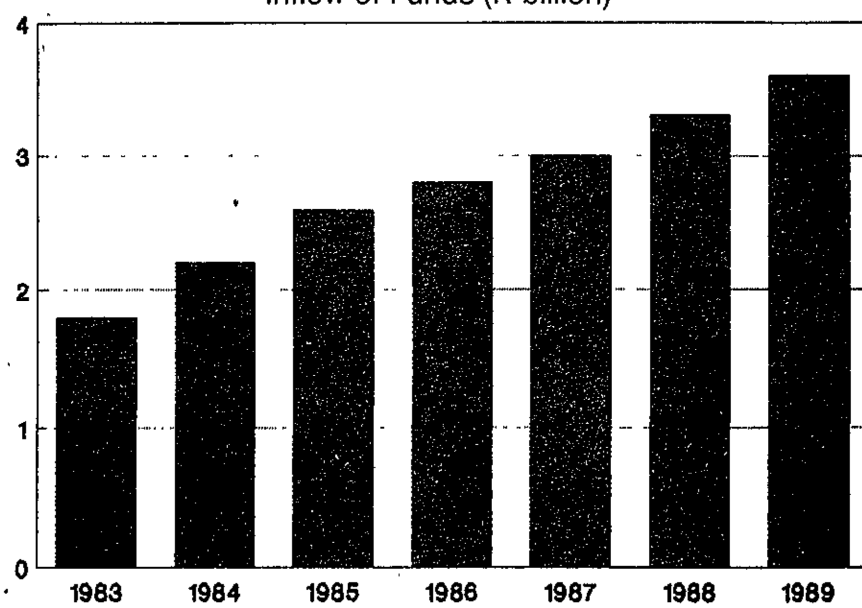
Demand for part bond funds continues – Perrin

The unabated inflow of funds into participation mortgage bonds indicates that despite political uncertainty, demand will nonetheless exist for long-term investments generating the best possible monthly income.

This is the view of Mr Laurence Perrin, director of the Financial Services Division of Masterbond Trust.

"While many people in the current climate of uncertainty are reluctant to tie up their money for the five-year minimum currently dictated by the Part Bonds Act, there are those — particularly in the 60-plus age group — who continue to seek an investment that will give them a real, monthly return. Here, part bonds are unrivalled."

Participation Mortgage Bonds
Inflow of Funds (R billion)



Mr Perrin also disclosed that during the 12 months to May 1990, the Masterbond group's part bond book had grown to R55 million — up some 30 percent on the figure for the previous 12 months.

Masterbond is currently a market leader, paying interest at a full 20 percent monthly in advance to investors of 60 years of age and over.

Since its formation in 1984 as a specifically part bond company, Masterbond has introduced a number of innovative concepts to what was previously a staid, conservative industry: monthly interest payable in advance and a minimum floor rate protecting the investor against a radical drop in income were both Masterbond "firsts".

Turning to the future of the industry, Mr Perrin predicted that within a few years, participation mortgage bond companies would have evolved into specialist "property banks", financing both commercial and domestic property.

"This is in line with the blurring of the roles traditionally played by the banks and building societies in this country.

"Within five years, the financial services arena is likely to be dominated by four majors who will provide an all-embracing, one-stop service.

"Others will either be absorbed or they will have to become specialists, acquiring the technical skills and technology needed for them to survive in very specific markets such as vehicle or medical financing.

"Part bond companies currently financing commercial properties only, will inevitably evolve into this category as niche bankers and with their existing skills in this sector, their logical growth path will be into the financing of domestic property".

Mr Perrin stressed that the evolution of these specialist property banks would be to the good of the public at large.

"History has shown that focused expertise inevitably creates greater competition as marketers seek out new, innovative ways to gain a competitive edge, with resulting benefit to the investor."

Bloemboard ...
Board of Executors ...
Boland ...
Combined ...
E G Chapman ...
Fairheads ...
Fidelity ...
First Persam ...
Lisabond ...
Masterbond ...
Metboard ...

Shopping around for the best rates

NBS Investors Centre	19%
Owen Wiggens	19,5%
Russel Marriot Boyd	18%
Sage Trust	20%
Securebond	19,5%
Stabilitas	19,25%
Standbond	19%
Supremebond	19,25%
Syfrets	19%
United	20,54%
Volkskas	20,54%

● Minimum period five years. Rates are calculated differently: quarterly, quarterly in advance, monthly in advance or annually, though most scheme managers offer a minimum floor rate.

Business Report

LTA earnings double to R14m

CM 7/4P 26/6/90 (32)

ARI JACOBSON

LTA, the building and construction company, took advantage of an industry which lags the recessive trend well-underway in the economy, generating attributable earnings virtually double at R14m (R7,33m) for the year to March.

MD Colin Wood said the industry's tendency to lag behind the performance of the economy by up to 18 months allowed contracts to be sealed before the throes of a recession affected business decisions.

Earnings a share accelerated the pattern rising from 36c to 86c a share and with the improved financial results enabled the company to resume dividend payments on ordinary shares at 20c (nil).

Efficiency

A cross-section of projects stretching from work on Mossgas and access roads in the Lesotho Highlands to a healthy building climate throughout the country saw turnover rise 10% to R1,83bn (R1,66bn).

Wood stressed most construction companies were forced to enhance on efficiency because of the minimal manoeuvreability between turnover (revenue) and costs.

To achieve this goal, emphasis is placed on managemnt skills in a disciplined environment, he said, ruling out the potential for growth by acquisition in an industry dogged by tight margins.

However, the tell-tale signs of a company clawing its way back from substantial losses in recent years, are evident from the rise in its interest debt to R11,9m (R5,6m).

As Wood pointed out this was slowly being repaid as the company returns to profitability. Interest bearing debt — short and long term — dropped 16% to R157m (R187m) for the year.

He said this trend was expected to continue in the coming year backed up by a strong work book.

"The ideal would be to emerge from this financial year into an economic upswing which would cultivate new business and allow the company to maintain its momentum."

(32) Star 26/6/90

The Star
Finance

Infrastructure of Sandton's CBD overloaded, says Ampros survey

Property & Construction

FRANK JEANS

Under current zoning bylaws, a further 194 000 sq m of commercial property could conceivably be added to Sandton's central business district.

This is why Sandton residents are anxious that the Sandton Town Council's structure plan is approved by province as soon as possible.

Commenting on the continual business build-up in Sandton, the latest office survey of Anglo American Property Services (Ampros), says: "The town centre is already feeling the strain of vehicle and pedestrian traffic. Existing services could well prove to be inadequate for future needs.

"This is a problem which the municipality will quickly have to resolve if Sandton is to be developed to its full potential and continue to function efficiently."

Referring to its "overloaded infrastructure, particularly roads", Ampros says if the municipality is to continue to flourish as an office node, this problem will have to be tackled now.

Grahame Lindop, national leasing manager of Ampros, says: "I believe the council should curtail any further CBD development because the area has now reached its optimum in terms of carrying capacity.

"A small dormitory town has a limit to the size of its business development and maybe, whether we like it or not, Sandton's central area has now reached its limit.

"The CBD can't become much bigger without the infrastructure falling apart."

Ampros sees the rerouting of Katherine Street through Wierda Valley as easing the problem but Mr Lindop says this is not enough because the pressure points have now been transferred on one hand to secondary roads and also to motorway connections.

"Now there are terrific traffic back-ups at these off-ramps at peak times," he says.

Rose Johnson, a Sandton resident for more than 20 years, says the present road set-up cannot cope with the congestion the municipality already has, let alone the further development which the council has passed and which will bring on another 300 000 sq m of space.

"Because of this Sandton's access and egress is totally inadequate.

"The much-talked-about Wedge development has the potential to double the present CBD and the traffic implications are horrendous for Sandton residents and the community as whole."

Mrs Johnson believes the present applications for the Wedge development "fly in the face of the Sandton structure plan" and it now remains to be seen whether the Provincial Administration is going to respect the plan.

Dawn McCarthy, assistant director of Sandton's Town Planning Department, says: "The plan is now before Province and the council is hopeful of a favourable response in the near future."

No need for more office zoning, resident maintains

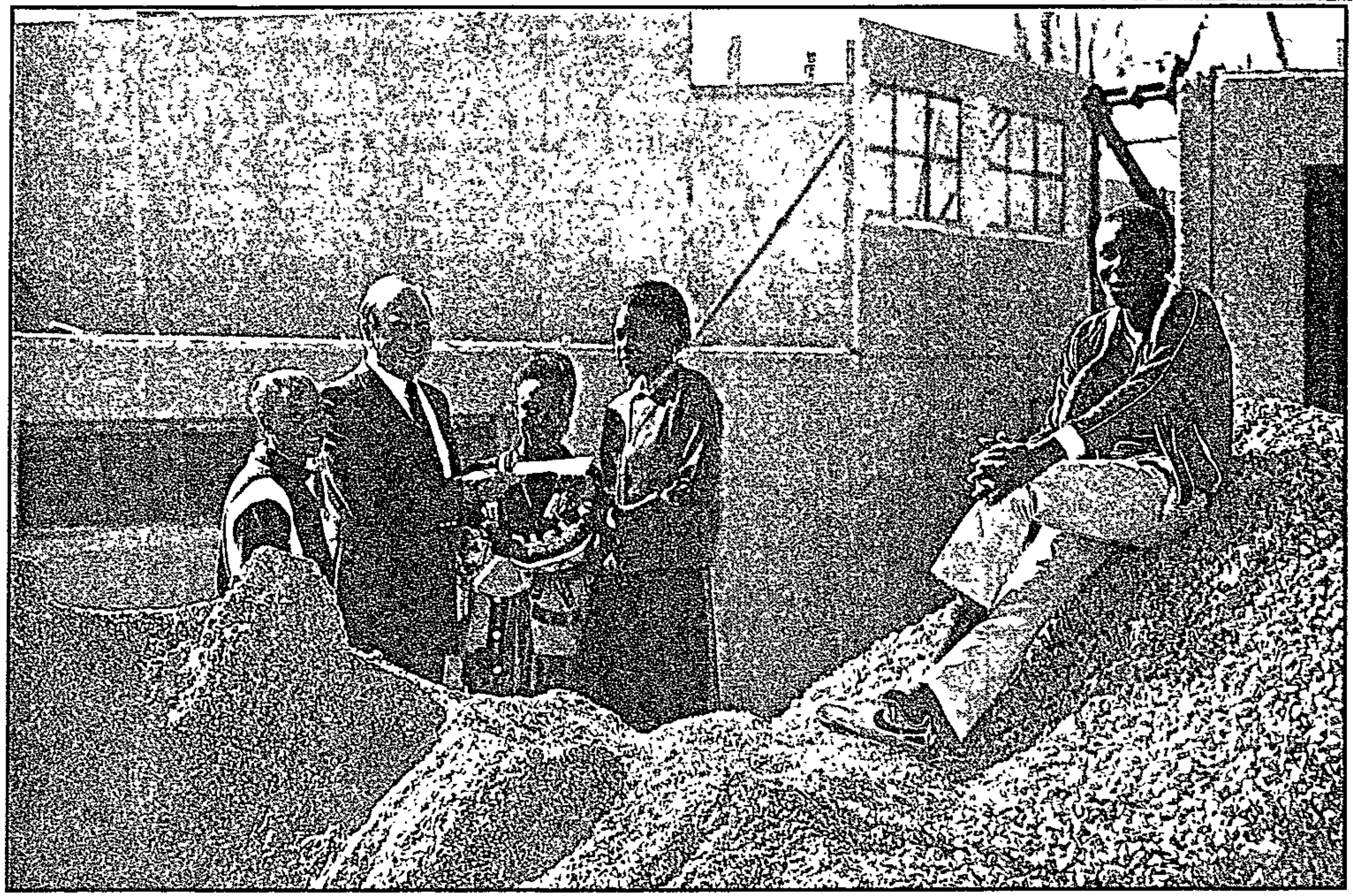
Refuting reports that Sandton CBD has no office oversupply, long-time resident Rose Johnson says: "According to a recent survey by the South African Property Owners Association, Sandton's vacancy rate is 15,2 percent.

"There are 'To Let' boards everywhere one looks.

"The vacancy rate has risen from 11 percent in February this year to 15,2 percent to the end of May and I believe the figure is still rising.

"The council has no doubt that we have zoned office space available for the next 10 years based on the take-up rate over the past few years so we are convinced that we do not need any further office zoning, especially for projects close to the town centre."

Youngsters see their future built before them



Happiness is seeing the walls of the technical college you hope to attend one day rising around you. Four youngsters, Violet Masuku, left, Priscilla Hlongwane, Santha Masilela and Simon Fabatsa, were on site at the new ACE College in Alexandra when Alan Tindall, chairman of the Allied Educational Trust, handed over a cheque for R50 000 towards the project. ACE steering committee chairman, Jolyon Nuttall, general manager of The Star, noted that R4,4 million of the R5,5 million needed had now been raised.

LTA has finally hit the jackpot

Star 26/6/90

By Derek Tommey (32)

The champagne corks will be popping at the headquarters of construction giant LTA today — and also in the homes of its shareholders.

After several troubled years LTA has at last hit the jackpot. And to mark its return to prosperity it has declared its first dividend for five years — a payment of 20c a share which puts its shares on a historic yield of more than 8 percent.

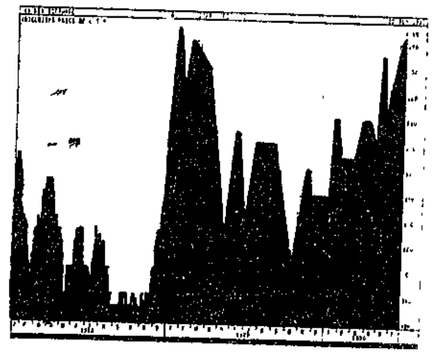
LTA reports today that in the year ended March earnings attributable to ordinary shareholders jumped 142 percent from R4,7 million, equal to 36c a share, to R11,4 million, equal to 86c a share.

Old problems overcome

Attributable earnings after extraordinary items rose by 181 percent.

Finance director Mr Jimmy Oosthuizen, said the improvement was partly the result of LTA overcoming its old problems without encountering any new ones.

He was optimistic that the better profit figures would be maintained. LTA had doubled its margins from 1,1 percent to 2,0 percent in 1989-90. But there was still room for improvement.



LTA's share price (source Wen software).

LTA also had about a year's work on hand and had a number of new contracts including one for the soda ash project in Botswana.

He also expected a sharp drop in the interest burden which took R11,9 million from pre-taxed profits in 1989-90, and which was more than double the R5,6 million interest bill in 1988-89.

As contracts are completed borrowings will fall and cash holdings increase which will significantly reduce interest payments, he said. LTA's turnover rose 10,2 percent in the year ended March to R1,8 billion. Operating profit before interest rose 93 percent to R36,3 million while profit before tax increased by 84,1 percent to R24,3 million.

Taxed profit up

Taxed profit was 73,0 percent higher at R15,4 million.

After provisions for outside shareholders, and tax on profits of associated companies, LTA'S earnings attributable to 'company' shareholders were R14,0 million (R7,3 million). Preference dividends took R2,6 million.

Dividends absorbed R2,65 million and R8,75 million was trasferred to reserves.

The net asset valued of LTA shares at March 31 was 497c against 422c a year earlier.

At the end of March long-term interest bearing debts amounted to R13,2 million (R18,5 million) wwhile short-term interest bearing debts totalled R28,2 million (R42,9 million).

COMPANIES

Argus 26/6/90 (32)

LTA shareholders get 142% more

By DICK USHER, Business Staff

LTA reported substantially improved operating profits and shareholders' earnings for the year ended March, in spite of high levels of borrowings that resulted in a substantial increase in the interest burden.

Earnings attributable to ordinary shareholders jumped 142 percent to R11,4 million.

Finance director Mr Jimmy Oosthuizen, said the improvement was partly the result of LTA overcoming its old problems without encountering any new ones.

LTA also had about a year's work on hand and had several new contracts, including one for the soda ash project in Botswana.

He also expected a sharp drop in the interest burden, which took R11,9 million from pre-tax profits in 1989-90, more than double the interest bill in 1988-89.

As contracts were completed borrowings would fall and cash holdings would increase, which would reduce interest payments significantly, he said.

LTA's turnover rose 10,2 percent to R1,8 billion. Operating profit before interest rose 93 percent to R36,3 million, while profit before tax increased by 84,1 percent to R24,3 million.

Taxed profit was 73 percent higher at R15,4 million.

After provisions for outside shareholders and tax on profits of associated companies earnings attributable to "company" shareholders were R14 million.

● This year would be difficult for investment holding and management company **FSI**, says chief executive Mr Jeff Liebesman in the annual report.

But subject to there being no further significant deterioration in economic conditions, he expected satisfactory results.

He said FSI would expand its existing business geographically and into additional market sectors, where it could offer customers better products, better service and better quality.

In the year to December FSI increased its earnings a share by 20 percent to 132c.

The final dividend of 23c a share brought the year's total to 35c, a 16,7 percent improvement.

Capital employed at December 31 1989 was R1,9 billion, 18,7 percent up from the previous year.

(32) • Star 26/6/90

Builders can get insurance cover on defects

By Jabulani Sikhakhane

The Builders Civils and Engineering Underwriting Managers (BCE) has launched a unique home defects insurance scheme which provides indemnity against defects in design, materials and workmanship for a five-year period after construction is completed.

Underwritten by Fedgen, the scheme will cover houses, townhouse complexes, cluster homes, small flat developments and single-storey shopping malls.

Cover is subject to the builder/contractor being a member of the Building Industries Federation of SA (Bifsa), through membership of the regional Master Builder's Associations or Building Industries' Associations.

Each association will be required to approve each members' application for HDI cover.

The premium, payable on completion of the building, is one percent of the replacement value of the property for five years and a minimum premium of R1 000 applies.

A plus for home owners is that the value of properties protected by the scheme will have a much higher resale value.

Fedgen has also launched another insurance package for companies (Bifsa and MBA members) with a turnover of up to R5 million. The policy offers cover of up to R2,5 million on any one contract, public liability of R1 million on every loss and a sum insured of R50 000 on the contractor's plant.

Building materials in transit (insured vehicles), in storage at insured premises will be covered up to R25 000.

Boumat forecasts a 5% drop in new home construction

B/Day
26/6/ PIERRE DU PREEZ (32)

BOUMAT expected a 5% drop in real terms in new home construction in the formal sector for the year ahead, chairman Irvine Brittan said in his annual review.

Brittan said residential buildings completed in 1989 showed a drop of 5,4% over the previous year, but non-residential construction remained at a high level. This was because it was underpinned by corporate, state and institutional investment. 26/6/90

"Non-residential construction should remain at a constant level, with office construction tailing off and retail construction increasing," he said, and prospects for low-cost housing were also more promising.

"If the unrest abates there should be a substantial revival in building activity in many areas affected badly by last year's violence."

However, he saw the cost of money as the key element, and it was therefore to be expected that interest rates would stay around current levels in the short term.

Boumat forecast maintained earnings for the year ahead of 83c a share compared with the March 1990 figure of 82c, on a 13% increase in sales. The forecast was based on an overall decline of 3% in the market for Boumat's products and an average 17% increase in product prices.

LTA pays its first dividend in 6 years

32

B Day 26/6/90

BRENT MELVILLE

LTA, Anglo American's building and construction arm, is to pay a dividend to its ordinary shareholders for the first time in six years.

Dividend-starved shareholders will receive a dividend of 20c.

Market analysts said yesterday the announcement had come as a "virtual shock" to a market which had become disenchanted with the group.

The outlay flowed from a near-doubling of operating profit to R36,3m (R18,8m) on a 10% hike in turnover to R1,8bn (R1,7bn) for the year to end March.

The performance leaves LTA as SA's second largest construction group.

On the downside, however, elevated borrowings coupled with high interest rates saw the interest bill jump 114% to R12m (R5,6m). After accounting for a tax charge of R8,9m (R4,3m) and dividends on preference shares of R2,6m, bottom line profits were at R11,4m (R4,7m), translating into earnings of 86c (36c) a share.

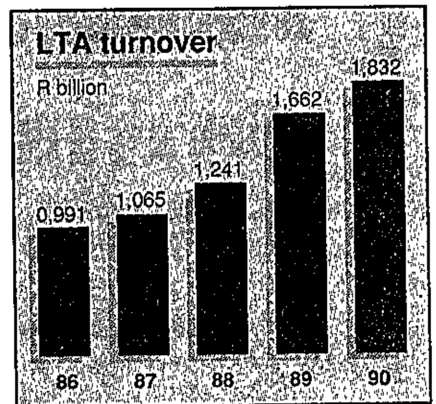
The prevailing share price of 245c, at a 12-month high, still offers a substantial discount to the group's NAV of 497c. The rating places LTA on a P:E of 2,8 times and a dividend yield of 8,2%.

Analysts said the share had been viewed poorly by the market because of the group's high level of gearing, traditionally poor operating margins and total lack of dividend on its ordinaries.

"Based on this year's performance there is no doubt that LTA deserves an upward re-rating," an analyst said.

The group is geared at 43%, significantly under last year's level of 72%. Margins have been upped to 2% (1,1%).

Directors said that average loan levels had been reduced and the trend was expected to continue, "significantly reducing interest payments".



Graphic: FIONA KRISCH Source: JSE

Security is a priority

Star 27/6/90

CAPE TOWN — An official residence for the secretary-general of the SA Council of Churches, built at an estimated cost of R700 000 in Diepkloof, Soweto, is expected to be completed soon.

The national executive committee of the council decided to build an official residence and to ensure it was fitted with adequate security after the bombing of Khotso House, general administrative secretary, the Rev Francois Bill, has reported.

He said funds for the house had been pledged by churches in Norway, Germany, Switzerland and Canada.

The insurance claim paid out after the bombing was R3,3 million. — Own Correspondent.

emerging."
The prohibition of

being committed in its name or are being flouted by its agents".

Randvaal Council earmarks new site

Star 28/6/90

32

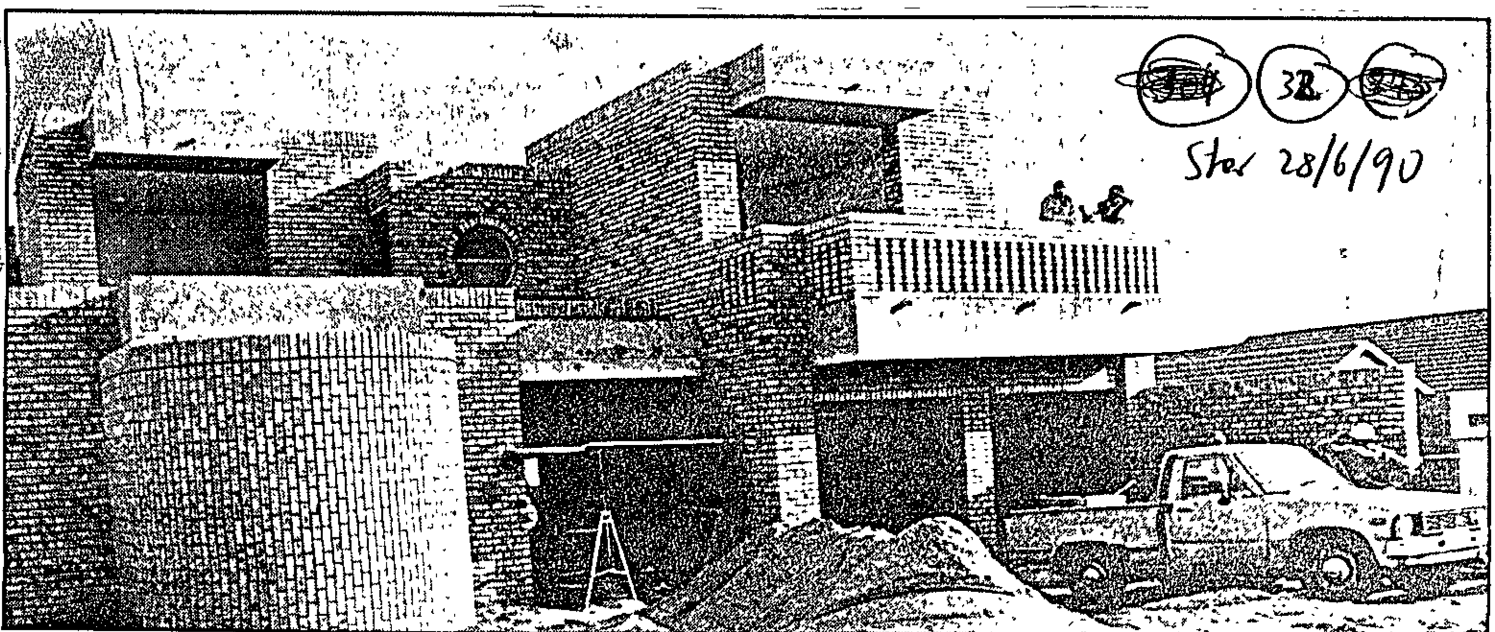
By Melody McDougall,
Vereeniging Bureau

Randvaal Town Council has agreed to adopt a developmental strategy which includes the identification of a site for industrial development in the area and extensive land uses.

This is an attempt to counteract the numerous illegal business and commercial activities presently taking place within the council's area of jurisdiction, as well as to provide for obvious needs in the future.

According to Randvaal town clerk Lammie Fourie, the site earmarked for the proposed development is situated between the Sybrand van Niekerk highway and the railway line south of the Daleside/Walkerville off-ramp up to the northern boundary of the Highbury township.

He said the council intended to create a similar development to the one alongside the Ben Schoeman Highway at Midrand, where commercial activities are allowed and job opportunities are created without jeopardising the pleasant country atmosphere.



Star 28/6/90

SACC mansion nearly ready

The South African Council of Churches' R700 000 mansion in Diepkloof Extension, Soweto, will be completed next month and the Rev Frank Chikane will be the first SACC general secretary to occupy it. The house has eight bedrooms and 4½ bathrooms. The Rev Francois Bill, SACC general administrative secretary, said churches in Norway, Germany, Switzerland and Canada had pledged funds for the house. He said the house would be fitted with adequate security.

● Picture by Herbert Mabuza.

(32) Star 28/6/90

Institutions expected to bid up building society shares

By David Canning

A scramble for building society shares is likely to develop as a result of the Deposit-taking Institutions Bill, according to stockbrokers.

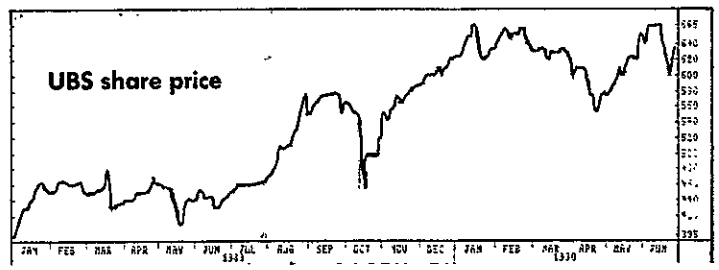
Provisions in the bill — allowing shareholders to increase their stake above 10 percent — are viewed "with concern", according to Mark Farrer, general manager, management services, at NBS.

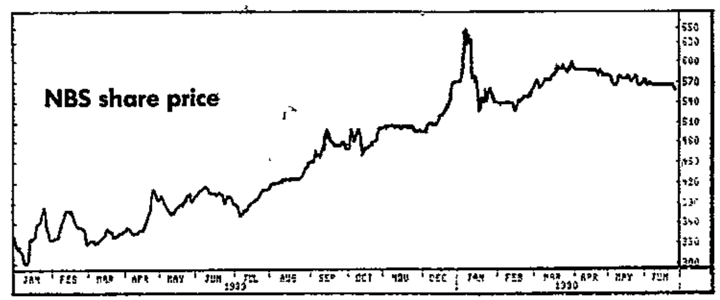
Financial sector analyst David Southey of Edey, Rogers said large institutions could be expected to take advantage of the bill — which was before Parliament last week — to build up strategic positions in competitors' and other institutions.

Shares in both the NBS and UBS could see increased demand in view of their good records, coupled with relatively attractive price earnings ratios.

Shares in the vulnerable Allied — which last week wassubject to a boardroom tussle between Sage chairman Louis Shill and Allied MD Kevin de Villiers — could also become a target for other groups.

With at least nine large financial institutions now vying "on equal terms" for a share in a limited market, Mr Southey said the Bill would faciliate "rationalisation" in the industry.





He felt the NBS was a prime target in view of its power in the Natal "niche market", its excellent profit history and its inherent balance sheet strengths.

In light of this, last week's Sage Allied row confirmed building societies' fears that powerful influence, or even control, could be exerted with shareholdings a lot lower than 49 percent.

Louis Shill succeeded in removing three Allied directors with nominally only 10 percent of the equity.

Mr Farrer said a number of safeguards has been built into the bill to protect building societies. However there remained cause for concern.

In terms of the bill, maximum control could be lifted from 10 to 49 percent only over a prolonged period and subject, at each stage, to permission from the Registrar of Financial Institutions.

The relative bands — usually with at least a year in between — were 10 to 17,5 percent, 17,5 to 25 percent, 25 to 30 percent (at this stage the permission of the Minister of Finance would be required also) and 40 to 49 percent.

Mr Farrer said he was concerned because history had shown effective control was possible at levels far lower than 49 percent. He emphasised that the NBS remained determined to maintain its independence. At this stage only two groups each held 10 percent of NBS's equity — First National and Norwich Life, with which NBS has close ties.

Asked to comment, Jimmy McKenzie, senior general manager, First National, said his group had a friendly relationship with the NBS. If First National ever did decide to increase holdings in the sector, NBS would always be one of the first institutions it would talk to.

He said institutions in general woud welcome the opportunity presented by the bill to build up shareholdings to a "more meaningful" percentage.

Another executive said the "phasing in" concessions in the bill would allow equity societies to arrange for "white knights" to build up stakes to fend off predators.

... rental of a township house or even a backyard shack.

Unrest hampers industry

32

DURBAN — Township violence in Natal has cost the civil engineering industry about R10m, according to SA Federation of Civil Engineering Contractors Natal chairman Andrew Stewart.

He was speaking at a media luncheon in Durban yesterday. B Day 28/6/90

Stewart said it had become virtually impossible for contractors to fulfil contracts to provide roads, residential sites and water and sewage-disposal facilities in Natal townships.

He said employees' lives were being threatened, construction plant and machinery were being vandalised and, during the past few months, no fewer than 30 construction company vehicles had been either stolen or hijacked. In addition, Stewart said, access to sites was often barred on advice from the police, or roads were barricaded by mobs, making work impossible. — Sapa.

NATAL UNREST DEATHS

September 1987 — January 1989:	668
February 1989 — June 26 1990:	1 079
Past 24 hours' official toll:	1
TOTAL:	1 748

SUNDAY TIMES, Business Times, July 1, 1990

The knell tolls for hated toll roads

ST Times 1/7/90

GEORGE BARTLETT
State role

Fate of two companies also at stake

32

THE bold plan to privatise main road construction — and the future of toll road operators Tolcon and Tollway — hangs in the balance.

The threat arises from Parliament's rejection of the National Roads Amendment Bill, which would have cleared the way for the signing of agreements between the State and the companies.

The Government will now have to take over operation of the toll roads and acquire the two companies' assets and liabilities. But the Government, strapped for cash and unable to meet the mounting road construction bill, is unhappy.

By DON ROBERTSON

President De Klerk is considering sending the Bill to the President's Council in an attempt to have it passed. But this is seen as unpopular "sledgehammer" legislation of a measure rejected by the three Houses of Parliament. It would be the first time a Bill had been referred to the council this year.

Package

Transport Minister George Bartlett says "the toll roads and facilities previously operated by the two companies as agents of the State will in future be operated by the State on an open tender basis".

The State will probably call for tenders from those who wish to operate and maintain the roads. But it is not definite that Tollway or Tolcon will win the tenders. Seven companies replied to the State's call in 1986 for tenders to build and maintain toll roads.

Tolcon and Tollway have spent about R1-billion on upgrading and building roads, mainly on the N3 between Johannesburg and Durban and on the super-highway between Krugersdorp and Springs.

To meet its commitments, the State would have to arrange a financial package with the banks to cover the loans raised by Tollway and Tolcon. It is also likely that the Government would have to pay the two companies for expenses incurred.

If they fail to win tenders, about 345 staff members will be laid off.

The Bill was rejected by the House of Representatives, the House of Delegates and by the Democratic Party and the Conservative Party in the House of Assembly.

Toll roads are extremely unpopular, particularly those on commuter routes such as those in the Grasmere and Gosforth Park areas in the Transvaal. House of Delegates members representing Lenasia and other areas rejected the Bill.

The Government was forced to reduce toll fees on these two roads two years ago.

Mr Bartlett has asked Tolcon and Tollway to continue operating the roads until alternative arrangements have been made. Both companies have agreed.

Sensitive

It is possible that they may be able to renegotiate a deal with the State for the continued operation of the roads, although in a different form under existing legislation.

Tollway and Tolcon have met Department of Transport officials to discuss developments.

Because of the sensitive nature of the discussions, the chief executives of both companies are reluctant to express any views.

But if no solution can be arranged, either between Tollway and Tolcon or other groups, it could mean the end of road building because the Government has insufficient funds.

Relax building regulations — councillor

TANIA LEVY

NATIONAL building regulations will have to be relaxed to allow for low cost housing in the light of SA's serious housing crisis, says Johannesburg councillor Christopher Newton Thompson.

Interviewed last week, he said low income groups could simply not afford houses costing R70 000 and more. 32

Newton Thompson said Johannesburg did not have enough available land to redress its housing shortage.

The only large areas of available land were south of Johannesburg and building there would only scratch the surface of the problem.

About 62 000 units were needed just to relieve existing overcrowding in Soweto and coloured and Indian areas, he said.

In addition there was high population growth and continuing urbanisation with many squatters already living in Johannesburg and on its borders.

About 7 000 houses could be built on council and trust-owned land south of Johannesburg.

There was some land available west of Soweto, east of Lenasia and near to Ennerdale although these were outside Johannesburg's municipal boundaries.

The northward movement of whites would allow people from overcrowded areas to move into vacant houses but would only slightly help the housing backlog, he said.

The two new towns planned south of Soweto would not do much to relieve Johannesburg's housing shortage, he said.

While Rietfontein and Stretford would house about 1,2 million people, these would not be people working in Johannesburg.

Newton Thompson said to house Johannesburg's workers, land would have to be found no more than 20km outside the city.

The Johannesburg City Council in conjunction with the private sector and its metropolitan neighbours had to start building houses as soon as possible.

The Regional Services Council would also have to fund infrastructure and help identify land.

Proclamation of townships had to be speeded up and new financing methods introduced, he said.

SA lagging behind world property boom

32 Star 7/7/90

MAGNUS HEYSTEK and
SVEN LUNSCHE

HOUSE prices in Johannesburg have declined by almost 15 percent in real terms between 1985 and 1989, running against a worldwide trend of booming real property prices over the period.

Figures by the UBS show that from the first quarter of 1985 to the last quarter of 1989 the average price of a 140 to 220 sq m house has increased from R86 831 to R125 981, a rise of 45,1 percent.

However, over the same period the consumer price index for housing has surged by 60 percent, leaving house prices 14,9 percent lower in real terms.

The only other city where real property prices have fallen in real terms over the last five years is Frankfurt, according to figures in the latest Economist. House prices in Madrid have soared by 158 percent, in Tokyo by 114 percent and in London by almost 68 percent.

Substantial rise

In the preceeding five years house prices fell in real terms in most of the world's richest cities.

Once again Johannesburg proved the exception — while the CPI for housing still rose substantially by 88,1 percent, house prices during the early '80s virtually doubled, rising from R43 312 in the first quarter of 1980 to R86 293 in the last quarter of 1984.

During the early 1980's house prices fell in real terms in most of the world's rich cities.

Between 1980 and 1984 property prices slumped 37 percent in Brussels and 32 percent in Stockholm with only New York (rising by 25 percent during the period), Frankfurt (up 20 percent) and Tokyo (up 12 percent) escaped the property shake-out.

Since then real property prices have boomed: between 1985 and 1989 they fell only in Frankfurt by 6 percent.

After tumbling 29 percent during 1980-84 house prices in Madrid soared by 158 percent in the period 1985-89.

During, the same time-period house prices climbed 114 percent in Tokyo and also more than doubled in Toronto.

London's house prices rose by a comparatively modest 68 percent, restrained by higher interest rates during 1988 amd 1989.

Apart from Johannesburg, Milanese homeowners saw the smallest real gains — just 37 percent during the four years.

Property economists ascribe the laggard performance of local property prices to a combination of several factors, including high interest rates, political uncertainty and low economic growth.

Although property prices have recovered quite significantly from their lows after the 1985/86 political disturbances, they still lag behind the rise in building costs and the increases in other world cities.

Despite lagging behind this world wide trend the local residential market is suffering from a slowing down in the economy, with high interest rates in particular starting to affect the ability of many homeowners to afford large bonds.

Several leading estate agents are reporting a dramatic drop in demand with many high-priced homes attracting little interest.

Also, homes are longer on the market with most sellers having to accept lower prices.

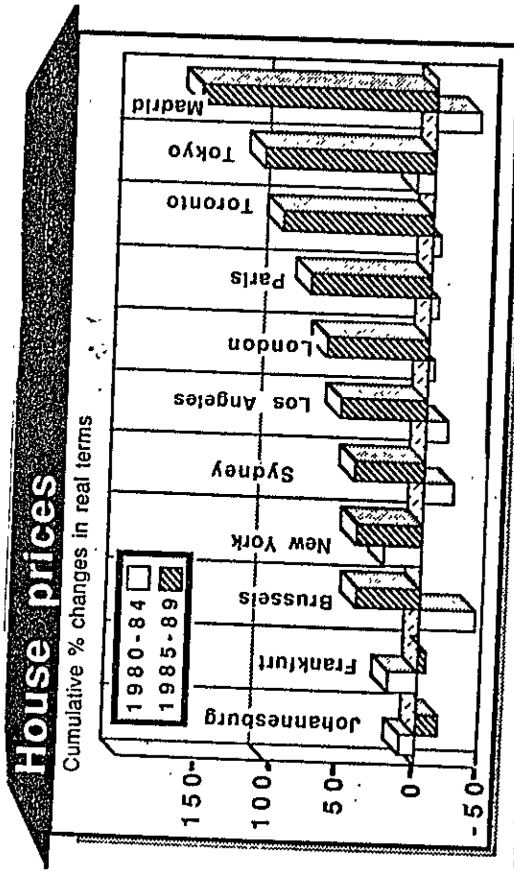
Property economist Neville Berkowitz forecasts a further slowing down in the local residential property market with a bottom to be found "within the next six months or so".

Economic factors are starting to exert their toll, combined with bleak outlook for corporate profitability, a weak stock market and a general slowdown in economic activity.

● The face of the property industry in South Africa is set to change as the battle in the home loan marketplace between banks and building societies heats up.

The United Building Society, which recently bought minority stakes in two estate agency groups, has confirmed that it is negotiating with other large estate agency groups to secure its 25 percent share of the market.

Other financial institutions are "vigorously" attempting to preserve their share of the home loan market and Jimmy McKenzie, senior general manager of First National Bank (FNB), warned this week that if more major real estate groups were signed up by building societies FNB would have no option but to launch its own real estate group to secure market share.



PRICED UP: Prices of houses in the cities and suburbs are steadily creeping up but in real terms, as this graph shows, they are not keeping pace with inflation. But what has happened overseas could happen here once inflation is checked and the political future of the country is sorted out.

R50-million complex for Cape gets the green light

Star. 3/7/90

By Maggie Rowley

CAPE TOWN — A R50 million business and community complex — one of the largest developments of its kind in the country — is to be built in Blue Downs near Cape Town.

Developers, Pepkor Property Holdings, said they were given the green light to develop a shopping complex this week after three years of negotiations.

Eugene Dreyer, a director of the developing company and project manager, said that the complex would be the start of the CBD for the rapidly growing area.

Market research had shown that the area could carry more than 10 000 sqm of shops.

Anchor tenant

Shoprite had already been signed as anchor tenant and would take up about 3 500 sqm in the first phase which will be known as the Shoprite Centre.

The balance of the centre would consist of line shops which would vary in size according to tenants' needs.

"However, there could be as many as 80," he said.

He said several top companies had indicated that they would be taking premises in the development.

"The aim is to develop the centre into a major one-stop business centre, complete with every conceivable shop and service facility.

"It is going to be one of the largest developments of its kind."

Construction, he said, would begin as soon as possible with a target date for completing the first phase by June next year.

"We will build the complex in phases starting with the anchor supermarket which will take about 10 months to build," he said.

"There is a terrific demand for a central business district in Blue Downs and numerous major companies have been waiting for approval to be granted.

"Due to the protracted negotiations and the fact that approval was only granted this week, interested parties are urged to come forward as soon as possible."

Also envisaged for the Blue Downs CBD are recreation facilities, community health facilities, a medical centre, a magistrates court, a police station, library, civic gardens, post office, bus station and service stations.

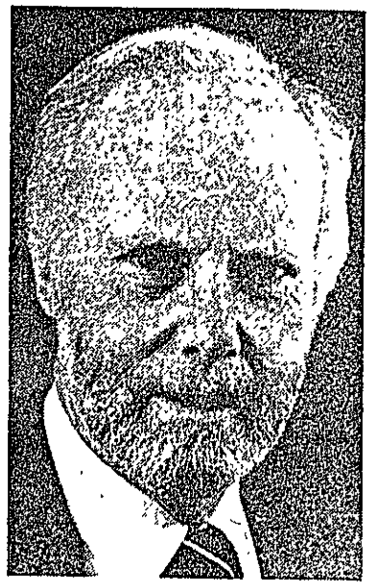
Building Man of the Year

Neil Fraser, executive director of the Building Industries Federation of South Africa (BIFSA) has been elected Building Man of the Year by the South African Institute of Building (SAIB).

The award is sponsored by Marmoran.

Chris Jones, immediate past president of the SAIB, said Mr Fraser had contributed to the industry on both its practical and administrative sides.

Mr Fraser has been MD of Geneva Construction, MD and later chairman of Murray & Stewart (Cape Town) and of Murray & Roberts Building (Tvl) and divisional director for the Murray & Roberts Contruction Group.



Neil Fraser

Amaprop acquires Durban landmark through Retprop

Star 4/7/90 (32)

By Jeremy Rees

DURBAN — Durban's old station building, Newspaper House at 85 Field Street, and Salmon Grove Chambers, have been taken over by Anglo American Properties (Amaprop).

Amaprop has gained control of Retrop Investments (Retprop) and its property portfolio worth about R300 million — and the company is investigating its options for redevelopment of the old station building and Newspaper House.

The R11,6 million management contract for the portfolio has been acquired by Anglo American Property Services (AMPROS).

BOTH LISTED

Retprop is a variable loan stock company owned by the Property Group of South Africa. Both companies are listed on the Johannesburg Stock Exchange.

Retprop has a small ordinary share capital base, 66 percent of which has been bought by Amaprop at 40c a share — or about R2,2 million. An offer is being made to the remaining shareholders.

AMPROS's managing director Gerald Leissner says the Retprop portfolio comprises essentially CBD multi-tenanted shop-and-office buildings, including Poyntons Building in Pretoria, 35 Wale Street in Cape Town, Thomson House in Randburg and Unipark in Braamfontein.

EXTEND EARNINGS

Ampros, which already administers offices worth R2 billion, has been seeking to extend its earnings from the running of property portfolios.

Mr Leissner says the formation and listing of the Apex Property Fund last year broadened the company's base to a certain extent.

"But Ampros has been looking at the possibility of forming more property trusts and managing other property companies.

"Although the investment in Retprop is small in rand terms, we believe it is a good portfolio which will grow," said Mr Leissner.

Ampros aims to extend the Retprop portfolio by acquiring new properties through the issuing of variable debentures.

Building industry looks at learning

BDay 4/7/90

THE SA Institute of Building (SAIB), the Building Industries Federation of SA (Bifsa) and other representatives in the construction industry intend to form a committee to investigate tertiary education, SAIB deputy president Gerhard Meijer has announced.

The SAIB represents management in the construction industry while Bifsa represents about 5 000 members of the building industry.

"For several years it has been apparent that the roles of the different educational institutes were not clearly defined, and there was a clear degree of overlapping in the various building courses," Meijer said.

In some cases there was an oversupply of facilities.

"One of the big challenges for the next decade will be to equip the fast-growing informal sector in the industry with management skills.

(32)

"Last year there were 43 000 black matriculants in SA of whom 17 000 achieved university exemption passes. We could, therefore, be finding infinitely more young black supervisors than is presently the case."

Meijer's announcement follows recent comments by Bifsa executive director Neil Fraser indicating that the various bodies in the building and construction industry could move towards unity with the field of training, which would be the first area of possible co-operation.

Meijer expected the committee would take about a year to draw up recommendations and objectives, and another year to get the final recommendations of all parties for implementation.

Builders unlikely to escape VAT

32

LESLEY LAMBERT

CAPE TOWN — It appears increasingly unlikely that government will agree to exempt the construction industry from value-added-tax (VAT) — a measure it had been considering as a means of curtailing the price of low-cost homes.

Inland Revenue chief director of tax structure development Trevor van Heerden said yesterday that while the needs of the construction industry were still under consideration, the authorities did not want to use the tax system to achieve social objectives. B/Day 4/7/90

Addressing businessmen at a VAT seminar here, Van Heerden said: "We hope that all assistance granted for low-cost housing will be granted outside the tax system.

"As with food exemptions, the exemption of the construction industry for the purposes of keeping the cost of low-cost housing down would be inefficient because it would also benefit people who did not need assistance, thereby reducing the tax base unecessarily."

When it unveiled its plans for VAT last month, government proposed the inclusion of GST-exempt basic foods in the VAT net, but undertook to compensate people below the breadline by way of direct feeding and other social programmes.

Van Heerden confirmed that residential rentals would be exempt from VAT, but that landlords would not be entitled to claim an input credit for rates, taxes and improvements to the property. This would probably inflate rentals, he said.

Van Heerden said his department had

☐ To Page 2

Govt tightens screws on estate agency industry

CT 9/7/90 (32)

Finance Staff

In a surprise move the Government has clamped down on the estate agency industry.

Under new regulations no person may act as an estate agent without having passed the Estate Agents' Board examination.

In the past, prospective estate agents could be employed and were issued with a fidelity fund certificate from the board on condition they pased the examination within one year.

Bill Rawson of Bill Rawson Estates, Bellville, Cape, says this allowed agents to see how well they enjoyed the business and how successful they were before incurring the expense of undertaking the examination.

Under the new regulations — promulgated in the Government Gazette of June 29 and effective from next January — new staff entering the business will be known as candidate estate agents.

Candidates will be able to operate only under certain conditions and will have to advise the public of these restrictions until they have passed the board's examination.

Among other things, candidate estate agents will not be permitted to draft or complete any document relating to a property transaction except in the presence of a qualified estate agent who will then certify that the documentation was completed in his/her presence.

The new regulations have received a cool reception from the industry, with some agents feeling they go too far and others not far enough.

Ronel Preston, chairman of the Western Cape branch of the Institute of Estate Agents, says the regulations are a step in the right direction, but are not the answer to the needs of the industry or the public.

"We are deeply concerned that the board's examination for estate agents does not equip them fully for the job. The longer period granted to agents to pass the examination from one to two years is also of concern.

"The content of the examinations also needs to be dealt with. We feel strongly that examinations should be more specialised, for example special examinations for sectional title, residential and commercial divisions, so that the public would have a better idea of the exact qualifications of agents they were dealing with.

"In addition we have been pushing for a long time to have a special compulsory examination introduced for principals.

"At present any estate agent who has passed the board's general examination can operate as a principal, which is not in the public's interest.

"The institute will continue to push for this examination," she says.

However, Mr Rawson, believes the new regulations will severely cripple estate agencies trading in the economic downturn.

"Small estate agents could be doomed as they may not have the necessary back-up for new staff entering the business.

"The industry welcomes any legislation to improve its professional image as it has taken years for the public to have confidence in and trust estate agents.

"However, after dismissing all of its six inspectors and the closure of branch offices, I wonder how the Estate Agents Board intends to educate the public about the new regulations and police the estate agents in this regard unless they are going to rely on the judicial system, which could prove to be an extremely expensive alternative," he says.

Estate agents welcome controls

(32) Star 11/7/90

Finance Staff

The Estate Agents Board has welcomed the far-reaching changes to its educational programme announced by the government at the weekend.

The chairman of the board, Eskel Jawitz, said in a statement the changes were overdue and would assist the board in its task of improving and maintaining estate agents' integrity.

The requirements would help the board in its implementation of the Estate Agents Act.

Other estate agents also welcomed the announcement.

Scott McRae, managing director of Camdon's Nationwide said: "Any attempt to professionalise the estate agent's industry is to be applauded."

In terms of the new regulations estate agents will, in future, have to complete the Estate Agents Board examination before being allowed to trade.

"Professionalism is critically important in an industry that is becoming increasingly complex in terms of legislation and types of property." Mr McRae said.

"Only through better training and stricter entry requirements will agents be able to provide the standard of service that is demanded.

SMALLER AGENT

"This is particularly so at this stage of the business cycle where successful sales of homes will only be made if they are correctly priced.

"Moreover, the stricter legislation underlines the fact that the smaller, independent estate agent needs the best possible management training.

"That, in turn, means continued rapid growth of franchising and referrals networks."

32 Star 12/7/90

Future of property market lies in referrals networks, says agent

By Maggie Rowley

CAPE TOWN — The challenge for South Africa's property market in the 1990s lies in developing referrals networks as an effective part of the market, says leading Australian estate agent Allan Hart.

Mr Hart is managing director of First National Real Estate in Australia which has grown from its inception eight years ago to an organisation with a turnover of about A$8 billion and 540 offices throughout Australia and New Zealand.

He was guest speaker at the recent national congress of the Nationwide organisation in Swaziland.

In an interview in Cape Town he said the 1980s saw a major growth of the referrals networks in Australia, with First National emerging as the market leader.

"This is a scenario I believe will be repeated in South Africa by Nationwide property referrals which was started here two years ago and whose potential has so far hardly been touched.

"Estate agents in Australia joined us in droves as they began to appreciate the benefits for their clients and themselves of being part of an enormous national marketing network without sacrificing any autonomy.

"Placing a home with a referral newtwork amounts to creating an extraordinarily powerful national showcase for property.

"On the other hand, property hunting through a referrals network is simplified enormously and brought to an extremely high level of sophistication, enabling the buyer to match his needs and budgets accurately."

Networks attracted agencies which were looking for management support and for new and innovative ways of attracting clients as the market became increasingly competitive.

"The specialised independent estate agent will always have a place in the sun, but I would suggest it is only through affiliation to market groupings such as networks that they will guarantee their survival and continue to grow."

"I believe the South African property market, like that of Australia, will undergo a major restructuring and will come to be dominated by referrals networks and franchises."

Mr Hart said his company had had numerous enquiries from South Africans who had immigrated to Australia, who were now thinking of returning.

"The new political developments have obviously had an impact and as more strides are made in this regard I believe this trend of South Africans returning will accelerate rapidly.

"Many of them are disillusioned with Australia primarily as a result of the mess the Australian economy is in."

While inflation in Australia was running at only about eight or nine percent, interest rates were around 18,5 percent and bond rates about 17,5 percent.

"These huge discrepancies are having a negative impact on the Australian property market.

"The residential property market has been experiencing a large downturn in the past year, with prices dropping bewten 20 and 25 percent, and even as high as 50 percent in tourist areas such as the Gold Coast.

"This situation is not expected to ease until December 1991."

Australia was also facing a huge foreign debt crisis. "Sanctions have had a major spin-off for South Africa in that it is one of the few countries that is not now facing massive foreign debt repayments."

House price rises beginning to flag

Star 14/7/90 (32)

FRANK JEANS

THE residential property market, on the surface looking healthy enough, is beginning to show signs of strain as the recessionary conditions bite deeper into people's pockets.

Estate agents are forecasting even higher prices, but property economists warn that the rate of increase in prices is slowing and will, in most cases, not match the expected inflation rate for this year.

The average price of a medium-size house is expected to rise by about 10 percent this year to more than R100 000, while the average of an upper market property will hit the R146 000 mark.

Commenting on housing trends, Mr Christo Luus, economist with the United Building Society, says: "We expect inflation to be about 13 to 13,5 percent on average which means that there will be something of a drop in house prices in real terms of about 3 percent."

Latest United predictions on housing reveal that the average price of a small home, which was R77 000 in the fourth quarter of last year, will rise to about R85 000 in the same period this year.

In the last three months of 1989, the medium-sized home averaged R95 000, while the larger home was R133 000.

"It is possible that we could see smaller rises in prices towards the end of the year than those during the first two quarters of 1990," says Mr Luus.

Several leading estate agents disagree, saying that the average price of a home could hit the R210 000 mark by early next year if current conditions continue.

That's the prediction of one of the country's leading estate agents, Basil Elk of Basil Elk Estates, who backs his view with statistics which show that the average house price rose to a new peak of R158 000 last month — 24 percent up on the figure for June last year.

The Basil Elk Estates' figures are based on a sample of 250 sales by the agency's branches in southern and northern Transvaal, Durban and Western Cape.

Prices in April and May this year were 5 and 16 percent respectively higher than for the same months in 1989.

"The latest figures indicate that the market place is, in fact, firmer than many buyers would imagine in spite of high interest rates," says Mr Elk.

The group's sales, mapped since 1974, (See chart) are superimposed on a 12 percent escalation curve based on inflation and positive and negative growth — a curve which is closely followed by the rise in average house sale prices until mid-1984, when the price rise dropped significantly.

Mr Elk predicts that by early next year, the average will again have reached the 12 percent escalation curve line, with house prices averaging about R210 000 by then.

"There is a wider gap than ever between the perceptions of buyers and those of sellers, leading to a great deal of negotiation".

"Sellers have to realise that they cannot push for too high a price and buyers have to accept that prices are not going to drop."

Figures from another leading real estate group, De Huizemark, also reveal rising prices in the residential market.

The average sale by De Huizemark for the first half of this year is R161 000, compared with R137 000 for the same period in 1989.

Turnover for the first quarter of this year averaged R44 million a month as against R32,5 million and R37,5 million for the first and second quarters of 1989.

Piet Hamman, chairman of De Huizemark, also sees caution in the market and notes a considerable drop in showhouse attendances.

"Overpriced properties are scarcely attracting attention, while lower priced areas such as the East Rand, southern suburbs and the West Rand are being affected by the downturn," he says.

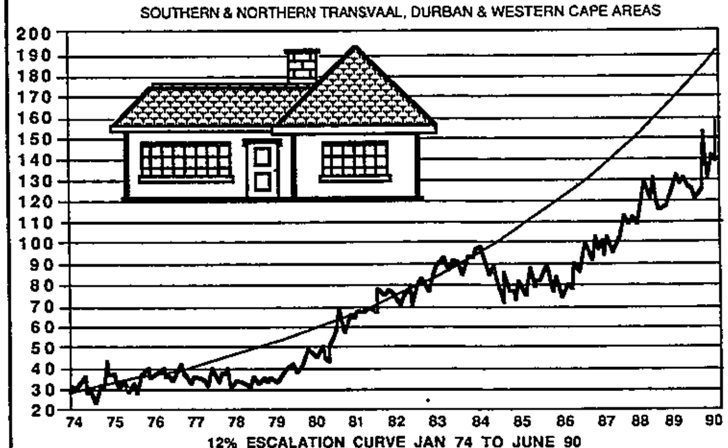
Reporting a "lot of sales all over" Aida Geffen, of Aida Holdings, says high turnovers are being achieved throughout her 53-franchise network.

In March this year, the group sold 594 homes with a total value of R81 million and while the figure dropped to R64,5 million in May, it was still a considerable rise on the R56 million for the fifth month of last year.

"It seems as if the downturn was experienced by us last year — not now," says Ms Geffen.

AVERAGE HOUSE SALE PRICES

SOUTHERN & NORTHERN TRANSVAAL, DURBAN & WESTERN CAPE AREAS



Prepared by Basil Elk Estates

PUTTING a little extra into paying off your bond can be worth more than the price of your house. First National Bank economists have calculated that on a R100 000 bond over 30 years at a rate of 20,75 percent, the total interest cost is R523 000 — more than five times the value of the bond. By lifting monthly repayments by R41 to R1 753, a total interest saving of R237 407 will be achieved and the term of the bond cut from 30 years to 18 years.

● FULL STORY PAGE 1 PROPERTY GUIDE.

Africa beckons

THE World Bank is keen on South African civil engineering and construction companies working in the rest of Africa. (32)

But SA entrepreneurs must look for the work, says Foreign Trade Organisation executive Paresh Pandya.

The World Bank "sees SA playing an important role in the development of Southern Africa, creating major new oportunities for our entrepreneurs".

Mr Pandya has completed a multi-client report identifying business opportunities for SA companies. He visited international aid agencies in Europe, including the World Bank.

The report is aimed at civil engineering consultants, building and construction companies, architects, machine and equipment suppliers and environmental engineers.

S Times 15/7/90

Shareworld plan to become Mega City

16/7/88 By Guy Jepson 32

The first details of a plan to transform Shareworld into a multimillion-rand shopping and business complex, accommodating a taxi interchange with 400 platforms and a post office, were unveiled last night.

Announcing the concept, Paul Asherson, chairman of the Johannesburg City Council's transport and taxi committees, urged the private sector to consider using Shareworld to its fullest potential.

He had invited Shareworld manager Rene Lion-Cachet to brief the council so that its facilities and expertise could be mobilised to bring about the renewal of Shareworld by a wide spectrum of private-enterprise participants.

A source close to the project said: "If implemented, it would yield the most far-reaching and fantastic change to the social fabric of Johannesburg."

A post office with 25 000 boxes would form the core of the development, providing an essential service to Sowetans whose postal service was in a lamentable condition, the source said.

The post office and the proposed taxi rank — probably the biggest in the world — would form the lifeline of the complex, catering for an estimated 6 000 taxis a day.

The complex, which could be named Mega City, would have about 90 shops and businesses — including building societies, banks, filling and repair stations — and a hotel.

(32) Star 17/7/90

The Star Finance

Red tape shackling housing development

Contractors in the housing market are unanimous in their desire to be unshackled from the delay in the provision of housing caused by the quagmire of bureaucratic formalities.

Adding his voice to the chorus of discontent is Charl van der Merwe, head of the construction division of the Murray & Roberts group.

He says: "We have a tremendous opportunity to build for tomorrow but it is to get going because of the time it takes to get through the red tape and get permission to build and get transfer of title.

"We continue to have a first-world documentation system for a product that demands action and urgency.

"It can take up to two years to get a housing development on to the building site."

This situation might well be accepted by whites in the accommodation market as they are used to documentation requirments, but Mr Van der Merwe says it is not acceptable in the black housing market with its chronic backlog and its vast needs for the future.

"It should be remembered too, that major contractors build and sell homes as developers and are often not involved just as the builder.

"Bearing that in mind, the delay can only add to the holding cost headache and added financial burden which inevitably must be passed on to the consumer by way of higher prices."

The M&R Construction chief also complains of poor productivity and says that while public holidays may be welcomed by the workforce, they are a setback to productivity levels.

It is estimated that every public holiday takes 1,2 percent comes off the country's gross domestic product of about R60 billion.

Before heading M&R Construction Mr van der Merwe was managing director of the Gillis Mason group — specialists in power station building — and while work in this sector has been cut back considerably, he provides some interesting cost comparisons.

Fifteen years ago, Gillis Mason began work on Matla followed by Lethabo and Kendal. The historic values were R150 million, R400 million and R250 million respectively — a total of R800 million.

In today's rand terms the combined value of these projects would be R2 billion.

BUSINESS DAY, Friday, July 20 1990

Call for reinstatement of home subsidy plan

WILSON ZWANE (32)

THOUSANDS of black prospective ~~first-time~~ home buyers and the home-building industry would be greatly affected by the cessation of the subsidy scheme for first-time buyers, SA Perm GM Denis Creighton said yesterday.

This follows Planning and Provincial Affairs Minister Hernus Kriel's announcement earlier this week that funds budgeted for the first-time home buyers subsidy scheme had been exhausted.

SA Perm had thousands (Creighton could not disclose the exact figure) of applicants whose fates were in the balance. "Of these applicants 40% will not qualify because of the R2 000 income limit, while others might not be approved by government because of lack of funds," he said.

The home-building industry would lose a substantial number of buyers who would now not qualify because of the cessation of the scheme. Ways should be found to continue the scheme, he added.

DP administration of black affairs spokesman Jan van Eck called for the reinstatement of the subsidy, saying its cessation would have a serious effect on the critical housing situation in the black community.

"It should also be questioned why the funds for black first-time home buyers have been exhausted when it was announced in Parliament this year that additional funds had been made available for white first-time home buyers," Van Eck said.

He added that if the subsidy was to benefit the "needy" then all needy home buyers should receive it and not only those belonging to a certain race group.

"It was announced in Parliament this year that R3bn had been put aside for the socio-economic development of blacks. That money should now be used to offset the impact of the subsidy cut," Van Eck said.

Kriel was unavailable to comment.

Organisers decide on squatter targets

B Day 20/7/90

LESLEY LAMBERT

CAPE TOWN — The UDF's squatter campaign, scheduled to start in August, will begin taking form in the western Cape today as local UDF leaders and civic organisations decide on the areas they plan to occupy.

KRIEL

Regional UDF chairman Bulelani Ngcuka said yesterday that open areas in Hout Bay, District Six (renamed Zonnebloem) and possibly Tableview had already been targeted for squatter occupation.

Ngcuka said the plan to occupy District Six had become urgent as Cape-based property developer Ilco Homes was scheduled to start building 177 new homes there on Monday.

"We will use whatever means are available to prevent the development of upmarket homes in this area," he warned.

While a number of small residential developments have sprung up in District Six since it was declared a white area in the late 1960s, most developers, including the BP project aimed at rehousing the coloured inhabitants who were forced to leave, have steered clear of political controversy.

UDF sources said Ngcuka's announcement indicated that the political movement had decided the time was right to reclaim the area.

Ngcuka said the UDF's plan to "seize unoccupied government and certain private property to accommodate the homeless" was due to be implemented next month. The idea had started with a resolution — adopted earlier this year at the Conference for a Democratic Future — to highlight the housing crisis.

An estimated seven-million urbanised people were homeless, he said.

At a national level, UDF officials have declared their willingness to discuss the squatter crisis with Provincial and Planning Affairs Minister Hernus Kriel, who has requested a meeting.

Ngcuka confirmed this yesterday, but said it was on condition that the talks "lead to homes for the homeless".

FM 20/7/90 (32)

Profit foundations

Tighter focus appears to be working for construction group LTA as the economy shifts towards recession. In the past year, profit before tax and interest leaped 93% to R11,9m, but the bottom line was pared by a 114% increase in the interest bill to R36m and a 107% tax bill hike to R8,9m. Attributable operating profit rose by 90% to R13,9m. That was enough to permit payment of the first dividend in five years.

Chairman Hilton Davies says LTA was reorganised in a number of areas in the past year. Certain operations have been rationalised and LTA is now concentrating on in its core business. This, Davies believes, has already started to produce a more streamlined and cohesive operating structure.

Operations peripheral to the construction, earthmoving, building and civil engineering sectors have been sold. Other important areas of LTA's activities included project management, process engineering and steel reinforcing.

The industrialised building system division made a small loss at the half year and was incorporated into the Steeldale division.

The value of work contracted for and remaining to be completed at the end of the financal year was R1,352bn. Building, property development, civil engineering, roads and earthworks will realise 77% of this amount.

The contribution of steel reinforcing, roofing systems and industrialised building dropped to 9,2% from 11,1% in the previous year, while activities on the mechanical, electrical and process engineering side picked up and contributed 13,5% (11,6%) of the group's income.

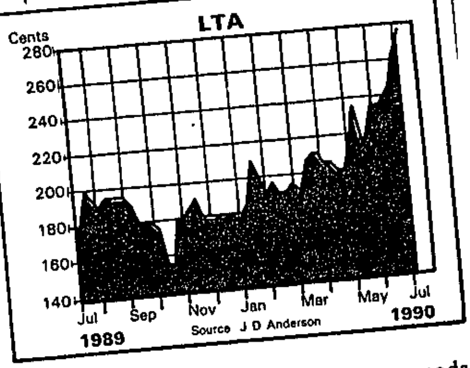
This increase can partly be ascribed to the group's involvement in the Mossgas and Sua Pan soda ash projects.

The Comiat organisation, which builds homes for middle-income blacks, is severely affected by the sharp increase in interest rates and widespread unrest. As a result, sales dropped substantially and LTA was forced to reduce levels of activity and cut overheads.

LTA's share price had a good run since October 1989 with an increase of 66% to 275c from a low of 165c. But there is little prospect of further capital appreciation in the near future and the share is best left to investors looking beyond the present recession.

Gerhard Slabber

FM 20/7/90 (32)



FM 20/7/90 (32)

Activities: *Civil, construction, process and design engineering.*
Control: *Anglo American has control.*
Chairman: *H K Davies; MD: C J M Wood.*
Capital structure: *13,3m ords. Market capitalisation: R35,2m.*
Share market: *Price: 265c. Yields: 7,5% on dividend; 32,3% on earnings; p:e ratio, 3,1; cover, 4,3. 12-month high, 275c; low, 145c. Trading volume last quarter, 235 000 shares.*

Year to Mar 31	'87	'88	'89	'90
ST debt (Rm)	24,6	23,7	42,9	28,2
LT debt (Rm)	5,9	10,5	18,5	13,2
Debt:equity ratio	0,62	0,26	0,55	n/a
Shareholders' interest	0,15	0,19	0,16	0,19
Int & leasing cover .	3,5	3,6	3,1	2,4
Return on cap (%) ..	3,3	2,5	3,7	6,4
Turnover (Rm)	1,07	1,24	1,66	1,83
Pre-int profit (Rm) ...	10,0	10,3	20,0	36,3
Pre-int margin (%) ..	0,9	0,8	1,0	2,0
Earnings (c)	22,1	23,7	48,2	85,7
Dividends (c)	nil	nil	nil	20
Net worth (c)	319	474	539	682

R26m in the civils pipeline

S Times 22/7/90

PIPELINE specialist Basil Starke Civils has been awarded contracts worth R26-million. (32)

One is a R10-million order to lay pipelines from Stettynskloof dam for the Worcester Municipality. The company will also build the Harlem dam between Joubertina and Uniondale for R4,9-million.

The company has a contract for a sewer outfall pipeline at Phillippi worth R9-million. A bulk earthworks contract valued at R2,2-million at Delft for the House of Representatives has also been received.

Starke recently completed a R17,5m pipeline at Worcester and R3-million civil works for the Addo emergency water scheme for Port Elizabeth.

Black homes: time runs out

S/Times 22/7/90

THE struggling 'homes for blacks' building industry faces collapse unless vital talks this week restore the first-time home buyers' subsidies to former levels.

The situation facing the R1-billion-a-year industry is not just serious. "It is terminal," said Theunis Kotzee, financial director of Group 5 construction giant.

Construction industry chiefs, led by National Association of Home Builders executive director Johan Grotius, met Planning and Provincial Affairs Minister Hernus Kriel and officials twice last week to discuss heavy cuts in the subsidy scheme, which amounts to one-third of interest payments for five years.

By IAN SMITH

The final word is expected this week.

The urgent meetings followed a circular from the Department to building societies, banks and developers which said subsidies would be restricted to black families earning R2 000 a month and to white families earning R3 500 a month because funds were running out.

The catch is that building society earnings requirements mean a black family qualifying for the subsidy could only build a house for R25 000. "There is no way we could build a house for that price on a serviced stand which would meet building society demands on quality and size," said Group 5 chairman Peter Clogg.

If the Government allows the subsidy scheme to collapse it will deal a "death blow" to the middle-class black home building industry, said Mr Kotzee.

"A vital industry worth R1-billion will be wiped out within weeks, with the loss of tens of thousands of jobs. Thousands of prospective home-owners will be left without a hope."

The interest on the Government's R2-billion uplift-ment fund for one month would provide full subsidies for a year.

"The sales tax on materials used for black home building — which the Government will lose if the industry is halted — would be about R65-million. But the cost of the subsidy for a year is only R40-million," said Mr Kotzee.

Houses built with the subsidy account for between 50% and 75% of houses now being built for blacks. "This is one of the more active sectors of the home building industry, but it is still nowhere near sufficient," said Mr Clogg.

Danger

The industry has already been hit by high interest rates and big increases in the cost of building materials.

Another danger is that building societies will tighten up their requirements if they are faced with more repossessions because owners cannot afford their mortgage payments.

Any cut in home building will also lead to the bankruptcy of small builders.

Major construction groups have invested hundreds of millions of rands in serviced land in areas suitable for black middle-class housing development.

Mr Kotzee said the Government first enticed developers into black housing by providing serviced land at no charge. The entry of blacks into the first-time buyers scheme extended the drive.

"Now the very popularity of the scheme has caused a severe drain on available funds and, rather than provide more money the Government is effectively killing off the scheme," he said.

(322)

Star 23/7/90 (52)

Developers doubtful about effective use of R3,5-bn for housing

By Frank Jeans

The Urban Foundation's R3,5 billion housing programme which is being launched this month has been welcomed by the building industry but some developers are doubtful the money can be used effectively in view of the bureaucratic obstacles they encounter.

A contentious point in the provision of low-cost housing concerns developers' profits and some contractors continue to avoid mass housing because of the bureaucratic delays and low return on investment.

Many developers believe the prices of units needed to make projects financially liable are beyond the pockets of most of the country's homeless.

For example, the 13 developers in an innovative housing exhibition to be held in Durban next month are looking at houses priced in the R30 000 to R40 000 range.

Convened by the Natal branch of the Institute for Housing of Southern Africa, the four-week show will see developers build a wide range of units on 50 sites at Bonela, Cato Manor.

While conceding that there are major problems in the mass housing area, Frank Tomkins of Durban-based consulting engineers Horne Glasson Partners is hopeful that affordable housing can become a reality.

He says there is a danger the private sector will lose interest in mass housing unless some form of incentive — possibly tax relief — is forthcoming.

He suggests that in assessing the need for job opportunities close to new residential areas, town planners consider a mixture of land uses.

"The sale of more valuable commercial 'home industry' type sites could subsidise the cost of associated residential sites," he says.

District 6 firm willing to talk

Star 24/7/90 (32)

CAPE TOWN — The developers of a R20-million housing project in District Six would like discussions with people opposed to it, says Mr Fonny Meyeridricks, a director of the company.

He was speaking after a confrontation with 20 placard-bearing protesters outside his company offices yesterday.

United Democratic Front (Western Cape) executive member Willie Hofmeyr said the organisation would discuss whether to meet the company. — Own Correspondent.

32) BD 24/7/90

Boumat bonus

Business Day Reporter

BOUMAT shareholders have taken up 85,5% of the bonus shares offered to them in lieu of a dividend, directors said yesterday.

This compared with the 95,6% acceptance in July 1989 and the 87,2% acceptance in January. Twice a year Boumat offers one new share for every 20 held.

321 BIOG 24/7/90

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Question mark over future of homes subsidy

ST 24/7/90

The shock waves are still spreading from the news that Government funds earmarked for black home-buyer subsidies in the current financial year have been exhausted.

A first round of cutbacks has already torpedoed the chances of thousands of black families pressing ahead with house purchases — and the list threatens to grow far longer.

The admission that the subsidy scheme is broke came from Minister of Planning and Provincial Affairs Hernus Kriel.

It came on the heels of a shock announcement of a new clampdown on subsidies for all applications from black families trying to buy a home for the first time, if their joint household incomes climb above a ceiling as low as R2 000 a month.

What has added to the controversy is the way the limit has been clamped specifically on black applicants, while the limit on the incomes of white first-time home buyers stays unaltered at R3 500.

Discrimination

It smacks of discrimination, according to the Urban Foundation.

But the admission that the State coffers are empty has put a question mark over the immediate future of the entire scheme.

The National Association of Home Builders, concerned about the impact on potential low-income black home-buyers and on the whole building industry, is now alarmed over what happens next unless there is an urgent injection of fresh funds.

It has already sounded a warning that several thousand jobs may have to be axed by building companies in a matter of weeks unless a rescue package saves the subsidy scheme for low-income home-buyers with a chain of company liquidations looming on the horizon.

On NAHB estimates, the meagre R40 million budget set aside for black subsidies for

As urban reforms begin to unfold, potential home-owners look for new land, houses, loans and subsidies. MICHAEL CHESTER reports that the Government subsidy scheme is broke.

1990 was depleted by more than two-thirds from the outset of the year, simply by the cost of servicing the 20 000 subsidies already in operation.

The timing could not have been worse in view of the steep climb that was underway in demand from more and more potential black homeowners,and the rising expectations of black communities in the reform programme.

Urgent talks with the Minister have already been launched in search of solutions, even if they yield only a temporary rescue package while longer term answers are found to the chronic problems of black housing shortages.

If the Government needed any reminder about the key role of subsidies it has been provided by studies commissioned by the NAHB from the Council for Scientific and Industrial Research.

The studies probed into the effect of the first-time home-buyer subsidy scheme, and fluctuations in interest rates, on the whole burning issue of the affordability of home loans among low-income families.

The research results are now at the centre of discussions aimed at working out total new strategies to crack the housing crisis.

One finding has demonstrated the enormity of the problem: as many as 78 percent of all black households are struggling to survive on less than R800 a month.

The crucial importance of subsidies, especially in times of sky-high interest rates on home-bond repayments, is demonstrated in sets of tables.

Until now, the state subsidy scheme has footed the cost of one-third of home loan repayments over the first five years of ownership, as long as the house or flat costs no more than R45 000, excluding the cost of land.

That makes State assistance a make-or-break issue to thousands of families weighing their earnings against the price tag on the home they have set eyes on.

The role of the subsidies increased all the more when interest rates started climbing to the sort of 20/21 percent levels at which they stand today.

For example, the researchers found the subsidies to be especially critical for first-time white home buyers looking at loans of about R30 000.

With subsidies, and with interest rates perched at 20 percent, that cost level came within the reach of more than 80 percent of whites. Without subsidies, the proportion dropped to below 70 percent.

Even making allowance for subsidies, loans at the identical R30 000 level were within the reach of a mere 7,9 percent of black households. Without assistance, the proportion dropped to only 5,1 percent.

Dramatic

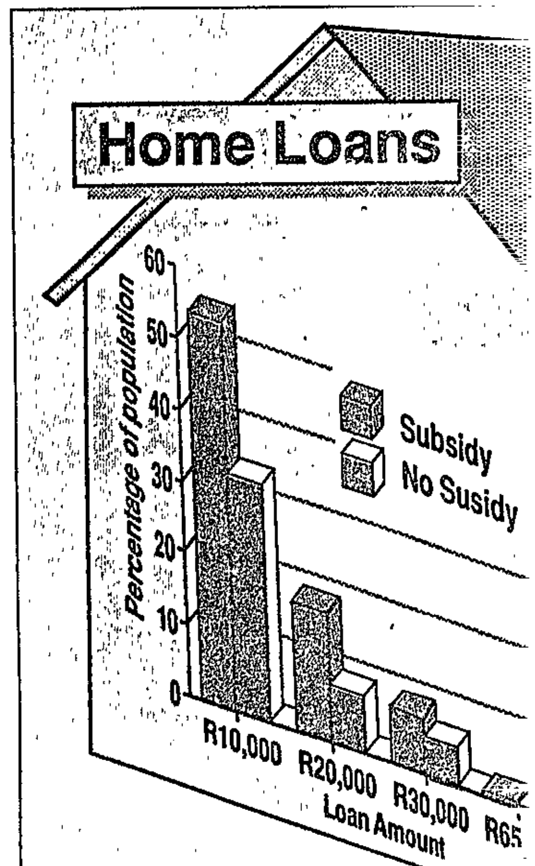
The loan repayments at 20 percent interest rates would stand at R504 a month. Assuming that repayments were pegged at 25 percent of income, the earnings of the household would need to be at least R2 014 a month.

The dramatic clout of interest rate patterns is also demonstrated. On a similar R30 000 loan, at the 12/13 percent rates of the mid-1980s, the basic monthly income required would shrink to about R1 300 a month.

With interest rates at 24 percent, the peak reached about three years ago, incomes would need to stand as high as R2 400 or more.

Not many black families could meet bond repayments even if they dropped their sights and took aim on new homes carrying loans of a more modest R20 000.

Even with subsidies, only 18 percent of black households earn enough to stand the chance of a mortgage loan. Without subsidies, it plunges to barely above 8 percent.



Affordable to black buyers (interest rate at 20%)

Coming down to earth to face the fact that 78 percent of all black households earn less than R800 a month, the problems multiply.

The studies show that at 20 percent interest rates, it would require a basic monthly income of R704 to entertain even the idea of a home loan as low as R10 000.

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ST 24/7/90

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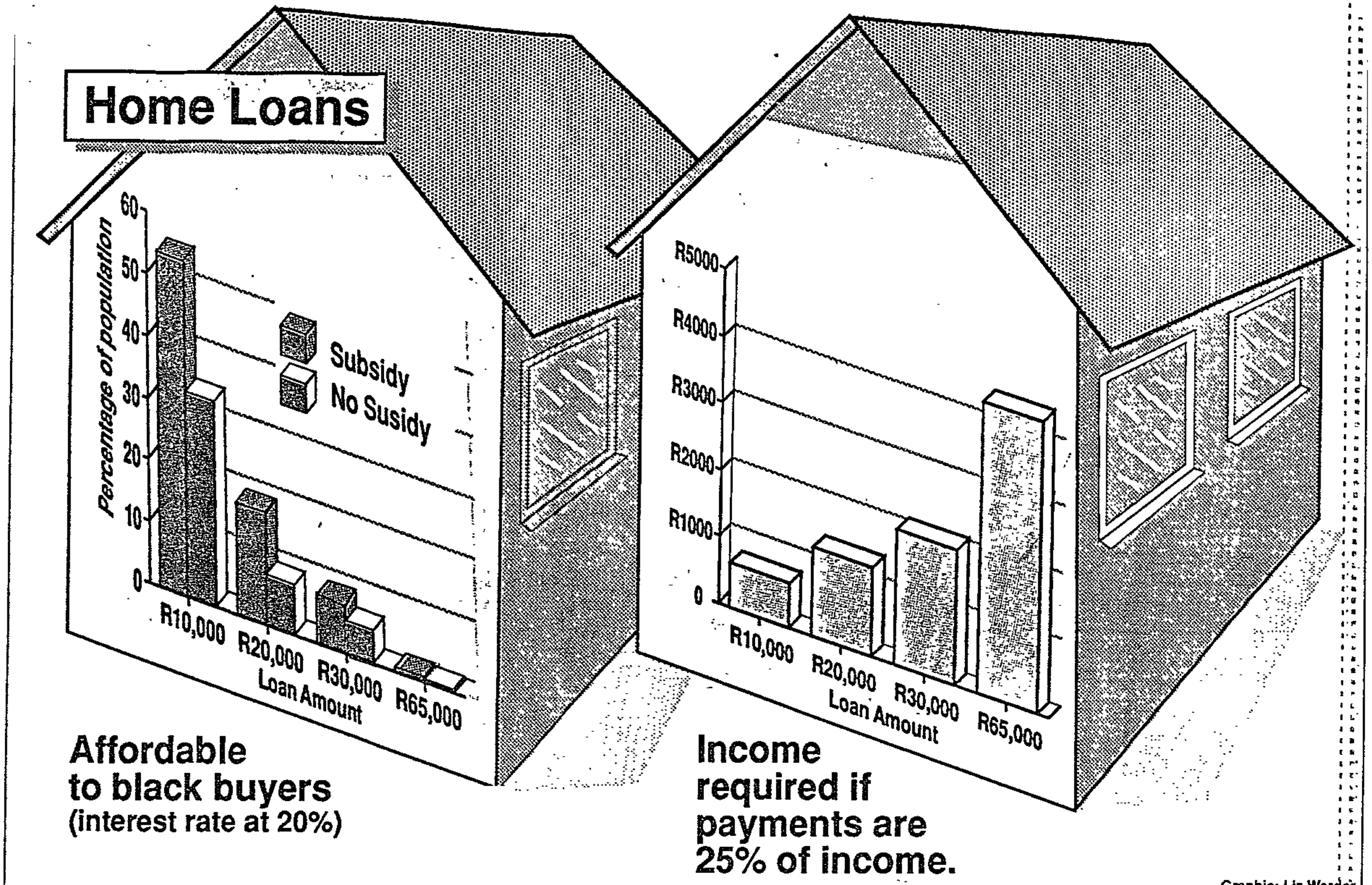


Affordable to black buyers (interest rate at 20%)

Income required if payments are 25% of income.

Graphic: Liz Warder

Coming down to earth to face the fact that 78 percent of all black households earn less than R800 a month, the problems multiply.

The studies show that at 20 percent interest rates, it would require a basic monthly income of R704 to entertain even the idea of a home loan as low as R10 000.

That in turn collides with the economic realities of the affordability of new homes when house builders need to ensure that projects look viable and make hard business sense.

These are the issues that the National Association of Home Builders want to tackle in discussions with the Government.

The association is also anxious to discuss the role to be played by the Urban Foundation with its new loan guarantee scheme that forecasts the release of about R3,5 billion in home loans from the financial institutions over the next three or four years.

NAHB executive director John Grotsius considers it equally urgent to see signals of action with the real mobilisation of the R3 billion that the Government has said it has set aside for mammoth social upliftment initiatives.

The association is already seeking talks with Jan Steyn, former chairman of the Urban Foundation, who was appointed head of the independent trust assigned to decide how best to spend R2 billion of the total.

Insiders are showing growing dismay over the delay in news about progress while the black housing dilemma becomes even more entangled.

VAT expected to hit the mass housing sector hard

THE introduction of value-added tax (VAT) could have a "devastating" effect on construction costs, warns Camdon's MD Scott McRae. (32)

He says the effects on retirement village development and mass housing in particular would be totally out of keeping with government's new social and political stance. B/Day 25/7/90

"The proposed system would definitely boost costs at a time when the construction industry and the housing market can least afford it," says McRae, adding that first-time home owners would be particularly hard hit.

"Building costs are rising by about 2% per month. VAT would boost this rate of increase significantly, making it difficult, if not impossible, for the first-time home owner to buy property," he says.

This would mean growing numbers of people without a financial stake in a peaceful future, and facing a steadily eroding standard of living as rentals increased along with inflation.

McRae suggests that instead of taxing the construction sector through VAT, a national strategy should be worked out to encourage home ownership.

"Quite apart from the socio-political repercussions, there is the problem of curtailing the contribution to the economy made by the construction industry."

Recession begins to bite for civil engineering industry

Argus 26/7/90

32

From SVEN LUNSCHE

JOHANNESBURG. — The civil engineering industry is beginning to feel the effect of the recessionary economic conditions, judging from figures released by the South African Federation of Civil Engineering Contractors (Safcec) yesterday.

New contracts awarded to civil engineering companies in the second quarter fell to R575 million, compared with an unusually high R925 million in the first three months of the year.

The R1,5 billion worth of new contracts awarded in the first half of 1990, however, compares favourably with the R1,3 billion of contracts in the same period last year. In the second half of last year the figure was R1,1 billion.

Awards reported to Safcec represent about two-thirds of all new civil engineering contracts in South Africa.

The weekly average of new work for 1990 to date is R57 million, which in monetary and real terms is above the average of R45 million in 1989, thanks largely to the unexpectedly high level of awards in the first quarter of this year, Safcec reports.

No major contracts

A monthly breakdown shows that the value of awarded work in June rose to R275 million, compared with R125 million and R175 million in April and May respectively.

The Federation reports that a feature of the first half year awards was the near absence of major contracts.

Looking ahead Safcec executive director Mr Keith Lagaay says the industry's overall assessment of expected conditions has deteriorated since the beginning of the year.

"The 1990 budgets of the public sector have generally been disappointing with the increase in funds below the inflation of construction costs," Mr Lagaay said.

"An exception appears to be the regional services councils, which are increasingly becoming an important source of work for the industry.

"The Socio-Economic Fund, valued at about R2 billion, will presumably also contribute to township development in future, but it appears unlikely to have much impact in 1990."

State toll roads, such as the Natal North and South Coast routes, will probably be a source of some new work, but in the light of recent developments the position of private toll roads is uncertain.

Private sector capital expenditure was not compensating for the decline in public sector work, although contracts from the mining and manufacturing industries were reported to be maintaining their levels, Mr Lagaay said.

Cheap housing threats

By DON ROBERTSON

LOW-COST home builders are reeling after the Government's decision to cut housing subsidies to first-time buyers and because of a bond boycott. (32)

The position could worsen next month when the State withdraws its support for black local authorities.

If arrear rentals as a result of the rent boycott are written off, bond payers could demand similar consideration. S Times 29/7/90

Denis Creighton, general manager of the SA Perm's housing division, says: "We have some specific situations where there have been bond repayment boycotts. This has often been because of dissatisfaction with the home and not necessarily a political stance."

But home builders warn that the industry could collapse.

Time Housing managing director Mike Graham says: "Most developers are either at a break-even point or are accumulating losses. They are cutting back on skilled staff and reducing branch networks."

Housing trust cuts development costs

Star 30/7/90 (32)

By Frank Jeans

The South African Housing Trust is not only injecting a massive R1 billion into housing programmes throughout the country but it is also making great strides in cutting back the cost of land development.

The trust's main objective is the pruning of over-design and the breaking down of "professional isolation" which contribute to increasing costs which affect the ultimate price of low-cost homes.

Wallie Conradie, managing director of the trust, says: "In the affordable accommodation sector, we don't need a series of independent designers to come up with refinements to Rolls Royce plans.

"We need basic units that work well, that will attract and justify bond finance and meet with the needs and requirements of the homeowners and the community."

Wallie Conradie

Urging the building up of integrated planning teams in place of professonal isolation, Mr Conradie believes the teams should involve all the disciplines — town planners, architects, landscape architects, engineers, builders and transport specialists.

"A team covering all the talents has less need to respond to peer group pressure," he says.

The trust's projects have become testing grounds for its integrated approach to housing development which has helped to keep down costs.

It has been given the go-ahead for homes development at 58 sites throughout South Africa and services have been put into more than 27 000 stands.

Going one better than the financing of development by becoming directly involved in projects was the result of a "head-on confrontation with the problem of land cost escalation".

Mr Conradie says:"Without urgent action on our part, there is no doubt that the average costs of serviced stands could have risen beyond the affordability level of our target market.

"While it has been a substantial achievement, it would not have been possible without the co-operation of regional and municipal authorities and representatives of the various planning disciplines."

Segmented approach

Spelling out the inefficiences in a segmented approach to planning, Mr Conradie adds: "The townplanner is inclined to come up with an effective concept that recommends itself to his peer group — other townplanners.

"The engineer then does his best to satisfy the needs of this plan, so that town planning excellence is compounded by engineering excellence.

"We are face to face with the phenomenon of over-design."

Argus (32)

Big losses for builders as vandals hit city sites

Staff Reporter

VANDALISM and the theft of materials from building sites are costing firms thousands of rands, according to a survey conducted by The Argus.

One property developer said theft and vandalism had cost his company more than R20 000 in six months and it had spent more than R3 000 on "largely ineffectual" security.

Another builder said it cost his company between R9 000 to R10 000 a month to hire security guards to patrol his building sites.

Although the vandalism and thefts were nothing new, the financial loss was nevertheless "unnecessary and obviously uncomfortable," according to another developer working in Khayelitsha.

"PULLING OUT"

Furthermore, it could affect future development, because a number of builders were seriously considering "pulling out of dangerous areas".

In one section of Crossroads, for instance, there were two factions competing for houses, said a builder who did not want to be named.

Arguments as to who had the right to move into houses often led to vandalism. The main culprits were between the ages of eight and 18.

Employing watchmen from the squatter communities had helped to curtail some of the thefts, said one builder.

Others said, however, that the watchmen were powerless to deal with criminal elements.

Developers and builders did not want their companies named because they feared further damage.

·1530 Tue Wed

Stocks & Stocks' payout unchanged at 10c

By Sven Lünsche

32

Construction group Stocks & Stocks Holdings lifted earnings 10 percent in the year to end-April despite what its directors describe as a hostile trading environment.

Earnings a share rose from 40c to 44c.

Turnover improved marginally to R1,1 billion (R1,07 billion).

The dividend for the year is unchanged at 10c.

LABOUR UNREST

The directors say the results were affected by a reduction in business volumes, continuing increases in the prices of construction materials and recurring labour unrest.

"The building construction and property development division once again made the largest contribution to profits, but this was partly offset by a R10 million loss in the township development and house sales division."

The directors are optimistic that the group's workload will remain as satisfactory levels in the current financial year.

At the end of April its order book stood at R1,2 billion, R270 million higher than a year ago.

Sow 31/7/90

Bleaker outlook for building industry

Cape Times 3/7/90

32

CONDITIONS in SA's building industry have deteriorated, with architects and builders experiencing worse business conditions in the second quarter of 1990 than expected, the Bureau for Economic Research (BER) of the University of Stellenbosch reports.

According to the BER report, architects in particular note that conditions in the building industry are continually deteriorating, largely due to political uncertainty, causing investors to have "a wait and see attitude to starting large capital projects".

Architects also state that many projects have been halted or shelved, and point out that in gaining contracts "invariably, the firm who has the resources, financial and otherwise, to make the best visual presentation, regardless of ability, is awarded the contract".

Large numbers of government projects have been and are still being halted, and architects feel that "if the government does not start spending some money soon the building industry will be badly damaged.

"In some regions, such as the Eastern Cape, architects claim that residential building has come to a complete halt, except for low cost housing," the BER states.

Architects and quantity surveyors expected further deteriorations in business conditions for the third quarter of 1990, saying that "unless there are drastic improvements in the political and economic conditions in this country, things will carry on deteriorating".

Contractors and sub-contractors were "also not overly-optimistic about future expectations". — Sapa.

Cartel blamed for construction crisis

BDay 1/8/90 (32)

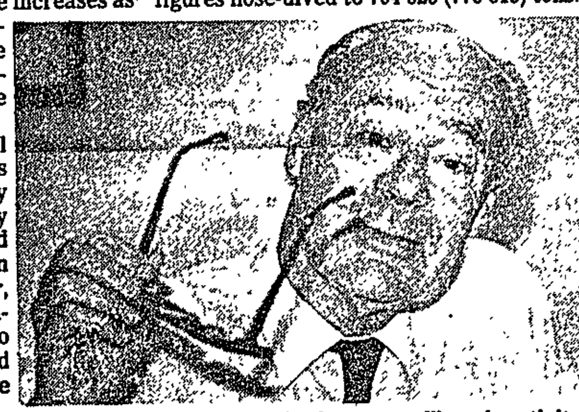
BRENT MELVILLE

THE building and construction industry, already in distressing economic straits, has been dealt another blow in the form of a price increase bythe three-member cement cartel.

The 5,5% increase in the general average price of cement was announced in June by the cartel comprising Pretoria Portland Cement (PPC), Anglo Alpha and Blue Circle. The increase took effect on July 1 and is in addition to the January 1 average increase of 9,3%.

A spokesman for a major construction group yesterday criticised the increases as "unjustified and unfair — these constant increases are threatening to grind the entire industry to a halt", he said.

SA Federation of Civil Engineering Contractors (Safcec) CE Kees Lagaay agreed, saying that normally the industry would be forced to buy ahead in anticipation of the increases. "However, with high interest rates companies can no longer afford to stock cement for too long and the increases will only serve to erode industry activity."



Kees Lagaay . . . cement price increase will erode activity.

He said that with work volume already at extremely depressed levels, and client's budgets not looking too good, anything that served to increase working costs would be immediately translated into reduced orders.

Cement producers argue that the regular hikes are necessary to pass on increasing rail tariffs for cement.

Reflecting the inability of the industry to cope with the spiralling costs, the most recent figures provided by the SA Cement Producers Association (SACPA) show that whereas market hedging before last year's 5,3% July price rise resulted in a 12% upturn in cement sales for May/June, this year's sales figures for May slumped by 34 057 tons and by 12 492 tons for June.

The total for the year has thus far shown a decline in sales of 160 616 tons, representing a 4% drop to 3,86m tons. Production for May showed a negligible increase and June figures nose-dived to 704 625 (778 815) tons.

SACPA manager Vincent Bray said yesterday that producers were expecting the downturn to accelerate in the remainder of the year, resulting in a total downturn in production of about 5%.

Current SACPA figures show an annual moving total to December of just under 7,9-million tons, a 2% decline over last year's 8-million tons.

Building costs approaching R1 000 a m²

Star 4/8/90 (32)

FRANK JEANS

THE cost of building a medium-size home has soared from just over R200 a sq m 10 years ago to almost R1 000 this year.

What is even more significant is the fact that in only about three years, the costs have almost doubled (R586 in 1987 to R970 this year).

In a breakdown of housing costs in its Statistical Year Book for 1989, the Building Industries Federation, lists the costs of homebuilding over the past 26 years and reveals that in 1964, that same medium-size home, excluding site works, cost R71 a sq m.

This means that in 1990, at close to R1 000 a sq m, that 175 sq m home will cost an estimated R175 000 to build, excluding land.

Cheaper by the dozen

It should be remembered, however, that major home building companies can bring prices down due to the volumes and repetition of work which can mean the end-product is considerably cheaper to the consumer.

The statistics reveal too, that the estimated cost of building a three-storey block of flats, with ground floor garages, translates into R77 000 for each 95 sq m unit.

Taking a home of just over 160 sq m at a building cost of R894 a sq m, Bifsa, sourcing its information from Merkel's Builder's Pricing and Management Manual presents a detailed account — the nitty gritty of what goes into the creation of the traditional three-bedroom home in terms of labour and materials:

[redacted]

Clearing of site	R440,00
Site works, excavating and filling	2 086,00
Soil poisoning under floor	240,00
Concrete foundations	2 556,00
Concrete surface bed including curing	2 940,00
Stocks in foundations	3 520,00
Facings in foundations	450,00
Stocks in superstructure including sundries	17 144,00
Facings in panels	305,00
Prestressed concrete lintels	418,00
Flower boxes, steps, sundries	750,00
Window sills	902,00
Roof timbers and bolts	6 840,00
Tiling battens	1 546,00
Undertile DPC (400 micron)	535,00
Concrete roof tiles	3 150,00
Fascias and barge boards	1 768,00
Ceilings including cornices and brandering	4 982,00
Fibreglass insulation	1 152,00
Trapdoor to ceiling	90,00
Granolithic and steel floating of surface bed	78,00
Carpets (R50,00/m²)	1 725,00
Ceramic tiles to floors (R45,00/m²)	4 200,00
Vinyl tile floors	375,00
Doors and joinery	1 190,00
Main entrance door and frame	1 500,00
Skirtings	830,00
Cupboards and shelves	7 035,00
Ironmongery and pelmets	1 065,00
Steel and aluminium windows	4 078,00
Garage doors (Meranti)	3 052,00
Door jambs	835,00
Kitchen fittings	6 500,00
Electrical installation	7 400,00
Electrical light fittings	3 000,00
Electrical stove and oven	2 800,00
Electrical connection	1 000,00
Attendance by main contractor	985,00
Extractor	518,00
Plasterer internal	3 672,00
Plasterer external	2 417,00
Screeds	620,00
Wall tiles (R45,00/m²)	5 103,00
Rainwater goods	2 156,00
Water piping in ground	1 066,00
Water and sewer connection	850,00
Geyser — combination and valve	1 152,00
Hot and cold supply with geyser	2 340,00
Sanitary fittings	3 060,00
Soil drainage and vents	4 543,00
Manhole	580,00
Glazier	1 350,00
Painter	3 573,00
Mirrors	220,00
Medicine chest (750 x 600 mm)	253,00
Wash line	128,00
Louvres	660,00
Clearing rubble and cleaning	350,0[illegible]
Preliminary and general items	9 385,0[illegible]
	R143 458,0[illegible]
	or R894,54 m[illegible]

Home improvements may not always pay

Star 4/8/90

Money Matters

32

MAGNUS HEYSTEK

WITH the local residential property market cooling down rapidly, except in the seemingly recession-proof upmarket and townhouse area, many home-owners are pondering the choice between adding-on to their existing houses or selling up and buying something bigger and better.

Local builders say that while new-house construction is virtually non-existent, additions and alterations are booming and that business is better than ever.

But are these improvements worthwhile? And will they add to the value of one's home.

Much depends on the quality of the home improvements, how much they cost and whether they really add value to the house, over and above the money spenton the home improvements.

Some home renovators spend thousands of rands on extra rooms, garages and second or third bathrooms, but the end-result may make the house even more difficult to sell at a price which will get your money back. Several houses in trendier areas are testimony to this.

But, on the other hand, it can also happen that by adding one a room or a bathroom or enclosing a porch, one adds charm and character to a house.

If you are planning to improve your home, do it for the right reasons. Make sure your builder is experienced in this kind of work and you have the cash.

Having your house (which you still live in) ripped apart is bad enough. Having to stop midway due to lack of finance will be disastrous.

It is said that if a marriage can survive a period of renovation, it can survive anything.

Consult your builder for an estimate of the costs and then add ten percent to what he says.

Prepare the whole family for the experience. Make sure that the exercise does not coincide with daughter Jane writing her matric exams or son Paul's 21st birthday party. Be prepared for an overrun on the time allowed for the building alterations. While builders are notoriously bad in estimating the time needed to complete a job, there are also the vagaries of the weather to consider.

But is it really going to be worthwhile? A study done in the UK by the National Westminster Property Value Survey two months ago provides the answer. While lifestyles may differ, property is property, whether it be in England or South Africa, so the study has some relevance.

According to this nationwide survey very few home improvements actually add more value than they cost.

One of the most desireable improvements turned out to be an extra room, but only about 25 percent of the respondents who took part in this survey indicated that it added more value to their homes than just the cost of the room.

The study ranks the various improvements according to the percentage return on the investment. Top is a garage (80 percent), followed by an extra bathroom (70 percent) and extra bathroom with toilet (61 percent).

Lowest estimated percentage returns are stone cladding (3 percent), sauna/jacuzzi (8 percent) and double glazing (10 percent).

A swimming pool doesn't rate much higher, only 11 percent or a front porch extension (26 percent).

Improvements which give you back about half your money immediately should you decide to sell are a new bathroom (55 percent), attic conversion (53 percent) and conservatory (43 percent).

Some might argue that conditions in South Africa are different, say for instance in the case of the pool, but overall I would say the study can be applied to the local market.

If you intend planning to improve your home, shop around carefully when arranging finance. Although many home-improvement companies offer finance, these schemes are normally at higher rates of interest than mortgage finance.

Mortgage finance still remains the cheapest form of finance and puts less strain on monthly balances. With the current state of the property market, most financial institutions are very willing to extend additional finance for home-improvements.

In some cases you might not even need to take out an additional bond if have made large inroads into your capital debt. Otherwise, especially if the bond is relatively new, you might have to ask for a second bond.

Your first step therefore is to approach the financial insititution which holds the first bond over your property. Determine how much they are willing to lend extra and what this will do to your monthly repayments.

In some instances you might have to pay for another valuation of your property, but this can be added to the bond. In the long run it will cost significantly more, but will reduce the strain of having to fork out the cash upfront.

Another route is to arrange for a personal loan at the bank, but this is definitely more expensive than extending your mortgage. Expect to pay interest rates of between 25 and 29 percent compared with about 20,75 percent on your mortgage.

Stocks & Stocks expects satisfactory activity levels

B/Day 6/8/90 CHARLOTTE MATHEWS (32)

AN IMPROVED order book together with "prospects currently under negotiation" will keep construction company Stocks & Stocks at a satisfactory level of activity in the current year, executive chairman Reg Edwards said in the group's 1990 annual report.

The group's hotel and leisure division will be building a hotel in Verwoerdburg, two new resorts in the Pilanesburg Nature Reserve and a hotel and conference centre in Hout Bay in the current year.

In the year to April the group achieved only a marginal increase in turnover and a 10% improvement in earnings a share to 44c (40c) as a result of a slowing economy, work stoppages and increased costs.

"The sustained high interest rates in excess of 20% during this period have also impacted on all facets of our business," Edwards said.

Building construction is still the group's core operation.

Activity in Transkei and Ciskei is to be reduced because of political uncertainty.

House building increased its contribution to profits, but township development and home sales sustained losses of R10m as the market collapsed.

Substantial future markets were predicted for the civil engineering and roads construction division, but disappointing offshore operations were affecting group profits and cash flow.

Building stops as 9 000 go on strike

Star 7/8/90

By Brendan Templeton

Construction on the Mossgas on-shore plant has been crippled by a wildcat mass walkout involving about 9 000 contracted construction workers.

Mossgas Public Affairs Manager Harry Hill confirmed the walkout and said management at Mossel Bay was meeting the workers to find out what their demands were.

Union officials were also meeting the workers, the National Union of Metalworkers (Numsa) and the Construction and Allied Workers Union (Cawu) said.

All construction at the plant came to a halt following the sudden tools-down on Thursday. Workers were due to hold a "contractors' weekend" starting on Friday which made it difficult to quantify the effect of the strike at this early stage, Mr Hill said.

The strike appeared to have been sparked by engineering workers whose union, Numsa, was involved in a dispute with the Steel and Engineering Industry Federation of South Africa, he said.

The strike is the biggest to hit the multibillion rands oil-from-gas project — about 4 500 construction workers went on strike in March over union recognition and higher wages.

S.C. 7/8/90 32

Vast recreation area proposed for PWV

By Shirley Woodgate

The Magaliesberg, Hartbeespoort Dam and the area surrounding the confluence of the Hennops, Crocodile and Jukskei rivers have been proposed by the Greenbelt Action Group (Gag) as a vast future recreational area to cater for the PWV's estimated 20 million population by the year 2010.

Gag, a pressure group which three years ago spearheaded tough opposition to Government plans to site the black township "Norweto" in the heart of white agricultural holdings west of Midrand, was responding to an invitation by Minister of Planning and Provincial Affairs Hernus Kriel for public input to a proposed strategy plan for the PWV complex.

Making public its submission for changes to the 1986 Draft Guide Plan for the Central Witwatersrand, Gag proposed all three areas should for planning purposes be amalgamated into a single green "lung".

Urging that top priority should be given to recreational needs in the PWV, Gag said the logical extension of the Braamfontein Spruit would be north into the warmer climate along the Jukskei and Crocodile rivers to the Hartbeespoort Dam.

Country hotels, overnight guest houses, guest farms and retirememt villages are envisaged, which would create work opportunites which in turn would lead to a need for additional housing in rural villages.

On a wider scale, Gag suggested planning for the area should be undertaken only after the scrapping of the Group Areas Act.

Outdated

Road planning which was originally done in the 1970's to provide black commuter routes was outdated and should also be scrapped in favour of a relevant new plan in conjunction with Jomet, Masstran, local authorities and the Central Witwatersrand Regional Services Council.

Changed circumstances (specifically the planned Rietfontein development south of Johannesburg, intended to house 3 million people in an area not considered in any previous strategy plan) made this move essential.

Gag also suggested that vast tracts of mining land from Springs to Krugersdorp which have been considered sacrosanct on the premise that they may be mined again, should be considered areas for rehabilitation into residential, industrial or parkland developments.

Standard Bank Centre only a beginning

By Frank Jeans

Standard Bank Centre, the showpiece of Johannesburg property development, is the great beginning of a multi-million-rand additional assembly of commercial blocks bringing nearly 100 000 sq m more onto the market.

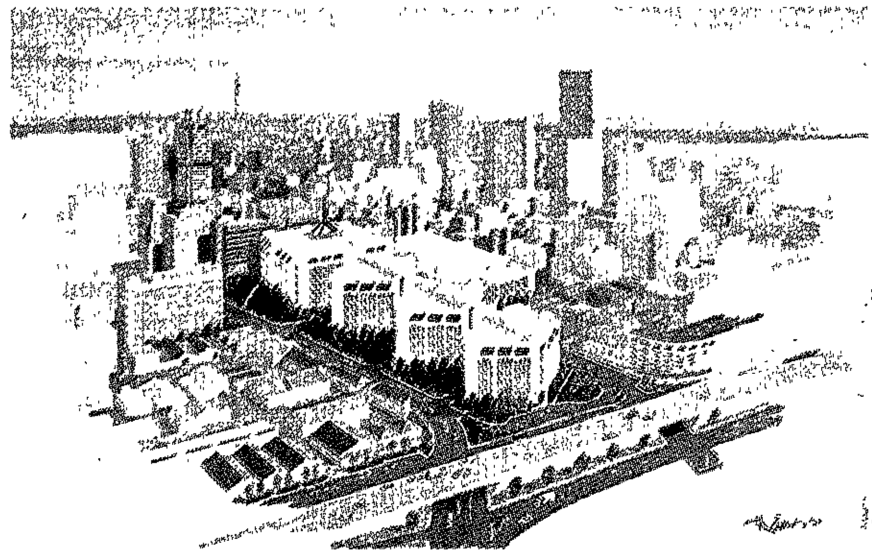
At a press briefing prior to the official opening of the R400 million development by Minister of Finance Barend du Plessis yesterday, Dr Conrad Strauss, managing director of Standard, said the bank had acquired adjoining land and properties south of the complex for future expansion.

Plans will take in new developments with landscaping and green belts on the verge of the M2 motorway.

"The siting of the centre has opened the way for a major redevelopment of the southern fringe of Johannesburg's Central Business District," said Dr Strauss.

"With office buildings in the immediate neighbourhood already generating a daily population of more than 12 000, the way has been opened for a long overdue development of this area."

A plus factor, too, for the big commercial build-up is the proximity of the motorway and its off-ramps, which will eliminate traffic snarl-ups resulting from the increasing office army.



An artist's impression of the commercial build-up on the southern fringe of Johannesburg's CBD. The existing buildings of Standard Bank Centre are at the top, with additional blocks spreading out to the freeway.

Standard's latest addition to its head office is the total system masterpiece, No 5 Simmonds Street, which is linked by a skywalk to the No 6 complex, the construction of which had to overcome extensive undermining — a legacy of the old mining days.

Standard Bank Centre now has a unique semi-circle colonnade bridging Simmonds Street.

Architect Willy Meyer of Meyer Pienaar and Associates, told the meeting: "This element, which will bring greenery to what will be the entrance to the Standard Bank Centre, is testimony to the bank's commitment to the city's environment."

Home-owner dissatisfaction blamed for bond defaulting

Star 8/8/90 (32)

By Frank Jeans

Lack of communication, promises that never materialise and disappointment with the product when they get the key of the door combine to sour new home-owners to such an extent that bond payments fall into arrear.

These findings emerge from research by the South African Housing Trust aimed at establishing why people default on mortgage repayments.

The national study involved face-to-face interviews with 2 000 owners and included people with bonds from a cross-section of financial institutions.

Among pointers to emerge from the research is a link between dissatisifaction with the home — often caused by inflating the expectations of the client — and the likelihood of falling into arrears with bond repayments.

The trust's chief socio-economic researcher, Dr Louise Botha, says: "The first factor to trigger non-payment is obviously income-related.

"However, two important additional considerations are the client's perception of poor quality in the product and poor communication.

"In addition, we found that a high incidence of verbal promises were made at critical stages in the selling process."

The study shows that clients often did not understand the distinction between a verbal promise and a contractual obligation.

They were, therefore, upset if they found the finished product did not comply with the assurances they had received and there was nothing they could do about it.

Emphasising that the trust stresses the need for greater consumer education in the affordable accommodation sector, Dr Botha, says: "We urge developers to put up show homes at our projects and use residential agents to carry out home-ownership education."

Looking at housing pressure points, the trust has also identified the problem of "hidden Sowetos" in the planning stages of development.

Taken as a test case, the town of Leslie and its township of Lebohang in the south-eastern Transvaal has proved to be a real eye-opener.

Trust planners discovered that Leslie-Lebohang had urgent accommodation needs and about 10 000 units would have to be provided in the next fewyears.

Pressure points

Wallie Conradie, managing director of SAHT, says: "We believe that every town and city in South Africa could have a hidden Soweto in its backyard.

"Confirmation of this came in the Leslie study.

"It is apparent that there are additional pressure points, where accommodation-awareness levels are low and where there is often little or no machinery for dealing with the situation."

Trust studies indicate that accommodation is often merely the prime need. Families living in unsatisfactory conditions usually seek a better life style, as well as a roof over their heads.

This means the creation of schools, clinics and other social amenities, in addition to housing. The ideal is a totally balanced community.

Basil Starke's R34m projects

BASIL STARKE's building division is engaged in projects totalling R34m in Cape Town. (32)

Building division head Doug Dumaresq ~~said the~~ projects included the completion of 363 houses in Atlantis and beach resort facilities at Silwerstroom Strand, both for the Western Cape Regional Services Council.

The first phase of Golf Park for DCF Properties should be finished in November and a shopping centre at Eerste Rivier for Look Alive Property Investment is scheduled for completion in October. BDay 8/8/90

In Paarden Eiland, a factory is being built for Optima Hydraulics and a fast-track construction of new banana-ripening sheds at the Epping Market has just begun for the Cape Town City Council.

Construction of a depot for the Cape Town City Electrical Engineer is also about to start.

Building a fresh image

B/Day 8/8/90

(32)

THE Building Industries Federation of SA (Bifsa) and the SA Federation of Civil Engineering Contractors (Safcec) have launched a campaign to change public misconceptions about the building industry.

"Our industry is regarded by many who should know better as low-tech and low-skilled, tough and insecure," Bifsa executive director Neil Fraser said.

The construction industry required people with university or technikon qualifications to lead most middle-and larger-sized contracts.

"Certain aspects of construction are still low-tech with a high degree of manual input, but in most projects today there is a large percentage of sophisticated work."

It was untrue that the industry's work was repetitive and monotonous.

"Every project is different from the one before it and is carried out under a unique set of conditions. There is a daily sense of achievement because the project takes shape before your eyes."

Fraser agreed the accusation that the industry produced poor quality work could be true of certain smaller projects, especially in housing, where the tender system had resulted in price cutting "to a ludicrous degree.

"But in these circumstances the public is often getting what it pays for. On the larger projects, which are frequently negotiated, high standards are almost invariably maintained."

Fraser said there was a considerable shortage of qualified people. Managerial staff were well paid, with opportunities for rapid promotion. There were also openings for the qualified entrepreneur, he added.

Real estate industry facing major upheaval

Star 9/8/90 32

By Frank Jeans

SUN CITY — Only a year from now the real estate industry will be substantially different from what it is now, with the big banks, building societies and other institutions taking over or linking up with estate agencies.

This was predicted by the MD of the Perm, Bob Tucker, speaking at the annual convention of the Institute of Estate Agents yesterday:

"Negotiations now taking place constitute a real threat to institutions which regard real estate as their lifeblood.

"Perplexed at being cut off, the Perm could take either the route of the UBS, which has formed a relationship with agencies, or go the way of direct entry into real estates," he said.

Looking at house purchase trends Mr Tucker told delgates that for the past 10 years, white South Africans had been able to avoid the consequences of borrowing to maintain their standard of housing and living.

However, the capacity to borrow further has, for most people, now reached its ceiling and declining real standards of living are likely to be felt.

"This will inevitably impact on the standard of housing and the purchasing behaviour of potential homeowners," he said.

Commenting on the new Deposit Taking Institutions Act, which will be introduced in January next year, Mr Tucker said:

"This will completely level the playing field between banks and building societies and it will be feasible for one institution to take as much as a 49 percent interest in another institution — where previously this was limited to 10 percent in the case of building societies.

"The act will facilitate rationalisation in the industry and it should be expected that at least one of the major home loan institutions will be involved in a merger or takeover.

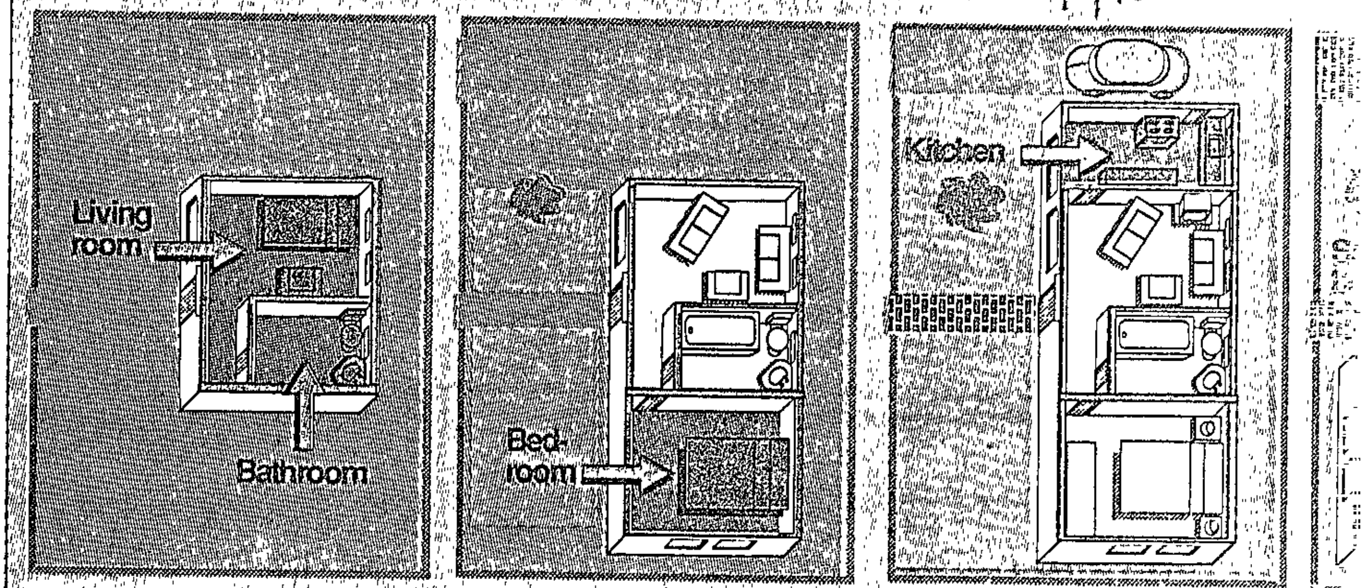
"This might well result in the purchaser having a disproportionate share of its total assets in mortgage loans and that both the buyer and the acquired institution would, for a period of time, actually withdraw from the home loan market," Mr Tucker said.

32

BACKGROU

Incremental development of a house

9/8/90



STAGE ONE - Living room plus bathroom Bond rate: R125 per month

STAGE TWO - Bedroom added Bond rate: R125 + R50

STAGE THREE - Separate kitchen added Bond rate: R175 + R50

STA Sec Bo

Cracking SA's housing

A practical scheme — at a pared-down cost of R125 a month for a core home — offers hope to the millions of South African blacks who need homes. MICHAEL CHESTER reports.

There must have been moments when the team of experts at the SA Housing Trust were tempted to throw in the towel in the battle to solve the black housing crisis.

Every time the computers zipped out results of new research, the size of the problem grew larger — and answers looked more and more elusive.

Among the latest estimates to cause dismay:

- Surveys by the Council for Scientific and Industrial Research, commissioned by the National Association of Home Builders, showed that 78 percent of all black households — almost four in every five — struggled on incomes below R800 a month.
- Researchers at Markinor calculated the population of the squatter settlements spreading around the main towns and cities at 3,7 million.
- Other studies showed that with current interest rates running at around 21 percent, each homeless black family needed a combined income of at least R2 112 a month to stand even a chance of a home bond of R30 000 — regarded by many banks and building societies as the lowest level in conventional home-buying.

The problems, according to SAHT market development manager Mike Fowlds, were compounded by pie-in-the-sky promises that solutions were close — all to evaporate when it came to the crunch.

Now, however, the SA Housing Trust head office in Randburg is buzzing with a new wave of optimism.

Mr Fowlds watches the gleam in the eye of visitors such as Eric Ntshiqela, chairman of the Vulindena United Community of South Africa (Vucosa), which claims to represent the bulk of squatters, when he takes the wraps off details of a proposed new scheme.

There are tables and charts that show how home-buying can be brought within the reach of black families on joint incomes as low as R600 a month.

There is a scale model of how each house would start, how it could be extended and improved — and how a whole estate would look.

Better still, the SAHT has been able to invite Mr Ntshiqela to lead a full team of squatter leaders down to a pilot site, alongside the Golden Highway from Johannesburg to Vereeniging, where the builders have erected a cluster of houses.

"Until now," says Mr Fowlds, "many of the grand solutions offered by a number of politicians and well-intentioned do-gooders have proved to be mirages.

"The main concentration has been on spelling out the growing size of the housing shortages — and raising high expectations of a magic wand to solve it all.

"In the real world, there are no magic wands. The crunch comes when we talk to most homeless families about the affordability of house buying.

"The cost of conventional houses, designed to meet the requirements of most banks and building societies, is simply beyond the reach of most squatters.

"We have tried to bring the whole problem down to earth — and we reckon we may have found a few radical new answers."

Mr Fowlds pulls out blueprints to set down alongside scale models showing the development of a typical house following the new design. They show:

- STAGE ONE: The simple first shell of the house — down to the basics of a concrete foundation on a small stand connected with water supplies and sanitation services.

Brick walls and roof enclose the core of the house, 22 square metres divided into a main living room and bathroom, fitted with sinks, toilet and shower.

The total cost of each basic has been worked out about R[illegible] — and that also covers the [illegible] services, including good [illegible] street lighting, convenient bus [illegible]tion and taxi ranks, plus rail [illegible] if possible.

Mortgage finance has al[illegible] been arranged by the SAHT [illegible] its subsidiary, Khayalethu [illegible] Loans.

The bond costs, allowing first-time buyer subsidies, [illegible] been slashed to a deposit as [illegible] as R500 — and repayments [illegible] to only R125 a month.

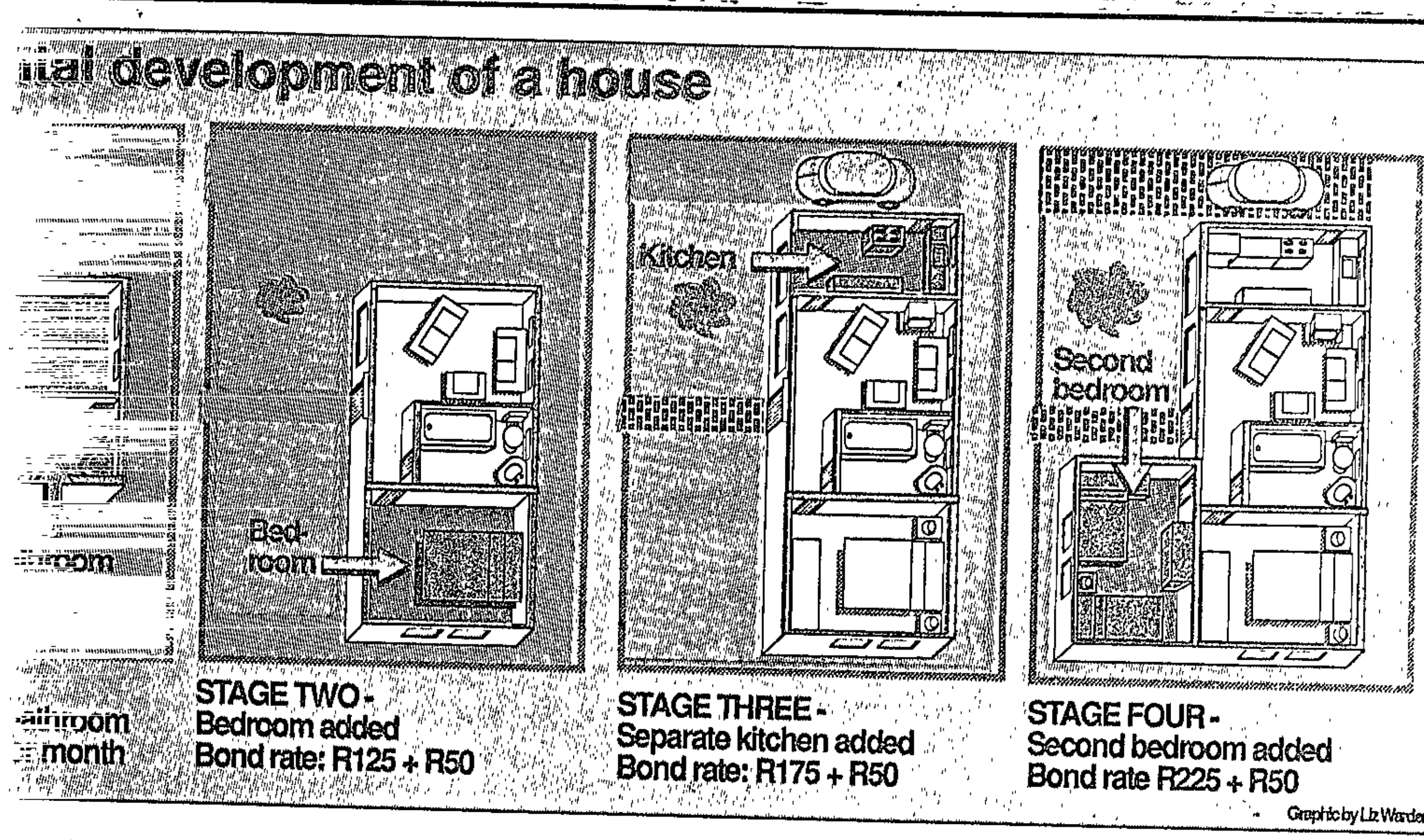
- STAGE TWO: When family [illegible] gets allow, a separate bedr[illegible] about 12 square metres — [illegible] added.

The additional cost: about [illegible] month, bringing the total to a modest R175.

- STAGE THREE: The house has the chance of a separate [kit]chen and pantry, providing [an]other 12 square metres of [illegible] space.

The extra cost: another R[illegible] month, still holding repay[illegible] down to R225.

- STAGE FOUR: As the fa[illegible] grows and living standards



Graphic by Liz Warder

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A practical scheme — at a pared-down cost of R125 a month for a core home — offers hope to the millions of South African blacks who need homes. MICHAEL CHESTER reports.

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Mr Fowlds pulls out blueprints to set down alongside scale models showing the development of a typical house following the new design. They show:

● STAGE ONE: The simple first shell of the house — down to the basics of a concrete foundation on a small stand connected with water supplies and sanitation services.

Brick walls and roof enclose the core of the house, 22 square metres divided into a main living room and bathroom, fitted out with sinks, toilet and shower.

The total cost of each basic unit has been worked out about R10 000 — and that also covers the cost of services, including good roads, street lighting, convenient bus station and taxi ranks, plus rail links if possible.

Mortgage finance has already been arranged by the SAHT with its subsidiary, Khayalethu Home Loans.

The bond costs, allowing for first-time buyer subsidies, have been slashed to a deposit as low as R500 — and repayments down to only R125 a month.

● STAGE TWO: When family budgets allow, a separate bedroom — about 12 square metres — can be added.

The additional cost: about R50 a month, bringing the total to a still modest R175.

● STAGE THREE: The housewife has the chance of a separate kitchen and pantry, providing another 12 square metres of home space.

The extra cost: another R50 a month, still holding repayments down to R225.

● STAGE FOUR: As the family grows and living standards improve, a second bedroom or separate dining room/study can be added at little extra cost.

"Moreover, none of the designs or lay-outs has been pegged down to a rigid formula," says Mr Fowlds. "We have already worked out as many as 43 variations on house layouts and finance options.

"The home-owner will have freedom of choice on how and when he expands or improves the house all the way from the basic unit to whatever he selects as the finished product.

"All the emphasis is on the realities of affordability. We shall be consulting members of black communities themselves on how best to tackle the details.

"Once we feel that the black communities are fully behind the scheme, we shall be setting out with similar projects on a nationwide basis.

"So far we have been able to shave the cost of home loans on the basic core houses to R125 a month, which everyone considered impossible a couple of years ago.

"Unhappily, even that may be beyond the means of thousands of homeless families. But we haven't done yet. With the co-operation of black communities, pooling all our ideas, we may be able to cut costs even more.

"The vital factor is that the housing crisis has got to be cracked somehow — and the time has come to turn talk into action."

Anglo Alpha earnings a share show drop of 15,2%

b/Day 9/8/90

(32)

ANGLO Alpha has proved to be yet another victim of the sluggish building market, recording an earnings drop of 15,2% to 78c (92c) a share for the half year to June.

BRENT MELVILLE

Financial director Trevor Wagner said the group was expecting the difficult trading conditions to persist during the remainder of the year, and that there was unlikely to be an improvement in sales volumes until possibly the last quarter of next year.

"For that reason we expect earnings for the year to be between 15%-20% below last year's," he said, although the group was involved in rationalising certain operations and implementing cost reduction programmes.

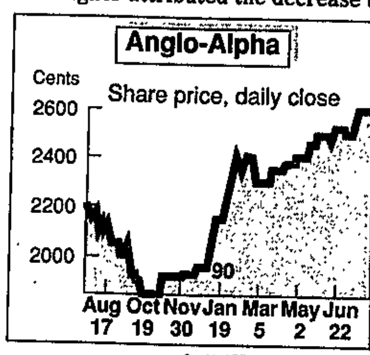
The figure is substantially down on last year's forecast in Anglo Alpha's annual report which stated that a 1% increase in earnings would be achieved.

Despite the drop in earnings the group improved its dividend allocation by 7,5% to 43c (40c) cutting dividend cover to 1,8 (2,3) times. The dividend was covered by cash flow by a reduced 2,2 (2,7) times.

Although turnover for the group was 14% up to R331,8m (R291m), operating profits showed only an 8,7% improvement to R79,9m (R73,5m) as margins were hit particularly in the stone division which suffered a negligible increase in total sales and a 40,5% decrease in operating income to R6,7m (R11,2m).

Net operating income as a percentage of turnover was reduced slightly to 24,1% (25,3%).

Wagner attributed the decrease to a higher proportion of sales of low-priced sand and sub-base materials. In addition the acquisition of three quarries for the stone division and the subsequent increase in the cost adjustment, resulted in a decline in net income after tax of 76,5% to R1,3m (R5,6m).



Graphic: LEE EMERTON Source JSE

In relation to a 3% decline in industry sales volumes, the cement division showed a strong performance, improving sales by 7,4% and net operating income by 30,9% to R40,5m (R30,9m).

However, the division, which provides 51,3% of group turnover, suffered from an 83,3% increase in its tax charge due to changes in tax legislation to the 50/30/20 basis for claiming wear and tear on machinery, and the reduced tax allowances on the Ulco project.

The industrial division also performed lethargically, with a turnover increase of only 5,7% to R103m (R97,4m), and a 9,8% decrease in operating income attributed by Wagner to unsuccessful tests with cheaper but lower quality coal and higher maintenance costs.

The group itself was particularly hard hit by a 42,5% increase in the tax charge which slashed R33,6m (R23,5m) from net income after finance charges of of R80,3m (R70,9m). Attributable earnings were at R23,5m (R27,7m).

The balance sheet looked healthier with a drop in gearing to 20,8% (25,4%) and the ratio improved to 1,8 (1,3) times.

VAT will push up home building prices

Sowetan 9/8/90

The VAT system in its present form, and which is due to be introduced in South Africa in October 1991, is likely to have an adverse impact on the residential property market.

Its effect is likely to mean still higher costs in home building and less for the seller.

VAT and its effects were major talking points at the opening of the annual convention of the Institute of Estate Agents in Sun City following a speech by Antony Chait, tax partner of Johannesburg accountancy group Fisher Hoffman Stride.

Giving an example of how the seller could be hit, Chait said: "The commission paid to an agent will now attract VAT. Taking a R100 000 residential deal, the agent's commission might be six percent or R6 000.

Agent

"Attracting VAT at, say, 13 percent the seller will receive R600 to R700 less because the agent will charge the seller that additional amount in respect of VAT."

The end price of a new home must inevitably rise, too, for, whereas previously, the builder was taxed on materials used and the home - the finished product - was not subject to sales tax.

This will now change under VAT as the builder will charge the new home buyer to the extent that VAT will now be payable also on the labour content of the building operation.

Building blues affect Blue Circle earnings

(32)

B Day 10/8/90

LINDA ENSOR

THE traumas being experienced in the building and construction industries did not leave Blue Circle unscathed in the six months to end-June when earnings fell 14,8% to 139c (163,2c).

However, on a lower cover of 3,1 (4) times, the dividend was raised 12,5% to 45c (40c). The share price sagged 25c to 1675c yesterday.

The group has suggested that it might not be possible to match last year's earnings of 329,8c as the fall in sales volumes has been greater than anticipated and is expected to worsen in the second half.

Demand for the products of the cement and materials divisions in particular suffered from the reduction in investment expenditure by both the public and private sectors, although lower domestic cement sales were partially offset by exports.

Contributions from associated companies also declined.

The engineering division managed a "satisfactory" performance despite lower demand from the mining and automotive sectors.

The 8,5% rise in turnover to R383m (R353m) — well below the inflation rate — was wiped out at operating level by a plunge in margins to 14,9% (17,6%), resulting in an 8% decline in operating income.

Lower finance charges on lower borrowings, which nevertheless were seasonally high at R74,4m (R80,4m last June and R42,1m in December) failed to reverse the downward slide.

A pre-tax profit of R53,9m — 7% down on last year's R59,1m — was notched.

To add to the group's woes, the effective tax rate also rose to 26,9% (22,6%) due to lower capital expenditure and the exhaustion of cement division assessed losses.

Blue Circle has restated the tax charge for interim 1989 following its adoption of the partial method of providing for deferred tax.

Attributable income dropped 14,9% to R38,3m (R44,9m).

Everite reports drop of 17%

DiDay 10/8/90 (32)

SYLVIA DU PLESSIS

BUILDING and construction-listed Everite, hammered by a slowing economy and a protracted strike at its major factories in the first half, has posted a 17% drop in earnings to 21,6c (26c) a share for the year to end-June.

This figure, including additional depreciation, follows a dip in midway earnings to 10,3c (14,8c) a share.

However, a strong balance sheet, coupled with what directors describe as "sound" prospects for future growth, has enabled Everite to maintain the total dividend at 13c.

The group manufactures fibre-reinforced cement, plastic, pitch fibre and ceramic products.

Turnover during the period under review fell 5,7% to R352m, while sales volumes, 18% lower, impacted sharply on operating margins, clipping growth in operating income, which fell 11% to R53,3m.

Revaluation depreciation — about 50% more conservative than historical cost depreciation — accounted for R7,9m, while interest paid nearly doubled to R4,1m (R2,3m). This translated into a taxed profit of R19,2m (R23,1m).

MD George Thomas, commenting on the results, said yesterday the second half had started "quite strongly".

"But like many other companies we had a poor fourth quarter, partly as a result of township unrest and the market being stricken with holidays and stayaways.

"The slowdown in the economy has been more severe than was foreseen and we shall have to continue to take steps to contain our fixed operating costs."

In spite of this, the group remained well-placed to exploit opportunities arising in the low cost housing market, and directors looked forward to the committed funds finding their way into the market, he added.

Controlling company Everite Holdings (Evhold), with a 56% stake in Everite, posted earnings of 62,4c (75c) a share, reflecting the three-to-one relationship between the companies' shares. The total dividend remains at 37c.

Strikes hurt Everite

Hampered by strike action and a decline in business conditions, Everite has shown a decline in earnings for the year to June 1990. 32

The group states that attributable income was R18,42-million compared to last year's R23,67-million.

Earnings a share were down to R30,4c(32,2c).

A final dividend of 5,5c a share was declared. W/Mail 10/8-12/8/90

At Everite Holdings, the figures were much the same as its only income comes from its 56 percent holding in the Everite Group A dividend of 16c a share was declared.

Reports from Sapa

W Mail 10/8-12/8/90 (32)

Blue Circle suffers

■ Blue Circle's income fell 15 percent as a result of the current economic climate for the six months to June.

Net income attributable to shareholders is R38,28-million compared to R44,96-million notched up in the same period last year.

This translates into earning a share of 139c (163,2c). However, the interim dividend was hiked to 45c (40c).

Turnover rose to R383-million (R353-million) but operating income fell from R62,21-million to R57,23-million.

Multi-million resort for Macassar Beach

6/1-AR643 1/8/90 (32)

By MAGGIE ROWLEY
Business Staff

A HUGE multi-million coastal resort to cater for 80 000 holidaymakers and day visitors is to be built at Macassar Beach.

Construction will take place in three phases with the first phase scheduled for completion by April next year. A total of R11,5 million has so far been allocated for the first two phases.

The project has been commissioned by the Cape Provincial Administration in conjunction with the Macassar Management Committee and the Western Cape Regional Services Council.

The resort, situated halfway between Monwabisi and the Strand, has been planned to meet the urgent need for further recreation facilities in the Western Cape.

Included in the first phase, part of which should be ready by Christmas, are a lifesaver's clubhouse, camping sites, caravan park, holiday cottages and ablution facilities.

Second phase

The second phase will include development of pavilion buildings, a fun pool complex, terraced lawns and the infrastructure to cope with the expected number of visitors.

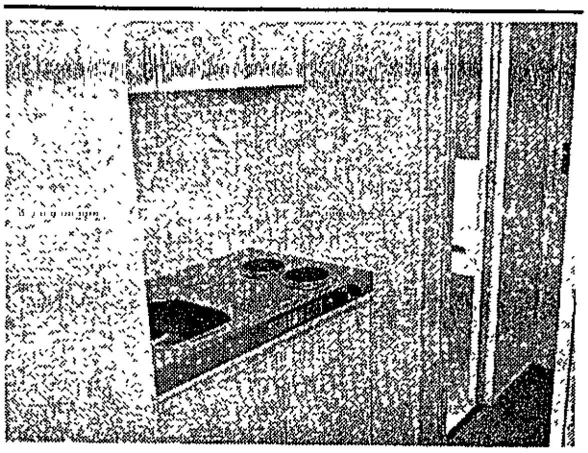
The contract for the first phase has been awarded to Clifford Harris. The contract for the second phase will be awarded later this year or early next year, said Mr G Underwood of Plan Associates who is co-ordinating the project.

Future attractions in a third phase of the resort will include an entertainment area for mini-golf and trampolines, nature conservation centre, facilities for group accommodation and more braai and picnic sites.

Attention is being given to environmental concerns and frontal dunes will be created to act as a natural propection zone.

The project will encourage opportunities for private sector participation especially with regard to the provision of entertainment facilities and overnight accommodation, say the developers.

COASTAL FUN: An architect's model of the pavilion complex, consisting of fast food restaurants and public amenities, which will comprise phase two of the huge resort to be built at Macassar Beach.



MODULAR: A section of a Modumac modular unit which are now being manufactured by McCarthy Contractors of Blackheath.
(See Propscene — page 8)

Only qualified agents seen

By MAGGIE ROWLEY
Business Staff

THE new regulations governing estate agents are likely to be overtaken by even more stringent requirements in the near future, says Mr Bill Rawson, chairman of the Bill Rawson Estate group.

According to the new system, which comes into operation in January, those who have not passed the Estate Agents Board's exam in property law and practice will no longer be able to practise as estate agents as freely as they presently can.

Those who have not written this exam will be termed candidate estate agents and their activities will be far more controlled than they presently are.

A candidate estate agent will have to be actively supervised throughout his or her candidate period, which may last up to two years. A qualified agent will have to oversee the drafting of every offer to purchase, agreement of sale, lease or other contractual document drawn up by the candidate and must countersign it.

"The industry welcomes any legislation which will improve its image. It has taken years for the public to have confidence and trust in estate agents and the new regulations will certainly be a further step in this direction," he said.

they do not have sufficient manpower resources to 'babysit' candidate estate agents for up to two years at a time. Even larger firms could experience problems in this regard.

"Many experienced and successful estate agents may resent having to take candidate agents under their wings at the expense of their own business and income. As it is, many agents like to work alone, and they will not relish having to share their areas and fees with candidates whom they have to supervise.

"A Sunday afternoon spent 'babysitting' a candidate's showhouse at the expense of one's own will not be a popular idea," he said.

He said that peer pressure could well lead to candidate estate agents sitting their exams as early as possible so that they could work without compulsory supervision.

"The idea of paying candidate estate agents lower fees than their qualified colleagues, as mooted recently in the Press, would also be an incentive, though this is not compulsory."

He said the logical conclusion of the ongoing raising of standards for estate agents, of which the new regulations were a part, would be the stipulation that prospective agents would have to qualify before commencing practice and that the system of candidate estate agents will

Bifsa sees little hope of upturn until next year

Star 14/8/90 32

By Frank Jeans

The outlook for the building industry is decidedly bleak as the industry continues to bear the brunt of the twin problems of high interest rates and affordability.

Conditions have deteriorated further over the past year and builders generally are becoming more pessimistic about the future.

Dr Martin

This is the message of the latest Building Review of the Building Industries Federation compiled by economist Dr Charles Martin.

"High mortgage rates along with slower growth in real disposable income have had a negative impact on new house starts, while townhouses for the upper income earners appear to be less affected by the high cost of money," says the review.

An indication of the slump in the residential market is that in June 1989 there were 2 755 new houses begun and from then on there was a steady decline to 1 576 homes started last December.

In January this year the figure rose to 1 833 and, while there were some gains up to March, housing in the private sector has remained in the doldrums. Bifsa expects the downturn to extend well into the second quarter of 1991.

Dr Martin is concerned about the negative impact which value added tax (VAT) may have on housing investment.

"We estimate that a change from GST to VAT will lead to an eight percent rise in the building cost of an average dwelling if draft legislation is enacted without amendments," he says.

"This will have a marked adverse impact on the affordability of housing and, therefore, social stability."

He foresees, too, that in the short term the gap between construction costs and property values (at present 20 to 30 percent), will widen further, thus making newly-built homes even less attractive.

"In view of the extent of the enormous housing backlog in South Africa we believe it is imperative to stimulate rather than stifle new housing construction," says Dr Martin.

Work volumes in the non-residential sector, which held up well until early this year, have also started to show a decline and Bifsa sees this trend gathering momentum until late in the second half of next year.

On the labour front, there is little respite from the gloom.

While major contractors and sub-contractors are striving to avoid retrenchment of their workforces so as to compete effectively once conditions improve, smaller companies are now having to make employees redundant as part of a survival strategy.

Bifsa believes that as conditions deteriorate a reduction in the skilled component of the labour force will take place.

Builders face bleak future

From FRANK JEANS ANews 14/8/90

JOHANNESBURG. — The outlook for the building industry is bleak as the industry continues to bear the brunt of high interest rates and affordability, reports economist Dr Charles Martin in the latest *Building Review* published by the Building Industries Federation.

"High mortgage rates along with slower growth in real disposable income have had a negative impact on new house starts, while townhouses for the upper- income earners appear to be less affected by the high cost of money," he said.

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"In view of the extent of the enormous housing backlog in South Africa we believe it is imperative to stimulate rather than stifle new housing construction," he said.

The Star
Finance

Star 14/8/90 (32)

Three percent drop in short-term rates forecast

The economy is ready for a decline in interest rates, says Syfrets economist Elmien de Kock, who forecasts a fall-off of three percent in short-term rates by the year-end.

She says in the latest issue of Syfrets quarterly newsletter Money Matters: "It remains our view that short-term interest rates have peaked, but because of the vulnerability of the gold price and the current monetary policy, we foresee that rates will remain at higher levels until at least the end of the third quarter."

She believes the prime overdraft rate should decline by one percent at the end of the third quarter.

She says the capital market sector has recently been reflecting political and gold price uncertainty through an increase in volatility. However, fundamental trends in the economy are positive for the capital market.

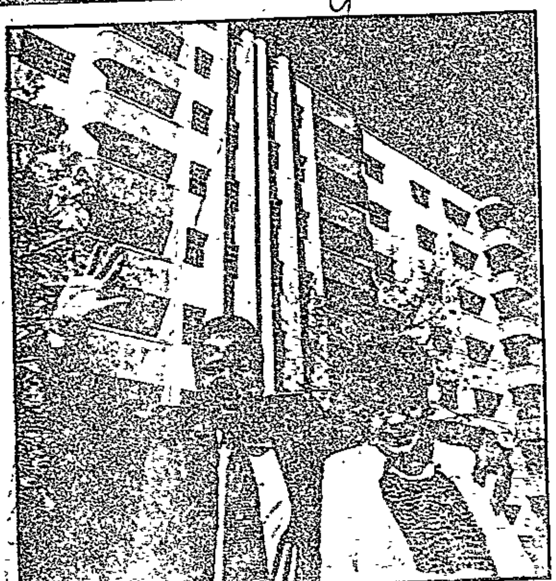
"In the current environment, a relatively high exposure to the short end of the market is therefore advisable"

She foresees that the poor fundamentals facing the financial and industrial markets will continue unchanged from the second quarter. — Sapa.

36 Hillbrow flats for sale — to all races

32

FRANK JEANS



OVERJOYED: David Malatsi and Abigail Studdard outside Enfield Court.

FOR the first time in South Africa, a block of flats is officially on the market for ALL races.

The breakthrough in non-white residential establishment has been achieved in Johannesburg's flatland — Hillbrow.

The opening up of an entire property sectional title sale to other races might well be seen as a virtual curtain raiser to the eventual abolition of the Group Areas Act.

The building, Enfield Court in Kaptein Street, off Claim Street, with its 56 units, has been given block exemption from the Act for home ownership by other races in a traditionally white area.

Mr Konrad Rosen, of the Gradwells group which is managing the development, says: "Almost R1,5 million has been spent by the development company on the revitalisation of the vacant property."

The units have been renovated with new kitchens, bathrooms and carpeting, and all flats are linked to a security network — all on a par with the best finish in the white residential market.

The homes are competitively priced at R24 000 (studio), R37 500 to R41 500 (one bedroom) and R48 000 to R50 000 (two bedroom).

Marketing agent Ken Hardiman of Ken Hardiman Estates reports exceptional interest from the marketplace, with 20 of the Enfield flats already sold.

"With the expected repeal of Group Areas, there is going to be a flood of people seeking homes in previously controlled districts," he says.

"This must inevitably aggravate the problem of shortage of affordable homes."

Now Mr Rosen and Mr Hardiman are looking at similar developments in the Hillbrow area which could result in 2 000 more units coming on to the market for all races.

"We encourage resident buyers who, unlike speculators and investors, have a resident's interest in maintaining standards," he says.

"As flats are not tenanted, overcrowding and associated problems do not arise and the building increases in value."

Commenting on the development, Bob Tucker, managing director of the Perm, says: "This kind of project is seen as an important initiative in stabilising the residential property market and is conducive to the building up of communities.

"My only discomfort is that it has taken place under present restrictions and not in a free market system. Therefore, the sooner the Group Areas Act goes the better."

Ex-SAAN building 50% let

THE Futura building, formerly known as the SAAN building at 171 Main Street, Johannesburg, has been taken over by Rand Realty and is presently 50% let.

The building has stood empty since being bought by the Johannesburg Municipal Pension Fund (JMPF) in January 1988 and, according to newspaper reports, was vacant for 18 months before that.

A JMPF spokesman said the building had been substantially refurbished, but he was unwilling to disclose how much had been spent. The building will be completed within the next two months. 32

Rand Realty director Reg Lethbridge said his company had taken over administration of the building about nine months ago.

It has now secured a Ford franchise for the ground floor while Twins Pharmaceuticals has taken an office and display showroom, and Wesbank has leased office space. B Day 15/8/90

Lethbridge said rentals of R14/m² gross or R11/m² net were being achieved. The landlords would also design the offices to tenants' requirements.

Lethbridge said Futura "is very accessible and has the best parking ratio in town — 2,5 bays/100m²".

Besides having four basement levels for parking, the building offers 750m² a floor or around 9 000m² of lettable office space in total.

Building costs may rise by only 12%, says Bifsa

(32)

BDay 16/8/90

CHARLOTTE MATHEWS

AS A result of the evident downward trend, building costs should increase by no more than 12% this year.

But if VAT legislation is passed in its draft form next year it could add 8% to the cost of building an average dwelling.

The Building Industries Federation of SA (Bifsa) report on business conditions released this week said the keener tendering environment would lead to productivity increases, and the trimming of overheads and profit margins in the industry.

Bifsa economist Charles Martin predicted labour costs would go up 12% in 1990 while material prices would go up on average by 16%. "Overall business conditions in the industry have deteriorated noticeably during the past quarter and contractors and sub-contractors are increasingly becoming more pessimistic about future business conditions."

He believed economic policy would remain restrictive for the next six months at least, and the overall business cycle would only bottom in mid-1991.

Although a drop in short-term interest rates was likely early in the fourth quarter of 1990, the drop in nominal interest rates in the next year would be relatively limited.

"We are convinced that the prime overdraft rate will not decline below 19% in 1990 and 15% in 1991," Martin said.

In view of these forecasts he predicted the private residential sector would remain depressed until deep into the second quarter of 1991. "Building activity in the informal sector will, however, support investment levels.

"Work volumes in the non-residential sector, which held up well until early in 1990, have started to exhibit a declining trend."

Govt criticised for suspending concessions

CONNIE MOLUSI

THE SA government's moratorium on concessions to attract new industrialists was affecting the confidence level of investors, KwaZulu Finance and Investment Corporation (KFC) executive director Marius Spies said. BDay 16/8/90

Speaking at a news conference in Durban to release the KFC's annual report, Spies said he confirmed this during a visit to Europe earlier this month.

He said the moratorium was a strange decision at a time when R3bn had been set aside for socio-economic development.

"It is incomprehensible that the government is prepared to lose momentum to attract foreign investment, which brings benefits of capital, jobs, expertise and foreign currency to SA", said Spies.

Restructured group to spend R23m

CAPE TIMES 16/8/90 32

By AUDREY D'ANGELO
Business Editor

THE restructured Property Group of SA (PGSA) — renamed Abbey Holdings — has more than R23m to invest through its industrial arm, Retco, it was announced at special meetings in Cape Town yesterday.

There was no opposition to the restructuring which, PGSA executive chairman Benny Rabinowitz explained, turns the complex group into "a simple triangle".

Abbey Holdings will be the top holding company. All its industrial interests will be in Retco — renamed Fenix Industries — which will have fabric manufacturer Ivitex and about R23,5m in cash to invest in suitable acquisitions.

All property interests will be in Premier Consolidated — renamed Property Corporation of SA. It will have a 23% stake in Faircape Homes, 100% of property company Bellcanto (Pty) and 19,27% of property company Bristol Industrial Corporation.

Abbey Holdings and Fenix Industries will be transferred to an appropriate sector of the JSE once new acquisitions have been made.

Rabinowitz said Abbey would have 70% of both Propcor and Fenix "and approximately R10m in the bank from the sale of Retco properties".

Retco shares will be consolidated on a one for four basis from Monday, August 20. PGSA will make an offer to buy the entire shareholding of Retco shareholders with less than 100 consolidated shares for 300c each.

Its offer to Premcon minorities will be to acquire all or part of their Premcon shares for 45c each, or one consolidated Retco share for five Premcon shares.

Rabinowitz pointed out that this gave Premcon shareholders three choices — either to stay with the company, sell for cash or move to Retco.

Retco chairman Cedric Walton said it had been decided to change its name because Retco had "for so many years been synonymous with property".

It would now be looking for industrial investments and wanted to control any companies it invested in.

After the meeting he explained: "We shall not just be an industrial holding company. We are an industrial company and we want to take an active part in the management of our companies.

"Owning less than 50% we would have no say in the direction they were taking."

The directors expected to find good buying opportunities in the industrial market in coming months. But they would buy with care.

They would avoid companies likely to be the target of industrial action in the next two or three years. And they would be careful to avoid any company which would take a long time to turn around — "we shall have to consider how long we would have to finance it".

A company with the potential for success in the export market would be "marvellous", said Walton.

Rabinowitz said that the Property Corporation would go into partnerships and joint ventures with reputable people in the property industry. The company would invest cash while the partner also put in money and did the "hands on work".

In answer to questions from the chairman of the Shareholders' Association of SA, Issy Goldberg, Rabinowitz said Abbey Holdings would have R10m in cash — which would be kept as the reserve for the whole group — no overdraft and no gearing.

Goldberg said it seemed likely that cash would be king in the times ahead.

Histone offer opens today

Star 17/8/90 (32)

By Finance Staff

The public offer of 5 million units in Histone, a new property unit trust, opens today at an offer price of 200c a unit.

The Histone fund of R122 million is managed by Cornerstone Property Fund Managers.

The issue, which is made up of 5 million units in the public offer and 5,4 million units in a private placing which has already been fully subscribed, aims to raise a total of R21,7 million.

According to the prospectus the initial portfolio, which is fully let, comprises primarily suburban office properties in the metropolitan areas of Johannesburg, Pretoria, Durban and Cape Town. These properties were acquired at an average yield of 10,79 percent based on estimated net income for the first full year of trading.

Interest on the cash component will raise the overall yield to 11 percent per annum.

August 20 1990

Call to halt auction of mega-block

Star 20/8/90

By Shirley Woodgate

Pressure is mounting to halt Wednesday's auction of the mega-block Octavia Hill in Fordsburg, with the National Co-Ordinating Committee on Repatriation, the Pan Africanist Congress (PAC) and the Transvaal Indian Congress (TIC) all urging President de Klerk to intervene and help stop the sale.

Stressing the current housing shortage, South African Council of Churches general secretary the Rev Frank Chikane said the complex would be an excellent reception centre for exiles returning to the southern Transvaal region.

Worse off

PAC spokesman Philip Dlamini said: "Octavia belongs to the poor and it is our duty to take it back to this sector of the population when we take over.

"This sale by the House of Assembly is part of Government strategy to remove all property in its care and give it to the rich.

"Ultimately, when the so-called new South Africa comes into being, we will find that the poor have nothing — in fact they will be worse off than they ever were before."

Recalling the irony that the eight-block complex was named 50 years ago after the British social worker renowned for her work among the poor, TIC president Cassim Saloojee said: "First we had the Crown Mines property deal which only the rich could afford, now we have Octavia Hill.

Housing shortage

"It is the rich who will benefit and the poor attempting to find accommodation near to the city who will be left out.

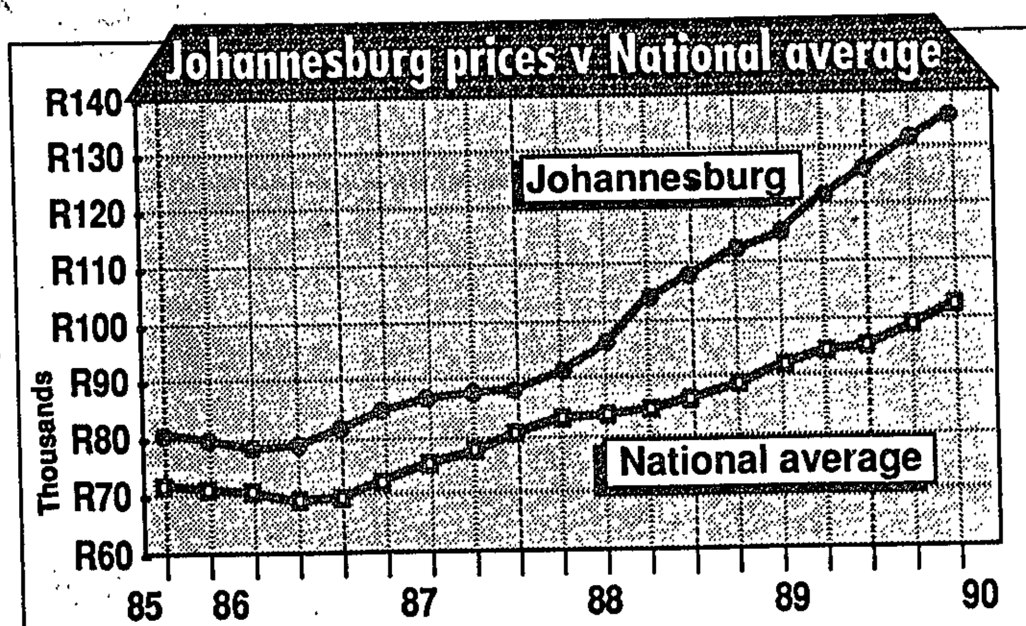
"The Government is disposing of its housing stock without reference to the desperate needs of the poor.

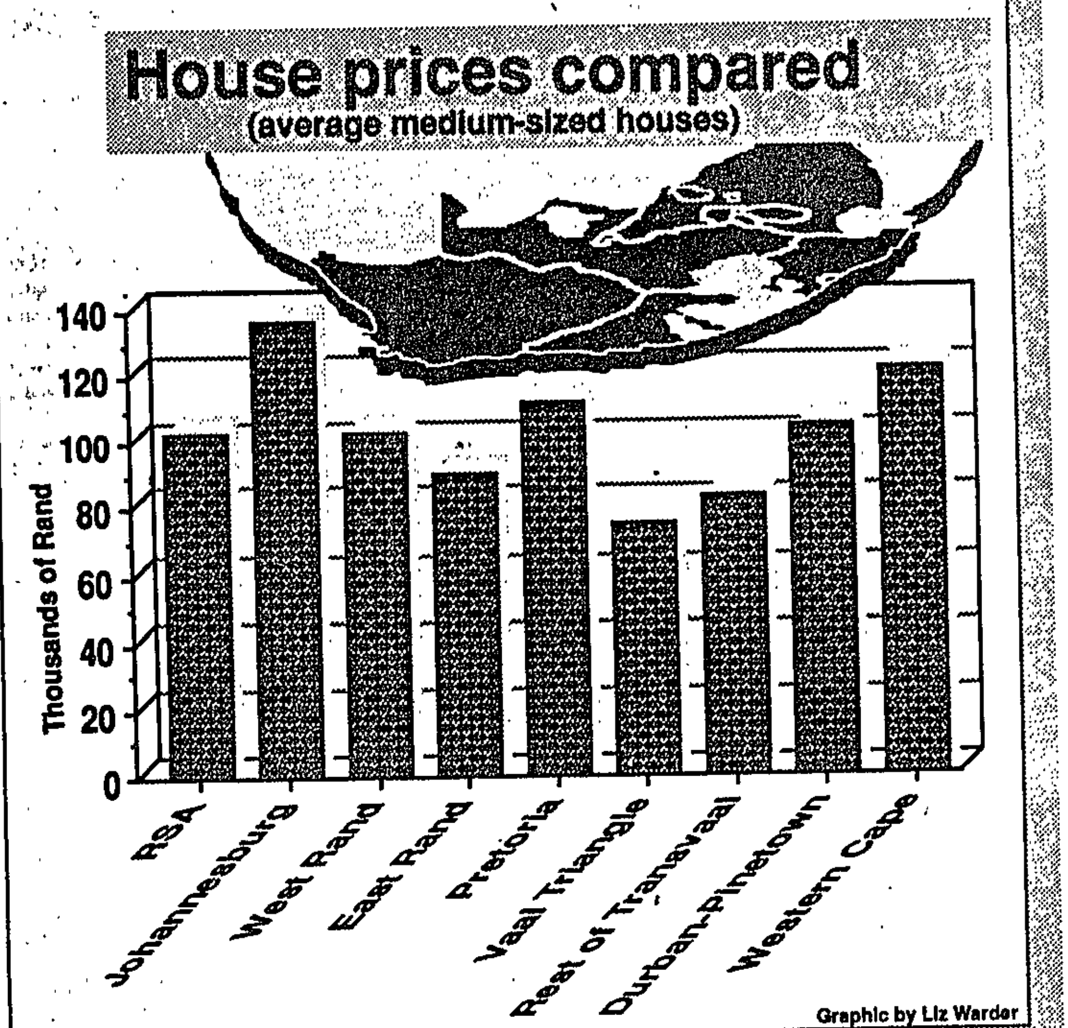
"If agreement were to be reached between the Government and the ANC over the return of the exiles, this complex would be useful.

"The authorities should take note that the housing shortage will be further increased once the 20 000 exiles return," Mr Saloojee added.

Calling the sale irresponsible, Mr Dlamini urged the Government to halt the auction.

Jo'burg house prices go up, up, up





Graphic by Liz Warder

By MICHAEL CHESTER

Johannesburg is still the most expensive area in South Africa for home-buying expeditions — with the average cost of a medium-sized house up 70 percent at almost R136 000 compared with under R80 000 less than four years ago.

This compares with a national average that trails behind at R102 500 against R72 000 at the start of 1986.

New surveys by researchers at the United Building Society show that while the middle price of houses on a nationwide count increased by no more than a modest 12 percent over the past year, lagging behind the overall rate of inflation, prices climbed by as much as 18 percent in Johannesburg.

Potential buyers also need to look more closely at the age of houses they circle in newspaper advertisements.

The price tag on older houses in the medium-size bracket stood at R131 818 at a mid-year count. New houses of comparable size rose to R190 542.

Large

At the higher end of the market, house-hunters can expect to fork out an average of R194 611 for Johannesburg houses classed as large. That means a house covering around 266 sq m on a 1 267 sq m plot.

Age is again a key factor. Older houses in that bracket are roughly R185 179. New ones top the charts at R277 529.

Prices of small houses in Johannesburg — down to 856 sq m plots and 116 sq m in actual building area — now stand at an average R105 360.

The United research team finds that the nominal repayments on an 80 percent bond on a medium-size house costing R102 500 had risen as high as R1 442 a month by the mid-year count as a result of increases in interest rates — about R200 higher than a year ago.

They forecast that price increases will slow for 1990 as a whole — though still coming out at around 10 percent.

Growth in building costs slows down

CHARLOTTE MATHEWS 32

THE slowing growth of building costs is a sign of spare capacity in the construction industry, according to Rode Report on the SA Property Market editor Erwin Rode.

The deceleration applied both to home building costs and to non-residential contract prices.

By April the increase in home building costs was 17,5% compared with 25% in December 1989. Housing starts have picked up since the end of 1989 but show no real growth over the same period in 1989. B/Day 31/8/90

On a national level the price of middle and lower-priced houses has grown at a rate well below inflation at 9,1% and 7,2% respectively.

However, middle and upper class house prices in Cape Town have increased far more rapidly than elsewhere. For the year to September 1989 the price of upper class Cape Town houses grew by 36%.

Builders suffer poor half year and expect worsening slump

ARGUS 21/8/90

32

By MAGGIE ROWLEY, Business Staff

ONLY 38 percent of building companies surveyed in the PVW area showed growth for the first six months of the year.

The survey, conducted by BMI Building Research Strategy Consulting Unit on behalf of the National Association of Homebuilders (NAHB) showed that 62 percent of builders experienced no growth or worse.

Mr Johan Grotsius, executive director of NAHB, said the survey showed the outlook for the next six months was even more pessimistic.

Unrest losses

"About 44 percent of those companies interviewed expected conditions to deteriorate even further. Interest rates, inflation and the resultant rise of building costs have all had an inhibiting effect on industry growth. In black areas the industry is finding the control of materioal and actual building activity difficult and the losses owing to unrest and other factors are enormous."

Respondents indicated the proposed removal of the Group Areas Act and the establishment of the Free Settlement Areas were the two most important factors that could encourage growth.

"However the affordability factor in black home building is a major stumbling block. This problem will be compounded if the first-time house-buyers' subsidy is curtailed or tampered with in any way," he said.

Dr Llewellyn Lewis, the managing director of BMII-BRSCU, said a many house-building companies would be seriously affected if legislation or monies allocated to the first-time home-buyers' subsidy were changed.

"About 80 percent of companies interviewd operate in this market, where units are valued below R65 000.

He said there had been a serious drop in the number of new orders for houses since the Minister of Planning and Provincial Affairs, Mr Hernus Kriel, announced cuts in the subsidy for black first-time house-buyers on June 29.

"These changes have effectively suspended the scheme for black participants.

"This state of uncertainty, now in the sixth week, is seriously impacting on the industry and its supporting services. The level of business confidence has dropped even further as a result," he said.

Mr Grotsius said the NAHB had directed a further urgent appeal to Mr Kriel to resolve the deadlock.

The survey also showed that labour and materials were freely available, although their costs were inhibiting and there was spare capacity in the industry.

"In the event that the affordability issue can be resolved by the continuance of the subsidies and there is an upswing, almost two thirds of respondents are capable and willing to increase their output by more than 30 percent," he said.

Many of the building companies interviewed indicated they operated in more than one segment, supporting the view that cross subsidisation did occur, he said.

Mr Grotsius said at this stage only 12 percent of the respondents surveyed operated in the sub-economic marekt where units cost below R12 500 each. Cluster type housing and luxury housing over R101 000 were the two segments where more than 40 percent of respondents operated.

Ovcon cuts borrowings in Basil Read deal

Star 21/8/90

(32)

By Tom Hood

The Cape construction group Ovcon expects to reduce its borrowings by R3 million with the sale of its operations in the Transvaal and Botswana to the Basil Read group.

Read is paying R1,25 million for the net assets and existing contracts and will relieve Ovcon of R13 million in total liabilities, says Andrew Ovenstone, chairman of holding company Ovbel.

Ovcon will concentrate on its most profitable areas — the Cape, Boland, Natal and Namibia.

The de-gearing effect on Ovcon's balance sheet will strengthen the company before it seeks a listing on the Johannesburg Stock Exchange later this year.

When Ovcon is listed, Ovbel is likely to be transferred to the property sector since its interests then will consist of Ovland, Bellandia and Ovdeco Properties.

(32) Star 21/8/90

Returning South Africans add to huge housing demand

By Tom Hood

CAPE TOWN — South Africa's huge housing shortage is likely to come under immense pressure from rising immigration and the return of thousands of ANC exiles.

The number of immigrants has started to outstrip the numbers leaving the country and the country is gaining at least 1 000 families a month, according to official figures.

Many of the immigrants are returning South Africans trying to capitalise on the low rand by selling their property in Britain or Australia and buying houses here at a fraction of overseas prices.

Agents report many inquiries from people in Britain who want to retire to South Africa, buying property cheaply and receiving their pensions at the bargain rate of about R5 to the pound.

Scott McRae, managing director of a Camdons Nationwide,said: "Television scenes of violence from Natal or the Transvaal seem to have little effect on people overseas. They are so accustomed to seeing violence everywhere.

"The country has received enormous publicity from Mr Mandela and President De Klerk and people in Hong Kong who had never heard of South Africa a year ago are now inquiring about coming here."

ANC exiles

Vacant flats and houses to rent are so few that rents have started to rise even in the deepening economic recession, say Cape estate agents.

"There is a big demand for anything below R1 000 a month in the Peninsula," said a spokesman for Steer and Co, one of the largest letting agents.

The millions of homeless black families will soon have their numbers increased by the return of ANC exiles — estimated to number between 20 000 and 40 000.

Their return involves planning and logistics on the scale of a military invasion, including a suggested United Nations airlift.

Most of the blacks returning may be able to find accommodation in the "extended family" tradition but thousands — including wives and children who have never set foot in South Africa — will need to be found homes.

New unlisted property vehicle

UAL Merchant Bank has launched an innovative unlisted property investment vehicle to fund new fixed property developments and acquire developed properties.

UAL Assistant GM John Peters says the Newport Property Fund is, in essence, an unlisted property unit trust (PUT), with the intention being to take it to the JSE within three to five years.

The private placing of units has already started and, according to Mr Peters, is being met extremely favourably by investors. The initial offer has attracted commitments of R150-million, with the balance of the R250-million to be raised by the issue of units to vendors of properties into the trust and by further private placings at a later date.

Cashbuild beats downturn

Cashbuild, the cash-and-carry building materials wholesale group, has posted a 34,9 percent rise in attributable income to R6,5 million (R4,8 million) for the year to end-June. (32) Star 22/8/90

Earnings a share were 30,3c (22,6c) and the final dividend is 9c, up from 7c, giving total dividends for the year of 13c, up from 10c last year.

Turnover rose 32,6 percent to R321,1 million (R242,1 million).

Cash on hand at June 30 stood at R16,9 million, compared with R11,9 million at the previous year-end.

Two new stores were opened during the year and 10 new stores are planned for the current year.

Chief executive Gerald Haumant says the group is on track to achieving its target of 100 outlets by 1993 and he is confident the company will maintain its growth momentum in the year ahead. — Sapa.

The Star
Finance

Star 23/8/90

(32)

Share block syndicate for Stuttafords building

By Frank Jeans

Nedbank, owner of the historic Johannesburg landmark Stuttafords Building, is to split its investment through a share block syndication scheme valued at more than R6 million.

The bank, through its Secured Investments Division, offers clients the opportunity to invest in the property by taking up a minimum of 10 units, valued at R1 000 each.

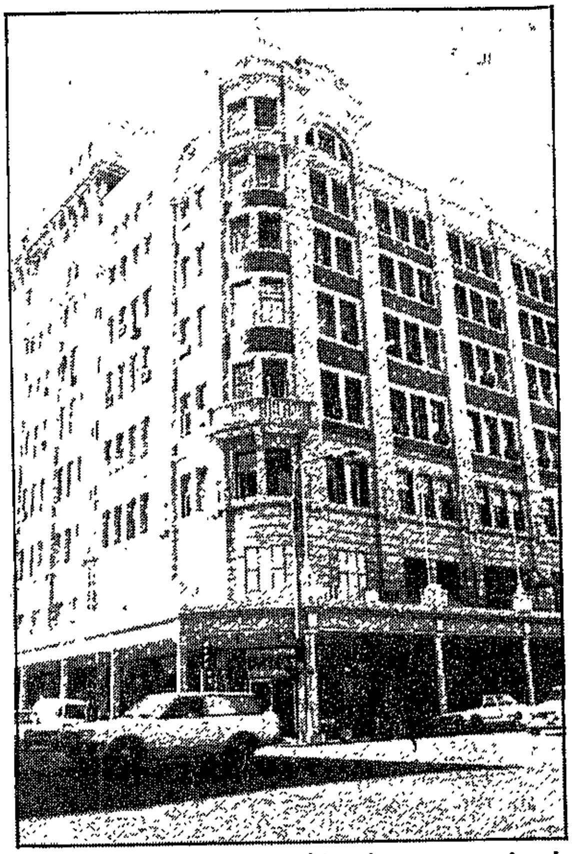
There will be 6 120 combined units on offer, each consisting of one ordinary share and one unsecured debenture.

REALISED VALUE

In the event of an investor selling his 10 units after, say, five years the realised value of the units is projected to be R20 644 — representing a capital growth of more than 100 percent.

Built in 1912, the eight-storey Stuttafords property at the corner of Rissik and Pritchard Streets, is protected under the National Monument Act.

It has shops and offices and is 80 percent occupied by major tenants, including OK Bazaars.



Stuttafords Building, an historic monument, at the corner of Rissik and Pritchard streets. Johan Westraat, chairman of Secured Investments and deputy managing director of Nedbank, says the building is strategically situated in relation to major developments in the central business district.

CW van Niekerk

32

Star 23/8/90

SA's need for luxuries in building questioned

By Frank Jeans

Increasing demand for State funds is likely to have an adverse effect on allocations for public works and new ways will have to be found to satisfy the need for accommodation.

This was the message which CW van Niekerk, Director General of the Department of Public Works and Land Affairs, gave at the opening of Interbou, at the National Exhibition Centre, south of Johannesburg.

Questioning the ability of the new South Africa to afford present luxuries in the residential market

Integration is a problem if forced

Star 23/8/90 (32)

CAPE TOWN — Integration only becomes a problem if people of very different lifestyles are forced to live together, according to Swiss professor of urban planning Ervin Galantay.

He was addressing the SA Property Owners Assocation annual convention in Cape Town yesterday.

"Since in this context we have discussed black urbanisation at some length, we might as well address — unabashed — the white fears of integration.

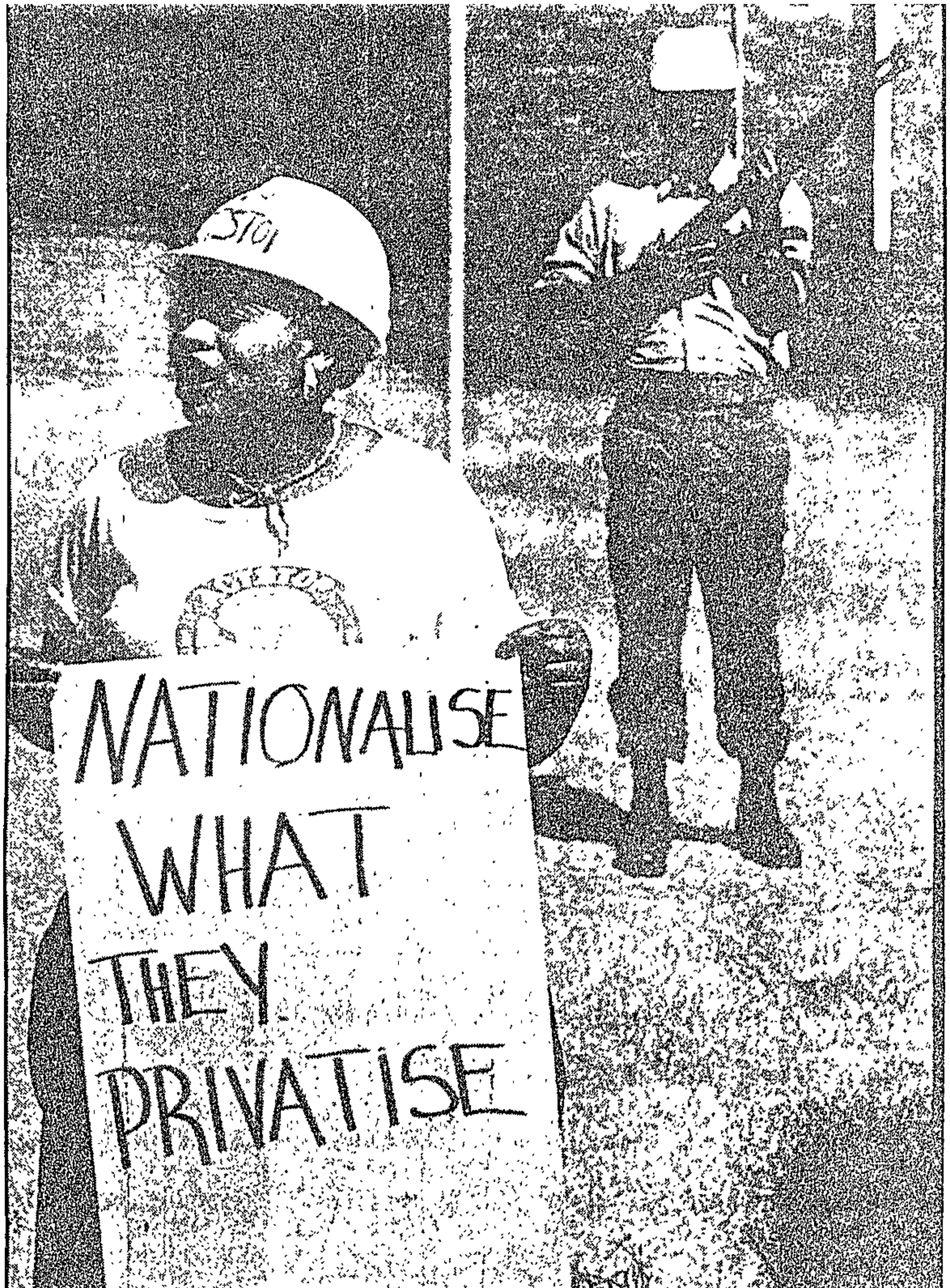
"Accessibility to resources is, of course, the primary determinant in locational choice, but compatibility is an equally important criterion.

"From the moral point of view," Profesor Galantay said, "spontaneous spatial segregation must be distinguished from segregation imposed by policy.

"The free play of the market forces should be permitted to regulate locational choice: some people — used to paying low rents — won't move even if they can afford it. They prefer to use their income for other things than to buy better housing.

"Others may be willing to pay more to be able to live in proximity to their jobs. To others, the proximity of schools or of a golf course may be a more important consideration than proximity to the CBD.

"In my opinion, gradual integration will occur painlessly if it is not pushed by specific legislation," the professor said. — Sapa.



Private armed guards police the auction of Octavia Hill as chanting, placard-waving members of Actstop toyi-toyi and sing outside the building. ◍ Picture by Stephen Davimes.

Protesters disrupt flats auction

Star 23/3/90

By Shirley Woodgate

Demonstrators yesterday disrupted the auction of the controversial Fordsburg complex, Octavia Hill, which was provisionally sold to businessman Solly Essack for R3 million — well below the R5,75 million upset price.

Mr Essack said the property had been bought on behalf of property company Boshold Ltd.

The final bid by Mr Essack must be confirmed within 14 days, during which time other offers will be considered.

Late yesterday J H Isaacs spokesman Wayne Wright denied that a bid of R6 million had been received, but said a higher offer had been expected.

The auction, which at times threatened to get out of hand as toyi-toying Actstop members chanted and displayed posters, was conducted in the presence of armed guards, employed by auctioneers J H Isaacs allegedly in response to threats.

The eight-block flat complex, which was built in 1936 for elderly whites, later housed several fleeing Soweto councillors.

It was sold by the city council for R2,5 million to the housing department in the House of Assembly, which auctioned it off.

Bidding was delayed while auctioneer Hugh Denny was involved in altercations with members of Actstop, the Save Pageview Association (SPA), the ANC, PAC, SA Council of Churches and Black Consciousness Movement of South Africa.

They demanded to know whether Mr Denny could guarantee that the property would not be nationalised when a new government took over and protested against the sale of the building while 7 million people were homeless.

Ozz concentrates on consolidation

(32) (1223) BD 10/9/90

MARIETTE DU PLESSIS

INDUSTRIAL holding group Ozz expanded its asset base by about R68m during the 1989/90 financial year and expected this year to be one of consolidation, chairman Gary Zulberg said in the annual report.

Reviewing the year to end March, Zulberg said the acquisition of Lucem Industrial Corporation's business operations helped promote earnings growth by 16%, from which a 36% higher dividend was paid.

The deal raised gearing to 94% but a cash flow of R11m, share issues of R10m and the sale of certain non-core businesses enabled the ratio to be dropped to 68% after the year end.

Ozz's core operations, consisting of foundries, engineering works, construction and property development and investment undertakings, produced 74% of operating income. Non-core activities are made up of gas production and supply, brick manufacturing and divisions sold.

Ozz proposed to consolidate its existing shares on a one-for-four basis to facilitate trading on the JSE. If approved, the consolidation would take place from the close of business on October 5 to listing on October 8.

The practical effect, based on Ozz's current listed price of about 40c, would be to value the new consolidated share at about 160c.

The effect on key results, based on the latest financial year to end March 1990, would be net asset value, earnings and dividend a share of 288,4c, 38c and 13,6c respectively. Ozz shares at their current level yield 24% on earnings and 9% on dividend, compared with actuaries index averages of 11% and 3% respectively for the industrial holdings sector.

Construction giant quits black market

By REG RUMNEY

A MAJOR construction company is pulling out of the black home building market, blaming red tape and the building societies. WMail 24/8 - 26/8/90.

This is despite the announcement on Wednesay of a further R10-million subsidy for black first-time home buyers, a move hailed by the National Association of Home Builders.

Group 5 executive chairman Peter Clogg said yesterday the group had substantially cut back its involvement in this field, as a result of rising costs, excessive red tape and a lack of finance from building societies.

He described the outlook for private home building as bleak.

Financial director Theunis Kotzee yesterday laid the blame at the feet of the building societies and the local authorities for the failure of the construction industry to build enough black houses.

Excellent year for Group Five

(32)

W/Mail 24/8 - 26/8/90

GROUP Five has had an excellent year to June with before tax profits jumping by 40 percent and the after tax figure up by 27 percent.

The group's pre-tax earnings were R36,39-million (R25,97-million) and after a R8-million tax bill the bottom line was R28,34-million (R22,25-million).

Earnings a share were 28 percent up at 170c (133c) while a final dividend of 32c was declared, bringing the total for the year to 55c (47c).

The road and civil engineering divisions performed well but the homes division was hard hit and managed a profit of R2-million under extremely difficult trading conditions.

Executive chairman Peter Clogg says the outlook for private black home building is bleak and that Group Five has undertaken a substantial cutback in its involvment in this field as a result of rising costs,excessive red tap and a lack of adequate finance from building societies.

Holding company, Group Five Holdings, results were much in line with its subsidiary with after-tax income up at R28,33-million compared to last year's R22,21-million and earnings a share of 166c (131c).

A final dividend of 31c a share was declared, bringing the total for the year to 53c (46c).

SM Goldstein, which also derives all its income from its holdings in Group Five, had earnings a share of 67c after a loss last year of 33c a share.

Net income was R7,83-million compared to the loss last year of R5,95-million. A final dividend of 14c was declared bringing the total for the year to 56c compared to 1989's 10c. — Sapa

Panel solution to housing problem

(32) Star 25/5/90

SUE OLSWANG

A TRANSVAAL company will, within the next six months, begin producing what could be a solution to South Africa's housing problem.

John Blore and Len Bosch of Resin Bond Coatings, which holds the rights to the patents, plan to offer the formal housing market a low-cost housing system which will be marketed in the form of wall panels.

"A home built from these panels will be just as strong as a house of the same dimensions built from bricks and mortar, but at half the cost," said Mr Blore.

The water-, fire- and fungus-resistant panels are made from wood fibre chips, coated and bonded with a poly pitch.

The pre-painted panels will be sold with and without glazing and doors. They will also be sold with or without concrete foundations and electrical, plumbing and drainage outlets.

"Four unskilled people will be able to put a complete one-room unit together, with its roof and gutters, in less than a day. The unit could be added to at will," said Mr Blore.

A 72 sq m six-roomed house — consisting of a concrete slab/foundation, a kitchen area with sink and cupboard, a bathroom, all electrical fittings, plumbing and drainage facilities, internal partitions, ceiling, roof and gutters — will cost about R28 000. A single 3 m by 3,5 m room — using four panels — will cost between R4 000 and R5 000.

C/Press 26/8/90 (32)

Octavia Hill sale picketed

By DESMOND BLOW

TOYI-TOYING protesters this week intimidated white businessmen against bidding for Octavia Hill – an eight-block flat complex in Fordsburg.

The property fetched only R3-million – far less than its estimated minimum value of R5,7-million.

Armed security guards kept protesters out of the Octavia Hill community hall while the auction took place, but several Actstop officials entered as bidders.

The protesters' claims that a new government would nationalise the buildings seemed to prevent all but two bidders from making offers.

The sale of the complex was opposed by the ANC, PAC, SACC and Actstop, who said the authorities should reserve it for 100 returning exiled families.

The complex was eventually knocked down to Solly Essack of Boshold Ltd., a Botswana-based company which stands to make a profit of about R5-million if its bid is confirmed by the Johannesburg municipality, which owns the complex.

The 102 flats in the complex have all been renovated and rewired and Essack told *City Press* they would be sold on sectional title. He expects a three-bedroom flat to fetch R120 000 and a two-bedroom flat R90 000.

About two-thirds of the apartments have two bedrooms and the rest three. When sold they should realise more than R8-million.

Essack said he did not believe a future South African government would nationalise privately-owned homes.

Flat complex fetches R3-m

"The flats will be sold on a non-racial basis," he said.

"Government officials have assured us they will grant permits to whoever wants to buy a flat."

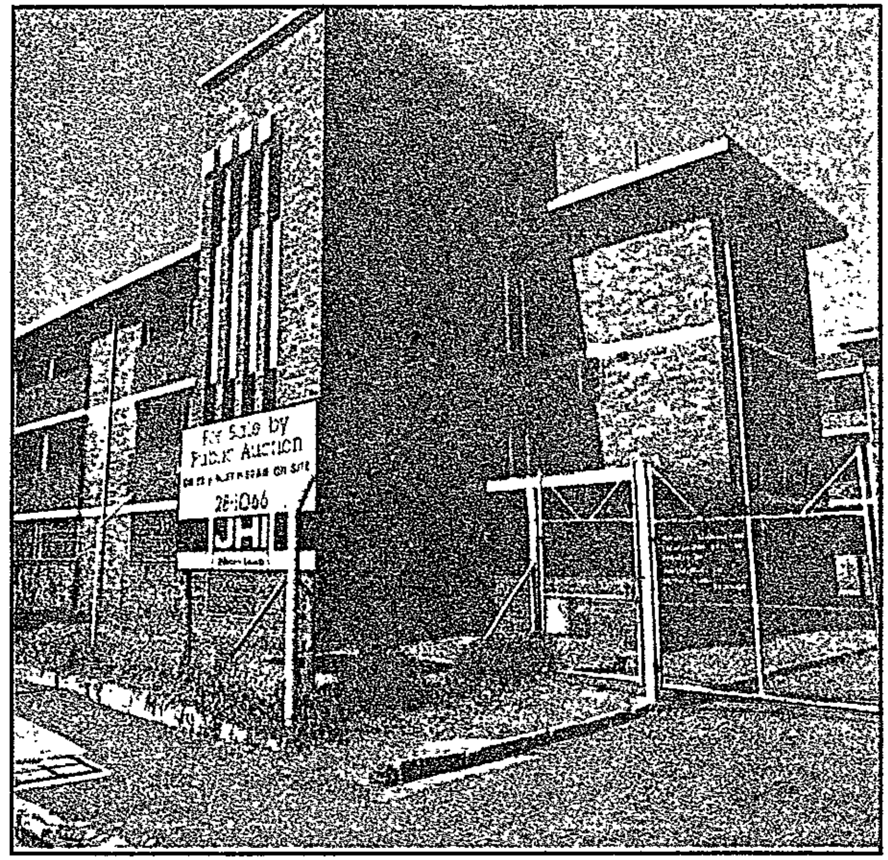
The auctioneer warned that the price had to be approved by the seller and other bids would be accepted for the next fortnight. Boshold would be given the opportunity to match any further bid.

Before the bidding began, Mohammed Dangor of Actstop asked the auctioneer: "How can you guarantee to your buyers that a future government will not nationalise the buildings?" The auctioneer said he could not.

Asked to start the bidding at R5-million, Dangor made a bid of R5. Then another member of Actstop bid R6. For several minutes there was no serious bid until Essack offered R2-million.

Then Thulani Phethe of Actstop bid R5 million, and it was knocked down to him at that price, although the auctioneer said he was not sure it would be accepted.

After Phethe withdrew his bid, another was made for R2,5-million, and Essack replied with a final bid of R3-million.



Octavia Hill flats . . . fetched far less than their estimated value.

Star 27/8/90 (32)

Housing policy must be 'drastically revamped'

Staff Reporter

The current housing policy was inadequate and needed to be drastically revamped to include the State, the private sector and community organisations, Independent Development Trust chairman J H Steyn told a University of South Africa conference on housing yesterday.

Four requirements needed to be met if any housing policy was to be successful:

- It had to be comprehensive enough to accommodate all households, especially the low-income informal sector.
- Different race groups had to be accommodated equally although assistance could be put to different uses.
- All resources had to be mobilised.
- It had to be capable of modest economic growth of about 3,8 percent.

Conventional households needed three times the current poverty datum line of R700 to be able to afford a house, which was too large for any government to be able to subsidise, he said.

He suggested the "kick start" should be in the core housing and serviced site sectors.

The State had to find a more efficient way of identifying land for housing. It also had to make an appropriate capital subsidy policy available for each site where there was an effective economic demand.

Housing should be provided by the State on a properly commercialised basis to allow private sector competition.

The State also had to find a way around the "red tape at local authority level" with a set of agreements on standards and cost recovery.

Companies had to find ways of opening financial markets on the best possible terms for low income households, he said.

Democratic institutions on a community level had to prevent unattainable expectations from hampering or entirely preventing attainable housing levels from being reached, he said.

Economic situation acts against Boumat

Diagonal Street
32 Star 28/8/90
LYNNE PEACH

Boumat's latest results, which show a 25 percent decline in earnings per share, reflect deteriorating conditions in the home-building industry.

A continuation of the slowdown in building activity, rising costs and high interest rates are set to place a dampener on results in the current year.

In the annual report, chairman Irvine Brittan predicts a marginal one percent rise in earnings in financial 1991 to 83c a share.

He believes the ability of potential home-owners or home-improvers to service new debt will be a critical factor.

Boumat is a holding company which controls a portfolio of trading and manufacturing businesses supplying materials used in building, home improvement and allied activities, in civil engineering and in industry.

Mr Brittan says the home-building industry, the major absorber of group products, came under pressure in the past year, while non-residential construction remained at a high level.

In the year to March, group turnover climbed 19 percent from R0,8 billion to R1,0 billion.

Severe competition, particularly in the contract field, resulted in operating profit rising a one percent from R57,2 million to R57,9 million.

Higher borrowings and higher interest rates resulted in interest expense rising 87 percent from R10,4 million to R19,5 million.

This impacted on pre-tax profit, which decreased 18 percent from R46,9 million to R38,4 million.

The effective tax rate was unchanged at 50,3 percent, leaving taxed profit to fall from R23,3 million to R19,1 million.

After deducting outside shareholders' interest, attributable profit was R18,5 million — 19 percent lower than the previous year's R22,7 million.

Due to an increase in the weighted average number of ordinary shares in issue from 20,7 million to 22,6 million, earnings per share dropped 25 percent from 110c to 82c.

The dividend for the year, only paid to shareholders not accepting the bonus share offer, was 45c, which was 18 percent higher than the previous year's 38c.

The balance sheet shows a dramatic rise in debt from R1,8 million to R45,9 million.

Mr Brittan says major suppliers reduced discounts and traditional terms of payments. He says a reduction in creditor terms of 15 days means an increase of nearly R30 million in borrowings to finance purchases.

Gearing shot up from one percent to 33 percent.

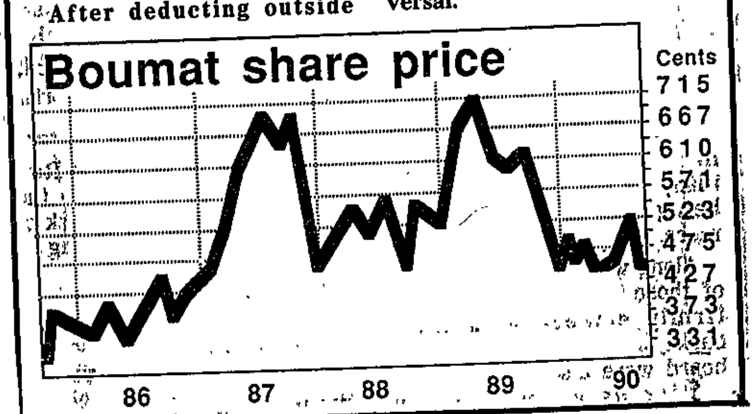
Management projects gearing will improve to 31 percent by the end of March next year.

Net asset value was 482c a share — seven percent higher than 449c a year ago.

Boumat, priced at 450c, is trading on a P/E ratio of 5,5 and provides a dividend yield of 10 percent. Until conditions in the building industry, particularly home-building, start picking up, there is little incentive to rush out and buy the share.

COMMENT: After reaching 715c in the first quarter of 1989, Boumat's share price took a turn for the worse.

The current price of 450c represents a support level. A rise above resistance at 500c will have to take place before the charts confirm a trend reversal.



BUSINESS DAY, Wednesday, August 29 1990 9

Small builders brought under single umbrella

B/Day 29/8/90 (32)

CHARLOTTE MATHEWS

A NEW organisation to develop the growing number of small builders operating in the informal sector was launched at a function in Johannesburg last night.

Entrepreneurial Development (Southern Africa) represented the merger of two existing organisations, the IBM Small Builders Bridging Finance Loan Scheme and The Foundation for Entrepreneurial Skills Training.

Entrepreneurial Development director Gordon Sibiya said initiatives such as these were essential for future development in view of the shortage of technical and managerial skills.

Former Shell SA chairman John Wilson said effective redistribution of wealth required the rapid expansion of "the economic cake". An army of black builders could contribute significantly to this, he said.

A Small Builder Action Forum was established to bring parties together to develop the sector.

STAR 30/8/90

Buildcor cautionary

Buildcor has agreed in principle, subject to certain pre-conditions, to the acquisition of a business which will be complementary to the group's existing operations.

Such a transaction could have an impact on the value of the company's shares and a further announcement will be made in due course.

Meanwhile, the company advises shareholders to exercise caution in dealing in their shares.

BUILDING & HOME IMPROVEMENTS

SOWETAN Building the Nation

Ms Dorann Ryba of Minrav International.

Crisis in building industry

Unrest causing heavy losses

(32)

Sowetan 30/8/90

A SURVEY conducted by the Building Research Strategy Consulting Unit has revealed that the industry has experienced no growth in the first six months of this year.

Mr Johan Grotsius, executive director of the National Association of Home Builders (NAHB), said: "The survey revealed that the outlook for the next six months is even more pessimistic."

The survey, which was conducted among a representative sample of building companies selected from NAHB's members, revealed that 62 percent of those interviewed were affected.

"Forty-four percent of those companies interviewed are expecting the conditions to deteriorate further," added Grotsius.

Factors which contributed to the slump in the industry were identified as the high interest rates on housing loans, inflation rate and the rising costs of building.

Control

"In black areas, the industry is finding the control of material and actual building activity difficult. Losses due to unrest and other factors are enormous," said Grotsius.

The future however, not does not seem that bleak with some leading companies pledging their commitment in black housing.

Pledges

Ms Dorann Ryba of Minrav International said: "The unrest situation does not influence us and we have pledged our commitment to solving the ever-growing housing shortage. We have also increased our share capital by R1.65 million to R2 million which will be used for purchasing and servicing land in black areas."

Some of the respondents also indicated that the proposed removal of the Group Areas Act and the establishment of Free Settlement areas are the "two most important factors that could encourage growth."

Handicap

However, the affordability factor in black home building is regarded as the major stumbling block.

On the question of subsidy for first time home buyers, the respondents said the subsidy should not be tampered with because "this is where most companies operate".

This view was supported by Dr Llewellyn Lewis, managing director of BCRSU.

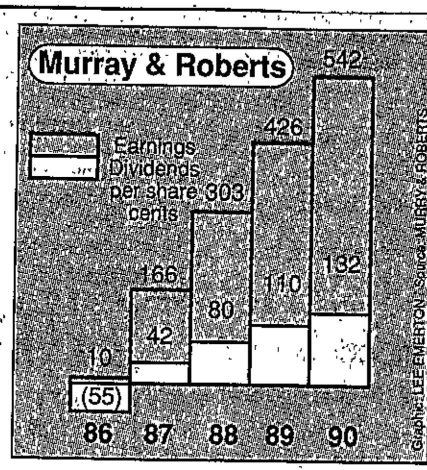
Serious

He said: "Some 80 percent of the companies interviewed operate in the first-time home-buyers market where units are valued below R65 000.

"This indicates that a large number of home building companies would be seriously affected if legislation or monies allocated to the first-time home-buyers subsidy were changed."

The study also showed that companies operated in more than one segment.

"Cross-subsidisation where more profitable segments support the less profitable ones occur in this instance."



Murray & Roberts earnings up 27% (32)

CHARLOTTE MATHEWS

MURRAY & Roberts Holdings' investors applauded last night's announcement that the group had achieved a 27% growth in earnings for the year to end-June.

The market forecast 15% in February.

CE Dave Brink told investors at a meeting in Bedfordview that the group had posted earnings of 542c (426c) a share. A dividend of 132c (110c) would be paid.

Murray & Roberts's main operating groups are construction, industrial, suppliers and services, engineering and properties. B Day 31/8/90

Since the dividend is above 125c a share, 7,4-million compulsorily convertible debentures convert to ordinary shares, increasing shares in issue by 26% to 36-million.

Brink said this would make earnings a share growth in 1991 difficult to achieve but further growth in earnings per unit of capital — 444c (350c) in 1990 — and a real increase in dividends were possible.

Turnover rose 17% to R4bn from R3,4bn in 1989 but improvements in operating margins, now 7,5% (6,4%) spurred operating profit up 36% to R300,9m (R221m).

Higher interest charges of R27m (R22,8m) and a higher tax rate of 40,2% (36,4%) reduced earnings.

The highlights of the year were improved performance from top management, a good performance from the construction division and the recovery of engineering arm Genrec.

The group had surplus cash resources of R167m at the end of June.

SOWETAN BUSINESS

Soweto scheme to upgrade builders

Sowetan 31/8/90 (32)

THE Soweto City Council is embark on a massive scheme to upgrade small black builders and contractors by running business management courses for them.

By JOSHUA RABOROKO

The aim of the course will be to create job opportunities for thousands of unemployed people.

At a special course to be run by the Building Industries Federation of South Africa at the Klipspruit Water branch on Wednesday at 9am, the small contractors and builders will be taught how to improve their business management and tendering skills.

The council's senior technician, Mr Mduduzi Mkhize, said the course would become a prequalification for building contractors, plumbers, bricklayers and other small entrepreneurs to expand infrastructure and upgrade facilities in the townships.

After graduating, he said, they would be contracted by the council to replace old water pipes, install storm water drainage and improve structures of buildings and other facilities.

They would, he said, create jobs for many unemployed people.

He said the council had already contracted 18 people in the programme which has, to date, cost about R15-million.

The money was made available by the Regional Service Council as the city council did not have money because of the rent boycott.

Those interested in attending the course should contact Mduduzi at (011) 938-1734.

Mrs M MAPONYA

M & R boosts profits 36%

Cape Times 31/8/90

32

By AUDREY D'ANGELO
Business Editor

HIGHER contributions from its construction, building, engineering and property companies boosted profits by Murray & Roberts Holdings in the year to June 30.

The huge conglomerate reported a 36% rise in operating profit to R300,9m (R221,2m), achieved on a 17% rise in turnover to R4 014m (R3 445m).

Earnings rose by 27% to 542c (426c) a share, with a rise in the number in issue to 28 328 000 (27 813 000). The final dividend is 92c (77c), making a total of 132c (110c).

The interest bill rose to R27m (R22,8m) and tax to R110,1m (R72,2m).

Earnings attributable to ordinary permanent capital holders were 29% higher at R158,5m (R123m). Earnings attributable to ordianry shareholders were 30% higher at R153,7m (R118,4m).

The contribution of the industrial division to consolidated operating profit before interest was slightly down at R96,5m (R100,6m) although it still remained the main contributor.

But the contribution of the construction division was sharply up at R94,8m (R43,1m).

The suppliers and services division contributed R66,2m (R61,8m), M & R Engineering R23,4m (R15m) and M & R Properties R17,7m (R8,2m).

Director Jeremy Ractliffe pointed out: "The construction industry normally lags any downturn or upturn in the economy, because of its long-term contracts, while industrial companies react quickly to changes in demand.

"In fact our industrial division pretty well maintained its contribution before tax while our construction division virtually doubled its profits and has done exceptionally well.

"One of the things about our group is its portfolio effect. One of the ideas about our conglomerate design is that one division can help to compensate for another during a downturn."

Ractliffe said the group expected "another 12 to 18 months of tough times".

The construction division still had "nice order books, which is good. But they will not last forever."

However, Ractliffe said, he thought Reserve Governor Chris Stals was right to keep up the attack on inflation.

"SA has got to go through a full course of this medicine, in spite of increasing unemployment and its effect on unrest, in order to build a sound platform for future growth."

He said M & R's international activities had made "a positive contribution last year".

"One has to look at exports. Consani Engineering exports tank containers and some of our industrial companies are in the export market."

Chairman M Daling and CE Dave Brink say they expect to achieve "real growth in dividends" in the current year, in spite of the large increase in shares which will result from the compulsory conversion of 7 381 730 debentures.

Clay puts hope into hearts of 'first-timers'

CML Times 1/9/90

32

THE Clay Brick Association has started a new development in the housing sector of South Africa's building industry.

There are many people in this country who would like to own their own homes but simply cannot afford a conventional house. The CBA's new clay brick housing system is aimed at bringing homes within reach of this low-income group.

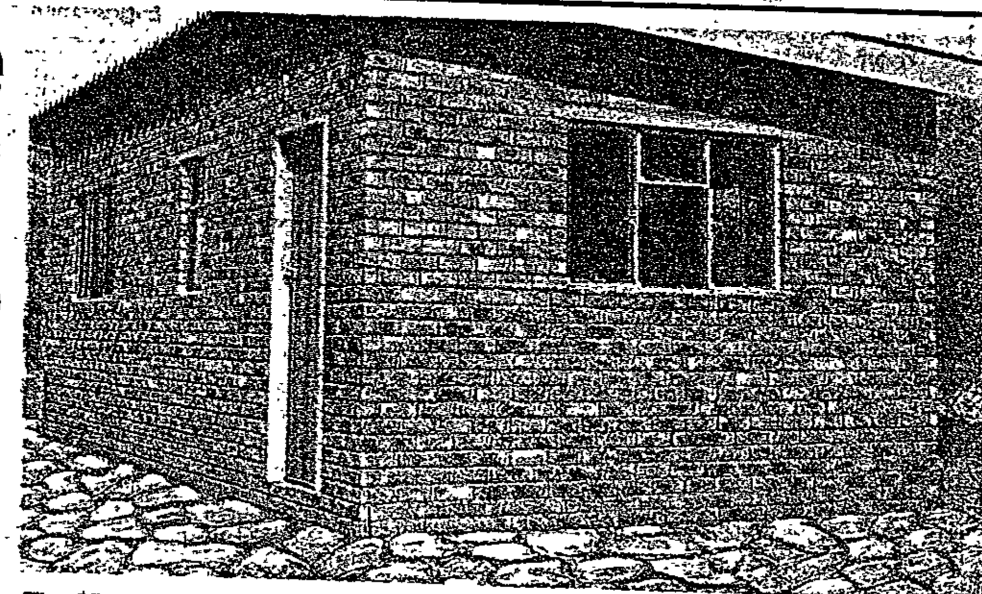
The innovative system, which has been awarded the Mantag Certificate by the Agrément Board, proposes constructions comprising single-leaf clay brick walls. These are built with burnt clay face bricks or clay plaster bricks with a thickness of 106 mm.

Conventional floors and roofs can be used while window frames are adapted or purpose made. Specifications cater for roof anchorage, junctions with external walls and attached piers where necessary. The single-leaf wall is set back on a conventional concrete strip foundation to allow for the external addition of a second wall should the homeowner wish to upgrade the house.

The jointing of brickwork is vital in order to prevent the ingress of water. CBA's unique clay brick housing system employs both Hollow Key jointing and Weather Struck jointing which are formed with the correct tools to ensure the wall's weather performance. Careful attention is paid to the sand/mortar mixes and the proper filling of all mortar joints.

The Mantag Certificate is an official sanction from the Agrément Board of a particular building system. Its purpose is to give local authorities the confidence to approve the use of a building system in the knowledge that the completed dwelling will meet defined and acceptable standards of habitability and durability. To attain certification, the CBA's structure was submitted to a number of stringent tests.

Sample single-leaf walls were tested to establish their behaviour in fire, their structural strength and stability, termite resistance, thermal performance, weather tightness, and their provision for ventilation and natural lighting. Acoustic performance, condensation, durability and the allowance for practical upgrading were also assessed.



The CBA's new clay brick housing system is aimed specifically at bringing affordable homes to the low-income group.

The clay brick housing system will be erected only by those contractors or self-help builders trained and licensed by the CBA. To further assist users, a comprehensive construction guide will be provided. Prospective users of the single-leaf system will have to apply for registration with the CBA. In addition, an association representative will continuously monitor the standards of workmanship on site.

Penpin: 21% lift in income to R5,2m

Cape Times 3/9/90

Business Staff

JOHANNESBURG. — The national building materials chain, Pennypinchers Holdings (Penpin), has announced a 29% increase in turnover from R74 million at end June 1989, to R96m for the six months period to end June 1990.

Subsidiary, Pennypinchers Boards (Penboard), which specialises in basic lines of timber, boards, and associated cabinet hardware, has announced an increase in turnover of 18%, from R22m to R26m, for the same period.

Penpin's operating income before interest increased by 21% from R4,3m to R5,2m while Penboard showed a 23% increase from R1,3m to R1,6m.

Earnings per share have increased from 9,37c to 10,63c for Penpin while Penboard's earnings per share have increased from 4,67c to 4,85c.

The interim dividend per share is retained at last year's level of 4c for Penpin and 2c for Penboard.

Financial director of the group, Percy Bishop, says that the group has managed to achieve these increases in spite of tighter trading conditions and high interest rates.

Turning to the balance sheet, Bishop says that net current assets have increased from R2m to over R12m due mainly to the successful rights offer.

Current ratios have improved from 1,1:1 to 1,3:1 and shareholders' interest has increased from R20m in December 1989 to over R30m in June 1990.

"Historically the group's turnover and earnings for the next six months of our financial year account for 60% of the annual total," Bishop added.

"Barring any unforeseen circumstances, we are confident that the group will maintain the current trend in turnover and earnings."

Fasie Malherbe, chairman of Penpin and Penboard says the group has recently opened builders' warehouses in Blackheath and Montaguė Gardens and also in the Transvaal in Alberton, and Honeydew combining four divisions — building material, glass and aluminium, boards, sanitaryware and plumbing under one roof.

"A large range of products and showroom displays will further increase the group's market share among DIY enthusiasts and cash-and-carry shoppers. Special trade counters will expedite ordering for building contractors and plumbers."

Its new glass division, established at the end of 1989 in Lansdowne, has expanded to outlets in Bellville, Blackheath, Retreat, Hermanus and Montague Gardens and in Honeydew.

Malherbe says growth in the plumbing and sanitaryware division has been phenomenal with the group increasing its market share in the plumbing sector in the Cape and the Transvaal.

Buildcor acquires the Bruply door interests

Star 13/9/90. (32)

Finance Staff

A major new door manufacturing group has been formed with the acquisition by Buildcor — to be known in future as Audiobuild — of the flush panel door manufacturing interests of Bruply.

Full details of the acquisition and its financing will be circulated to shareholders in the near future.

The acquisition puts Buildcor into a strong position in the flush-panel door industry.

It is estimated that Buildcor will manufacture 70 percent of the total flush panel door market and that the total turnover generated will be R100 million a year (R68 million previously).

Buildcor has been undergoing considerable rationalisation over the last few months and recently announced sharply reduced profits.

It has announced a major restructuring, the new acquisition forming a key element in this strategy.

Bruply manufactures a range of flush panel doors comprising hollow-core, semi-solid and fire doors.

Buildcor, through its operating division, Doorcor, makes a complete range of doors at its Louis Trichardt and Isithebe factories.

Gypsum weathers storms

Std 3/9/90 (32)

Finance Staff

Building products manufacturer Gypsum Industries overcame difficult conditions to achieve a 15 percent earnings-per-share increase in the 12 months to June.

This performance was achieved by containing expenses and maximisation of productivity which, to a degree, offset substantial cost increases imposed by suppliers.

The second six months of the year were particularly tough, says managing director Gordon Fraser, adversely affecting sales volumes and trimming margins.

He says the company's record of price increases has been exceptional, compared with the Consumer Price Index and the Building Materials Price Index, and that Gypsum will continue to strive for operating efficiency to contain costs.

Turnover for the year rose 13 percent from R147,2 million to R166,3 million and net income attributable to shareholders increased 15 percent from R13,3 million to R15,3 million.

Earnings per share improved from 163c to 187,1c.

The total dividend of 60c was 17,6 percent higher than the 51c paid out in the 1989 financial year.

This includes a final dividend of 40c that will be paid to shareholders on or about October 17.

The decision to develop a R60 million production facility at Brakpan demonstrates Gypsum's confidence in the future, he says.

Dull property market puts Aida in shadows

Diagonal Street
5/9/90 (32)
LYNNE PEACH

The lacklustre residential property market resulted in DCM-listed Aida posting a disappointing set of results for the year to February.

Continued political uncertainty and only a marginal decline in interest rates expected before the close of the group's current financial year make it doubtful that results this year will show any dramatic improvement.

In the annual report, chairman and managing director Aida Geffen lists several positive factors.

These include greater market penetration, continued emphasis on training, penetration into black housing, and expansion of the commercial industrial division, sectional title and cluster-home division.

Ms Geffen believes the group will benefit from support from UBS, which acquired a 25 percent holding in May.

Aida Holdings is a group of companies operating in two distinct areas of the property market.

It operates as an estate agent in the greater Johannesburg area and as a national real estate franchisor.

In the year to February, group turnover fell two percent from R7,9 million to R7,7 million as a result of a significant slowdown in the residential property market.

Operating income came under greater pressure, with a decline of 34 percent from R1,4 million to R0,9 million.

After a seven percent decrease in the interest bill from R50 000 to R47 000, pre-tax profit fell 35 percent from R1,3 million to R0,9 million.

A decline in the effective tax rate from 42,8 percent to 39,3 percent resulted in attributable profit showing a decrease of 31 percent from R0,8 million to R0,5 million.

Earnings per share declined from 6,2c to 4,3c.

The dividend for the year amounted to 1,5c a share, compared with a payout of 2,6c in financial 1989.

Per-share values will be diluted in the current year because of the May rights issue which involved the issue of 2,3 million ordinary shares.

The total number of shares in issue will rise from 12 million to 14,3 million.

A feature in the balance sheet is the sharp rise in long-term liabilities from R30 000 to R187 000.

This is repayable in monthly instalments of R7 169, including interest of 21 percent to 23 percent.

Aida, priced at 28c, is trading on a P/E ratio of 6,5 and provides a dividend yield of 5,4 percent.

The thinly traded share is unlikely to provide exciting rewards until the property market enters an upward phase.

COMMENT: Since its listing in 1987, Aida's share price has tested 45c a few times, but has been unable to sustain the higher level.

The current share price of 28c is a support level and a break above 34c will be necessary before further price increases can be expected.

Education crisis 'has hit home'

(32) TANIA LEVY

GRINAKER Construction's R1m education sponsorship, launched yesterday, followed a recent trend of increasing business interest in this area, educationist Jane Hofmeyr said.

The crisis in black education appeared finally to have hit home and 70% of corporate money being spent on social involvement was going towards education, she said.

Education was not a simple field to get involved in, Hofmeyr said. It was more difficult to give away money intelligently than to make it in the first place.

Grinaker, however, had carefully considered its involvement, she said. In addition to its R3,8m a year spent on in-house training, it would spend the R1m on crucial areas of literacy, teacher upgrading and the need to improve maths and science in schools.

Organisations which will benefit are READ, Leaf College, Eshowe Christian Action Group, Soweto's Funda Centre and the SA Institute of Race Relations.

Bester Investments sees no light in housing market

32

6 | D ay 7/9/90

CHARLOTTE MATHEWS

MAINTENANCE of law and order and affordability were the keys to an improvement in the housing market, Bester Investments executive chairman Theunis Bester said in the group's 1990 annual report.

"There are no indications yet of an improvement in the market, and accordingly no improvement in the trading results of the group can be expected during the current financial year," he said.

Bester's activities embrace construction of residential, industrial, commercial and institutional buildings, township and sectional title developments, supply of materials and services to the building industry and provision of life rights housing to the retired.

The group's results for the year to February reflect an attributable loss of R1,3m compared with a loss of R1,1m in 1989.

After an extraordinary item of R1,7m, representing income from the sale of an unlisted investment, earnings amounted to 3,6c (18,1c) a share.

The dividend was passed.

Reasonable

Directors said special efforts were being made for the realisation of surplus assets in order to alleviate pressure on the group's cash flow.

"Although these results are disappointing, they must be considered reasonable in view of the extremely adverse trading conditions and the prevailing high interest rates, which resulted in a total disruption of the group's traditional markets," Bester said.

He expressed concern about political and labour unrest in black townships. Continued unrest threatened private sector involvement in economic and sub-economic housing, he added.

FM 7/9/90 (32) **FOX**

MURRAY & ROBERTS FM 7/9/90

PILLARS HOLD (32)

At the interim stage the market was forecasting a full year's EPS increase of only 15%-20% for the construction, industrial and engineering group Murray & Roberts. That was to underestimate M&R's strength — the figure reported is up by 27%.

Pre-interest income was up by 36% on a 17% rise in turnover. Good results were produced by three of the operating divisions while M&R Suppliers & Services showed only 7% growth and M&R Industrial's earnings contribution declined by 4,1%.

A key feature of M&R's results over the past three years has been the steadily improving operating margin. This time the margin was 7,5% compared with 3,6% in 1987. CE David Brink says the gains stem from reduction in wastage "by doing more things right the first time." A refusal simply to chase turnover has also helped. Brink reckons there is still room for improvement in quality of earnings, and this is addressed in the current three-year plan.

Despite a weakened market and a smaller earnings contribution, M&R Industrial, which kicked in R96,5m (R100,6m), remained the biggest contributor to group operating income. Brink says the 4% decline does not realistically reflect the recession in the division's markets. When results from acquisitions are excluded, the industrial division's contribution slumped by some 25%. Brink hopes the economy will turn upwards next year and that clients will soon stop destocking.

Next best division was construction, whose R94,8m contribution to operating income was 120% up on the previous year. Long-term civil engineering contracts helped to keep trading buoyant. With the N3 toll road contract completed, and the Mossgas project heading for completion, activity on the civil engineering side will taper off this year. The effect should be eased by improved performances from mining contracting activities. Brink says the division's order book looks good for now but he expects the earnings contribution to drop.

The contribution from properties more than doubled to R17,7m. Brink ascribes its performance to its presence in niche markets. The performance should remain solid this year.

Earnings from Suppliers & Services rose by only 7%, with services doing well and the suppliers side taking a hammering. Brink expects a turnaround this year, with construction materials doing better.

The engineering division may also maintain its upward trend. Investment is being considered in a hi-tech aluminium machining facility to machine cylinder heads for the motor industry.

A rise in the effective tax rate to 40,2% (36,4%) took some of the shine off the bottom line. Management expects the rate will keep edging up towards 50%.

The balance sheet remains sound with capital ratios well within self-imposed limits. EPS in the 1991 year will be diluted by the recent conversion of 7,4m compulsory convertible debentures. The share does not look expensive at 2 160c, where the historical p:e ratio is only 4.

Gerhard Slabber

BETTER MARGINS

Year to June 30	1989	1990
Turnover (Rbn)	3,44	4,01
Operating income (Rm)	221	301
Attributable (Rm)	118	154
Earnings (c)	426	542
Dividends (c)	110	132

Concor results show big growth

BDay 7/9/90 (32)

ZILLA EFRAT

CONSTRUCTION group Concor's attributable profits jumped 96% in the year to end-June because of the favourable finalisation of certain large contracts and strong performances from all divisions.

Attributable profits, before extraordinary items, rose to R10,6m (R5,4m) or earnings of 46,4c (23,7c) a share.

A dividend of 10c (4c) a share has been declared, up 150% and covered 4,6 (5,9) times.

The group has shown a steady turnaround since a R9,8m loss in 1986 and its subsequent restructuring in 1987. Earnings grew 80% last year.

Chairman Brian Murphy says the results in the second half of the year were better than originally forecast.

They follow a 34% rise in earnings at the interim stage.

While no figures are provided, turnover rose 18% compared with the previous year's 29% improvement.

Interest paid and finance charges of R1,5m (R1,3m) were countered by a jump in interest received on deposits to R2,6m (R1m).

Pre-tax income soared 166% to R15,4m (R5,8m). But this was eroded by a R5m tax bill leading to a 79% jump in taxed profits to R10,4m (R5,8m).

In the previous year no tax was paid because of assessed losses and tax allowances.

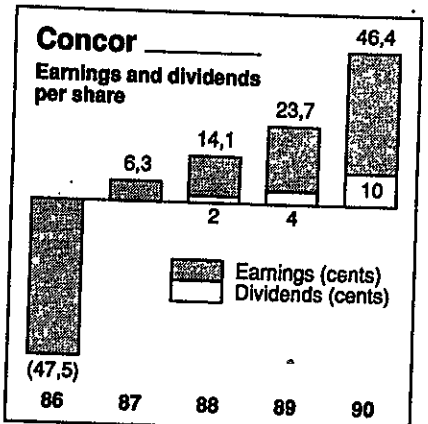
Attributable profits, after an extraordinary item of R785 000 — the surplus on discontinued operations — rose 118% to R11,4m (R5,4m).

With net current assets up from R5m to R18,3m and a current ratio of 1,2:1 (1,0:1), Concor's balance sheet looks healthy. Liquidity has also improved with cash reserves more than doubling to R24m.

By transferring R3,6m to the capital maintenance reserve, the group has for the first time made provision for inflation accounting.

Capex commitments estimated at R1,5m will be financed by the group's resources.

Murphy expects a difficult trading year ahead, but is confident that Concor will maintain earnings at the same level in the current year.



Graphic: FIONA KRISCH Source: CONCOR

Ozz concentrates on consolidation

(32) (123) BD 10/9/90

MARIETTE DU PLESSIS

INDUSTRIAL holding group Ozz expanded its asset base by about R68m during the 1989/90 financial year and expected this year to be one of consolidation, chairman Gary Zulberg said in the annual report.

Reviewing the year to end March, Zulberg said the acquisition of Lucem Industrial Corporation's business operations helped promote earnings growth by 16%, from which a 36% higher dividend was paid.

The deal raised gearing to 94% but a cash flow of R11m, share issues of R10m and the sale of certain non-core businesses enabled the ratio to be dropped to 68% after the year end.

Ozz's core operations, consisting of foundries, engineering works, construction and property development and investment undertakings, produced 74% of operating income. Non-core activities are made up of gas production and supply, brick manufacturing and divisions sold.

Ozz proposed to consolidate its existing shares on a one-for-four basis to facilitate trading on the JSE. If approved, the consolidation would take place from the close of business on October 5 to listing on October 8.

The practical effect, based on Ozz's current listed price of about 40c, would be to value the new consolidated share at about 160c.

The effect on key results, based on the latest financial year to end March 1990, would be net asset value, earnings and dividend a share of 288,4c, 38c and 13,6c respectively. Ozz shares at their current level yield 24% on earnings and 9% on dividend, compared with actuaries index averages of 11% and 3% respectively for the industrial holdings sector.

COMPANIES

Grinaker declares dividend increase of 27% to 38c a share

B 10 m 11/9/90

ZILLA EFRAT

CONSTRUCTION and electronics group Grinaker Holdings has posted a 46% rise in attributable earnings for the year to end-June despite difficult trading conditions and a weakening economy.

Attributable profits were R50,3m (R34,5m). Earnings improved 35% to 143,9c (106,8c) a share on an 8% rise in the number of issued shares. A dividend of 38c (30c) a share has been declared, up 27% and covered 3,8 times.

The results, which follow a 63% rise at the interim stage, reflect strong performances from the group's operating subsidiaries Grinaker Construction and Grintek.

Grinaker Construction contributed 29% (30%) to group earnings, with the balance coming from Grintek and its subsidiaries Grinaker Electronics and Siltek. Grintek recently announced a 37% rise on pro-forma earnings in the year to end-June.

32

Taxed

Siltek's results, which for the first time included M & PD Electronics and HiPerformance Systems (formerly Hewlett-Packard SA), improved 73%.

Grinaker Holdings' turnover soared 59% to R1,9bn (R1,2bn) and operating profit rose 63% to R126,3m (R77,6m). While income from investments rose 94% to R26,8m (R13,9m), the interest bill jumped to R20,4m (R7,2m).

On a lower tax rate of 37% (42,9%), taxed profits increased 74% to R83,6m (R48,2m). After a 56% fall in the share of associated company's earnings to R2m and a 93% rise in outside shareholders' interests to R35,4m, profits for the year were 46% higher.

The current ratio rose to 1,4:1 (1,2:1) and debt:equity improved to 9% (25%). The group was in a net lending position for most of the year with interest earned exceeding interest paid by R5,3m.

The group's major subsidiaries have budgeted for improved earnings in the current year.

BUSINESS

Building sector results 'may reflect expired contracts'

32

BDay 13/9/90

CHARLOTTE MATHEWS

GOOD results released by some of the major companies in the building and construction field might have left shareholders smiling and outsiders puzzled.

After all, the economy is supposed to be moving somewhere between a soft and a hard landing, economists say.

But Murray & Roberts pushed up earnings by 27% to 542c (426c) a share in the year to June. Construction arm Genrec, which is 82,14% held by M & R, doubled earnings a share to 189c (95c) and directors forecast further improvements in 1991, although not at the same pace.

Concor came near to doubling earnings to 46,4c (23,7c) a share.

Basil Read increased its earnings by 11% to 96,1c (86,7c) a share and its dividend by 20% to 30c (25c) a share. In the year to March, LTA turned in earnings of 86c (36c) a share and paid its first dividend for six years.

Grinaker Holdings, 29% of whose earnings are from construction, improved earnings by 35% to 143,7c (106,8c) a share and directors said subsidiaries were budgeting for improved earnings in 1991.

According to one analyst, these results could reflect contracts which had now expired.

"It is a historical picture," he said.

Building Industries Federation of SA (Bifsa) economist Charles Martin said the building cycle normally lagged behind the business cycle by six to nine months.

"Companies that are in non-residential construction have seen quite satisfactory activity until the beginning of the year. The market started to move down after June."

Economists said a distinction had to be drawn between companies which were mainly engaged in civil engineering and those whose activity was more heavily weighted in residential building.

"The civil engineering side will have a problem because government is not putting money into big projects, except for social upliftment projects," the analyst said.

"On these the money is sometimes slow to come through and the margins can be quite slim.

"Companies such as LTA benefit from large contracts such as Sua Pan and Stocks & Stocks from Babelegi and extensions to Sun City."

A Bureau for Economic Research (BER) spokesman said the residential property market was vulnerable to prolonged high interest rates.

However, the bureau was projecting a decrease in prime to about 16% by the end of 1991.

Central Statistical Service (CSS) figures for building plans passed in the first six months of the year showed a 20,4% increase over the same period in 1989. Buildings completed rose by 14,5% in the six months to June 1990.

Lifting the Group Areas Act – the pros and cons

Star 13/9/90 (32)

The Group Areas Act has artificially raised residential property prices in so-called grey areas. Municipal Reporter LOUISE BURGERS reports on the effects of scrapping the Act in Johannesburg.

The removal of the Group Areas Act will normalise conditions in the residential property market and initially result in a slight rise in house prices as the demand increases, property experts believe.

Estate agents expect a growth in the home-building industry, but warn of a decrease in flat rentals and overcrowding — leading to slum conditions — if sub-letting occurred.

Property economists Erwin Rode and Antoinette Rode recently published a report based on trends in the US, Zimbabwe and Namibia in which they set out the scenario for South Africa when the Group Areas Act is scrapped.

They concluded that:

- An "invasion" by people of colour in traditional white areas would initially have a negative effect on the residential environment and prices. The situation would stabilise depending on the socio-economic class that inhabited the area.
- Whites would tolerate invasion by other racial groups up to a point, then major white flight would occur.
- The higher socio-economic areas would be least affected by the invasion process, as the incidence of people of colour buying in such areas would be small and widely dispersed.
- The areas most susceptible to invasion were those close to the metropolitan core, such as high-density areas already prone to urban decay, and where most accommodation was rented.

"Present grey areas such as Hillbrow will start expanding. Thereafter the whole greying process accelerates and there is the danger of high-density areas such as Hillbrow and the Johannesburg CBD turning into slums," Mr Rode said.

The director of the Centre for Policy Studies at the University of the Witwatersrand, Professor Lawrence Schlemmer, said the lifting of the Group Areas Act would result in a chain effect.

"Black people will buy in areas where they feel comfortable and which have already

Professor Schlemmer

become established, such as Kelvin, Houghton, Yeoville, Observatory and Bez Valley.

"Overpriced areas such as Melville and Norwood will remain the least affected by integration and become a white refuge."

Professor Schlemmer believes that where there was sub-letting, there could be a decrease in house and flat rentals.

Overcrowding occurred when landlords sub-let to make a profit instead of upgrading the property, he said. This was likely to occur in areas such as Bertrams, Judiths Paarl and Jeppe.

Mr Rode said the home-building industry would experience a slight boost around the metropolitan cores, as people of colour would be moved in and displaced the whites who, in turn, would move to the fringes, such as Midrand, in a fanning-out process.

National Association of Home Builders executive director Johan Grotsius agrees that the removal of the Group Areas Act and the creation of free settlement areas would encourage growth in the industry.

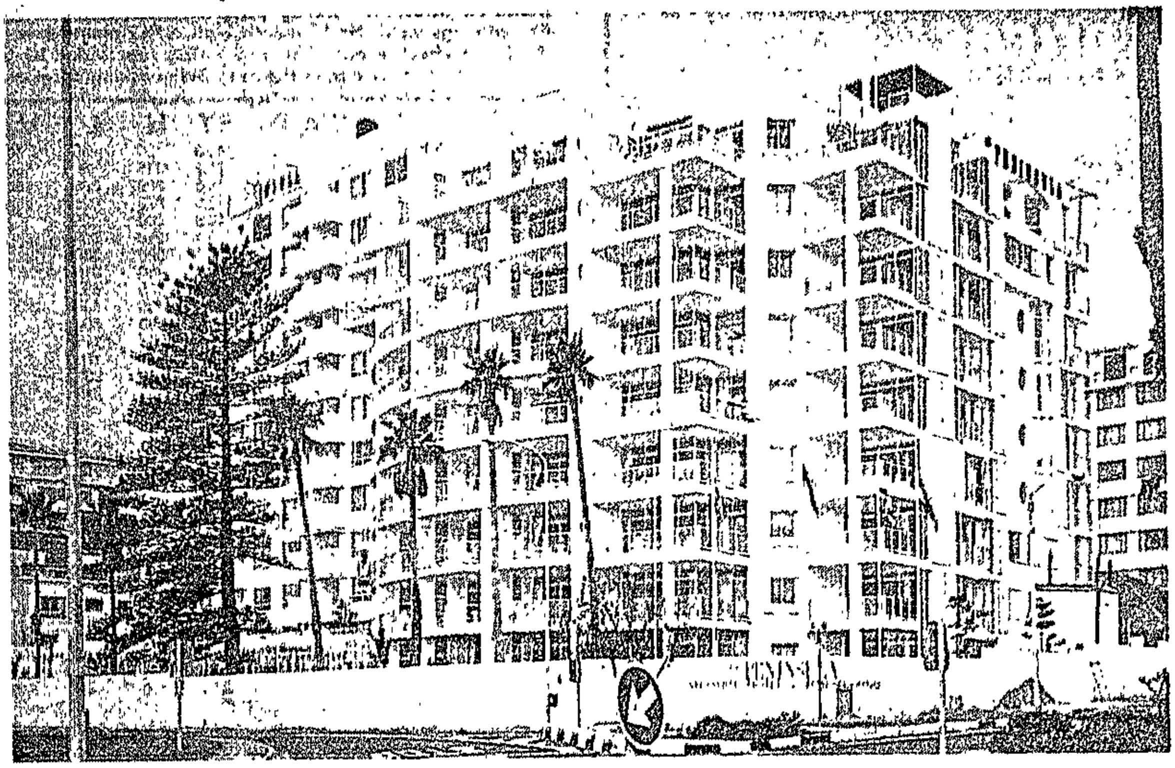
"The removal of the restrictions of the Group Areas Act will stimulate the industry, as there will be a free choice of developing areas. The scrapping of the Act will cut red tape in selecting land."

J H Isaacs executive chairman Les Weil said the scrapping of the Act would normalise the property market as there would be a greater spread of the demand for houses.

"But the scrapping of the Act will not have a major effect on the increase of house prices, given the state of the economy and bond rates," he said.

Aida Geffen, chairman and managing director of Aida Holdings, pointed out that the wealth of the black man had to improve so that more people could own houses.

"The affordability factor is very important. The average black person can only afford houses worth about R30 000 and there are no houses for under R60 000 going in white areas. The average sale price of a house is R113 000."



(32) Star 13/9/90

The Peninsula — Sea Point's newest timeshare and hotel facility.

Transvaal stake in Cape development

By Frank Jeans

Big business from the Transvaal has taken a stride into Cape property development with the opening of the R50 million Peninsula All-Suite Hotel on the seafront at Sea Point.

Opened by Dr Dawie de Villiers, Minister of Mineral and Energy Affairs, who termed it "the most expensive luxury accommodation project to date in Cape Town," the hotel and timeshare operation has already topped timeshare sales with a total value of R20 million.

The new resort, which was converted from the Albinor apartment block, has 110 suites, pool terrace, health centre, pool and conference facilities.

The Peninsula development is by a Transvaal consortium.

Alan Schlesinger, group operations director of W A Investment Corporation, which has a 24 percent stake, says: "Until now, Sea Point front development has been the preserve of Cape financiers and institutions.

"While we are not long-term property investors as a rule, the prospect of involvement in a prime Sea Point development with a strong entrepreneurial flavour, was an opportunity not to be missed."

Referring to a survey on the Cape as an international holiday destination, Dr de Villiers, said a survey showed that the number of foreign visitors to the Western Cape rose by 24 percent in 1989 to 263 000 and there was a 20 percent rise in domestic holiday makers to 600 000.

"Of the foreign visitors, 53 percent stayed with relatives and friends, while 25 percent booked into hotels and 12 percent in timeshare and other resorts.

"The remaining 10 percent used holiday apartments or went camping and caravanning.

"These figures show that the hotel and timeshare industries have scope to improve their share of the holiday business."

FM 14/9/90 (32)

GRINAKER HOLDINGS (32)

FIRING ALL ROUND

Construction companies tend to lag the economy, being among the last to turn down in a recession. Even so, Anglovaal Industries' Grinaker Holdings has put in some very good results in what were undeniably difficult trading conditions. In two years the group has more than doubled both turnover and earnings. FM 14/9/90

The two sides of the business — Grinaker Construction and the electronics arm Grintek — contributed equally to the good performance, both seeing a 46% rise in attributable earnings.

During the year, the issued shares were raised by 8% (as a result of the Mooi River Textiles deal in November 1989) and EPS ... rate of 35%. The

total group earnings, with the balance from Grintek and its subsidiaries Grinaker Electronics and Siltek.

At interim stage, only the property development and housing divisions of Grinaker Construction and Elex Electronics were showing disappointing performances.

"We will be reducing our activity in the housing section over the next few years," says MD Jack Saulez. "The property development side has seen some write-offs of holding costs, but we still have the assets which will be recovered at some stage."

The full year's pace was slower than in the first six months when turnover was up 58% and attributable earnings were 63% higher. "Rather than a downturn in the second half, this can be attributed to a lessening of the previously seasonal nature of Grinaker Electronics," says Saulez. "Whereas the company used to see lower performance in the first half and higher in the second half, this is no longer the case. So we are comparing a year of smoother earnings against one with fluctuations."

Grinaker Electronics has also expanded its number of business units. These results include Grinaker Avitronics and Grinaker Informatics for a full year for the first time, as well as Grinaker Satellite Systems, which should also boost next year's results. The division is becoming less susceptible to economic downturns while also raising exports.

Siltek acquired the outstanding balance of M&PD Electronics shares, as well as HiPerformance Systems (formerly Hewlett-Packard) during the 1990 year. These contributions are included for the first time in the earnings of Siltek, which rose by 73% (see below). Siltek now offers a near complete range of services in information technology with its investments in all the major sectors of the computer industry.

Saulez expects business conditions to remain difficult this year. "The downturn is there, but each of our divisions is budgeting for increased earnings in the 1991 year." He declines to put a figure on the extent of the increase expected, but clearly the group's growth is slowing down. *Gillian Findlay*

FM 14/9/90 (32)

QUANTUM

BETTER QUALITY WORK

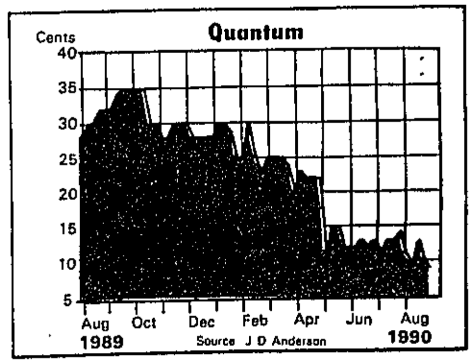
FM 14/9/90 (32)

Activities: *Construction and property development.*
Control: *Directors 29,5%.*
Chairman: *D Meyer; MD: C A Otto.*
Capital structure: *44,7m ords. Market capitalisation: R4,03m.*
Share market: *Price: 9c. Yields: 80% on earnings; p:e ratio, 12. 12-month high, 36c; low, 9c. Trading volume last quarter, 1,04m shares.*

Year to Mar 31	**'88**	**'89**	**'90**
ST debt (Rm)	5,3	19,2	11,9
LT debt (Rm)	5,9	9,2	6,1
Debt:equity ratio	0,90	3,1	2,0
Shareholders' interest	0,28	0,15	0,21
Int & leasing cover	0,67	—	1,4
Return on cap (%)	15,4	—	21,5
Turnover Index 1987=100	292	471	311
Pre-int profit (Rm)	6,9	(3,5)	9,4
Pre-int margin (%)	—	—	—
Earnings (c)	13,4	(7,0)	7,2
Dividends (c)	5	—	—
Net worth (c)	28,6	20,7	20,1

While most big construction groups were cutting back their activities in the black housing sector, DCM-listed Quantum produced a R12,8m turnaround at trading level, after the previous year's R3,5m operating loss.

MD Chris Otto ascribes the improvement to a policy of avoiding collateral schemes, whereby the builder stands surety for the homebuyer. After finding these schemes a costly way of boosting sales, the group now



prefers to accept more moderate turnover growth but at lower risk.

The bigger problem in the sector was, however, the collapse some months ago of the market for subsidised, first-time buyers. Otto says only 5% of Quantum's home building activity was in this segment. He maintains the group reduces risk by, building houses over a wide price range, from R8 500 to R100 000.

Quantum's earnings do not depend only on home building. Property development and project management activities, both carrying higher margins, helped the turnaround.

Otto welcomes the forthcoming reinstatement of subsidies for first-time home buyers. Renewed activity in this sector could help, but is unlikely to offset the effects of township unrest. In recent weeks, the group was barely able to attain building activity at 50% of its capacity.

At March 31, the balance sheet was groaning under a 2,0 debt:equity ratio. Since then, a plan for a R4m rights issue of convertible prefs was announced. Had the issue been held before year-end, gearing would have been reduced to about 1,1.

Otto remains cautious on the market outlook, though he is confident management problems that caused the loss have been resolved. Investors remain guarded — the share trades at an all-time low of 9c.

Gerhard Slabber

Recession has bared its fangs

(32) Star 15/9/90

Money Matters

MAGNUS HEYSTEK

WHEN one of the country's leading estate agents says the property market has dropped dramatically — especially in the supposed recession-proof upper market — then one should know that the recession has well and truly taken grip on all sectors on the economy.

For months now estate agents have been putting on a brave face, trying to drum up support (and hopefully prices) for the residential property market, but to no avail.

According to Aida Geffen, head of JSE-listed Aida Holdings, property prices have dropped dramatically in the upper end of the market.

"House-owners who try to sell their properties for more than they are worth are not finding many takers under current market conditions," she says.

Ms Geffen says there have been numerous cases in which sellers have settled for offers that were far lower than some earlier ones they had refused.

"Many sellers don't seem to realise that the housing market is depressed at the moment because of political factors and high interest rates.

"We have even seen prices drop dramatically at the top end of the market where they are in excess of R1 million.

"A case in point is a house placed on the market for R3 million six weeks ago.

"The owners refused an offer of R2,4 million and now they can't get anything better than R1,5 million.

"Statistics indicate that the boom in the residential property market is over," she says.

Even predictions about the effect of the imminent demise of the Group Areas Act (GAA) fails to entice potential sellers into the market anymore.

Only last week a leading estate agent sent out a press release predicting sharp rises in residential property prices when the GAA went.

Words like "rocket", "soar" and "boom" sprinkled the release.

For too long has the buying public being hearing these predictions.

In reality, with the exception of certain areas like Mayfair, for instance, the possibility of racially integrated areas has probably depressed property prices.

White flight, a phrase coined by property economist Erwin Rode in Cape Town, is having a far greater effect on property prices than most estate agents would like to admit.

Ask anybody who bought a flat (or a block of flats) in Joubert Park, Hillbrow and certain parts of Berea. In some cases prices have dropped by half and more.

What must be confusing for property owners is that while the market is "talked up" by certain agents, they are exhorted to accept realistic prices by others.

Property owners must also be distressed by the fact that house prices are rising at a slower rate than the interest rate they are paying on their bonds.

Most institutions are asking for anything from 20,75 to 21,75 percent on outstanding mortgages.

Property prices, on the other hand, are rising at a much slower rate.

Even the most optimistic property economist does not expect residential prices to rise by more than 15 percent this year.

Others reckon the market will be fortunate to rise by an average of 12 percent this year.

For the time being it looks as though much of the froth in the residential property market has been blown away by the icy winds of a recession, a weak stock market and social unrest.

These factors don't create the right environment for prices to spurt.

But investment in the property market should not be approached with a short-term attitude.

While the market is no doubt affected negatively by the above-mentioned factors, there are groundswell factors building up which will soon have a positive effect on prices.

These include a reduction in the prime overdraft rate in the next few weeks, a steady inflow of immigrants, the new concession to immigrants that effectively provide them with R480 000, via the financial rand to invest in a house, and ever-rising building costs.

Taking a slightly longer-term view, there is no doubt in my mind that dropping of sanctions, the restoration of normal trade channels with the rest of the world and a slightly higher economic growth rate will lead to better property prices.

Any weakness in the market, in my view, should be used as a buying opportunity.

Sometime over the next nine to twelve months the property market will have reached the bottom of the downswing.

Shrewd investors who know this will take full advantage and score handsomely when prices start soaring again.

Basil Read disagrees with gloomy forecasts

ACHMED KARIEM

CONSTRUCTION group Basil Read predicts a decade of intense development related to the urbanisation process, chairman Leon Dison says in the annual report.

He said the group's view differed from the pessimistic official forecasts for the building and construction industries. (32)

"Similar urbanisation and development programmes will be taking place simultaneously in our neighbouring states," he said. And the task of building new cities would ensure a constant and increasing workload. B/D'y 17/9/90

Dison said Basil Read constantly sought opportunities to become less reliant on fluctuations in public works spending.

Rabie reports substantial drop in bottom-line profit

S/DM 17/9/90

EDWIN UNDERWOOD

RABIE Investment Holdings, the national housing developers, have reported a bottom-line profit of R4m, down 35% from last year's final results of R6m.

Earnings a share fell by 40% to 20,8c (34,9c) and the directors have decided not to declare a dividend as they wish to conserve working capital.

Chairman John Rabie said the company had been hard hit by high interest rates, township upheavals and inconsistency in the state's administration of subsidies for first-time buyers, which wreaked havoc in the residential development industry.

Rabie said difficult trading conditions frustrated efforts to conclude sales at a satisfactory tempo.

Nevertheless turnover for the year rose by 34% on an index basis.

The value of fixed assets plummeted by 85% to R2m (R14m) — a result of last year's merger when certain assets and liabilities were merged into Kwikspace Holdings, resulting in new investments on the group's books of R13m.

Cash reserves fell by 85% to R1m (R8m).

Rabie said this was a result of the difficult conditions faced by the group.

He said there was a meaningful contribution to earnings from the prebuilt accommodation business of Kwikspace Holdings, of which Rabie holds 40%.

Rabie anticipated another sound contribution to earnings from Kwikspace, which includes the CI Homes, Zozo, Ready Built and Prebuilt Products business.

"However, current conditions make forecasting difficult, particularly in the housing market," he said.

"A stable and peaceful environment will lay the foundation for growth flowing from an anticipated strong demand for housing.

"Our Future Homes range is expected to appeal to many of the 120 000 people to be housed through the Loan Guarantee Initiative over the next three years.

"And the lifting of the Group Areas Act, especially in Johannesburg and Cape Town, will open new markets for us," he said.

tablished in 1987 to serve the meat, cold storage and general food industries.

sible for a number of projects in southern Africa. The first — and largest —

In addition, a R20m warehouse contract is underway in Boksburg for

where they can develop as virtually unchallenged specialists."

A steady growth as the years roll on

B/Day 18/9/90

(32)

OVER the years, the Grinaker group has played a significant role in developing the infrastructure of southern Africa.

The company started as a small family business in 1934. Until the late '50s, its main area of operation was civil engineering construction and the design of steel reinforcement for use in the building and civil engineering industries.

In due course, however, it entered the field of precast concrete manufacture and concrete railway sleepers.

Thereafter, a programme of diversification was established.

During the '60s it went into the piling business, shortly followed by shaft sinking, tunnelling, quarrying and mechanical engineering.

Grinaker Construction was formed in 1970, when the structure of the group was reorganised.

At that time, the design and project management business units were grouped to form Grinaker Projects.

The group entered the building industry in a big way in the early '80s, when Grinaker Construction went public and established independent regional branches.

During the past few years the building division — which comprises Grinaker Projects, Grinaker Projects Natal, Grinaker Projects Cape, Dura Construction, Grinaker Building Company and Grinaker Building Natal — has made a significant contribution to the overall performance of the group.

Grinaker Construction MD Peter Lait says: "It has developed a reputation for negotiating and obtaining substantial volumes of work, which it completes on time and within budget.

"Integrity and professionalism ensure its status as a major contributor to the success of the group."

Construction group in major drive into low-income housing


Mike Fullard, managing director, Stocks Housing.

Construction group Stocks & Stocks is making a strong advance into housing and plans a R150 million programme in the next year, with 75 percent of the cash injection earmarked for low-income homes.

Reg Edwards, executive chairman of S&S, says: "We see next year as being particularly strong for housing, for in spite of township unrest there remains strong demand for the affordable home."

While Stocks & Stocks is generally seen as a major in the heavy building scene, Mr Edwards points out that Stocks Housing is providing homes at a rate of about 7 000 a year, priced

Property & Construction

FRANK JEANS

from R15 000 to R250 000.

Of the 20 operating companies in the Stocks stable, the housing division was second to the top profit-earner — general building.

A big contract just begun by Stocks Housing is the R12 million, 150-unit project for Sasol at Secunda.

Mike Fullard, managing director of Stocks Housing, says: "Recent uncertainty in some parts of the mass housing market has received negative Press comment.

"This has detracted attention from the underlying realities. The market has moved irreversibly towards high-volume housing delivery.

"We will be adding to our manning levels. Currently, about 4 000 personnel are working on 22 projects around the country."

The growing challenge in housing can also be guaged from the latest forecast from the Institute for Futures Research which sees the quickening pace of urbanisation as attracting nearly one million new city dwellers a year for the next 20 years.

NBS sees upturn in home building

All the signs are pointing to a recovery in the home-building industry and a generally more buoyant residential property market next year.

Predicting better times ahead on the back of a drop in interest rates, Brian Short, public affairs general manager of the Natal Building Society, says:

"Already we see that the trend of residential building plans passed, which has been downward for more than a year, has flattened out and is showing signs of edging upwards.

"Bearing in mind the lag between plans passed and their translation into actual building activity, a recovery can be expected next year."

Commenting on the results of a survey from the NBS's consultant economists, Econometrix, Mr Short says the existing low level of new buildings has meant that a significant shortage of residential accommodation has arisen in many areas, both black and white.

"This is bound to put upward pressure on rentals in the coming year — boosting residential property prices somewhat and bringing them more into line with the cost of building a new home.

"Once the gap between the cost of building a new home narrows to around 20 percent more than for an existing home, compared with the current 35-40 percent differential, the motivation to resume building will have a positive effect.

"Such a scenario, coinciding with a possible fall in interest rates next year, could see a buoyant residential property market towards the end of 1991."

Not only is the demand for home loans likely to increase next year but the March 1991 introduction of a rumoured low withholding tax on the interest earned on savings deposits with building societies could significantly boost the inflow of retail funds.

 (32)

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Property & Construction

FRANK JEANS

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Star 19/9/90

Builders seek cut in interest rate

By Michael Chester

The Government was urged yesterday to reduce interest rates as a first move in trying to halt the growing wave of retrenchments in the building industry.

The appeal followed warnings by National Education Minister Gene Louw that the number of job losses in the industry threatened to soar to 165 000 by the end of next year unless the economy pulled out of recession.

Mr Louw revealed the shock estimates in his address to the Boland Master Builders Union at the weekend and underlined the vital role of training and productivity in improving the longer-term outlook.

The new appeal for Government action on interest rates came from one of the leaders of the property sector, Camdon's Nationwide managing director Scott McRae, who blamed high rates for much of the job devastation.

He said 2 200 construction workers had been axed in the past four months, according to an official count by Central Statistical Services, and 15 000 more jobs were expected to be affected in the next three months as the situation worsened.

"Bringing down interest rates is the single most positive step the Government should take," Mr McRae said.

"There is enormous pressure to provide housing for all levels of our society. We should be facing a building boom — not the prospect of almost half the building labour force losing their jobs.

"Builders and developers already work on water-thin margins. Their input costs are kept high by interest rates.

"It is now cheaper to buy an existing house than to build a new one.

"Homebuyers, already strapped by high interest rates, are doing just that."

The appeal by the property sector adds to pressure on the Reserve Bank by the South African Chamber of Business to start a gradual reduction in interest rates by the year-end at the latest to avert an even steeper economic downswing.

Questions that pop up time and again

Money Matters

MAGNUS HEYSTEK

I'VE been writing this column for more than two years and during this time I must have answered hundreds of questions, either in the Reader's Queries column, over the telephone or in private.

I decided to go through some of these letters to try and determine which questions are most often asked. Occasionally advice given two years ago is no longer applicable today. Much can depend on the state of the equity market, etc.

So here are some of the questions most frequently asked:

What is the best investment?

The answer to this depends on a number of factors, but more importantly, on the personality of the questioner. Some people can stand the volatility of the stock market while others cannot. It serves no purpose to advise someone to invest money in the stock market if they are going to have heart failure every time the market collapses.

While equities have been the best performing investment during the Eighties, with an average compound growth of 27 percent (the JSE all share index), it might not have suited some people. It could have made them unhappy, anxious and restless. For people like that one has to recommend more assured investments like endowment policies, retirement annuity policies, property and even fixed-deposits.

What are unit trusts?

Despite the fact that unit trusts have become very popular as a means of investment, many people still don't understand what unit trusts are.

A unit trust is an indirect investment in the stock market via a management company. The industry is strictly controlled by the law which prescribes to the management company how they must invest unit-holders' money.

While unit trusts have been excellent performers during the last 15 years, one has to bear in mind that the returns are not guaranteed and that it is an investment with a fairly high degree of risk.

Star 22/9/90 32

Which unit trusts are best?

It depends which period one takes to make the comparision. In the 10 years to end-December 1989 Old Mutual's Investors' fund, its general equity fund, had an average rate of return of 27,16 percent (with dividends reinvested) and Guardbank came hot on its heels with an average growth of 26,52 percent.

Over a five-year period they were also the best performers with Old Mutual recording an average growth of 33,70 percent and Guardbank 28,61 percent.

While these two funds have consistently outperformed all the other funds, once again there is no guarantee that this will continue in the future. Past performance, however, is the best guide one has to future performance.

Is property a good investment?

This question, admittedly, is a difficult one to answer. Residential property prices have not kept pace with inflation, despite what many people have been led to believe.

According to national figures, the price of an average residence has grown at an average rate of around 11 percent compared with an average rate of inflation of 14,7 percent for the last 10 years.

So why does an investment in property remain one of the best one can make? It's called gearing, a mechanism which allows you to borrow money from someone else (quite often at favourable rates of interest) and invest it in something that appreciates in value over time. The capital growth on this asset belongs to you in total.

If this is taken into consideration, it changes the picture completely. Property still remains the cornerstone for everyone's personal financial wealth plan.

It's such a pity that so many millions of people have been excluded from this opportunity over the last 40 or so years. A large and wealthy black-middle class would have made an enormous difference in the ideological battle between capitalism and socialism currently raging in our townships.

Marginal and average rates of taxation?

Many people seem to be confused by these terms but they are really quite simple.

The average rate of tax is the average of all tax a person pays after deductions have been taken into consideration. For instance, a married person with a taxable income of say R40 000 per annum in the current tax year will pay R7 400 in tax, equivalent to an average rate of 18,5 percent.

Marginal tax refers to the rate of tax earned on every EXTRA rand earned. Take again the example of the married person earning R40 000. Here the marginal rate of tax is 36 percent. This means that should the person somehow earn an extra R1 000, the marginal rate of tax would be 36 percent, or R360 in extra tax.

Currently the maximum marginal rate of tax is 44 percent on a taxable income of R80 000 per annum or higher. On R80 000 the average rate of tax is 29,6 percent, rising to 38,2 percent on a taxable income of R200 000.

Group 5 sets up company

32

S.Times 23/9/90

Business Times Reporter

GROUP FIVE has set up Group Five METS to offer a wide range of services to the engineering industry.

It will specialise in project and construction management, engineering and design and will operate from new premises in Spartan, near Jan Smuts Airport.

Group Five METS will operate independently of other companies in the group but will collaborate with them on specific projects.

Identity

Group Five installed two large phosphate plants at Foskor, a magnetite beneficiation plant for Rhovan, a demineralisation plant at Mossel Bay and carried out engineering and process feasibility and design studies.

Managing director Ben Nel says: "It is time to assert ourselves in the market where we have proved our capabilities. We need to establish our own identity and build our own client base."

PROPERTY

Rise in value of building plans

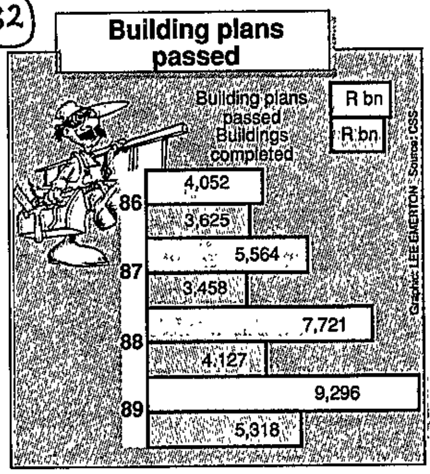
THE value of building plans passed in 1989 (32) was R9,3bn compared with R7,7bn in actual figures in 1988 — a growth of around 21%, Central Statistical Service (CSS) figures showed. B/Day 26/9/90

However, the CSS warned that no comparisons should be drawn between the figures because plans could be cancelled after being passed, or re-submitted. There was also a time lag between the date of passing a plan and completing a building.

Values of R5,6bn were recorded in 1987 and R4bn in 1986.

Residential building plans passed accounted for R3,9bn of the total in 1989. Office, shopping and industrial space amounted to R2,8bn and additions and alterations to R2,5bn.

Residential buildings accounted for R2,7bn of work completed in 1989 and office, shopping industrial, and warehouse space accounted for R1,3bn. Additions and alterations comprised R1,3bn of the total.



The value of buildings completed in 1989 rose by 29% to R5,3bn from R4,1bn.

Bleak outlook for engineering industry

Bday 27/9/90 (18) (32)

EDWIN UNDERWOOD

THE outlook for the SA civil egineering contracting industry, wich has experienced a tough two yars, looks ever bleaker in the fac of recent cuts in public spending.

SA Federation of Civil Engineering Contractors (Safcec) director Kees Lagaay said in the Safcec annual report for the year to end-June that the state's recent Budget allocation had not been very exciting and was expected to be cut even further, in real terms, next year.

"In mid-1989, order books were quite well filled but the recent cancellation of state contracts to the value of about R30m had a substantial psychological effect on the industry, and further cuts in the Budget, increased fuel prices and recently introduced bridging finance are expected to have a negative effect on the industry," he said.

Although some major companies had shown gratifying results over the past two years — as had some of the smaller companies — overall costs of construction had risen by 15% during the past 12 months.

This, Lagaay noted, had resulted in a lack of larger contracts, causing the bigger operators to tender for work which would normally be below their range. Smaller contractors, who specialised in this field, were suffering from a shortage of work.

The total value of work done during the 12-month period to the end of June 1990 — provisionally estimated at R4,7bn — was 10% lower in real terms against last year's figure.

However, Lagaay said although the economy declined during 1989, the civil engineering contracting industry grew to just over R4,7bn — or 2,15% of SA's gross domestic expenditure.

Chubb is facing another tough year

Diagonal Street

8tar 24/9/90 (32)

LYNNE PEACH

Chubb's performance came under pressure in the past year to March and with the worsening economic climate and continued high interest rates, there seems little chance that this year's results will not be subdued.

In the latest annual report, chairman Dirk Ackerman comments that further declines in the building industry will negatively affect group activites tied to this industry.

Nonetheless, he says the new financial year has been entered with reasonable order books and, despite the economic situation, he is confident of satisfactory financial performance.

Chubb Holdings is a financial investment holding company whose activities are totally concerned with the manufacture, distribution and servicing of security products.

The product package incorporates physical, electronic and fire security. The Electronics Security Division accounts for approximately 36 percent of group trading profit, the Fire Security Division contributes about 33 percent and the Physical Security Division the remaining 31 percent.

In the year to March, group turnover climbed 18 percent from R121,6 million to R143,6 million. All divisions contributed to this increase, especially the Fire Security Division with its sales increase of 33 percent.

Trading profit, however, fell 14 percent from R15,8 million to R13,5 million. This is attributable to a decline in the margins of all divisions due to competition, low demand from the building industry and the effect of product obsolescence in the Electronics Division due to technological changes.

Interest expense increased signficantly from R1,5 million to R3,7 million.

Mr Ackerman attributes this to high interest rates, an increase in borrowings to finance capital expenditure and increased working capital levels.

The outcome was a 31 percent slide in pre-tax profit from R14,3 million to R9,9 million.

After a marginal increase in the effective tax rate from 44,8 percent to 45,2 percent, attributable profit showed a decline of 31,5 percent from R7,9 million to R5,4 million.

Based on an increased number of shares in issue, earnings per share fell 32 percent from 145,5c to 98,6c.

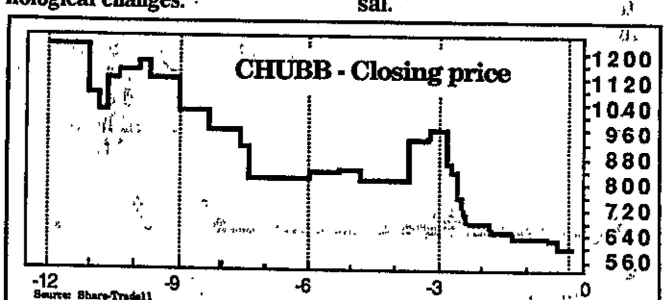
The dividend for the year amounted to 25c a share, 40 percent below the previous year's payout of 42c.

The strength of the balance sheet deteriorated with total borrowings more than doubling from R11,8 million a year ago to R23,4 million.

Chubb, priced at 590c, is trading on a price:earnings ratio of 6,1 and provides a dividend yield of 4,2 percent.

The current recession and the unlikelihood of any signficant decline in interest rates in the medium term creates doubt as to whether the share is worth holding.

COMMENT: Chubb's share price has been in a downward trend since the last quarter of 1989 when its reached R12,50.Only if the price rises above 650c will there be hope of a trend reversal.



Sept. '90

Star (32)

The Star
Finance

Builders fear VAT will drive up costs

The building industry views the value added tax system with grave concern not only from the point of view of rising costs but also its effect on the vital sectors of the industry, particularly lower income housing.

An editorial in the latest issue of the industry's journal, SA Builder, says: "Our products will become more costly as the direct result of VAT and initial estimates reflect an increase of seven to eight percent.

"The recovery of resultant increased administrative costs will further add to the inflationary construction spiral as these costs cannot just be absorbed in an industry that operates with the slenderest of margins."

SA Builder is also critical of the administrative burden of recording and making returns so as to meet "ideological legislative requirements" which it sees as having added absolutely no intrinsic value to the industry's products.

"We face this new assault with grave concern," it says.

Informal sector

The journal expresses serious doubt in regard to the tax collection from the informal sector, which is "already heavily subsidised by an over-regulated formal sector.

"If one examines the application of VAT in other countries, one finds that its imposition has been treated with intelligence in regard to sensitive areas of the economy.

"No real consultation preceded the VAT draft legislation nor was there any meaningful research into the effect on the industry and on the consumer."

Viewing the "utterances of Ministers regarding their commitment to deregulation" with cynicism, the journal believes it will be tragic if the vision, courage and determination of the State President in creating a new South Africa is destroyed by an economy rendered impotent through the "seeming disin terest of his lieutenants".

Fall in Ilco Homes bottom line

CHARLOTTE MATHEWS

HIGH interest rates and reduced consumer spending have brought mass housing construction company Ilco Homes' bottom line for the year to June down to less than a third of its 1989 level.

(32)

Attributable earnings dropped to R2,6m from R9m. On earnings of 8,5c (29c) a share the directors maintained the dividend at 7,5c, unchanged from 1989.

CE Adrian Demmers said two major projects had to be abandoned during the year because of decisions taken by local authorities "due to outdated housing policies and increased red tape in property development".

Profits were also reduced by a net interest payment bill of R1,9m compared with an interest income of R1,8m in 1989.

Current liabilities on the balance sheet rose to R21,6m from R18,2m and most of this increase was in interest bearing debt.

The company does not pay tax because it has contingent development expenditure allowances.

B/Day 28/9/90

Demmers said forecasting was difficult in prevailing circumstances.

He believed a major solution to current political instability was mass housing.

The company has started a 5 500 home development aimed at middle and lower income groups.

It is also trying to get a development in the PWV approved which, if successful, will house 250 000 people.

On a current share price of 95c, Ilco's dividend yield on the latest dividend announcement is 7,9% compared with a sector average of 7,5%.

FM 28|9|90 (32)

BESTER FM 28|9|90 (32)

GROANING UNDER DEBT

Activities: *Building contracting, property and township development and investment.*
Control: *Bester family 70%.*
Chairman: *T Bester.*
Capital structure: *12m ords. Market capitalisation: R15,6m.*
Share market: *Price: 120c. 12-month high, 180c; low, 100c. Trading volume last quarter, 47 500 shares.*

Year to Feb 28	'87	'88	'89	'90
ST debt (Rm)	118,2	137,5	132,5	139,9
LT debt (Rm)	46,5	43,2	39,47	27,25
Debt:equity ratio	3,70	3,24	3,09	3,04
Shareholders' interest	0,17	0,18	0,20	0,19
Int & leasing cover .	1,0	1,3	0,83	0,68
Return on cap (%) ..	7,3	8,3	7,2	6,1
Pre-int profit (Rm) ...	18,7	24,9	20,1	17,7
Earnings (c)	(3,7)	67,0	(10,4)	(10,9)
Dividends (c)	—	16	—	—
Net worth (c)	369,7	461	459,9	454,2

Pretoria property developer Bester Investments posted losses in three of the past five years and the share trades at 120c, well down from its 400c high in 1986 and almost a quarter of the 454c net worth. With net borrowings at triple the value of shareholders' funds, the group still faces a tough time.

Chairman Theunis Bester blames the poor performance on high interest rates. In 1990, the bottom line was deeply in the red for the second consecutive year. Trading profit was insufficient to cover the interest bill.

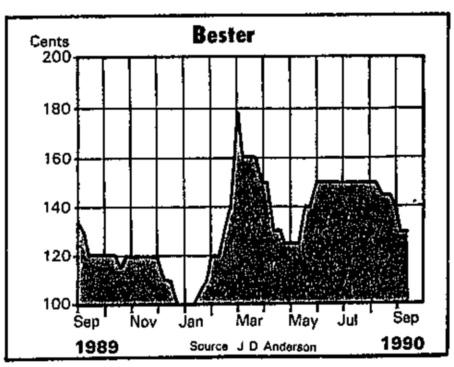
After the previous year's loss, Bester implemented a strategic plan to ease pressure on cash flow, reduce borrowings and improve trading efficiencies. There was limited success in reducing debt. Net borrowings dropped by 3% but the interest bill rose by R2m.

Asset management does not appear to have met objectives. Debtors rose to R58,7m from R49,7m and property stock rose to R150,6m from R147,1m. More positively, it seems the directors themselves made some sacrifices: their remuneration dropped by 35% to R1,25m. Even a game farm and game was sold for R7,36m, as part of Bester's policy of realising the existing property portfolio.

Bester's Bester ... *blames high interest rates*

Prospects are bleak for the building industry but probably more so for Bester with its large debt problem. Investors are unlikely to show interest until that is resolved.

Gerhard Slabber



MainPro goes for listing in November

Star 28/9/90

Main Street Property Fund (MainPro) will be listed on the JSE in November.

UAL Merchant Bank said yesterday that 4 560 000 units would be offered to the public at 500 cents per unit, while 897 000 units would be offered by way of a private placing to selected financial institutions and investors.

An initial yield of 11 percent annualised is anticipated for the first 17 month accounting period.

MainPro's property investment is valued at R388 million, with cash of R58 million making a total of R446 million.

Apart from a retail property in Claremont, Cape Town, the Fund's porfolio consists of prime properties in the Johannesburg CBD, Braamfontein, dècentralised Johannesburg locations, Sandton, Verwoerdburg and the Pretoria CBD.

Anglo American Property Services (Ampros) will manage the Fund on behalf of investors in the management company, which includes Ampros (40 percent), the Southern Life Association (25 percent), Mine Officials Pension Fund (12,75 percent), Mine Employees Pension Fund (12,25 percent) and First National Bank Holdings (10 percent).

The portfolio is divided into 136 075 sqms of office space, 68 838 sqms of retail space and 24 633 sqms of other accommodation, comprising mainly the Braamfontein Hotel.— Sapa.

NIES

Bad weather damps earnings for Basil Starke

B Day 28/9/90 CHARLOTTE MATHEWS 32

BASIL Starke Group (BSG) earnings have slid to a quarter of their previous level in the six months to June because of the adverse effects of inclement weather and labour unrest.

The building, construction and property development company posted earnings of 2,8c a share against 11,2c in the same period in 1989 on attributable earnings of R248 000 (R987 000). No dividend has been declared.

Although turnover rose 5% to R75,3m from R71,4m, operating income fell by 4% to R2,7m (R2,8m). Interest payments rose by R530 000 to R2,2m (R1,7m) but the company was not liable for taxes.

MD Maurice Phillips said the weather was a particularly strong factor in this period, "bearing in mind that in the Cape we had 44 days of rain during April and June alone".

Labour unrest affected not only the group but clients and customers as well, and some projects were cancelled or put on hold.

Phillips said order books were at adequate levels for the second half of the year and final results could show an improvement.

The debt to equity ratio has been reduced to 2 times from 2,2 times as a result of stricter financial controls and the sale of immovable property, the directors said.

Holding company Basil Starke Investments (BSI), which has 87% of BSG, returned attributable earnings of R447 000 (R882 000). Earnings of 2,6c (5,1c) a share were posted. No dividend was declared.

LESS WORK AND FEWER WORKERS

BY DON ROBERTSON

CONSTRUCTION work will decline for the rest of this year and in 1991 at a gradual, moderate rate.

The SA Federation of Civil Engineering Contractors (Safcec) says in its report for the year to June that employment will fall and more retrenchments will occur. Competition will increase and profits, which improved in the past two years, will fall.

ST Times 30/9/90

After undertaking major plant replacement last year, contractors face a reduced workload and underused equipment.

On the brigher side, projects for the Lesotho Highlands Water scheme will provide much work from 1991. There are also indications that local authorities and regional service councils will increase their expenditure in real terms.

But the budgets of the five major road authorities for 1990-91 are down in real monetary terms and there is little likelihood that toll companies will build more roads because of uncertainty about their future.

Civils work at Mossgas will taper off in the months ahead.

(32)

Work undertaken by the industry was worth about R4,7-billion in the past year. Outstanding work, about R3,3-billion at the beginning of the year, fell by about 20% after inflation to below R3-billion by the yearend. Employment fell from about 95 000 to 90 000.

Bester leaning into wind

With a February year-end, Bester only distributed its annual report six months later and then scheduled its annual meeting for the end of September. Star 1/10/90

Also, the net asset value per share, according to book values, was R4,52, although the current JSE price is a dismal R1,40, so clearly something must be wrong.

The auditors are worried and have pressing questions about the viability of the company.

They say: "Due to the unfavourable economic climate and current high interest rates, the cash flow and margins of the company and the group are under pressure, with the result that both the company and the group are dependent on the ongoing financial support of their financiers."

Chairman Theunis Bester says the poor results must be viewed against the background of the unfavourable social, political and economic conditions in which business was conducted.

Clearly, the property and housing market has reached an all-time low.

But Bester's problems really began when it acquired the Tuckers group, which was finally liquidated during the year and its assets distributed to Bester in specie.

The downturn left the group with developed and undeveloped property, necessitating enormous borrowings.

Total debt of R167,2 million at end-February 1990 coupled with high interest rates are creating problems.

The income statement cannot carry the huge interest burden. And with shareholders' interest a mere R54,2 million, the group is under-capitalised.

The bankers are really saving Bester. Certainly they do not want to swap their loans for security (properties and land) and end up with another Corlett Drive debacle.

So we have another Donald Trump situation where the bankers will plough in more to keep

Bottom Line

32

MICHAEL MENOF

the market value of the properties high in the hope that some day things will improve.

But when will this be? Bester continues to battle and, as management says, housing is of strategic importance and it is also in the national interest that the authorities must not allow the present unfavourable economic conditions to prevail much longer.

Special efforts are being made to realise surplus assets to alleviate the pressure on cash flow.

Sales from construction work, properties sold and rent received declined by 12,8 percent for the year to February 1990.

Consolidated trading profit before interest and tax declined to R19,97 million (1989: R21,96 million).

But net interest expense rose to R28,16 million (1989: R26,09 million), giving a pre-tax trading loss of R8,2 million (1989: loss R4,14 million).

Two items that prevented the trading loss from being much higher were the abnormal income — sale of game for R2,8 million and surplus on sale of fixed assets for R8,63 million.

By using a deferred tax credit of R6,88 million (1989: tax credit R2,89 million), the bottom-line loss reduced to R1,31 million (1989: loss R1,13 million).

Earnings per share were a negative 11c, compared with 1989's negative 9,4c.

Extraordinary credits below the line of R1,75 million (1989: R3,3 million) left retained income barely positive.

The construction division contributed an unchanged 70 percent of turnover, but its pre-tax and interest contribution was sharply lower at only R3,6 million (1989: R8,6 million).

Properties contributed the same 23 percent of sales, with slightly higher R13,7 million (1989: R13 million) profit.

Another item that saved Bester was the Renaissance concept.

This is life-rights occupancy of a unit in a retirement village granted to an occupier as consideration for an interest-free loan treated as an interest-free debenture.

By end-February 1990, the interest-free debentures totalled R16 million and by end-July had grown to almost R25 million.

The balance sheet reflects the illiquid position, with shareholders' interest of only R54,2 million (1989: R55,2 million) at end-February 1990.

With debt of R167,2 million (1989: R172 million), this means gearing is more than 300 percent.

With the Renaissance project, debt totalled R192 million (1989: R187 million).

On the surface, working capital looks solid, while declining to only R38,8 million (1989: R51,4 million).

But closer examination shows current assets comprise R151 million in stock of properties (1989: R147,2 million), all virtually pledged to secure the massive debt.

Directors have increased their shareholding from 15,2 to 20,63 percent and have guaranteed most of the debt.

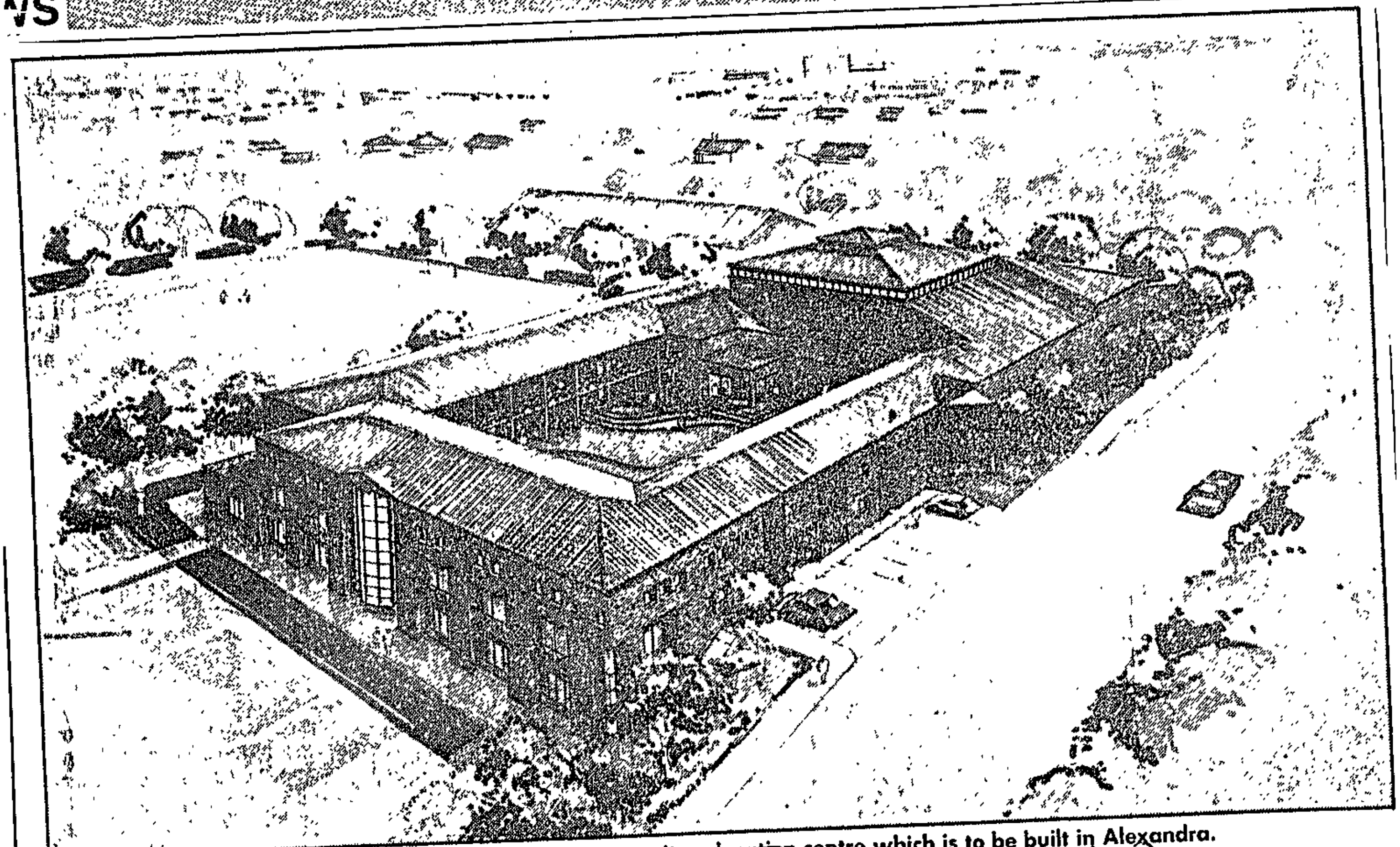
Prospects are bleak, to say the least, as black unrest in the townships is undermining the confidence of the financial institutions which grant bonds, says Mr Bester.

The high interest rates and the affordability of houses by the public is totally underestimated by the authorities, he says.

The property and housing market is no longer a get-rich-quick industry. That's over now.

Rather, its a professional nickel-and-dime, grind-it-out customer service business.

Bester is to be commended for staying in business in the face of such overwhelmingly unfavourable odds.



Boost for the people . . . the massive community education centre which is to be built in Alexandra.

(32) Star 2/10/90

Alex gets R6,3-m education centre

By Winnie Graham

Alexandra and the Sandton Civic Association have joined forces to build a massive community education centre in Alexandra at a cost of R6,3 million.

Money for the project — known as Alex San Kopano — has come largely from overseas. The largest donation, more than R4,6 million, came from the Evangelical Centre for Development Aid in Germany.

The facilities will include a hall seating 1 000 people, seminar rooms, offices for community organisations and a community library.

A comprehensive survey is soon to be launched which will collect up-to-date information on the physical, demographic, educational and socio-economic aspects of Alexandra.

Based on the survey's findings, education programmes will be arranged to teach people skills equipping them to deal with issues such as improvement of formal education, training for unemployed people, provision of affordable housing, and community and health education.

Holly Luton, chairman of the management committee, described the project as exciting because it could serve as a model for community-based development initiatives in other parts of South Africa.

"Alexandra has a population of about 185 000 and although it has tremendous problems, it is of a more manageable size than Soweto.

"If we can develop strategies here which enable people to tackle their problems on a basis of self-reliance and dignity, then perhaps we're creating something that can be replicated elsewhere," she said.

Dave Jackson, an experienced education and development consultant, has been employed as the project's development director.

Lesotho tender favourites

BRENT MELVILLE

TWO consortiums, including three SA construction groups, have now been officially tagged as the favourites to secure contracts worth as much as R3bn for the first phase of the massive Lesotho Highlands Water Project (LHWP).

Department of Water Affairs spokesman Theo van Robbroeck confirmed yesterday that it had come down to two from the original nine that had vied for the two lucrative six-year contracts, involving the construction of the 180m-high Katse Dam and three access tunnels that make up the first phase of the R6bn LHWP.

The consortium involved in the tender for the dam consists of SA's Concor Construction and Group 5, and Impregilo (Italy), Hochtief (Germany), Stirling (UK), Bouygues (France), and Kier (UK). Van Robbroeck said the consortium had tendered R786m. It is understood the nearest tender was in the region of R915m.

LTA, SA's second largest construction group, heads up the five-company consortium for the tunnel contract, involving 62km of tunnels to link up the Katse Dam and SA. The others are: Spie Batignoles (France), Campenon Bernard (France), Balfour Beatty (UK) and Ed Zublin (Germany). The tunnel contract is worth an unescalated R980m.

Van Robbroeck said that although the tendered values for the two contracts amounted to about R1,8bn, the escalated value (over the six-year period of the contracts) could be about 50% higher.

He said that discussions were under way between the LHDA and the two consortiums to iron out financing problems with

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Lesotho

B\Day 3\10\90

☐ From Page 1

the contracts. To that end, the LHDA intends to hold discussions with the consortiums' banks tomorrow.

Meanwhile, the Trans-Caledon Tunnel Authority has received tenders from five international consortiums, representing 16 companies, for the construction of the Caledon and Ash tunnels on the SA side of the border. It is estimated tenders for the 22km of tunnels will be R400m and will be awarded before the year end.

The developments follow an announcement earlier this week by Environment and Water Affairs Minister Gert Kotze of a further 3c/kl increase in the water levy to fund the project.

Builders Shoredits able to maintain dividend

B/Day 5/10/90 (32)

CHARLOTTE MATHEWS

BUILDING and construction group Shoredits Holdings has maintained its dividend at 8c a share in the year to June after making a substantial provision against losses on the possible liquidation of the De Bruyn Group.

Shoredits construction were contractors on both the R150m Golden Walk and the R100m extensions to Die Meent for the De Bruyn Group.

Shoredits directors say the De Bruyn Group is currently being monitored by its major creditors. According to newspaper reports De Bruyn is believed to owe around R15m to various creditors, of whom Shoredits is one.

'Satisfactory'

The creditors will attempt to sell the De Bruyn Group's fixed property as advantageously as possible and if this happens De Bruyn's assets may exceed its liabilities.

However it is possible, Shoredits directors say, that the group will be placed in liquidation. Shoredits has a builders lien over a large portion of the money it is owed and has made a substantial provision against the remainder.

"Notwithstanding this provision, the results for the year are very satisfactory," the directors say.

Turnover rose 9% to R207m (R190m) in this period but operating profit declined slightly to R8,7m (R8,8m).

The tax bill rose to 34% from 25% but an extraordinary income of R703 000 against an extraordinary payment of R1,8m in 1989 helped to boost the bottom line. Net income rose 73% to R3,7m from R2m.

On an increased number of shares in issue as a result of a rights offer held in November, earnings a share excluding tax losses fell to 29,6c (30,4c) a share. After the actual provision for taxation is accounted for, earnings fell to 35,1c (44c) a share.

Sustain

The directors say the order books are full at satisfactory prices although margins are being seriously threatened by the looming recession in the economy.

"The group has sufficient work on hand to sustain approximately the same level of turnover for the ensuing year," they say.

Shoredits is changing its financial year end to December. The next financial statements will cover an 18-month period.

Jack Lindstrom

Asset sale could follow takeover

BDay 5/10/90

MARIETTE DU PLESSIS

CONSTRUCTION group Basil Read's proposed takeover of Greenfield Property Holdings to effect the separate listing of its property interests will probably be followed by the disposal of Greenfield's marketable assets to cut debt.

According to an announcement this week, the takeover would be carried out by Basil Read exchanging its property development interests with Greenfield for 66% of Greenfield's issued share capital, held by controlling shareholder Hilliard Leibwitz and his family.

Basil Read MD David Wassung said yesterday that although the acquisition of Greenfield's substantial property portfolio would give Basil Read the opportunity to expand its property base substantially, Greenfield's high gearing needed careful analysis.

He said the disposal of Greenfield's R300m Woodlands scheme near Sandton and the divesting of other valuable assets would reduce gearing without injecting additional capital, and put the firm on a sound footing for future growth.

Attempts

(32)

Stockbrokers in the property sector expressed their surprise at the move, saying Greenfield was perceived as very highly geared and in need of cash, rather than assets.

The change in control followed the failure of Greenfield's previous attempts to launch a variable loan stock company with a R200m portfolio and to acquire a stake in the Mainstreet Property Fund.

Greenfield was listed in July 1988 through its reverse takeover of Fencorp. It showed strong growth during its first year, with earnings up 89%.

During the six months to end-December 1989 its earnings rose 69%.

Negotiations — to be finalised before the end of October — would establish Greenfield as a strong property development holding company and increase its market share substantially, Wassung said.

An offer would be extended to minority shareholders after conditional factors had been satisfactorily complied with, he added.

Greenfield property development director Bill Henderson, who joined Basil Read last month, would be appointed MD of the new company.

BASIL READ FIM 5/10/90

LESS FROM TENDERS

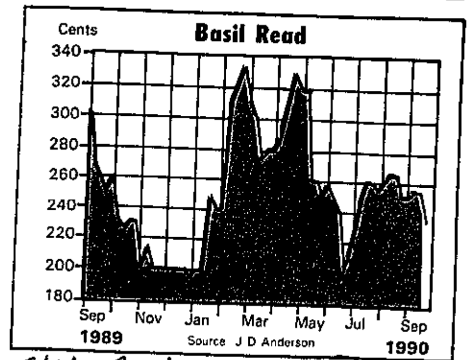
Activities: *Civil engineering, building, housing, property, development and mining.*
Control: *Directors and employees 59%.*
Chairman: *L Dison; MD: I R Gerhard.*
Capital structure: *14,3m ords. Market capitalisation: R33,6m.* (32)
Share market: *Price: 235c. Yields: 12,8% on dividend; 40,9% on earnings; p:e ratio, 2,5; cover, 3,2. 12-month high, 340c; low, 190c. Trading volume last quarter, 172 300 shares.*

Year to Jun 30	'87	'88	'89	'90
ST debt (Rm)	13,8	34,2	13,7	13,7
LT debt (Rm)	8,7	11,5	17,8	18,9
Debt:equity ratio	0,98	1,17	0,72	0,15
Shareholders' interest	0,29	0,31	0,30	0,26
Int & leasing cover	4,04	4,23	2,4	2,3
Return on cap (%)	10,9	10,6	11,7	10,3
Turnover (Rm)	159	290	329	414
Pre-int profit (Rm)	8,4	13,4	16,9	19,3
Pre-int margin (%)	5,3	4,6	5,15	4,68
Earnings (c)	32,5	76,3	86,7	96,1
Dividends (c)	4,5	5	25	30
Net worth (c)	191	271	303	345

Basil Read's share price continues to languish, despite a solid profit performance in a deteriorating market.

Operating profit rose last year by 41%, but earnings were hurt by a fourfold increase in the tax bill to R6,9m and by a R3,5m loss on the sale of Aurora Granite.

Since the management buy-out some five years ago, EPS rose to 96c from 26c, an annual compound growth rate of nearly 30%. The takeover of Pretoria Recycling last



F/M 5/10/90 (32)

month indicates management is looking at acquisitions to maintain bottom line growth, as there is little prospect of organic growth in the downturn. With gearing reduced last year, the balance sheet has the capacity to fund acquisitions.

Pretoria Recycling has a contract with the Johannesburg municipality to handle waste at Robinson Deep Waste Dump. The company was acquired for R7,5m and Basil Read will build a waste processing plant at Robinson Deep.

Chairman Leon Dison believes contractors will increasingly diversify away from work generated through public tender. He sees waste disposal and environmental care as "new" areas in which contractors can become involved. "If we are the original spoilers of the environment, then we must also be involved in caring for the environment," he says.

At the start of the current year, the order book stood at R434m (R367m). This was 5% more than last year's turnover, suggesting activity may decline in real terms. But Dison remains optimistic, as there is still work to be found. The group's tender department is very busy and the plan is to tender for as many jobs as possible. Dison says a lot of work is available in Botswana.

Many contractors will soon be attracted by the Lesotho Highlands project and it is hoped this will ease fierce competition between local contractors.

There is a proven management team running a tight operation, a good order book and diversified activities. The share merits a closer look.

Gerhard Slabber

The Star
Finance

(32)

Star 5/10/90

Perm launches R25-m low-cost housing scheme

By Frank Jeans

The Perm has launched a massive R25 million housing spread at Daveyton on the East Rand which will eventually bring on to the low-cost market 1 000 homes priced from R12 500 to R27 800.

Perm GM Denis Creighton.

Using a sliding form in concrete construction, a home at the project called Emaphupheni — Place of Dreams — can be built to roof height in two days.

Launching the first phase of Emaphupheni which will have more than 500 homes, Mr Denis Creighton, the Perm's general manager, housing, said: "This is a pilot project which is commercially viable and we can only hope that it will be a model for similar developments in other areas of need."

A strong infrastructure of commercial, retail and social amenities, is also planned to support the development.

The Perm, mindful of the need of the low-income potential homeowner, is pitching its initial marketing programme at the buyer of the basic R12 500 home.

A buyer of this home can qualify with a salary as low as R600 a month along with a 5 percent deposit.

"The supply of housing must match the real affordability of the community," said Mr Creighton.

"This project aims at the lowest possible cost for formal housing and opens up a range of home options not previously addressed by the industry."

Mr Dawie Joubert, of Citicon, the management company of the Emaphupheni development, said: "We expect the first buyers of the homes to be moving in by the end of the year.

"Other phases will take place on demand and we expect overall completion by the end of next year."

M & R hoping to lift dividends

Star 5/10/90 (32)

By Derek Tommey

Construction and industrial giant, Murray & Roberts, expects to beat inflation with its dividend increases in 1990-91, even though turnover may not grow in real terms.

Last year it increased dividends by 20 percent from a 25 percent increase in earnings a share.

Murray & Roberts chairman Marinus Daling says the conversion into shares of 7,4 million debentures will increase the issued share capital by 26 percent.

This will make it difficult to achieve real growth in earnings per share in 1990-91.

"However, further growth in earnings a unit of permanent capital is possible and we certainly expect to increase our dividends in real terms," he says.

Chief executive Dave Brink says the company should achieve growth in profits through quality and productivity improvements.

The engineering, properties and industrial operating groups are all budgeting to increase their contributions to June 1991.

Construction expects to maintain its large contribution, but supplies and services forecasts a decrease.

The group will be well shielded against high interest rates because of its low gearing, he says.

Modernisation boosts Pointer

Star 5/10/90 (32)

An extensive factory modernisation programme undertaken last year has paid off in the form of improved margins for leather garment and handbag manufacturer Pointer Fashion International.

The group lifted operating profits by 27 percent to R1,9 million on sales which rose 15 percent to R15,8 million.

After allowing for an interest bill of R708 000 and taxn of R589 000, attributable profits rose by 16,5 percent to R594 000.

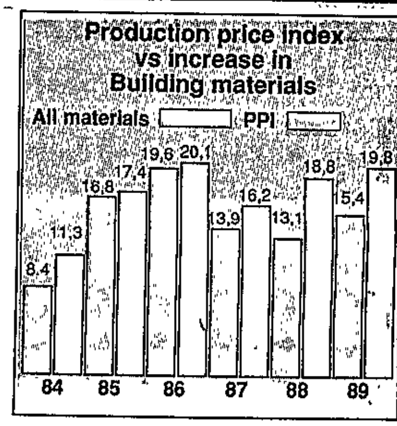
The directors have declared a final dividend of 2c a share, bringing the total for the year to 3,5c (3,0c) on earnings of 7,4 cents per share.

They say that the increased turnover was pleasing, in view of the downturn in consumer spending.

Low prices mean now is a good time to build — Bifsa

(32) 8/10/91 9/10/90

Reports by
CHARLOTTE MATHEWS



THE residential sector of the building industry is likely to remain sluggish until mid-1991 and the downturn in the non-residential sector will continue until late next year, according to the Building Industries Federation of SA (Bifsa).

Bifsa executive director Neil Fraser says in the association's 1990 annual report that the short-term outlook for the industry is not encouraging.

Bifsa foresees 0,2% growth in GDP in 1990. Prime overdrafts are unlikely to decline below 19% in 1990 but could fall to 15% in 1991.

"But seeing the construction industry in its economic/political context, there is every reason for optimism," Fraser says.

"The tight fiscal measures of the state Treasury have reduced inflation and have improved productivity, although in both cases not as much as we would like. They have also brought a measure of discipline to the development sector.

Most surveys indicate that the demand for office and shopping space and other accommodation will start to drop off, but will pick up in the third or fourth quarter of 1991," he says.

The next nine months will be a good time to build. The review shows that builders' prices are low at present and material price rises will average at 12%.

"This is a substantial reduction in our industry, which has been plagued by too high material price increases," Fraser says.

During the year, Bifsa convened a VAT investigation committee which submitted to government that the industry was unable to absorb an additional tax burden.

Bifsa is concerned about the effects of VAT on housing and SA's poor.

"The authorities should bear in mind that SA is a semi-Third World, developing country and pure textbook; First World solutions cannot be applied unaltered under domestic circumstances," Fraser says.

Man-days

"Such an approach will further aggravate political and social instability which will significantly undermine economic growth in SA to the detriment of the entire population."

He urged Bifsa members as far as possible not to retrench workers in the downturn since the availability of skills would be of critical importance when business conditions improved.

In 1989, 2,6-million man-days were lost because of industrial action.

He says there are indications this could double in 1990. In the first six months of 1990, 1,2-million man-days have been lost through industrial action.

Something big going up at Africana Museum

BIDA 7/10/90 (32)

"CONSTRUCTION in progress. Parking at your own inconvenience. Not responsible for damage to your vehicle so dare park here."

The notice warns passers-by that something big is going on at the Africana Museum in Progress at the bottom end of Jeppe Street, next to the Market Theatre in Johannesburg.

A huge, dusty cavern alive with building workers can be seen through three openings at one end of the building.

Gallic Construction GM Allan Bebbington said they were in the process of building a reinforced concrete frame inside the 1913 steel shell of the old market.

It is not an easy task.

Gallic is to preserve the original structure entirely, which means it cannot knock anything out to facilitate building work.

"All work had to be done through the three small openings at one end," Bebbington said.

"All the concrete had to be pumped in, and about 12 000m³ of excavation went out through those doors. We could not use graders because there was no space."

The old external and the new internal structures are linked by a softboard joint, because they are likely to perform differently.

In a small section of the floor which goes down about two metres below ground level, the contractors found water which had to be pumped out. They put in orange waterproofing plastic membrane and a stone pitch layer.

The contractors have also had to re-do the plumbing and rewire the entire building.

Bebbington said the original building was shipped in sections from Britain.

He pointed out that the arches were entirely riveted and pivoted — no bolts were used. Each arch is held together in the centre by a rivet and meets the brick columns with another rivet. These allow for the movement of the structure.

"It is a beautiful design. I think it reflects the ability of the old craftsmen to do structural steelwork."

Asked if anything interesting had been excavated during the operation, he said "only a few horse bones".

Deputy director: museum services Christopher Till said the first phase of the three-phase operation was due to be completed by early 1991.

When completed, the new Africana Museum would house the Africana collection and the geology museum now in the Johannesburg Public Library, together with the Bensusan Museum of Photography housed in the Bernard Price Institute.

"The aim of the complex will be to show the chronological history of Johannesburg and SA and to be a social and cultural museum of SA," he said.

Final details of financing and the time needed to assemble and display the collections are still to be clarified by the Johannesburg City Council.

BUSINESS DAY, Tuesday, October 9 1990 7

Gallic's new concept in apartments caters for executive tastes

BDay 9/10/90

(32)

A NEW concept in executive apartments which can be bought for own use or for investment purposes was launched recently by property development and construction group Gallic.

The Courtyard in Rivonia Road, Sandton, consists of 69 studio, one- and two-bedroom flats around a central-management service facility.

Prices start at R122 500.

The centre offers conference facilities and continental breakfasts.

A private office facility including a fax machine, computer modem and photocopier, and a gymnasium is also available.

Gallic MD Paul Koep said The Courtyard was intended to serve companies whose senior staff spent a lot of time on business trips or those who wished to accommodate out-of-town guests.

It was also for private individuals who frequently visited Johannesburg and would rather buy their own accommodation than spend money on escalating hotel bills.

The units are sold under a share-block scheme and financing costs and monthly administration fees, which cover operating costs, are tax-deductible.

Management will, on the owners' behalf, rent out units which are not fully used to help with operating costs.

Clients requiring extra accommodation at short notice can hire additional flats from several which Gallic will keep available.

Gallic say the cost of holding a studio apartment at 50% occupancy in 1994 will be about R200 a night compared with the projected cost of about R550 a night to stay in a five-star hotel or about R400 a night in a three-star hotel.

If the flat is 20% sublet, the cost of the apartment falls to below R50 a night.

Equikor has R14-m turnover

By Ann Crotty

Property development company Equikor has reported earnings per share of 0,8c for the six months to June.

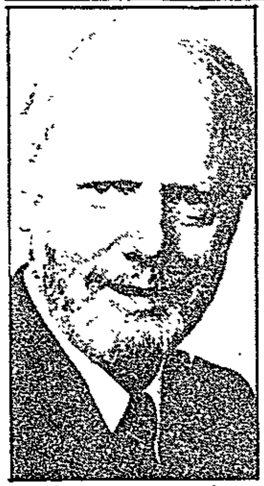
It had turnover of R14 million and operating profit of R2,3 million. Equikor pays no tax.

After allowing for finance charges and income from associates, attributable income was R2,1 million.

No comparative results are given for the financial '89 interim as the reconstruction of Equikor (previously National Properties) was only concluded at the end of October '89.

The directors say: "Trading conditions remain favourable, with two of the group's developments, Cavendish Close and The Terraces, being available for occupation in December and January respectively."

Building industry facing another tough year



Neil Fraser — Launching new training initiative.

By Frank Jeans

The building industry can expect at least another tough year on the back of the economic freeze, although the deterioration in trading will not be as bad as the slump years of 1984-85.

This message comes from Mr Neil Fraser, executive director of the Building Industries Federation (Bifsa) ahead of the federation's annual congress which begins in Durban next Monday.

While welcoming the State President's gathering momentum of reform, Mr Fraser believes that the positive effects of the political initiative will be felt in the industry only in the medium to long-term.

"The nature of our industry is such, that we have a relatively long lead time in reacting to the economic cycles and, while we are highly optimistic in regard to the future of the country and the role we will play in the new South Africa, we do not believe we will experience any meaningful improvement in trading conditions until the latter part of 1991," he says.

While he sees labour costs stabilising, certain material costs continue to increase at an "unacceptable rate".

On the other hand, overall building cost rises are showing definite signs of moderating against rapidly increasing competition in tendering.

Commenting on the residential market, the Bifsa director says: "Building activity in the private sector remains unsatisfactory, particularly with continuing high bond rates and many contractors have experienced great difficulty in the black residential market."

Referring to the greater co-operation between the industry and the professions, Mr Fraser points out that next year will see the launch of a new form of contract which will "reflect a major improvement on existing documents".

"We will also be launching a massive initiative in training at all levels within the industry and hope to have our streamlined structure in operation early next year," he says.

Endorsing the Bifsa view of a downswing is the second volume of Housing Trends published on behalf of the National Association of Home Builders by Medium-Term forecasting Associates.

It concludes that the home building industry is moving towards the all-time lows of the 1986 recession.

"The real value of work in the pipeline has dropped sharply in recent months, especially when compared with the sharp rises that occurred during the economic upswings of 1980-81 and 1987-88," says the survey.

Expecting conditions to worsen further over the next six to 12 months, Housing Trends claims that a significant number of township developers and home-building companies have left the industry.

Of the 32 companies active in the white housing market in the 1981-84 period it is believed that only seven remain and a further two firms have announced their intention to withdraw.

Says Mr Johan Grotsius, director of the NAHB: "If we take into account the direct link between unrest and unemployment, one has to question whether it is not appropriate to lower nominal interest rates now that inflation is moderating.

"High interest rates are having a very negative effect on an industry which is already depressed."

Shoppers' dream opens soon

Star 10/10/90 (32)

Staff Reporter

The R170 million Southgate shopping complex will open on October 24 after taking a record 17 months to build.

The project was the dream of developer Denis Stephens, who spotted the site and decided it was ideal for a shopping mall.

There are 187 shops on two levels. The anchors are Pick 'n Pay, OK Bazaars, Woolworths and Edgars.

There is a banking mall, a furniture mall, a fast food court and seven cinemas.

There are 3 500 parking bays available for cars, a taxi rank and a bus stop.

Marketing and promotions manager of DS Properties, Irene Oxley, said the concept was based on an American idea. The 40 000 sq m steel roof has special coloured roof sheeting that lets in natural light.

Construction on the multimillion rand project started on March 16 1989.

The programme to celebrate the opening begins at 7.30 am on October 24. The ceremonial ribbon will be cut with a 6 m-long pair of sissors suspended from a helicopter. The pop group Mango Groove will perform.

The festivities will last until November 4.

Housing standards 'unlikely to rise'

BIDay 11/10/90 (32)

LINDEN BIRNS

THE building industry had to get away from the myth that in a new dispensation housing schemes would have to be of a high standard, Building Industry Federation of SA (Bifsa) economist Charles Martin said at a Housing Issues workshop on Tuesday.

"The economy simply cannot sustain this," Martin said.

Namibia's independence had shown that the international community was prepared to invest in development projects but would not give budgetary aid. This made it even more important for government to increase spending on housing projects, he said.

Cancellation

"There should be a gradual acceleration process where this is done, but a future democratic government would be acting irresponsibly if it embarked on a major housing project without consulting suppliers, as this would lead to inflation and rising building costs," he said.

Sage Schachat MD Rob Crockett said builders had a dual responsibility — to provide housing and to their shareholders. High interest rates had dented sales so profits had fallen since February 2 when President F W De Klerk had led the country into an era of change.

"The housing crisis actually deprives people of shelter and has resulted in the cancellation of contracts and the laying off of sub-contractors, supervisors and builders," Crockett said.

This, together with sanctions, political instability and escalating violence, had inhibited the home building industry with investors reluctant to make long-term commitments.

Perm housing division GM Denis Creighton said many South Africans aspired to housing beyond their means and called for a closer match between affordability and supply.

There was also an urgent need to explore the possibility of an unemployment insurance fund which could address the problem of people with outstanding loans becoming unemployed, he said.

Delegates agreed that SA's housing shortage was not something that would go away unaddressed with constitutional change and therefore needed immediate action.

A key point of agreement which emerged from the presentations was the industry's responsibility to talk to community and civic bodies in order to assess their requirements and aspirations.

They also agreed on the necessity for cooperation between the public and private sectors.

Delegates called for central and local government to streamline housing administration into one administrative body rather than the present 20 bodies.

This should happen together with a change in the stipulations for the identification and zoning of land for the development of low income housing.

The provision of full basic services and proximity to centres of employment were important factors for consideration, delegates said.

Black builders are bound to benefit from recent initiatives by the African Builders Association and the National Federation for the Building Industry. These groups aim to improve training, gain greater access to land, obtain better prices for materials and improve the marketing and financial skills of builders.

Black builders get a good ally

Sowetan 11/10/90 (32)

ORGANISATIONS of black builders appear to have found a powerful ally in their quest for a bigger role in providing housing on a national scale.

The annual report of the South African Housing Trust (SAHT) says they share the belief that black builders are uniquely placed to speed the delivery of affordable shelter.

By KENOSI MODISANE

Recent initiatives by the African Builders Association (ABA) and the National Federation for the Building Industry (NFBI), are aimed at improving training, gaining greater access to land, obtaining better prices for materials and improving marketing and financial skills.

Goals

The smaller builder development programme set up by the SAHT two years ago, shares these goals and is already delivering results

During the last year, the housing trust was involved with 33 projects nationwide A total of 9 114 houses - mainly in the price bracket below R20 000 were built

The building work was done by a range of companies.

A recent report indicated that the SAHT was prepared to move the focus of its operations into the lowest price brackets This suggests a growing role for the small black builder.

SAHT chairman Dr Simon Brand said larger concerns would continue to have a place in the "mix" on SAHT projects

But no one could be in any doubt that he shared the view that the small black builder would have a growing role

He said opportunities existed for local communities to retain incomes generated through providing housing users

Major slump loo

W/C ARGUS 13/10/90

home building s

32

By MAGGIE ROWLEY
Business Staff

THE home building industry is moving towards the all-time lows of the 1986 recessionary period, according to a study published on behalf of the National Association of Home Builders (NAHB) by Medium-Term Forecasting Associates.

According to the second volume of "Housing Trends", the real value of township developer's work on hand indicates the "parlous state of the industry".

"The real value of work in the pipeline has dropped sharply in recent months, especially when compared to the sharp rises that occurred during the economic upswing phases of 1980-81 and 1987-88," it states.

The research which is conducted bi-annually for NAHB, supports the views of the Quarterly Building Monitor published by BMI Building Research Strategy Consulting Unit (BMI-BRSCU), which stated that conditions in the industry are expected to worsen further in the next six to 12 months.

Left industry

A significant number of township developers and home-building companies have already left the industry. BMI-BRSCU found that of 32 firms active in the white housing market in the 1981-84 period, only seven remained in mid-1990 and a further two firms have recently announced their withdrawal.

Hand-in-hand with the declining number of developers and related activity, ise rising unemployment.

In the MFA's first volume of Housing Trends published in April, it indicated that there was a link between the downswing phase of the business cycle, massive unemployment and social unrest. It pointed out that the uprisings of Sharpeville (1960), Soweto (1976) and Uitenhage (1985) have all occurred in an economic decline.

Mr Johan Grotsius, executive director of NAHB, said that if cognisance was taken of the direct link between unrest and unemployment, one would ask whether it was not appropriate to lower nominal interest rates now that inflation was moderating.

"High interest rates are having a very negative effect on an industry that is already depressed."

"Being a labour intensive industry that does not require a very high level of skills, the housing sector can provide significant employment in the unskilled labour market where unemployment relief is most needed."

The National Manpower Commission recently stated that for every R1 million invested in the building industry, 186 new job opportunities are created, compared to 124 in agriculture and 67 in commerce. Thus for every additional R1 000 million invested in housing, 186 000 jobs a year could be created, he said.

The NFA report welcomed the increase in public funds for low-income housing, but emphasised that these amounts were still inadequate to meet the growing demand for applications by First Time Home Buyers. If sufficient funds were available to meet these applications, this would stimulate the industry and alleviate unemployment.

"In fact an amount of R150 million should be budgeted annually for the First Time Home Buyers Subsidy to facilitate the building of the 110 000 houses required a year by black households in the R12 500 to R65 000 price range. Such public expenditure is warranted, since housing is basic to social stability, and is essential in building a new equitable South Africa."

Other benefits of investment in housing included:

- Expenditure on low-income housing had virtually no direct import component.
- Being labour intensive, the low income housing sector could provide significant unemployment relief.
- Being regionally dispersed, low-income housing expenditure could provide employment in even the most depressed rural areas with minimum capital investment.

The NFA report concluded that unemployment and social unrest could be reduced markedly if the "housing process" could be speeded up.

"The funds to achieve this aim are available — it is time they were channelled where the need is greatest. In turn, this could alleviate the severe recessionary pressure being felt in the industry," said Mr Grotsius.

Boom ahead once group areas go

Str 13/10/90

89 32

FRANK JEANS

'Reduction in the bond rate will also give the housing market the tonic it so badly needs'

WHILE the property market, in common with other sectors of the economy, is feeling the crunch of the recessionary phase, there is no doubt that as it emerges from the downswing, it will present a vastly different scene.

Economic forecasters and the industry generally believe that because of the political factors which must now come into play, the next property cycle will in no way resemble conditions which followed previous downturns.

The expected removal of group areas, will mean more and more mobility in the market and there is consensus among property analysts that resultant demand will inevitably create a boom.

However, analysts warn against unbridled optimism as "white flight" could in some areas cause property prices to decline.

The Government's commitment, in the area of black low-cost housing will also lead to strong activity in this key sector.

Interest rates

With the abolition of group areas, real estate men believe there could well be mixed reaction from the market, with some areas affected by a drop in property prices initially, then a recovery as normality settles in.

The constant drag in the market, however, remains the high level of interest rates — one of the main reasons for the present softer trading conditions — and the homes business is unanimous that a reduction in the bond rate will give the market the tonic it so badly needs.

Nevertheless, despite the tightening of individual budgets, the market is generally regarded as having performed surprising well.

Christo Luus, economist of the United Building Society, says: "Prices have not dropped and we expect a 10 to 12 percent rise in values on average for 1990.

"Because of rising building costs, it is roughly 30 percent more expensive today to buy a new house than secure an existing property of comparable size.

"We might see a slight reduction in that 30 percent differential next year but it is unlikely that new houses will become cheaper than existing ones in the foreseeable future."

He also forecasts a worsening of the stock shortage on the market because of increased levels of immigration.

There is little doubt, though, that the relentless building cost spiral, particularly in materials, is having a dampening effect on trading volumes.

Charles Martin, economist of the Building Industries Federation (Bifsa), says it now costs R1 000 to R1 200 a sq m to build the average home and the amount gets higher as the quality of the product rises.

The home building industry, too, expects that while there has been a slowdown in the rise of costs to 12 percent for this year, a further 6 to 8 percent push is forecast for 1991, which would make cost a sq m go to the R1 100 mark.

"The slowdown is the result of the sharp tendering and fierce competition for work in the market," says Mr Martin.

He sees the forthcoming VAT system as aggravating the cost situation.

"Apart from the other increases, VAT in its draft form, could push the cost of building an average home by a further 5 to 8 percent," says Mr Martin.

Johan Grotsius, executive director of the National Association of Home Builders, says: "While we are still on the downside, it is pleasing to note that we seem to have bottomed out in terms of building plans passed.

"In the past six months, there has been no further drop in the value of plans."

The real estate industry is equally bullish about prospects in the longer term and advances in the political field are seen as the main palliative to end present market sluggishness.

Scott McRae, managing director of one of the country's leading real estate networks, Camdon's Nationwide, says: "The advent of a stronger business climate on the back of political settlement could spark off rapid growth of the property market, accompanied by steep price rises.

Price gap

"The indicators are unquestionably pointing to a renewed boom in property.

Mr McRae endorses the view on the gap between new home prices and those for established properties and believes the widening differential is unlikely to continue indefinitely, with the result that a "strong upsurge in prices of existing homes will occur when the market recovers".

Bullish on the immigration issue, the Camdon's MD reports that the group's international offices are experiencing a marked increase in inquiries from Britain, Australia and central Europe.

"Many inquiries are from older people who perceive rightly that South Africa will offer them a luxury lifestyle and their strong currencies will buy them far more in property than in their own countries," he says.

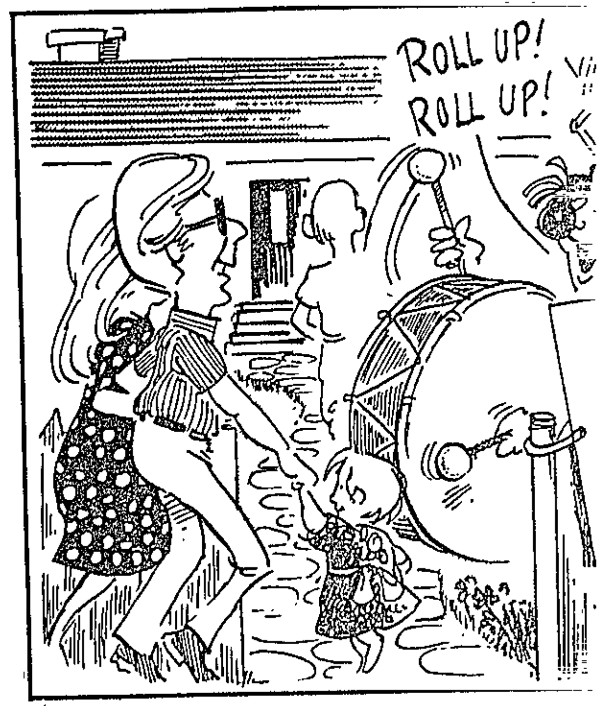
Be your own estate

FRANK JEANS

BE your own estate agent! That's the concept which has been introduced to the residential property market by RL Real Estate.

Aimed at cutting out the seller's cost of commission to the estate agent for negotiating the sale of his property, the company's Private Seller system provides a package, including the For Sale sign, which, in effect, turns the man who puts his home on the market into his own agent.

Robert Luscombe, who has banking background, says: "The average commission on the sale of residential property in South Africa is two to three times



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'Reduction in the bond rate will also give the housing market the tonic it so badly needs'

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Be your own estate agent with this DIY package

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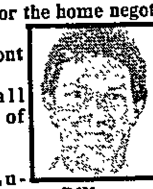
Robert Luscombe, who has a banking background, says: "The average commission on the sale of residential property in South Africa is two to three times that paid anywhere in Europe or Britain.

"In these difficult and inflationary times, there seems little justification for this practice and the trend of informed sellers and buyers must surely be away from charges by the middleman."

Mr Luscombe also points out that the imposition of VAT is expected to be levied on commission paid to agents and this additional cost "will almost certainly be passed on to the already hard hit property buyer, in one form or another".

The average commission on the sale of a home to the value, of say, R350 000 is R21 000, while the cost of the Private Seller system, including advertising placed by Mr Luscombe, is an upfront payment of R1 950.

The PS pack also comprises a bilingual instruction video and booklet and all necessary legal documents for the home negotiation process.

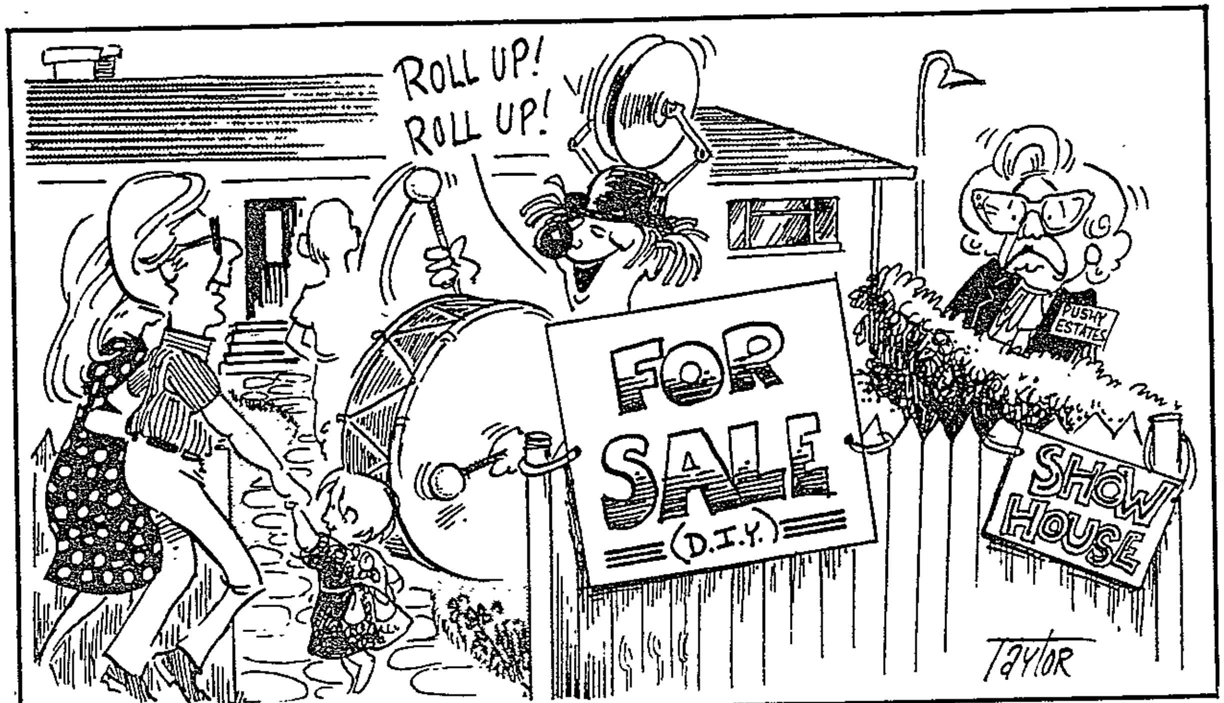


DIY man Robert Luscombe

The upfront payment covers all properties of varying values.

Mr Luscombe, who is a member of the Institute of Estate Agents, says: "We provide the House for Sale board which the seller can instal on his front lawn.

"There is also advertising under the Private Seller banner and a full back-up service to enable the man-in-the-street to sell his own home."



Sanlam plans R15-m office park for Lynnwood

(32)

Star 16/10/96

Sanlam Properties is planning a R15 million office park development in Lynnwood, Pretoria.

Fanus Gerber, Sanlam Properties' provincial manager in Pretoria, says the development is in Lynnwood Road, between King's Highway and Church Street.

"The capital is experiencing a scarcity of suitably-zoned premises and rezoning from residential to business was approved last month," he says.

The office park is designed by Studio 3 Architects.

It will have free-standing double-storey buildings blending with the surroundings.

Lynnwood is a sought-after decentralised office node with easy access to Pretoria's CBD.

Colonial style

wing the success of the Lanzerac development in Midrand, Langley Fox Development's latest commercial space venture is in American colonial style at Mount Royal, south of the Snake Park.

It has a large variety of office, warehouse and light engineering space, including high quality offices and showrooms.

Building firms quit black housing market as bond boycott takes its tol

EDYTH BULBRING

PRETORIA — Eight major construction companies had withdrawn from the black housing market because of untenable conditions created by political unrest and bond repayment boycotts, Planning and Provincial Affairs Minister Hernus Kriel said yesterday.

Addressing a media conference in Pretoria, Kriel blamed the boycotts on ANC, SACP, Cosatu, UDF and MDM supporters.

He said these organisations' leaders could do the country a service by telling their supporters to "stop this nonsense because it's not to the advantage of anybody".

Kriel declined to name the companies.

Spokesmen for several companies canvassed said they were either pulling out of the black housing market, had retrenched staff or had rationalised, or were shifting their emphasis to the white market.

Among these were Bester Homes, LTA Comiat Homes, Gough Cooper Homes, Time Holdings, Stocks Housing and Grinaker Construction.

Kriel said the shortage of black housing should be blamed on those political leaders who advocated sanctions and whose supporters encouraged the non-payment of bonds.

However, government would welcome opportunities to discuss housing policies with extra-parliamentary groups.

Kriel said it was not possible for the state to be solely responsible for providing housing, and the private sector had to become involved.

He had directed the SA Housing Advisory Council to formulate a national housing policy — to be published as a White Paper — and he invited all interested parties for their input.

Industry spokesmen said yesterday the biggest problem facing the black housing industry was financing.

Financial institutions were unwilling to make finance available because of faulty bond repayments.

Most industry spokesmen said the major problems had been high interest rates, financing, government's indecision regarding the first time home-buyers' subsidy, restrictive red tape, administrative procedures and unrest.

Bester Homes' Transvaal construction director Rob Henderson said the company had decided to move out of the black housing market.

LTA Comiat Homes MD Martin Van Zyl said Comiat, its French partner in the home building venture, had withdrawn. He said the company expected to have lost R20m over the three-year period ending this year.

While the company would stay in the market, it would be consolidating and retrenching staff, he said.

Gough Cooper Homes MD Frank Berkeley said the company would change its emphasis in home building from 80% in the black market to an even split between the black and white markets.

Time Holdings financial director Neil

☐ To Page 2

Black housing

Oblom 17/10/90 (32)

☐ From Page 1

Carter said Time Housing would stay in the black housing market as it was not "universally bad". However, it would rationalise in some areas.

Time Housing had lost R3m in the first half of this year but expected to trim these losses in the second half of the year.

A Stocks Housing spokesman said as long as the work and money was available the company would continue in the black housing market. However, there had been problems with financial institutions.

Industry spokesmen said Schachat Home Builders had temporaily pulled out of sales in the Katlehong area because of unrest although the company did not forsee pulling out of the market at the moment.

A Grinaker Construction spokesman said the company would engage in a lower level of activity in the housing market.

PETER DELMAR reports the convenor of the ANC's local government committee Thozamile Botha said it was unfair to blame the ANC for the companies' decision to pull out of the market. It had been unable to participate in forming housing policies.

Civil engineering remains the core as group diversifies

32

BDay 17/10/90

CHRIS JARVIS

BASIL Read began as a civil engineering company and although it has diversified in several areas since 1984, remains one of the country's major contractors.

As its different divisions are interlinked — while remaining independent — it has not split up its operations but rather consolidated them.

Basil Read Civil Engineering MD Chris Jarvis says the group has grown out of the civil engineering core — but that core still constitutes 50% of its business.

Its core business is, however, going through tough times, says Jarvis.

"There is a gloomy, negative estimate in the industry for the next year or two and this outlook has an impact on our prospects."

Political as well as economic problems face the engineering industry.

"Change of government will further affect the industry," he says.

"Cut-backs in government and municipal spending have taken their toll on the industry," Jarvis says.

"We are looking to fill that gap by broadening this base and dealing with more private sector clients."

Basil Read has extended its scope beyond SA's borders to the neighbouring states and to servicing large corporations such as Sasol and Eskom.

Problems

However, in this new realm there are still problems, such as highly competitive firms with international backing.

"We'd like to think that an SA company would have a better infrastructure to compete in southern Africa than, say, a French company — but this isn't always the case."

Jarvis says Basil Read will be able to make the difference required to stay "a cut above most and retain our market share as well as maintaining standards in growth.

"There is work for us and that will not change. We are competitive and efficient and can expect to stay afloat."

Urbanisation programmes, township services, roads, water purification works, sewage treatment, water storage and transport add up to years of work for this civil engineering giant.

"To cope with cut-backs in government spending one gets involved and relies more on private sector companies, the big corporations, mining houses and our own development.

"However, invariably in difficult economic times these are not easy alternatives as these organisations also experience curtailed capital budgets."

Basil Read's diversification has paid off. There is civil engineering work generated by the other divisions, such as mining and building and property developments.

"The other thing is diversification in the group — things that are allied to the constuction side, for example," Jarvis says.

These facets create more work for the company.

"There's a lot of interplay," he says. "It broadens our base."

Advantageous

It is also advantageous for clients if one group can provide all the facilities for completing a project.

"We can project manage well. We know what it takes and we have the infrastructure to deal with the needs."

The company is now in the treatment of waste dumps, an added diversification that has also provided construction opportunities.

No one, however, can be certain of attaining and utilising opportunities — one must be competitive.

"Competition is extremely tight — and in the present climate it can only get tighter," Jarvis says.

But Basil Read is not experiencing the same degree of problems as some of its competition.

"Tendering success is lower than we would like it to be, but we have never been short of tenders — or of access to future work."

Jarvis says that to survive, companies must "make their operations far leaner and cut back on capital expenditure".

Basil Read is involved with the Toll Highway Development Corporation.

The future of privatised toll roads is under question — but toll roads are here to stay. "And so is Basil Read," he says.

Business Day SURVEY

Basil Read began as a civil engineering company and although it has diversified in several areas, remains one of the major contractors in the industry. Diversification has, however, paid off and civil engineering work is generated by the other divisions such as mining and building. **PETER OWEN** *reports.*

Management is moving towards a financial bias

(32)
B/Day 17/10/90


DAVE WASSUNG

THE management at Basil Read is undergoing some changes — primarily from a technical bias to a financial one.

MD Dave Wassung, who takes over the helm from retiring MD Ivan Gerhard, says: "I come from a financial background."

Wassung, who was financial director, says: "We're here to provide for the shareholders in the short to medium term."

The employees at Basil Read bought themselves out from Group Five and decided to diversify.

Part of diversification was to improve capital return.

"This is my role over the next few years."

Wassung says he aims to reduce the group's risks — "getting away from capital intensive activities and trying to smooth out the cyclical nature of the industry."

"We will invest in this group because there is still growth potential. I want to realise locate that potential.

"We also intend to improve the efficiency within Basil Read.

"We must maximise utilisation of assets and reduce operating costs.

"Basil Read has a 5% return on turnover, and given its size, it becomes difficult to maintain this return in the present climate.

Team

"But Basil Read has always been a team company. There were more than 350 employees involved in the buy-out six years ago and we've got a good team spirit," he says.

Diversification involved bringing in new people, however.

"My job is to maintain that team spirit. Mr Gerhard was MD for seven years and now there is the change from technical management to financial."

Wassung says there will be a change in the kind of opportunities available.

"On the negative side, there is reduced government spending.. There is less heavy capital expenditure on road systems and urban infrastructure," he says.

But there will be considerable new work with the foreign money that will come into a new SA.

Across the borders, Basil Read is dealing with Botswana and Lesotho.

"And we are negotiating with Mozambique and Zaire," Wassung says.

All the resources and expertise for property development on hand

BASIL Read has been involved in property development for a number of years.

However, since the management buy-out six years ago, the company decided to expand this area of its activities.

Property development involves building and civil engineering works and the company often found itself being approached by people who owned property but did not have the financial resources to develop it.

They often lacked the building and engineering expertise necessary for such undertakings.

From small beginnings, Basil Read has expanded over the past few years.

32 BDay 17/10/90

Luxury

In its wake, it has left shopping centres, residential townships, industrial factories and office blocks across the country.

Currently underway is a R20m office block in Germiston for the Reciever of Revenue, luxury apartments in Plettenberg Bay and an industrial park in Cape Town.

A year ago, Basil Read decided to form a separate property development company to handle group developments.

MD Bill Henderson is at the helm of the new company and director Vic Snyders is responsible for the developments themselves.

Basil Read recently announced it is investigating acquiring control of Greenfield Property Holdings.

Call for 'global village' attitude

32

B/Day 17/10/90

Reports by
CHARLOTTE MATHEWS

SA BUSINESSMEN had to understand the changes wrought in markets and the labour force by the new "global village" or they would go to the wall, management consultant Tony Manning told the Building Industries Federation (Bifsa) annual conference in Durban yesterday.

"Standards are converging. A product that was cheaper or offered a particular benefit can no longer compete because all products have that quality. Tastes are converging because we are all being exposed to the same standards in the media," Manning said.

"Differences between individuals are disappearing as people around the world wear the same fashions, speak the same language and use the same brands."

Manning said SA managers could no longer manage their labour in the same way as before because their labour force had the same tastes and aspirations as they did.

Managers had to move their workforce from a position of dependence to independence — "you can trust them because they trust themselves", he said.

He urged Bifsa members to understand their customers' needs, to develop appropriate but not necessarily lower standards for the SA market. They had to pay more attention to invisible assets such as people and to the enviroment.

Natal University deputy dean of student affairs Devi Rajab said it was important for people to see themselves as South Africans rather than Afrikaans- or English-speakers or white or black in post-apartheid SA.

She said prejudice consisted of belief and feelings that led to action and discrimination. In a post-apartheid society, belief and feelings could not be controlled but actions could be legislated against.

"We have grown up in a society that is fragmented by racial problems," she said. "A prejudiced mental state has created barriers between people. Many people who have employed a domestic servant for years know nothing about her background, sometimes not even her surname.

"We have to socialise our children so they can overcome as many of their prejudices as possible."

PROPERTY

Conditions could worsen in home-building industry

BDay 17/10/90 (32)

Reports by CHARLOTTE MATHEWS

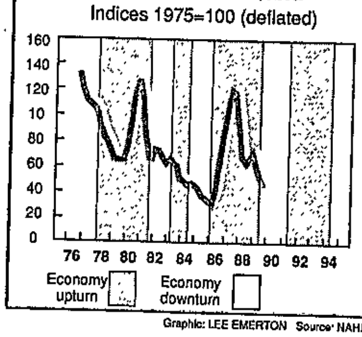
THE home-building industry is moving towards a downturn similar to that of the 1986 recession, according to a report commissioned by the National Association of Home Builders (NAHB).

The report, by Medium-Term Forecasting Associates (MFA), concludes that conditions in the industry are likely to worsen further in the next six to 12 months.

As a result of the sharp drop in the real value of work on hand in recent months, a number of township developers and home-building companies have left the industry.

Other reports quoted by the NAHB show that of 32 firms active in the white housing market in 1981 to 1984, only seven remained in mid-1990. Two more firms recently announced their withdrawal.

Township developers: Value work on hand
Indices 1975=100 (deflated)



Graphic: LEE EMERTON Source: NAHB

NAHB executive director Johan Grotsius said unemployment was directly linked to unrest and the home-building industry was an important source of employment for the unskilled.

He quoted a recent statement from the National Manpower Commission that for every R1m invested in the building industry, 186 new jobs were created, compared with 124 in agriculture and 67 in commerce.

According to the MFA report, the increase in the funds allocated for low-income housing was to be welcomed, but these were still inadequate to meet the demand from first-time home buyers.

MFA believes R150m a year should be budgeted for the first-time home buyers' subsidy.

"The funds to speed up the housing process are available," Grotsius said.

"It is time they were channelled where the need is greatest.

"In turn, this would alleviate the severe recessionary pressure being felt in the industry."

THE PEOPL

Whites replace black workers after strike

By DESMOND BLOW

32

Press
11/90

A PIETERSBURG window-and-door-frame factory owned partly by Transvaal administrator Danie Hough's wife has fired all its black employees and hired whites to do their jobs.

The whites are earning exactly the same wages as the former employees.

Danie Hough had been a director of the business, NTY Staalwerke, since the 1960s, but last year his wife Mignonette, 49, and Klaradyn Booyens, 37, took over his share of the company with R100 capital, renaming it NTY (Lebowa) CC.

Seven months after the new owners took over, the 80-odd black employees were told they would have to work a four-day week with reduced pay. When they objected, they alleged four of them were fired.

The rest of the black workforce then went on strike and were summarily dismissed a few days later.

None of the black employees, some of whom have been with the company for more than 26 years, have found other employment.

Factory manager Peter Quin says if the black employees want to return, they can apply for their old jobs at the same wages.

He adds that not all will be successful with their applications as many of their jobs have already been filled by whites.

However, he admitted that many of the white employees were not up to the standard or as reliable dismissed a few days later.

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He adds that not all will be successful with their applications as many of their jobs have already been filled by whites.

However, he admitted that many of the white employees were not up to the standard or as reliable as the blacks.

"About half our white employees are from special schools," he said, "which means they are not as efficient and they are also prone to industrial accidents. The staff turnover among whites has also been high."

Quin blames Nactu for the loss of jobs.

"When I expressed concern that men with long service would be left destitute, Theo Ramalamula of Nactu, who is representing the fired workers, told me that millions were without jobs and that 80 more would not make any difference."

The union denies Quin's version. It maintains the workers only went on strike when four employees, one a shopsteward, were arbitrarily fired.

Pietersburg attorney Jan Stemmet, who represented the factory in talks with the union, said there was a certain amount of truth in the stories of Quin and the union.

He said workers were told the factory had either to cut down on the hours worked, or people would have to be retrenched.

He said the workers refused to work shorter hours.

Stemmet said the four workers were not fired but retrenched, because that was the only alternative to working shorter hours.

He also denied the four had been retrenched because of their connection with the union, and were regarded as troublemakers by the owners.

as long as that is not considered, any other measure is peripheral."

Earlier in the day, Mr Mandela was presented with India's highest civilian award, the Bharat Ratna. He is only the second foreigner to receive the

Mr Michael Mansell of the Tasmanian Aboriginal Legal Service said Aborigines planned to protest against Mr Man-

2 Cape Times, Wednesday, October 17 1990

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Kriel slams sanctions

Boycotts' end could solve housing crisis

PRETORIA. — The advocates of sanctions should change their tune so that the "enormous problem" of housing in South Africa could be solved, the Minister of Planning and Provincial Affairs, Mr Hernus Kriel, said here yesterday.

He revealed at a media briefing that eight major building companies had withdrawn from the black housing market because of unrest and bond repayment boycotts. He feared they might not return to the market.

Mr Kriel said it would cost R5 billion to provide housing for the 1,5 million "illegal" squatters — not counting the "legal" ones — and the two million backyard dwellers in townships.

He stressed business had to become more involved in black housing because the government alone would be unable to supply housing for the nine million additional people expected to become urbanised before the end of the century.

Mr Kriel identified those who called for bond-repayment defaulting and sanctions as supporters of the SACP, ANC, Cosatu, UDF and MDM, and said the leaders of these organisations could "do the country a tremendous service by telling their supporters to stop this nonsense because it's not to the advantage of anybody".

Asked about housing arrangements for returning ANC exiles, Mr Kriel said:

"Announcements in this regard will be made by my colleague (National Health and Population Development Minister) Dr Rina Venter who is handling some aspects of this, but I personally have a problem and that is that we have such a backlog of people who are living in South Africa that I doubt whether we would be able to make special provision for people who are returning.

"Surely the people who are here should also be provided with an opportunity to obtain a house?

"I also believe there is such a lot of money available to the exiles through the political parties they support that I think the political parties will be in a position, as I see it, with all this foreign money that they have available, to provide housing and to buy land for that specific purpose."

In some black areas, rent defaulting ran as high as 90%, and the "ridiculous demands" coupled to the boycott campaign were that every second house should be demolished to provide bigger stands, an extra bedroom should be built onto each house free of charge, and that bond repayments be limited to R50 per month.

Because of this, financial institutions were no longer prepared to put their money at risk, knowing they would not be repaid, he said.

The government's goal was that every family should be properly housed — formally or informally — by 2000, but the co-operation of the government, the private sector and the people of the country was required for this.

Mr Kriel said in order to achieve the goal of a shelter for all, he had directed the South African Housing Advisory Council to formulate a national housing policy, to be published as a White Paper.

He added he would welcome opportunities to discuss housing policies with extra-parliamentary groups such as the ANC. — Sapa

Giving the home buyer a choice

HOUSING has always been a serious issue in South Africa.

The problem has snowballed and, as demands increase to crisis proportions, people are looking to the problem of supply.

Basil Read has been involved in housing schemes for several years — especially in the coloured community.

The Delmore Park project is an example of the company's work in this area. The project is now reaching fruition.

The housing project adresses the problems in the coloured community in the East Rand, where until now choices were limited.

Basil Read housing division MD Pat Culligan says: "The project aims to re-establish the choice for the upper income bracket in that community."

Incorporates

Adjacent to the south of Boksburg, Basil Read is developing 331 higher income houses.

The project incorporates a school, places of worship and provision for a shopping complex.

The development project started on August 20 and, to date, 62 houses have been sold.

"Demand is running high," he says.

"Basil Read is offering a variety of attractive designs."

Overall aesthetics have been given consideration, with more than 50 different designs available.

"Building will commence on January 7 and I expect to have the entire project completed by December next year," he says.

A show house and onsite offices have been completed.

Housing packages begin at about R64 000 and upwards.

1/10/90

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Firms face big losses from black housing

Star 18/10/90

By Norman Chandler
Pretoria Bureau

Huge losses may be incurred by some of the biggest construction companies in South Africa as a result of their withdrawal from the black housing market.

Those in the process of quitting include LTA Comiat Homes, Schachat Home Builders, Time Holdings, Gough Cooper Homes, Bester Homes and Grinaker Construction.

Another company, Stocks and Stocks Holdings, said yesterday it would remain in the field.

It is understood a number of medium-sized companies are also reassessing their position following the disclosure by Minister of Planning and Provincial Affairs Hernus Kriel this week that the industry had virtually ground to a halt because of unrest and a shortage of bond financing.

He said banks and building societies were not providing new bonds for blacks because loans were not being repaid.

The input of the private sector was vital to overcome the housing backlog.

The Urban Foundation yesterday expressed concern at the withdrawal of companies from the black housing market and said that without their participation, the potential to meet housing needs of low-income segments was limited.

Misleading

The National Association of Home Builders believes many companies pulling out will probably return once the unrest situation has normalised.

One of the building societies providing home bonds for black clients, the Perm, said yesterday that to lay the blame solely on bond boycotts was misleading and inaccurate.

Perm managing director Bob Tucker said the demise of the market had occurred over a period of time and was attributable to the interaction of a range of different forces.

These were:

- That houses built by the private sector fell overwhelmingly in the unaffordable R40 000-plus price range.
- The high rate of interest payable on bond finance.
- The quality of the housing.
- Very recently, the possible withdrawal of some financial institutions had been supposedly attributed to threatened bond boycotts.

Independent Development Trust chairman Jan Steyn said treating households differently on the basis of "imputed racial identity" had no place in South Africa.

● **Black housing bubble bursts — Page 21.**

VAT ON BUILDING

SHAKY FOUNDATIONS

32

FM 19/10/90

Already ravaged by inflation and high interest rates, the effectiveness of renewed efforts to solve the country's chronic housing problem through a plethora of low-cost housing schemes, could finally be scuppered by government's value added tax (VAT) proposals.

To many at the bottom end of the housing market, R20 000 to R30 000 is about as much as they can afford to invest in a home. To impose an additional 12%, or R2 400-R3 600 to the price in terms of VAT collections, could drive them out of the market.

In a desperate bid to keep the existing low-cost housing initiatives alive, a specialist pressure group formed by building, housing and professional organisations, this week joined the growing throng of those looking for special treatment when government begins collecting VAT next year. Others include organisations like the Institute of Estate Agents and ratepayers' associations (*Property* October 5).

The group, known as Concom, has handed a report to Vatcom, the government committee investigating comments and complaints concerning the proposed VAT legislation.

In it, Concom, comprising representatives of Building Industries Federation of SA (Bifsa), the Association of SA Quantity Surveyors, the National Association of Home Builders, the SA Association of Consulting Engineers, the SA Federation of Civil Engineering Contractors and the Specialist Engineering Contractors' Committee, used the implications for low-cost housing as the main thrust of its argument. It wants to ensure that the VAT levied will not exceed 6% of the building industry's turnover.

This, according to committee chairman and Bifsa economist Charles Martin, is slightly more than the industry's 5,8% of turnover GST contribution last year, but half the 12% standard rate of VAT collection envisaged once the legislation comes into force this time next year (October 1).

Martin argues that VAT on construction should be nowhere near 12%. "Anything more than 6% will increase construction costs unnecessarily and create affordability problems, particularly in the area of low-cost housing."

He says a standard VAT rate of 12% on the construction industry will have serious national, economic and strategic consequences. It will increase inflation, aggravate poverty and unemployment and almost cripple the entire construction industry, which turned over R22bn in 1989 and formally employed 450 000 people.

Concom, he says, would like concessions similar to those envisaged for exports, which will be given a zero VAT rating. It feels that by increasing the tax burden of the construction industry, which will have to be passed on to its clients, the State will open a Pandora's box, which will include reducing the disposable income of most, particularly low-income earners, have a negative effect on the affordability of accommodation, lead to increased wage demands, and to industrial unrest due to employers' inability to meet those demands.

The construction industry, he maintains, is a high turnover/low profit industry. It can't afford more taxes. Before taxation in 1976, it recorded an average net profit of 5,4%. That level of profitability remained fairly constant until 1980. The industry experienced one of its best years ever when net profit rose to 6,2% in 1982. But during the 1985 recession it dropped to 4,1%.

In its submission to Vatcom, Concom also raised several business-related problems contained in the draft VAT Bill.

One was allowing a contractor an input credit for the lease of construction plant, but not allowing him a full input credit if he buys plant. Another, also concerning plant, is that the industry already possess a large quantity of plant and other assets on which it has paid GST. It wants government to permit a notional tax on the value of these assets to be phased in over a mutually agreed period.

If this isn't done, says Martin, it will give those who buy plant after October 1 1991 a competitive advantage, because that plant will qualify for a limited input credit.

As far as work in progress on the date of implementation is concerned, Concom feels VAT should not be charged on work done and material already fixed in position, the cost of the land, or even on retention money for work outstanding on that date.

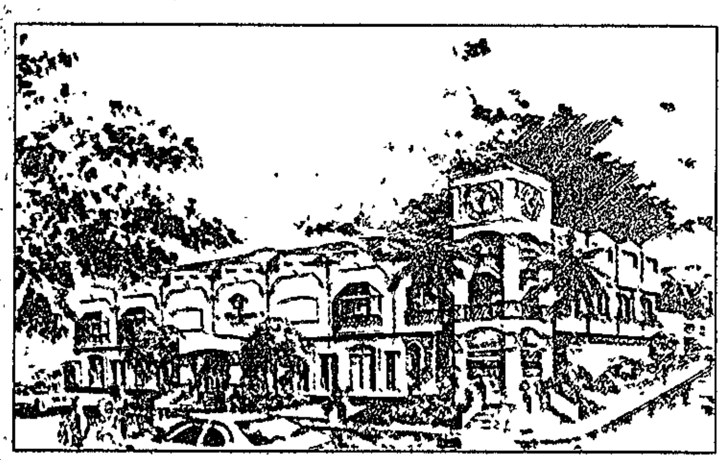
BUCKING THE TREND

When the going gets tough, the tough go shopping. Just how accurate this maxim is, is being tested at Plettenberg Bay where developer Delkor Technik is sinking R6m into a new shop and office development.

There's no question that Plettenberg Bay is a favourite playground of SA's rich and famous. Not in dispute either is the fact that they like to go shopping.

Put the two together and you have an ideal location for an upmarket shopping environment. The problem is Plettenberg's short-lived season has tended to frighten off all but the most hardy of developers. A municipal official confirms that holidaymakers swell the town's population from 11 000 to about 40 000 each summer.

The high season has traditionally been short — from December to late February — but Delkor's Ian Todd believes the pattern is changing and that the season now lasts for up to eight months of the year.



If Todd is correct he could be on a winner. Most of Delkor's new centre, The Square, at the intersection of Main and Church streets, will be devoted to retail. Of the 4 000 m² of shop space provided, at least 33% will be taken by the Cape-based Hyperette supermarket chain and a bottle store.

The Hyperette will have a bakery (the first in Plettenberg Bay) and deli. The centre will also have 12 line shops letting at R30/m². Asking rentals for the 400 m² of offices, with excellent sea views, will be R20/m².

Todd says the retail and restaurant segments should be open for trading before Christmas.

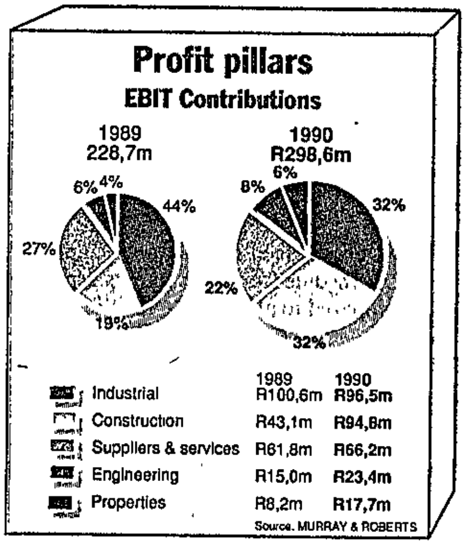
Local estate agents say impact of the new supermarket is already being felt. Spar supermarket is extending its trading hours in anticipation of the competition.

MURRAY & ROBERTS 32 F/M 19/10/90

STAYING AHEAD IN TOUGH TIMES

Activities: *Diverse group involved in industrial activities, construction, engineering, supplies and services, and properties.*
Control: *Sankorp 36%.*
Chairman: *M Daling; CEO: D Brink.*
Capital structure: *28,5m ords. Market capitalisation: R628,2m.*
Share market: *Price: 2 200c. Yields: 6% on dividend; 24,7% on earnings; p:e ratio, 4,1; cover, 4,1. 12-month high, 2 625c; low, 1 825c. Trading volume last quarter, 393 000 shares.*

Year to Jun 30	'87	'88	'89	'90
ST debt (Rm)	60	4,6	4,8	46,3
LT debt (Rm)	48,7	76,4	96,4	101,6
Debt:equity ratio	0,49	0,30	—	—
Shareholders' interest	0,36	0,42	0,41	0,41
Int & leasing cover .	5,4	6,6	9,7	11,1
Return on cap (%) ..	11,1	15,8	19,1	20,4
Turnover (Rm)	2 447	3 039	3 445	4 014
Pre-int profit (Rm) ...	88,3	140,5	221,3	301,0
Pre-int margin (%) ..	3,6	4,6	6,3	7,5
Earnings (c)	166	303	426	542
Dividends (c)	42	80	110	132
Net worth (c)	785	1 028	1 368	1 710



Conversion of 7,4m debentures on top of a tough economic climate could make it difficult for Murray & Roberts to increase EPS this year. CE David Brink is, however, confident that dividends will beat inflation: "We may experience negative real growth in turnover but should still achieve growth in attributable profits through organic quality and productivity improvements."

The conversion raises issued equity by 28,5%. Last year's earnings would have been diluted by 18,1% after adding back the cost of servicing the debentures. Despite this the group should manage 15% dividend growth but at the cost of reducing cover from last year's 4,1 times. Stated policy is dividend cover of between 2,5 and 4 times; even with static EPS dividends could beat inflation without taking cover below 2,5.

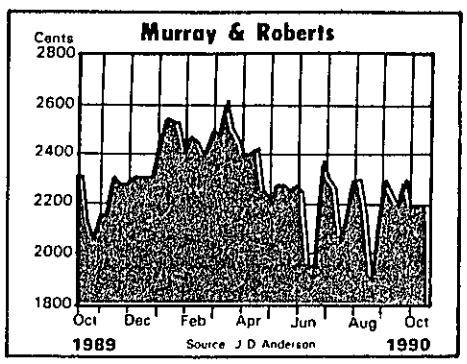
EPS growth of 27% last year surprised the market but would have been less impressive without acquisitions in the industrial division. This (just) remained the biggest contributor to operating income. Brink says a 4% decline in its profit does not realistically reflect recession in its markets; excluding acquisitions, its profit slumped by about 25%.

The second largest contributor was construction, 120% up on the previous year at R94,8m. Long-term civil engineering contracts helped to keep trading buoyant. Brink says the division has been successful in finding profitable work to replace power station contracts, a feature of the past 25 years.

M&R spent R86m on acquisitions last year and still had R167m cash at year-end (R19m net of borrowings). So the balance sheet is healthy and could accommodate substantial takeovers. Brink says all operating divisions are pursuing interesting growth opportunities, both organic and through acquisition. However, any significant developments will be financed from cash and borrowings, so additional earnings will more or less be nullified in the short run by additional interest charges.

Capex will also drain cash this year, with R184m (R155m) budgeted for renewal and expansion of plant and equipment. Of significance is M&R Foundries' R20m programme in Port Elizabeth, including the aluminium cylinder head casting facility based on the Cosworth process. The plant will come on stream this year. Once test proving by overseas parent manufacturers has been completed cylinder heads will be supplied to various SA manufacturers and export opportunities are being investigated. Subsidiary Genrec is to erect a R40m machining facility for these cylinder heads.

A key feature of the past three years has been the steadily improving operating margin, which Brink says stems from a reduction in wastage and doing things right the first time. A refusal simply to chase turnover has also helped. He reckons there is still room for



M&R's Brink ... *getting things right the first time*

improvement in the quality of earnings, and this is addressed in the three-year plan.

Despite economic slowdown, and though high interest charges may offset additional earnings from acquisitions, M&R should do better than average. *Gerhard Slabber*

TRANSUN F/M 19/10/90

WILL IT SHINE?

Activities: *Owns and operates the Wild Coast Sun and other gambling outlets in the Transkei.*
Control: *Kersaf and ultimately Safren.*
Chairman: *K A Rosevear; MD: A Chiaranda.*
Capital structure: *145m ords. Market capitalisation: R340,8m.*
Share market: *Price: 235c. Yields: 10,9% on dividend; 14,5% earnings; PE ratio, 6,9; cover, 1,3. 12-month high, 425c; low, 190c. Trading volume last quarter, 488 000 shares.*

Year to June 30	'87	'88	'89	'90
ST debt (Rm)	3,5	3,2	—	—
LT debt (Rm)	14,5	38,0	38,4	38,4
Shareholders' interest	0,57	0,47	0,47	0,51
Return on cap (%) ..	27,1	28	30,1	25,9
Turnover (Rm)	81,5	116,7	145	163
Pre-int profit (Rm) ...	35,8	49,8	62,5	64
Pre-int margin (%) ..	44	42,7	43	39,2
Earnings (c)	22,8	26,1	31,1	34,1
Dividends (c)	19	20	23,5	25,5
Net worth (c)	51,8	58	67,9	86,3

Fewer day-trippers to the Wild Coast Sun and lower average spending hit results but haven't deterred the group from R100m ex-

Moving into suburbia

(32) C Press 21/10/90

By PATRICK MAFAFO

LEW Geffen estate agency has appointed two black agents in anticipation of the scrapping of the Group Areas Act.

Peter Matshitse and Themba Nyembe are expected to earn an average of R10 000 a month for introducing middle-class blacks into white areas.

Geffen says his organisation has been ready for this move for a long time.

"We started five years ago and three years ago sold top black businessman Richard Maponya a house in Hyde Park for R350 000. That house is now worth close to R600 000 excluding refurbishments and furniture."

Former management consultant Matshitse says black professionals, businessmen and managers can afford houses in northern upmarket areas. He says some of these mink-and-manure areas are already grey.

"In Randburg, a three-bedroom, two-bathroom house with a swimming pool averages R160 000.

"There is a shortage of prime upmarket housing sites in black areas. On the other hand there is an estimated surplus of 37 000 houses in white areas."

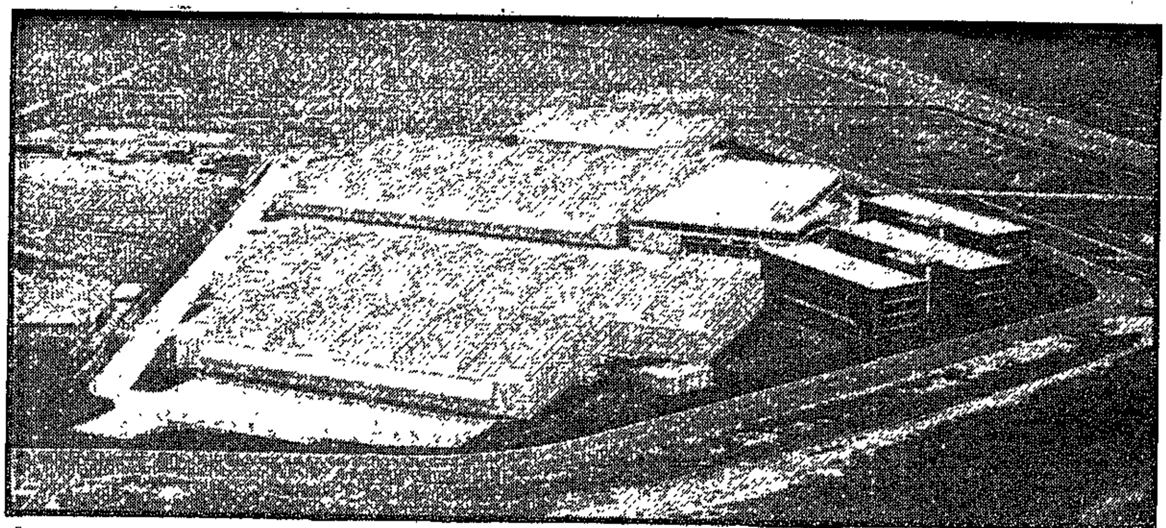
Matshitse's duties are to introduce, co-ordinate and educate black buyers to the white-housing market. He intends to achieve this by running seminars.

Nyembe, 30, joins Geffen with seven years in sales. He has sold about 200 houses valued at R9 million.

According to Geffen, his company has a R22-million turnover a month. Most houses it sells are in the R250 000 to R1 million bracket.

Geffen believes housing in the black market is overpriced.

"For the same price as a slightly enlarged matchbox in DiepKloof Extention, a buyer can get a reasonably big house or townhouse in the northern suburbs."



Aeroton Omnipark was developed by Matrix in 1986.

Entrepreneurial skill to the fore

B10a1 23/10/90

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ENTREPRENEURIAL flair is the characteristic that sets Matrix Projects apart from most other operators in its field — and it starts with the people the company employs.

MD Malcolm Wilson says: "Most of our staff, from middle management upwards, possess the potential to become entrepreneurs in their own right.

"Holding together a team of this nature is an exciting management challenge, and one which offers enormous potential for the continuing development of the company."

Wilson says one of his primary roles is identifying and assessing the potential of his staff — and creating an environment in which each employee can grow, both as an individual and as part of the team.

"As they work together — and especially in the mentoring relationship between experienced and younger members of the team — our staff come to know each other's strengths and weaknesses."

He is not afraid to promote young staff members to senior positions when he is confident of their ability to handle increased responsibility.

As a result, the company has all the zest that can be expected from a management team with an average age of 38.

Matrix employs some 35 professionals with skills in architecture, engineering and construction management.

"I employ people who are self-motivated and excited about what they are doing — people who have a wide interest in life, yet whose work is an extension of their personality," says Wilson.

"The rewards of working for Matrix are considerable — but I believe the prime motivator of top people is job satisfaction.

"To a large extent, their future, and that of the company, depends on our success in enabling them to reach their full potential."

With this corporate philosophy, Matrix is well equipped to identify and take advantage of fresh opportunities as they arise.

On more than one occasion, the company has set the pace for the rest of the property development industry.

For example, it was in the forefront of the trend to create more flexible office and industrial space, and pioneered the development of industrial parks locally.

The corporate structure is horizontal rather than vertical. Wilson says he is the co-ordinator of the company, aiming to keep abreast of developments in every aspect of its operation without interfering with the autonomy of its management staff.

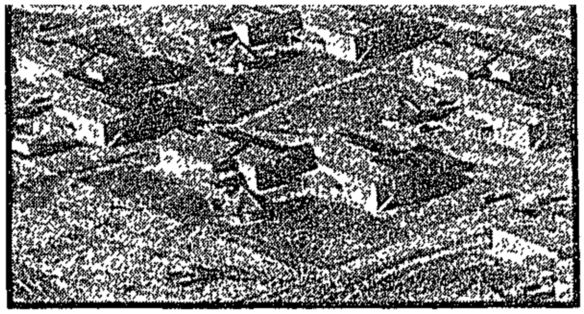
Development director Athol Vivier heads the company's conceptual, architecural and estimating activities, as well as maintaining close contact with its engineering design wing.

Financial director Mike Figg, in addition to overseeing the administrative operations, is responsible for activities in the mining industry.

Director Peter Mitchell heads the local contracts development operation, assisted by teams of construction managers drawn from a range of professional backgrounds, and director Paul Vallet is responsible for developments beyond SA's borders.

Wison says: "We develop people as individuals — but a passion for teamwork is crucial.

"Our top people are those who have learnt to derive much of their job satisfaction from working with others — both inside and outside the company — who share their views about getting the job right first time, on time."



Single quarters at Lonrho's Eastern Platinum Mine.

Mining work opens up new opportunities for expansion

(32)

B Day 23/10/90

THE potential offered by the mining industry has opened up new vistas to Matrix Projects.

The company is involved in work on three West Rand mines and is looking to expand its activities in this market.

Financial director Mike Figg, who heads this arm of the company's operations, says: "We completed around R61m worth of work at Lonrho's Eastern Platinum, Western Platinum and Karee mines near Rustenburg during the year to the end of September.

"In addition to building mine houses and single quarters we were involved in the construction of extensive service infrastructure.

"We are currently working on a new R10m office and assay block for Lonrho platinum division at Western Platinum."

MIKE FIGG

Unusual

This project is unusual in that it goes beyond the functional style of architecture customary on mine projects.

Intended to enhance the image of the company, it is modern in style, with attractive features incorporated into the design of the main entrance and boardrooms.

To date, Matrix has built 24 single-quarter blocks for mineworkers at Eastern Platinum and the construction of a further 12 is planned.

It has also built more than 87 houses for senior staff at the same location.

A new industrial changehouse is also under construction at Western Platinum at a cost of R9m.

Intended to cope with a flow of some 4 500 workers a shift, it is scheduled for completion in June next year.

"Lonrho brought us in to work on these projects because of the difficulties the mines encountered in controlling costs when they tried to carry out the work in-house," says Figg.

"In the past, they dealt in the traditional way with architects as principal agents. Now, we serve as an interface between the mines and their contractors and the professional team."

Matrix established a permanent office in Mooinooi to look after the needs of the mines when it began working with them last year.

"Initially, the office was manned by three people, but this has expanded to seven and could continue to grow as we extend our involvement in the industry," he says.

Housing market buoyant

Star 24/10/90

By Frank Jeans

Further indications of the continuing buoyancy of the residential property market despite high interest rates and general economic constraints is seen in the latest housing review of the United Building Society.

It says the average price of a medium-size home is likely to have risen by 11 to 12 percent this year — the best performance of the housing market since 1983.

During the third quarter this year the average price of a medium-size house rose to slightly above R106 000 which is three percent higher than the previous quarter's figure and 12 percent more than the year-ago price.

Prices of smaller units averaged about R88 000 during the third quarter, representing an increase of 15 percent previously.

The top end of the market appears to have been affected by the downturn, with the average price for larger homes remaining virtually unchanged since the previous quarter at R146 000.

Nevertheless, this is seven percent higher than the figure for this category a year ago.

The Johannesburg area is still the most expensive region in the country, says the review, with the average home of about 265 sq m costing nearly R270 000, while the figure for the average medium-size property is R137 000.

The second most expensive area is the Western Cape (R126 000 average), followed by Pretoria (R111 000), Durban-Pinetown (R107 000) and West Rand (R105 000).

Looking at the affordability factor, the review says repayments on a 20-year bond of 80 percent of the value of a medium-size house (a bond of R84 000) amounted to R1 495 a month in the third quarter — 19 percent more than the repayment a year ago.

"However, after adjusting for the effect of inflation, this repayment is only six percent more".

Bullish in its outlook, the United sees a boost for the market in 1991 on the back of a hoped-for reduction in mortgage rates, a continued net immigration gain and the repeal or amendment of the Group Areas Act.

Home loan rates to drop next year

Star 24/10/90

By Tom Hood

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CAPE TOWN — Home loan rates will drop next year by at least three percentage points from the current 20,75 percent, Southern Life economist Mike Daly forecasts.

He says in the company's latest Economent Comment higher oil prices will impact severely on the current account of the balance of payments.

The upshot of this is that the expected decline in local interest rates will take longer to materialise with the first cut in bank rate coming only in the first quarter of 1991.

Commercial & Industrial Property
A Star survey

Developers warned to act with caution

Star 24/10/90

32

There should be "extreme caution" in the development of industrial property on a speculative basis in a market "awash with mini factories".

This warning to developers comes from Brian Langford of API Property, who has studied mini-factory growth points.

He says: "During the past year, the Robertville and Stormill areas alone have supported about 40 000 sq m of 'spec' development either completed or under construction, while on the East Rand, the area around Isando currently has about 70 000 sq m of factory space due to be completed by the middle of next year."

These ventures involve institutions. Activity by private investors in the industrial market should also be taken into account.

API's investigations into the availability of industrial land in Edenvale and Kempton Park reveal that anyone requiring large tracts of land has a problem.

"As well as being expensive, Sabenza and Eastleigh are almost fuly sold and Spartan and Isando are both almost fully developed," says Mr Langford.

In Wadeville, an area with historically low rentals, owners are find they are now achieving much higher rent levels.

Proposals invited for Onderberg sugar mill

Star 24/10/90 (32)

By Peter Fabricius
Political Correspondent

The Government is to invite entreprenuers to submit proposals for the building of a new sugar mill in the Onderberg region of the Eastern Transvaal and KaNgwane.

Trade and Industry Minister Kent Durr announced yesterday that the Sugar Association would shortly publish a press advertisement formally inviting applications.

Mr Durr said he was "enthusiastic" about the extra jobs that would be created and the possibility of establishing a substantial number of small cane farmers in KaNgwane.

But he cautioned that the Government was not able to provide any guarantees that there would be extra irrigation water.

International agreements needed for the construction of irrigation dams had not yet been concluded.

Entrepreuners considering investing capital in the sugar mill would have to "make their own commercial judgment".

These would have to be based on their assessment of the existing and future water supply situation.

Mr Durr said the introduction of free production areas for small growers had resulted in large numbers of these growers in the Natal/KwaZulu area entering sugar farming.

(32) Star 24/10/90

Pat on the back for leaseback choice

Businessmen who opted for leasebacks instead of property acquisition through alternative funding must be congratulating themselves in the light of continuing high interest rates.

That's the view of Ian Watt, property investment manager of Old Mutual Properties, who says: "The present situation demonstrates the benefits of known and stable costs of leaseback finance.

"Most other forms of property finance, with variable rates, are wreaking havoc on profit and loss accounts at a time when high interest rates are aimed at reducing consumer spending and, thus, impacting on production and capacity levels."

Mr Watt does not believe the leaseback tenant will pay for his choice in the long run.

Companies today have to decide what business they are really in: manufacturing, distribution or service.

"Or are they in property ownership or a mixture of the others?

"A company which does not purport to be a property owner should be maximising capital to achieve the best possible return from the business it does best."

He believes there is a widespread notion that property ownership provides an opportunity to realise remarkable capital appreciation. And while that might be true, it will occur only when the owner disposes of the property and decides to operate from a cave or cease business, he says.

Flexibility is the main advantage of a leaseback deal in the current economic climate.

The businessman can either move out of the premises at the end of the leaseback period or, through developing a long-term relationship with the institutional owner of the property, turn to it for funding various alternatives.

These may include development of new premises or alterations and additions to existing premises.

"Most leaseback agreements have a clause allowing reversion, after a period, to market-related rents," says Mr Watt.

"This has tended to worry many businessmen because rental levels over the past few years have experienced extraordinary growth.

"However, this is mainly a long, overdue correction in market rents for industrial property after the depressed economy of the mid-eighties which saw little or no rental growth."

He says it is more sensible for a business to tie itself to market rentals, which move in sympathy with prevailing economic conditions, than gearing accommodation costs to a financial medium linked to the more volatile short-term interest rates.

Pull-out by big builders rocks market

32

Sowetan 26/10/90

THE withdrawal of eight major private sector home builders from the black housing market is viewed with concern by the Urban Foundation.

Mr Matthew Nell, managing director of the Foundation's residential development division, said it was "shocking that major building companies had withdrawn from the black housing market because of unrest and bond repayment boycotts."

"Without the active and ever-growing participation of the private sector, the potential to meet the immense housing needs of low-income segments of South African Society was limited," said Nell.

His sentiments were echoed by Mr Hernus Kriel, Minister of Planning and Provincial Affairs, when he announced the withdrawals.

Kriel also expressed fears that "these private home builders might not return to the market, and warned that it would cost R5 billion to provide housing for the 1.5 million "illegal" squatters - not counting the "legal" ones - and two million backyard dwellers in townships.

The Minister further stressed that the public sector would have to become more involved in black housing because "the Government alone would be unable to supply housing for the nine million additional people expected to become urbanised at the end of the century."

The Urban Foundation has, however, planned to release its proposals for a national housing strategy next month.

Issues

"This will stimulate public debate between the housing industry, Government and community leadership over national housing policy issues....

"At the same time, the Foundation recognises the difficulties of operating in the current environment and that without improvement to these conditions, the potential for private sector home builders to operate viably is severely curtailed," said Nell.

He said the Urban Foundation's joint initiative with the Mortgage Lenders Association of South Africa (MLASA) to set up the Home Loan Guarantee fund for mortgage finance of low-income families remained critical in overcoming one of the most essential conditions for ongoing private sector development - the availability of mortgage credit.

Nell believed that conflicts between communities and the private sector around housing issues will have to be resolved.

"Clearly, these conflicts reflect both misunderstandings and some real unresolved problems."

He however, welcomed Kriel's announcement that he had commissioned the South African Housing Advisory Council to prepare a proposed national housing policy.

"It is hoped that this will provide a basis for necessary debate and discussion between all interested parties to develop an effective, widely supported housing process which will assist the full spectrum of South African society obtain adequate accommodation," concluded Nell.

DARLING & HODGSON (32)

BLESSING IN DISGUISE?

FM 26/10/90

In the long run, recession in the building industry may turn out a blessing in disguise for Darling & Hodgson (D&H). Despite the present squeeze on profits, the downturn should create takeover opportunities at a time when the group is cash-flush and ready to expand its earnings base.

The year to end-August reflects both recession and a higher tax liability now that assessed losses have been fully used. The impact was particularly marked during the second half, when EPS fell by almost one-third on a relatively mild 9% fall in pre-tax profit. This wiped out the first-half gain and left EPS for the year down 10% — much in line with expectations at the interim stage.

Looking at the bigger picture, however, the main feature was undoubtedly a continued accumulation of cash. In just two years, D&H has amassed cash holdings of R57,3m, of which R37,6m accrued during the 1990 financial year. With an ungeared balance sheet, this places the group in a strong position to expand through acquisition and there can be little doubt that it will pounce should the opportunity to buy under-utilised or non-performing assets at the right price arise.

The situation is gaining urgency, as 15% of total assets are now cash. While this is unquestionably a comfort at a time of high interest rates, cash in itself can be viewed as an under-performing asset. Even at present rates, the taxed return must be under 10%, whereas D&H itself still returns 21% on shareholders' funds despite last year's earnings decline. If cash resources continue piling up at this rate, D&H will find it increasingly

FM 26/10/90 (32)

difficult to generate acceptable returns, even if trading conditions start to recover — something not foreseen short-term.

Based on present conditions, a further earnings decline of about 10% for 1991 is expected, implying EPS of 87c (1990: 96,6c). While the balance sheet remains cash-flush, this should not affect dividends; in fact, it would be surprising if the payout does not at least match inflation. If it does, the share at 370c offers a forward yield of about 10%.

The high yield clearly reflects the market view of the sector. For D&H, however, the rating may be a case of throwing the baby out with the bathwater. Under Malbak management it has again become a decidedly interesting company and its ability to expand adds extra spice.

Brian Thompson

(32) Star 27/10/90

Petrol rise gives building costs a further push

FRANK JEANS

THE latest 25 percent shock rise in petrol will push the price of building a middle market home of R100 000 by a further R3 500 in the next few months.

And a leading estate agent believes the increase will have a direct effect on residential property prices generally.

The crunch will be felt mainly in the transport of building materials to house sites but there will be a ripple of cost rises in components with a petro-chemical base, such as carpeting and curtaining.

Charles Martin, economist of the Building Industries Federation (Bifsa), says: "Building costs at present are about R1 000 a sq m, so the latest petrol price rise will translate to a 25 percent jump in building costs to push the sq m figure to between R1 035 to R1 050.

"The effect on higher price homes, with their extra finish, will, of course, be greater."

Scott McRae, managing director of real estate group Camdon's Nationwide, believes the petrol rise will have a negative effect on prices of homes in outlying areas.

"Backers of new developments in these areas will have to take into account the additional transport cost."

He sees building costs rising from the present rate of 1,5 percent a month to about 2 percent.

"Even a 0,5 percent a month boost in overall building costs would mean the cost of a home going up by 6 percent a year," he says.

"I have no doubt that a home costing R100 000 to build today will cost R6 000 more a year from now."

Calling on the building industry to cushion the effect of the rise by absorbing part of the cost, Mr McRae says builders have to remain competitive and that distances over which raw materials are delivered vary from site to site, thus enabling keener pricing.

Mr Martin, however, points out that builders today are working to extremely thin margins and are not in a position to absorb costs.

"The market today is beleagured by high interest rates along with the effect of a decline in real personal disposable income — the combination of which is hitting volumes in the home building market," he says.

Economist Charles Martin: 'Direct effect on property prices.

KA

...ce barriers tumble in house sales

We sell to anyone in any area, says agency

DURBAN — The Natal division of property group J H Isaacs is removing the racial barriers in its residential sales book.

At a function to launch a section of its residential sales division to cater to black areas of Durban, Trevor Warman, chairman of JHI (Natal), said the company would sell any property on its books in any area to any person.

Scrapped

This was, he said, a response to the invitation from President de Klerk to everybody to "participate in the new South Africa" and should not be seen as a challenge to the Government.

He expected the Group Areas Act to be scrapped no later than May next year.

In the meantime, the company would continue to comply with the law requiring black people buying homes in white areas to be issued with permits.

"Government officials have entered into the spirit of this thing, the only limitation on them being the rate at which they can issue permits, rather than spending time finding ways to refuse them," said Mr Warman.

He said his company had found

OWN CORRESPONDENT

homes for several black businessmen in central Durban.

Three weeks ago it acted for an Umlazi woman who sold her house for R200 000 and bought a flat for R90 000 in the city centre.

Reacting to reports of financial institutions not lending to black prospective home buyers, Mr Warman described banks and building societies as "responsible citizens" and said the reported withdrawal from the market would be "the last thing they would do".

"They may be more specific about areas they grant mortgages in and the risks they accept, but they would not pull out of any area."

He said the institutions recognised the fact that blacks tended to place more store by home ownership than other people, and consequently, often made better risks.

Ron Mattig, the company's sales manager in the black housing initiative, said his staff would work hard to counter myths that existed about home ownership.

One of these was that property could not be sold or homes extended until bonds on them were paid off.

32

There's no limit to Pentagraph's scope

B Day 30/10/90

ONE company has emerged as the leader in the supply of design, from corporate identity to industrial, product development ranging from automotive parts to pool cleaners, architectural and even environmental design.

Pentagraph and the Penta Holdings Group began 10 years ago as a design studio.

Today, it is the only multi-faceted design organisation in the country.

In that time, the company has seen turnover grow 16-fold, with this year's growth the best to date.

Described in added value terms, growth in 1990 is 50% up on 1989 and gives a compound average annual growth of 49,5% over the past four years.

Financial director Bryan van der Westhuizen says: "From 1986, we have been on an exponential growth curve."

Pentagraph's multi-disciplinary design team incorporates architects and urban designers, industrial designers, graphic artists and a team of skilled marketing and client liaison personnel.

It attracts the top design talents in the country and is employed by almost all the top companies — Mercedes Benz, Natbev Coca-Cola, Sun International, Volkskas, Gencor, Rembrandt, Nissan, Transnet, Sanlam and TrustBank to name a few.

32

Excellence

Consistent high quality and design excellence has won Pentagraph the cream of SA's design and creative awards as well as numerous international awards, including Clios, and architectural awards.

Founder, owner and executive chairman Joe Keiser says some of the company's design works have produced millions in corporate incomes.

Design excellence and creativity is what drives the company and has made it grow.

"The awareness of added value product design and the potential of the international market is being realised by SA manufacturers.

"The change during the past three years has been remarkable. Local companies and manufacturers now dedicate sizeable budgets for product development and design," says Keiser.

Short-term building is a balancing act — Stocks

BDM 31/10/90

Reports by
CHARLOTTE MATHEWS

THE short-term future of the construction industry is a balancing act between the dampening effect of government's anti-inflationary measures and the need to create employment, housing and infrastructure.

This is the view of Stocks & Stocks executive vice-chairman Bart Dorrestein.

He says contractors are coming under increasing pressure from unions partly motivated by political considerations.

"The result is that the contractors are moving away from labour intensive building practices and looking towards mechanisation in an industry historically the country's second largest employer of labour."

Dorrestein says the unions must support companies that have staff training and productivity programmes.

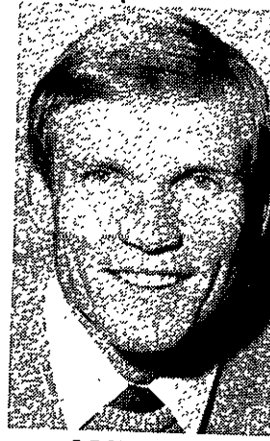
"The Stocks Group believes it is in the best interests of the country and the people to maintain close liaison with our labour, and continue labour intensive practices."

There are still major projects in the pipeline which will help the larger construction companies keep active well into 1991, Dorrestein says.

These include Mossgas, the Highlands Water Scheme, BankCity and major shopping malls.

Dorrestein says the group hopes to supplement its order book by being innovative and developing in those fields which the "new SA" will need.

Although the country's greatest need is for housing, private enterprise cannot participate except as contractors until government has resolved some of the issues that caused a "bloodbath" for the private sector in housing development.



● DORRESTEIN

"Industrial development holds the key to creating job opportunities in the future," Dorrestein says.

"Much of private enterprise's thrust should be in this direction where, hopefully, labour intensive, export-driven industries will assist in the future of the new SA."

He says one solution is to create small satellite subcontracting industries where labour and a second-tier level of industrialists supply the major industries with the components that make up their products.

This would reduce their vulnerability to action by the unions.

In spite of the short-term oversupply of offices in most decentralised areas, Dorrestein says decentralised offices close to middle-class homes will continue to flourish.

Only the major groups who need to be in the CBDs will remain there, he feels.

The others will be attracted to the increased security, convenience and pleasant working environment of decentralised locations.

Home built in less than four hours

32

FROM drawing board to completed house in four hours is the record set by a local construction company with the launch this week of a new concept in affordable housing.

The R20 000 asbestos-walled wood-frame dwelling unit measuring about 49 sq m was introduced as "a dream come true", the answer to the quick-fix grannie flat or a full free standing family house.

At the "test" site in Northwold, Randburg, where a team of 25 smart workers waited for the starting gun to get into the *Guinness Book of Records* for erecting a house in record time, only the foundations and slab had been completed.

All materials were deliverd in kit form, from the 45degree roof trusses weighing some 3tons to the asbestos wall panels and interior divisions.

The first four trusses were in place and clamped firm within less than 30minutes. Guests sipped champagne and the A-team's theme tune played as the A-frame house took shape.

Minister of Planning and Provincial Affairs Hernus Kriel quipped that if Japan donated R6,3m to housing instead of the ANC, 3 150 "dream" homes each accomodating a family of six could be built.

"That means 18 900 people can be housed and if overseas help could continue at the same rate, there would be shelter for every South African family before the year 2000," he suggested.

Earlier, on a more serious note, the Minister stressed private sector involvement in affordable housing.

By the time the hot water geyser was being positioned in the roof, CV Construction chief Carlo Vos was at the microphone: "This house which comes complete with fully equipped bathroom and kitchen can be built with brick walls which pushes the cost up to R24 000.

"The 85sqm version which is ideal for holiday homes or for the aged, costs R41 000 and for R71 000 the 148sqm unit is ideal."

The secret in the latest example of affordable housing is the design with all components manufactured to standard lengths and sizes.

Costs are estimated at 20percent less than a comparative conventional house.

Vos said the concept had been approved in principle by Randburg and Kagiso municipalities and several building societies.

Diepmeadow councillor Marabe Matale said there were plenty of people in his town who could afford these homes, but the problem was available land.

"We have 500 000 people housed in Diepmeadow. Three times that number now living in tin shacks still need houses.

"Up to seven families now live in one house, the possibilities of this place are limitless," he said. - *Sowetan Correspondent*

Star 19/11/90 (32)

Home-loan initiative on wing

By Frank Jeans

The recently announced home-loan initiatives by the Perm and Old Mutual will almost certainly spread to other lending institutions if there is wide acceptance in the marketplace.

There are indications already, however, that the individual schemes of the Perm and Old Mutual are drawing considerable interest.

Brian Peck, manager of the Perm's loan plan, says: "Our scheme has been reasonably well received and there is strong interest from pension funds and companies."

Voicing what is probably the viewpoint of other building societies and lending houses, Trevor Olivier, assistant general manager, loans, of the Natal Building Society, says that if the new schemes generate tremendous demand, other financial institutions would have to become involved.

"The Perm could not possibly handle all the additional business which could be expected to flow from the new scheme, nor would it want to," he says.

Trevor Olivier . . . could not handle all the additional business

Tienie van der Berg, senior general manager, group marketing, United, says the schemes represent a totally new basis on which to lend.

"We are watching the situtation carefully and I think the United must respond if the market in which the United is lending is threatened by this new approach to the homes business."

Some commentators in the market, while welcoming any initiative to help ease the burden of home ownership, believe a pension-linked plan might draw people into the market prematurely. Should repayment difficulties arise later, individual pensions, or the portion committed to a home loan, could be at risk.

Commenting on this point, Mr Peck says that under the Perm plan a subsidiary will be set up as a home for the pooling of pension fund money, so that a pension fund member will get a loan from the pool through the employer.

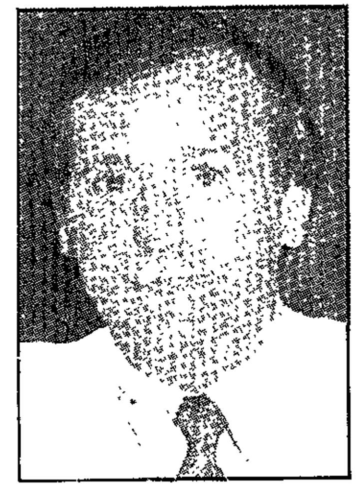
"The loan is not tied to interest rates," says Mr Peck.

"The member secures a loan which is a function of a percentage of the salary.

"If he wants to allocate, say, 15 percent of his salary over a 15- or 20-year period, that will determine the amount he is entitled to borrow from the pool."

There appears to be no risk to the member's pension because he is borrowing from a pool of funds, so that the risk is spread among the investors in the pool.

"We believe the risk is lower, anyway," says Mr Peck.



Scott McRae . . . favourable spin-offs to the economy as a whole

"Firstly, the loan is no longer linked to interest rates and therefore there is no repayment hassle when rates move against the borrower.

"Secondly, when there is, in fact, an adjustment to repayments, it is because he has had an increase in salary.

"Thirdly, the possibility exists at present whereby some borrowers might tend to overstate their salaries and financial institutions cannot always check each and every wage packet.

"The way the Perm scheme works, we enter into agreement with an employer and, in line with that arrangement, the Perm immediately knows the exact earning power of the applicant."

The real estate industry generally, sees positive results for the market emanating from the Perm and Old Mutual schemes. Decidedly bullish is Scott McRae, managing director of Camdon's Nationwide.

"Making the property market accessible to as many people as possible will undoubtedly have favourable spin-offs to the economy as a whole," he says.

"These schemes will open up the market to a significant number of people previously denied access because of restrictive lending schemes."

Mr McRae has no doubt that while the loans under the schemes are conditional on certain elements such as membership of a pension fund, the Perm's approach will result in benefits for all sectors of the economy.

Cut-rate firms rock property agents' boat

FRANK JEANS

ESTATE agents operating on cut-rate commissions are threatening the cosy position of the majority who charge the six percent rate recommended by the Institute of Estate Agents.

While some agencies conduct their businesses successfully below the six percent rate, many others fear the effects on the property industry of a commission rate war.

Potential clients, meanwhile, appear to be stepping up their agitation for lower commissions.

Bruce Henman, of Bruce Henman Real Estate of Fourways, says: "There is nothing wrong with negotiating a commission when a deal is presented to the seller in black and white.

Mandate

"It is wrong, however, to do business at a lower rate prior to securing a mandate. That's bad for business generally."

Emphasising that a professional agent cannot conduct a proper service at below the 6 percent rate because of advertising and other related operating costs, Mr Henman is against "at-the-death" commissions.

He believes an agent should be confident about the price of a property and add a "justified commission" for a job well done.

Commenting on the British experience where there is a commission war, Mr Henman said: "An agent shouldn't have to buy business from a seller by slashing commission so as to secure a mandate before marketing the property.

"A reputable agency has to run at a profit so as to provide good back-up service and anyone who runs his business below the recommended commission rate places himself in a serious situation and could go to the wall."

ALTERNATIVE: Barry Cribb and Pauline Black, partners in The Alternative Agency, which operates on a three percent commission basis.

Pointing out that "what you pay for is what you get," Mr Henman says that if circumstances dictate at the close of an offer, an agent might negotiate commission.

'But why give the commission away before it is earned, especially if both seller and agent can both achieve what they desire?"

He sees the slashing of commission as a "desperate bid for business" in a tough market.

"A desperate agent conveys this to a buyer and the result is a low price. The agent needs a sale — any sale. The question remains: 'Who needs weak agents?'"

Mr Henman concludes: "A commission war could only damage the professional standing of the real estate industry."

Barry Cribb, of Alternative Agency, which operates on a three percent commission rate, says: "It would appear that there is an undercurrent of change in the estate agents' modus operandi with all kinds of new deals and service being introduced into the market place.

"We believe agents' fees are far too high and despite industry criticism, we have not only survived but have experienced steady growth, even in the present softer property market."

Mr Cribb and his partner, Pauline Black, launched The Alternative Agency about 18 months ago and they report an 85 percent success rate of all property they have marketed.

Mr Cribb believes homeowners are becoming more and more receptive to innovation within the industry so long as it is coupled with total professionalism.

But why three percent?

"We believe efficiency and professionalism go hand in hand and that if strict business principles are applied, there is no reason why fees cannot be reduced," says Mr Cribb.

He claims that the agency has developed a service, which, far from making three percent a seemingly cut-price fee, has actually created a sophisticated service for homeowners.

Pauline Black says: "A rationale behind our policy is to allow buyers and sellers to meet.

"Why there should be so much surprise about that concept, I fail to understood as this is standard practice in the UK."

"Naturally, property is marketed only if a mandate is taken, but who in their right mind would try to market a property without a mandate?" asks Mr Cribb.

"Our policy is working well due to realistic valuations and disciplined approach to the industry as a whole."

Mr Cribb also points out that The Alternative Agency advertises properties through all the recognised media and has pointer boards and all other necessary paraphernalia to ensure there is the highest level of exposure of property.

"We also handle all legal documentation in the negotiation process. There seems to be a misconception that we charge extra for advertising and the handling of the offer to purchase. This is not so."

Competition

Colin Sidelsky, chairman of the Southern Transvaal branch of the Institute of Estate Agents, says: "We welcome competition but we have found that ultimately the public in dealing with members of the institute or other estate agents who display professionalism and have the knowledge and expertise and abide by a strict code of conduct, invariably get a better deal."

Mr Sidelsky emphasises that that calibre of agent invariably charges the tariff in line with institute recommendations and "provides, in turn, a commensurate service."

Commenting on the "do-it-yourself sales kit", Mr Sidelsky says this system has been tried overseas "with limited success".

Not expert

He believes the man who tries to sell his own home invariably falters because he is not expert enough in arriving at the correct market price of the property.

Neither does he have comparative market analysis at his finger tips nor the negotiating skill.

"He should also remember that he is dealing only with his home and does not have alternative stock to offer the prospective buyer," says Mr Sidelsky.

"The professional agent also creates supply and demand and can actually affect the price upward for the seller."

Star 14/11/90

Concor picks up R100-m contracts

32

The Concor group, whose profits recorded a 166 percent increase in the 1990 financial year, has increased its interest in the property development market with contracts worth R100 million.

Chairman Brian Murphy says at present the company has three developments worth R70 million under construction, with another two developments, worth R30 million starting soon in the Eastern Transvaal.

"Concor's flagship of its property division is the R40 million 80 Strand Street commercial and office development in Cape Town which was undertaken with Fedlife."

Another development, the futuristic R25 million Strand Pavilion, with its frontage jutting out into the sea, is expected to be the one of the most modern of its kind. — Sapa.

Significant increase in value of building plans approved

Star 29/11/90 (32)

By Frank Jeans

While the building industry continues to feel the crunch of the economic downturn, there has been a significant increase in the value of building plans approved nationally.

Although rising costs and inflation must be taken into account, the value of building work for which plans were passed in the January-August period of this year is encouraging.

The latest figures from the Central Statistical Service show that in that period plans were passed for building valued at more than R7 billion — about 16 percent higher than for the comparative period last year.

Cape Town was the largest contributor to the rise in value, with strong activity in the flats and townhouse markets, while the largest percentage increases for non-residential building were in the urban areas of Port Elizabeth and East London.

In real terms — at constant 1985 prices — both the August and January-August figures show decreases of 1,3 percent.

This is due mainly to drops in the real value of building plans passed for houses (6,5 percent) and non-residential buildings (10,2 percent) for the latter period.

Although the value of buildings completed during the eight months was only 14 percent higher than previously, the value of non-residential work completed showed an increase of 35,6 percent.

Durban was the star performer with the largest percentage gains.

Star 20/11/90 (32)

Grovewalk trims portfolio

Finance Staff

DURBAN — Cash flow considerations in a climate of high interest rates are behind an announcement by Grovewalk Holdings of Durban that it plans to sell part of its property portfolio.

Managing director Gerard de Rauville said the transaction was part of the company's strategic plan to become more closely identified with assets it is invested in and to manage them more closely.

He denied that it was a defensive move to counter the publicised takeover bid by another Durban property-based firm, DPF Investments.

Star 15/11/90

(32)

Mid-range house prices in decline

Finance Staff

High interest rates, the downturn and instability on the political front have affected property prices in the R185 000 to R450 000 range in greater Johannesburg, Randburg and Sandton.

Statistics compiled by Aida Holdings' national franchising arm show a seven to 10 percent decline in mid-range property over the past six months.

Chairman Aida Geffen says the trend for middle-income professionals is to buy down, a factor that is underpinning the market below R185 000.

"Rising living costs, expensive petrol and uncertainty over what form the new South Africa will take have adversely affected the middle market.

"This hesitancy is not reflected in the R65 000 to R185 000 range, where prices are continuing to firm at an average of 10 to 20 percent a year.

"Windsor Park is a good example of rising demand.

"We recently sold a two-bed room duplex there for R94 000. Two and a half years ago we sold the same property for R64 000," she says.

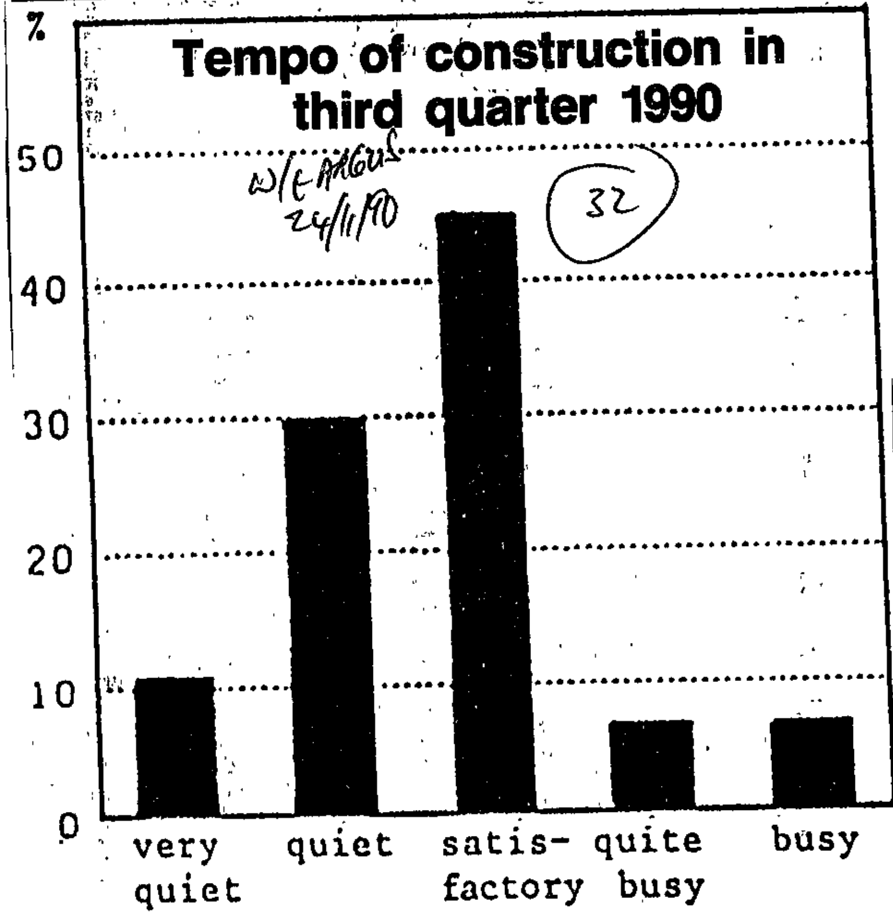
The market is also showing resilience and buoyancy in the R450 000 to R1 million range.

"People buying in this price range have more disposable income and are not affected by cost of living constraints to the same degree as mid-range buyers are. We are finding a lot of activity in the R1 million range.

"Although there is resistance at the top end of the market, particularly for properties from R2 million upwards, we are still very active in this sector.

"We recently sold a 12 000m2 property in Sandton for close on R3 million. However, it had been on the market for a year," she says.

CIVIL ENGINEERING INDUSTRY:



W/E Argus 24/11/90

32

DOWNTURN: The amount of work put out to tender is generally low and dropped in recent months, reports the Federation of Civil Engineering Contractors. After new contracts totalling R500 million in July and August, awards for September amounted to R165 million and in October to only R80 million. Competition is severe, says the federation which expects the downturn to continue next year.

8a 26/11/90 (32)

Two property funds to merge

By Derek Tommey

Two property-funds are planning to merge — CBD Property Fund (CBD) and Federated Property Trust (Fedfund).

The merger will create one of SA's larget property trusts, with a market value exceeding R300 million.

It is proposed that CBD will acquire the Fedfund property portfolio by issuing 84 new CBD units for the every 100 Fedfund units.

The effective date of the amalgamation of the two trusts will be January 1 1991.

Sge Property Trust Managers, which operates the two funds, sees substantial benefits arising from the merger.

It says the trusts will be able to invest in significantly larger proprty developments than either can now contemplate.

The larger capital base will ensure that no single property has an excessive weighting in the portfolio. It will also lead to a lower risk profile.

There will be considerable savings in administrative costs and it will enable joint participation in new developments.

Sage Property Trust Managers forcasts that CBD's earnings for the year to December will be not less than 30,69c a unit. It forecasts 27,10c for each Fedfund units.

If the amalgamation had already been in force, earnings on CBD units would have been 31,47c and earnings on Fedfund units would have been 26,43c.

South Africa does not uphold the claim of the poor to shelter, writes **Josie Adler**

Star 2/11/90 (32)

The right to build a roof over your head

HOUSING is more than a roof and four walls. Our society needs to shift its thinking from housing as a commodity to housing as a human right, and from the building of houses to the building of communities. No State and no single approach to solving housing needs has completely and sustainably solved the housing problems in any country.

At least 5 million South Africans cannot live near to where they work in a place where they can sleep safely at night. They are deprived of the normal benefits of living. They suffer great stress through insecurity and lack of access to clean water, refuse and sewage removal. Because there is no lawful and appropriate accommodation which they can afford, they are criminals wherever they stay.

Landowners are not at present upholding the right to shelter. To keep their land "clean", they make use of razor fencing and the draconian provisions of the law to demolish and evict. Property investors accumulate extensive land for profit, while there is no land on which homeless people can lawfully live. The proponents of the free market system in the new South Africa cannot justify this state of affairs. Property owners are not exempt from participation in the process of freeing of land for affordable residential living.

Uphold

Few town councils uphold the right to shelter and housing. In recent months the councils of Midrand, Alexandra, Johannesburg, Alberton, Vanderbijlpark, Soweto and Katlehong demolished shelters erected within their jurisdiction. What have these councils done to promote the human right to shelter? With few exceptions — like Benoni, Duduza and Daveyton — town councils are not assuming responsibility for homeless people within their jurisdiction. Midrand's local gazette has requested the public to report to the police any homeless people who are living unlawfully.

The police do not uphold the right to shelter. They are obliged to enforce squatting and trespass laws — laws which decree the destruction of shelters although there is no lawful alternative for millions of low-income people.

The Government — in this case the provincial authority — does not uphold the right to shelter. It has been well known for at least five years that over 2 million peo ple live unlawfully in shacks on the Witwatersrand. In the last four years about 30 000 sites have been developed in three places in the region for lower-income residence by the Transvaal Provincial Administration.

Not one of these areas was opened without there being a fierce struggle by homeless people not to be removed from where they were squatting before a suitable alternative was provided.

If the province is committed to the right to shelter and housing, it would have opened many more areas all around the region. People who have been homeless for many years would be able to choose for themselves a place best suited for their needs.

Instead, the authorities have created a shortage of supply of accommodation. People have to "qualify" for entrance to the only three available areas, Orange Farm, Zonkisisee/Rietfontein and Kaalfontein. The response among desperate, homeless people is predictable — a new system of "tickets" and queue-jumping, with all manner of associated black-market tricks. Another response has been "land invasion".

South African law does not recognise the right to shelter as complementary to and requiring to be balanced against property rights. It is a rare judgment that considers the welfare of those less materially possessed and who are excessively punished by society for being poor.

Neglected

Realising shelter and housing for all in a new South Africa requires the balancing of a variety of societal interests. Inevitably the recognition of housing rights will entail some redistributive measures. It is unthinkable that the majority of urban dwellers should have lawful access to only a fraction of the land.

Various issues not traditionally seen as matters of human rights need to be incorporated into the debate around housing as a human right. These include population policy, rural development, employment policy, physical planning (land, cities, etc), economies (rates of inflation, interest rates, income levels and distribution, systems of taxation) and others.

Environmental issues also play a large role in the area of housing rights. Polluted and neglected environments, which are often the only places low-income people can find to live in, threaten the health of all, and debilitate the urban environment.

● *Josie Adler is an urban researcher for the Community Research and Information Network, and a member of the Urban Removals and Homelessness Group of the Black Sash.* □

Bond rates snag Ovbel's profits

CAPE TIMES 30/11/90 32

By AUDREY D'ANGELO
Business Editor

HIGH mortgage bond rates are making houses "unaffordable" for many buyers, particularly in the coloured areas, Ovbel Holdings (Ovbel) financial director Justin Millar said yesterday.

This hit the performance of Ovbel's housing division in the six months to September 30, helping to drag down profits in spite of "excellent contributions from the group's property divisions."

Ovbel lifted pre-tax income to R4,7m (R4,6m) although turnover dropped to R137,6m (R162,7m). But a higher tax bill reduced attributable profits to R2,7m (R2,9m).

Earnings at share level dropped to 9,3c (10,2c), but the interim dividend is unchanged at 3,6c a share.

Borrowings were down to R22,6m (R25m). The net asset value has risen to 131,6c (118,7c) a share.

The directors say the lower turnover was due to the sale of Ovcon's Transvaal division and Botswana subsidiary.

Millar said the sale had "effectively removed a millstone from round Ovcon's neck. The Cape division is putting in a strong performance and the company is performing well in Natal and Namibia."

He said he expected to be able to make an announcement about listing Ovcon on the JSE "in two or three weeks".

In their interim report the directors say:"Conditions in the housing industry have continued to deteriorate due to a combination of lack of affordability, as a consequence of high interest rates, and tighter lending policies by financial institutions.

"Although steps are being taken to reduce the impact of these adverse factors, the performance of the group's housing division is unlikely to recover satisfactorily during the remainder of the year, whereas the group's property interests will continue to do well."

Millar said:"Bellandia is mainly in the brown market, which is going through a distinct phase of difficulty. The sustained high level of interest is making it difficult for many people to afford the instalments on a reasonable house and the lending institutions have become more selective.

"They are already sitting on a large number of repossessions and they are asking for larger cash deposits and applying income requirements more stringently.

"We expect conditions to remain tight until interest rates come down."

Millar said the upper end of the housing market was still buoyant. "And Table View has been doing well in recent months."

Star 27/11/90 (32)

State spending cuts knock civil engineering workload

The workload of the civil engineering industry continues to decline.

After a R500 million total of new contracts for July and August, the figure plunged to R165 million in September and only R80 million in October.

In his year-end review of the industry, Kees Lagaay, executive director of the South African Federation of Civil Engineering Contractors (Safcec), says the main reason for the sluggishness compared with 1989 is the cutback in spending by the public sector.

This reflects the State's stringent financial position and its determination to bring down the inflation rate.

Property & Construction

FRANK JEANS

"The amount of work being put out to tender this year is generally low and has been dropping in recent months, with a marked shortage of major contracts involving national and provincial roads.

"Furthermore, in view of the uncertain outlook for the mining and manufacturing industries and the effect of high interest rates on housing developments, capital expenditure of the private sector on civil projects is also disappointing."

The decline in the workload has resulted in fierce tendering competition with the result that prices are being honed down, with some contractors said to be discounting plant depreciation to secure short-term work at all costs.

The downturn has also had a direct effect on employment, with some contractors forced to retrench labour.

A plus factor amid the gloom is the build-up of major contracts in neighbouring countries such as the massive Lesotho Highlands Water Project and key developments in Botswana.

On the future Mr Lagaay is bearish in view of the lack of funds for infrastructural, mining and industrial development and a dearth of work in all ranges.

"It is expected the downturn will continue next year on the back of further capital expenditure restrictions along with the setback in reducing inflation because of the current oil crisis," he says.

Sandton office market still thriving

The Sandton office market is alive and well and will continue to show good growth, despite negative statements about the oversupply, now at the 60 000 sq m level.

This is the view of Mr Mark McCreedy of RMS Syfrets Transvaal, who says: "We have leased 10 000 sq m in the Sandton area over the past few months.

"RMS Syfrets believes the surplus will be taken up relatively quickly, provided there is no major deterioration in the economy."

The company has been on a good leasing run, with a full house notice up at the Tiber Bonvec office development, Grayston Place, in Sandton after only three months as letting agents.

The engineering division of SA Breweries will take the bulk of the 4 500 sq m building.

The asking rental quoted by RMS Syfrets was R22 a sq m net with operating costs at R4.

Mr McCreedy declined to confirm the rental signed.

"Obviously, with a top-level tenant such as SA Breweries, the landlord was prepared to negotiate slightly," he says.

Sandhaven park

Sandton group Abcon (Wits) has completed the first two of seven office blocks in the R10 million Sandhaven office park contract at Eastgate, Sandton.

Henrico Knoesen, managing director, says 8 000 sq m of low-bulk office space will be provided on a 2 ha site close to the Wynberg-Kramerville connection of the M1 motorway.

The site is being developed jointly by Abland, which is part of the Abcon group.

Star 6/11/90 (32)

Two property companies battle for majority holding

Two of Durban's major quoted property companies have locked horns in a hostile takeover bid which looks set to come to a head soon.

According to market sources, DPF Investments' Paddy Delaney has for some months been quietly buying shares in JSE-listed Grovewalk Holdings, writes **John Sherrocks**.

Mr Delaney is believed now to control one of the largest single blocks of shares in Grovewalk.

While Mr Delaney would not comment on the speculation, Gerald de Rauville, managing director of Grovewalk Holdings, confirmed he was aware of the bid which he dismissed as "no serious threat".

Claiming that shareholders had been rallied to close ranks, Mr de Rauville said: "As far as I am concerned Mr Delaney can whistle in the wind."

Property & Construction

FRANK JEANS

He said he had become aware over the past month that Mr Delaney had been buying Grovewalk shares.

"We have taken the necessary measures and have closed shareholders' ranks.

"I am confident the group will control more than 50 percent of the shares."

He was aware of Mr Delaney's "strategy" behind the takeover bid but would not divulge details.

Two weeks ago he had, through a third party, requested a meeting with Mr Delaney. "I am still awaiting his call."

Based on consultations with the group's attorneys and advisers it had been decided that it was not necessary to issue a cautionary notice as there had been no serious disturbance of trading and there was no chance of a takeover.

Established in 1979, Grovewalk Holdings was listed on the Johannesburg Stock Exchange in 1987. It controls nearly 30 percent of the JH Isaacs Group.

In its year-ended February 28 Grovewalk Holdings increased attributable income by 16 percent — despite a doubling of interest payable by the group in the financial year.

Mr de Rauville was reported as saying that the year under review had proved difficult for the group, which holds interests in property-linked businesses.

Whereas Grovewalk's property dealings and development division had a satisfactory year, its other operations performed below expectations.

However, overall turnover was up 30 percent at R64,6 million from R49,5 million and net operating income up 41 percent at R9,8 million from R6,9 million.

Durban Property Foundation Trust was formed by Paddy Delaney in 1985. For a number of years after its inception it concentrated on shopping centres and retirement villages. It has since switched to office block development.

● DPF Investments has announced November 16 as the deadline for shareholders to register for its forthcoming two-for-one rights issue. The issue is intended to raise R9,1 million to repay short-term borrowings.

Star, 7/11/90 (32)

Govt probe into Helderberg village financing

By Maggie Rowley

CAPE TOWN — The government has appointed a committee to investigate the business practices of companies and individuals associated with Helderberg Retirement Village which was placed under judicial management earlier this year.

A notice in the Government Gazette says the Business Practices Committee proposes, in terms of the Harmful Business Practices Act, to investigate the business practice applied by Shemara Holdings (the developer of the project, which was placed under final liquidation in March), of Helderberg Village Share Block Holdings and three former directors of Shemara, Barry Barbour, Jonathan Kipps and Yntze Schrauwen.

Max Hales, one of the judicial managers for Helderberg Village, said that the committee had not yet approached them.

"The investigation itself will not help the villagers, but if there has been any harmful business practice it will bring it to light," he said.

The deadline for written representations to the committee, which should be sent to The Secretary, Business Practices Committee, Private Bag X84, Pretoria, 0001, is November 9.

Mr Hales added that a bid by Cape Investment Bank to take over the village was still under negotiation and would not be affected by the investigation.

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Fishing

The results reported by Oceana Fishing Group declined over last year following disappointing pelagic and lobster seasons and lower occupancy levels in the group's cold stores.

Acquisitions

SOWETAN BUS

Building industry faces grim future

Sowetan 19/11/90

(32)

THE continued gloomy outlook in the building industry is very depressing, and perhaps the only factors which can bring relief are improved political, economic and labour conditions.

By JOSHUA RABOROKO

According to the Stellenbosch University's Bureau of Economic Research latest survey of the industry these factors are not likely to occur in the immediate future.

There are too many other influencing factors, and only once the political situation becomes more certain and positive, will improvements follow.

"The facts are that materials prices are continually increasing and labour is costing more and more; production output is decreasing and quality standards are deteriorating.

These factors are causing grave concern in the industry, the survey says.

Problems

"Labour unrest and the intimidation of workers are also causing problems, and these will also only be solved once the above-mentioned three factors have shown considerable improvements."

Forecasts suggest that conditions in the industry will not improve during next year, but that they may turn upward toward the end of 1991 or the beginning of 1992.

If this is so, the survey adds, next year will also be a tough year in the building industry, as well as in many other industries throughout South Africa.

It can only hoped that the political situation will improve to such an extent that its effect will permeate all the spheres of South African business and industry.

Regarding the labour situation, the survey says that the wage demands were unrealistic and that the quality of workers and artisans was continuously deteriorating.

This, in turn, led to deterioration in the quality of work being done and lower productivity.

A number of contractors also commented on their dissatisfaction with the labour unions as well as the industrial councils.

Slump

It says comments made by the subcontractors mirrored those made by contractors, but it appeared that they were now beginning to be more aware of the slump than previously and that their future expectations were becoming poorer.

A look at problems

(32)

Sowetan 30/11/90

By JOSHUA RABOROKO

A MAJOR affiliate of Fabcos, the African Builders Association of South Africa, is to hold a two-day conference at the Indaba Hotel, Fourways, Johannesburg to address numerous problems facing black builders.

The conference, to be addressed by various speakers from the building industry and financial institutions, comes at a time when the black community and liberation movements have expressed concern about the acute shortage of black homes in South Africa.

The African National Congress has suggested that insurance companies lend money at low cost interest rates to fund "socially desirable" projects, including black housing.

The conference, whose theme is "Low Cost Housing - The Way Ahead", will be addressed by Mr W M Ramoshaba, executive director of W R consultants, the chairman of the National Association of Home Builders, Dr L Lewis, the managing director of SA Perm, Mr Bob Tucker, Urban Foundation's Mr M Neil, ABA's executive Mr Joas Mogale and the general manager development of the South African Housing Trust Mr J Deriddler.

Mogale said the need for more black participation in the South African economy was undeniable, but the obstacles remained severe. Despite recent reforms, legal, regulatory and attitudinal discrimination, as well as low self-confidence, blacks have continued to progress.

He said capital resources available to black builders were inadequate for competitive entry into the primary economy.

He said: "These being the issues to contend with in the black building sector, the fruitless efforts of our individual struggles came crushing down on us; but with equal force came the growing realisation that we share common aspirations and goals.

"The challenge therefore was to organise and develop black builders and allied tradesmen to assume their rightful role in the construction industry and in the development of our communities."

Under the umbrella of ABA, black builders have taken the major step towards being legally constituted and recognised as the authoritative voice of builders and improved the standard and status of the average African builder.

The highlight of the conference will be the presentation of awards to successful builders and the announcement of ABA's bursary fund.

ABA's JOAS MOGALE

A look at problems

32

Sowetan 30/11/90

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ABA's JOAS MOGALE

GROUP 5 F/M 9/11/90 (32)

GROWTH MAY SLACKEN

A 22% rise in turnover shows that activity for this building and construction group remained buoyant despite the economic downturn. Even better, pre-tax income increased by 40% and EPS by 28%. However, a repeat of such growth seems remote this year.

Management expects the sector to have a troubled period while political negotiations proceed. Steps have been taken to address this by promoting over-border business and by the formation of an industrial division.

The year also saw the consolidation of construction activities and the absorption of Gough Cooper subsequent to its transfer from S M Goldstein (SMG) with effect from July 1 1989. Group Five Homes was consolidated into Gough Cooper Homes to form one division. The transfer completed SMG's exchange of operating assets for an equity interest in Group Five. Consolidation of SMG and Group Five into a group with a broader base did create synergies.

The management consortium now has a direct and indirect interest of 35% in SMG and 36% in Group Five Holdings. SMG in turn has 45% of Group Five Holdings. Both derive their income from Group Five, which has seven divisions.

Director Theunis Kotzee says Gough Cooper Homes kicked in for the full year, tripling turnover to R90m and boosting pre-interest income by 52%.

Margins dropped dramatically, to 2,32%. Kotzee ascribes the previous year's abnormally high 10,05% margin to a single big transaction.

Near-term future for the division seems rather bleak. It is expected that the black housing market will continue to decline until a political settlement is reached.

Road construction generated much of Group Five's R56,8m surplus cash. It is intended to keep the group liquid in the year ahead, with possible seasonal short-term borrowings.

With the change in government strategy to spend less on road construction and more on hospitals and education, the roads division will probably contribute less earnings. The shift will, however, create opportunities for the building division.

Also, the future of 25,8% owned toll road venture Tolcon is uncertain. Fortunately the group has no financial exposure.

The newly formed industrial division has the highest margin (9,3%) in the group and is definitely a growth area. Most surplus cash will be spent on acquisitions for this division, says Kotzee, "but not this year. It will be more likely to be by end-1992. We have no desire to get rid of the cash."

The reason for focusing on industrials is the attractive margins. "Construction generates a higher return on funds employed, but industrials (which requires a higher capital investment) has a higher operating margin."

Properties performed poorly, partly owing to Group Five's interest management system, which limits each division's exposure to loans. Kotzee says a subsidiary gets an interest-free loan from the holding company up to the set limit. Above that, interest is paid at prime rate. The limit for properties is R7m, but with loans of R35m and margins of only 12%-13% a loss cannot be avoided.

At 450c, Group Five's 2,6 p:e ratio is in line with other big construction groups. Group Five Holdings trades at 355c, with a slightly lower 2,1 p:e ratio. SMG at 145c also has a multiple of 2,1. Though the building and construction industry offers no exciting prospects near-term, Group Five has good recovery potential.

Gerhard Slabber

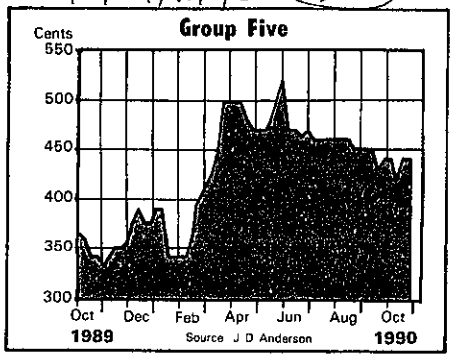
F/M 9/11/90 (32)

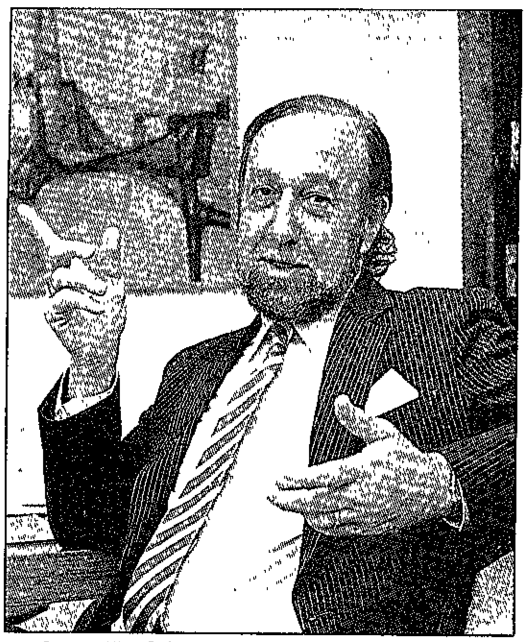
Activities: *Diversified construction group with building, civils, developments, homes, projects and roads divisions.*
Control: *Management 27,4%.*
Chairman: *P K Glogg; MD: S M Goldstein.*
Capital structure: *16,7m ords. Market capitalisation: R73,6.*
Share market: *Price: 450c. Yields: 12,2% on dividend; 37,8% on earnings; p:e ratio, 2,6; cover, 3,1. 12-month high, 520c; low, 330c. Trading volume last quarter, 46 000 shares.*

Year to June 30	'87	*'88	'89	'90
ST debt (Rm)	5,1	2,5	7,0	3,0
LT debt (Rm)	0,5	9	3,0	—
Shareholders' interest	0,21	0,20	0,14	0,16
Int & leasing cover	0,82	2,8	—	—
Return on cap (%)	—	8,6	6,06	7,3
Turnover (Rm)	457	765	1 067	1 300
Pre-int profit (Rm)	10,7	16,8	24	34
Pre-int margin (%)	—	2,2	2,3	2,6
Earnings (c)	(52)	122	131,2	170,1
Dividends (c)	—	45	47	55
Net worth (c)	207	238	324	433

* 18 months.

F/M 9/11/90 (32)





Group 5's Goldstein ... *benefiting from synergy*

F/M 9/11/90 (32)

Woes ahead for building industry

32

B Day 16/11/90

MARIETTE DU PLESSIS

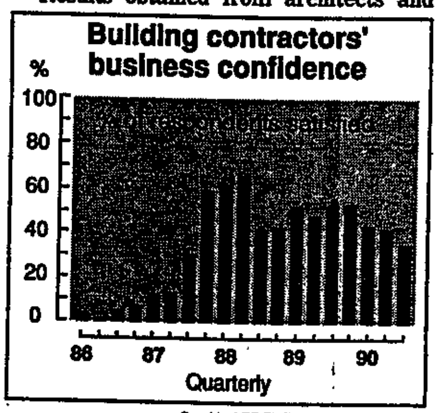
EXPECTATIONS for SA's building industry for the next year were gloomy, the Bureau for Economic Research's latest quarterly survey found.

Indications were that the downward trend in the industry would continue into 1991, with conditions turning upward only towards the end of 1991 or early 1992.

The survey found the main concerns of architects and quantity surveyors were the political uncertainty, labour unrest and that many government projects were being halted.

Building contractors also indicated that high interest rates and high building costs were causing problems in all sectors, particularly in the residential sector, drastically curbing any building — two firms stated that this was the worst slump they had experienced in about 30 years.

Results obtained from architects and quantity surveyors showed conditions experienced by the groups during the third quarter of 1990 to be substantially worse than those experienced during the second quarter.



Graphic: LEE EMERTON Source: BER

The BER survey found building contractors in the residential sector tended to fare slightly better during recessionary times than their non-residential sector counterparts, who experienced notable deteriorations in the value and volume of work, compared with the same period a year ago.

Expectations generally for residential and non-residential sector contractors were for conditions to deteriorate further during the fourth quarter of 1990, with little hope of an improvement before late 1991, leading to a further deterioration in their level of business confidence.

The sharp increase in tendering competition in the non-residential sector also indicated that there was limited work which was being tendered for by an increasing number of contracters.

Despite fairly substantial increases experienced by residential sector subcontractors in the value and volume of work on hand during the third quarter of 1990, compared with the second quarter, deteriorations were also expected for the fourth quarter.

The survey concluded that the overwhelmingly depressed current and future situation in the building industry would improve only once the political situation became more certain and positive.

32

Building activity is on the decline

CHARLOTTE MATHEWS

THE value of building plans passed in September has fallen by 3,7% against September 1989 in real terms while the value of buildings completed has fallen by 10,5%, according to the latest Central Statistical Service (CSS) figures.

In September building plans valued at R415m were passed while buildings worth R263m were completed. These represent actual figures at constant 1985 prices.

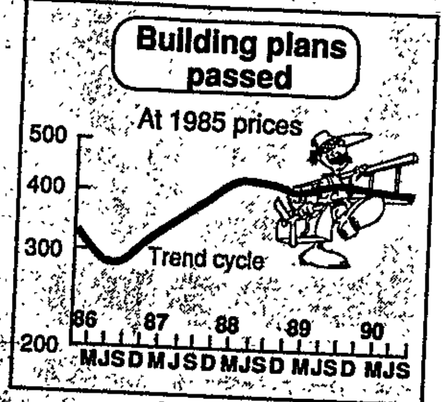
In the period January to September 1990, plans passed for residential buildings totalled R1,58bn (R1,63bn) at constant 1985 prices.

An 11,7% increase was reflected for building plans passed for flats and townhouses while dwelling houses fell by 6,7%.

Non-residential building plans passed fell by 8,3%, but plans for additions and alterations rose by 8,5%.

The total value of residential buildings completed in the nine-month period fell by 15,4%, but non-residential buildings and additions and alterations rose by 9,3% and 2% respectively.

Building Industries Federation of SA (Bifsa) economist Charles Martin said the figures reflected the continuing downward trend in the residential sector.



Graphic: LEE EMERTON Source: CSS

"The only reason townhousing or cluster housing has moved up is that people have become more security conscious and would rather stay in a townhouse than a detached dwelling.

"That market will also start to turn down now. A saturation level is coming up there as the initial fright has petered out."

"People in the industry are still busy but their order books are very thin for next year. By June next year there will be quite a decline in their work volumes."

SOWETAN BUSINESS

Black builders are angry, frustrated and helpless

Sowetan 30/11/90

32

By JOSHUA RABOROKO

LACK of education and training, lack of finance and credit facilities, legal restraint and exploitation, had continued to face black builders in South Africa, the director of the Southern Africa entrepreneurial development, Mr Colin Griffith, said yesterday.

Speaking at the presentation of certificates to Soweto builders, he said that it was hardly surprising that many small builders joining the course expressed anger, frustration and helplessness.

He said: "Once on the course, they soon find that they are not alone with their problems and over the months which follow they gain in knowledge and self confidence.

"We have seen many examples of builders on our courses taking individual and group initiatives to address their problems and bring about changes in their own environment. The formation of the Itsoseng Builders Association in Soweto last year is one such example.

In addition to the individual development which took place, "we believe that the more builders who receive our training the greater will be the synergy effect."

He said that in metropolitan areas like Soweto with its relatively large number of builders, the synergy potential was important, a point which has gone unnoticed by the Soweto Developers Liaison Forum.

Relevant

"In making our courses relevant to the needs of specific communities we have identified a number of local builders who were willing and able to assist us as instructors. One such man, who worked with both of the groups receiving certificates today, is Christopher Jiyani. I would like to thank him for the help which he has given us and ask you to show him your appreciation," he said.

He announced that by the end of the year they would have run 40 courses at either introductory or intermediate levels in various parts of the country. Of these, seven introductory and four intermediate courses have been run in Soweto.

The intermediate certificates awarded have the necessary entrepreneurial skills to manage a small building contracting business. However, what has excited them most in conducting these courses, has not been the skills learnt but the change of attitude demonstrated.

Boumat revises its forecast down

32

Bus Day 21 11 90

CHARLOTTE MATHEWS

BUILDING and civil engineering materials supplier Boumat is revising its earnings forecast downwards for the year to March 1991 because of the crisis in home building in black areas and the December shutdown.

Boumat expects equity earnings in the current year to be one-quarter of their 1990 level of R18,5m.

Chairman Irvine Brittan said there was no sign of any improvement in real activity in the near future.

Unacceptable working conditions in black areas had made the retreat by most of the major players from this segment of the market understandable, he said.

In the six months to September Boumat improved sales by 13,4% to R553m as expected, but the drop in margins to 3,1% from 5,9% was worse than forecast.

Brittan said this was the result of the direct and indirect effects of high interest rates on building activity and losses in two of the group's 11 operating divisions.

Several management changes had been made and some operations closed.

Retrenchment costs and other non-recurring items amounted to more than R3m.

Operating profits dropped by 40% to R17,3m and were further reduced by a R2,8m rise in interest payable.

Dividend

After payment of the full tax rate, equity earnings fell 69% to R3,2m (R10,3m).

An interim dividend of 24c (22,5c) a share has been declared on earnings of 13,3c (46c) a share.

The dividend is payable only to those shareholders who do not accept the offer of one bonus share for every 20 held.

Brittan said the group was not strained by the "dismal profit performance" because it had a sound financial structure.

c/Press' 18/11/90 (32)

CITY PRESS, November 18, 1990

Make the rich pay for the land they use

The question of redistribution of land is one of the most important facing a future South African government. Authors Stephen Meintjies and Michael Jacques propose a system of property tax (similar to municipal rates). They spoke to ZB MOLEFE

ITS a frightening future scenario: thousands of rural people streaming to the cities.

South Africa is faced with uncontrolled urbanisation. This will continue until we have vast areas of nothing and huge cities of teeming poverty-stricken masses.

But we can escape that future, says businessman Stephen Meintjies who, with colleague Michael Jacques, has written an unusual book: *The Trial of Chaka Dlamini – An Economic Scenario for the New South Africa.*

Meintjies, managing director of the investment arm of an insurance group, says the heart of the book's message is how South Africa can change its tax system to create redistribution of wealth "without confiscation".

What Meintjies and Jacques propose is user tax – similar to the property rates system used successfully by the Johannesburg City Council, which enables it to receive more land rent from richer sites and nothing from poor sites.

In the wider South African context, poor areas like the north-western Cape and homeland rural areas suffer a common burden of taxation plus indirect taxes such as GST. This, argues Meintjies, in the long run means many of the poor in these areas will move to the rich urban areas.

"Taxation has this terrible thing that it blocks out economic activity at the margin," adds Meintjies, a 1961 Oxford Rhodes Scholar who read for a BA Jurisprudence degree.

What if a future government does not change the tax laws?

"What will happen is that apartheid may go, we may get one-man one-vote, but the economic circumstances of the poor, most of whom are black, will stay exactly as they are. That is when you get a situation ripe for revolution," says Meintjies.

Meintjies speaks with missionary zeal. "We are saying: don't confiscate land from the rich – but make them pay for it."

What he means is that under a new land tax system people who have vast tracts of unused land will have to pay for it.

Meintjies' argument is one of the ideas written about in the latest issue of Britain's prestige *The Economist* in a survey of South Africa "After Apartheid".

If the ANC could swallow its anti-capitalist scruples, says *The Economist*, it may well end up borrowing some of the government's land-reform ideas: give blacks cheapish loans, and let them buy farms themselves.

It continued: "A land tax might make some whites sell. Others would look around for (black) tenants. Before blacks were debarred from 'white' land, that is exactly what many landowners did."

Jacques, a University of Natal-educated chartered accountant who runs a Sandton-based business consultancy, joins in when the spotlight moves to the effects of the repeal of the 1913 and 1936 Land Acts.

"Farmers who have too much land will be forced to sell land they don't use. Inevitably blacks (who have no land at the moment) will end up owning that land."

This land tax proposal will also affect the mining houses who hold mineral rights to huge areas. The main effect here is that it will be a matter of time before "you find black mineowners digging for diamonds".

Listening to the authors you might be tempted to think that theirs is a work which has been prompted by the now-fashionable buzzword nationalisation, or the fear of it.

However, the land-tax idea was born during Meintjies' Oxford days. After arguing with economists and people who gave him a hearing, four years ago a friend suggested he write a book.

"I have been thinking about the book for 30 years. We have talked to many people about it – including submissions we (the authors) made to the Margo, Welgemoed and Brand commissions on tax. Nobody listened. The more we talked to people, the less convincing were their answers," Meintjies says.

Jacques says their tax ideas have been around since before the French and Russian revolutions. But they were shot down by the powerful clergy and landlords of the time.

There is nothing new in their ideas, says Jacques, but we are in a similar position now. "Are we going to have the same thing here?"

One thing which has made Meintjies and Jacques proud is that nobody in South Africa has said they are wrong so far.

Stephen Meintjies ... tax landowners.

indications that other gold deposits will be Financial Times.

Ovbel hampered by its housing division

B Day 30/4/90 MARIETTE DU PLESSIS (32)

CONTRIBUTIONS from developer Ovbel Holdings' property divisions were neutralised by disappointing results in its housing division, resulting in reduced earnings in the six months to end-September.

Ovbel managed to turn a 15,4% fall in turnover into a marginal 1,2% improvement to R4,7m (R4,67m) in pre-tax income, but attributable income dropped 5,4% to R2,7m (R2,9m) due to higher taxation.

Earnings a share declined by 8,8% to 9,3c (10,2c). An unchanged interim dividend of 3,6c a share has been declared.

Directors attributed the reduced turnover to the disposal of Ovcon's Transvaal division and its Botswana subsidiary, and to continued deteriorating conditions in the housing industry.

High interest rates and tighter lending policies by financial institutions were seen as the main factors contributing to adverse conditions in the industry.

While steps were being taken to reduce the impact of these adverse factors, directors did not expect the housing division, Bellandia, to recover satisfactorily during the remainder of the year.

The Ovcon division, involved in building and civil engineering contracting excluding road works, was still pursuing its plans to obtain a JSE listing in the near future, directors said.

Shareholders were advised to exercise caution in dealing in the shares until a further announcement with regard to the listing has been made.

Black builders issue appeal on housing crisis

BDay 1/11/90

32

THEO RAWANA

SOWETO developers yesterday blamed spiralling interest rates for residents' failure to meet their bond obligations, and called on building societies to extend the repayment period from 20 years to 35.

The Soweto Developers and Builders Forum (SDBF) also deplored white developers pulling out of black areas, and criticised building societies' decision to stop granting loans in some areas.

Planning and Provincial Affairs Minister Hernus Kriel said last month eight major construction companies had withdrawn from the black housing market because of political unrest and repayment boycotts.

A number of banks and building societies were later reported to have effectively blacklisted townships where unrest and threats of bond repayment boycotts had occurred.

SDBF chairman Aubrey Mokoena yesterday rejected the allegation that political agitation stopped blacks from meeting their bond obligations.

Mokoena told a Press conference in Johannesburg:

"We believe that the so-called bond boycott is related to the rent boycott in that it has overtones of inaffordability.

"We believe houses must be paid for, but that all misunderstandings must be taken out of all issues regarding black housing bonds and finance."

His organisation would request a meeting with the office of the Minister of Finance and the Reserve Bank, "with a view to discussing the effect of the interest rates on the building industry".

Building societies would be petitioned for a meeting to discuss ideas to ease the pressure on bond repayments by stretching the repayment period.

Inviting white developers to return and form joint ventures with blacks, Mokoena said: "We view the pull-out by major developers and the reluctance of building societies to grant loans as a very strange coincidence. This may be to the further detriment of the small contractor."

Time Holdings financial director Neil Carter said the problem with operating in the townships was that building societies were not lending in some areas, but something had to be done. Interest rates might come down at the end of next year, but the situation had to be assisted by a stable political situation.

Stretching the repayment period would not change the situation much because it would reduce the rates by three percentage points, Carter said.

Allied home loans manager Geoff Bowker said his bank would lend to all areas if it was prudent to do so. "We have to move cautiously where there is an element of risk".

M&R skylight companies in merger

MURRAY & ROBERTS (M&R) plastics skylight companies Vikon and Valiant have merged with glass skylighting systems manufacturer and installer Modular Glazing Systems (Moduglaze). 32

Vikon will be the controlling and manufacturing operation in the group while Valiant will provide domestic skylighting to the housing market. Moduglaze will supply the commercial and industrial markets.

"We have been looking for opportunities to expand the Moduglaze operation throughout SA," joint MD of the new company Ian Lawrie says.

Joint MD Rob Segeren says the development work of the three companies would be co-ordinated and they would have access to the latest technology from overseas. Management will also look for export opportunities. B/Day 21/11/90

"We believe the continuing world trend to incorporate skylights in all major construction projects can only position our company to take advantage of an upturn in the construction industry."

SA replies to Israeli tender

B/Day 18/11/90

CHARLOTTE MATHEWS

SA building contractors have responded to the release of international tender documents by Israel to supply 6 000 houses for returning Soviet Jews. 32

McCarthy Contractors chairman Doug Tyler said his company, in partnership with a local Israeli firm, had sent in prices to supply locally manufactured housing in kit form. The value of the kits would be about R40 000 each.

Murray & Roberts and Time Holdings were also rumoured to have been interested in the tender, but Murray & Roberts Holdings CE Dave Brink said he was not aware that M & R had tendered. Time Holdings director Colin Hibbert could not be contacted yesterday.

Value of home plans passed rises 16,2%

GERALD REILLY (32)

PRETORIA — Building plans passed in the first eight months of this year increased by 16,2% compared with the same period last year, according to Central Statistical Service. B/Day 9/11/90

The value of plans for houses increased 7,4% to R2,241bn, and for flats and townhouses 35,2% to R505,5m.

Plans for non-residential buildings increased 8,5% in value from R1,901bn to R2,064bn.

Additions and alterations plans were valued at R2,130bn — an increase of 31,7%.

Citrus may net SA R600m

GERALD REILLY

PRETORIA — This year's citrus exports will earn the country R600m in foreign exchange — R100m more than last year, says Citrus Exchange GM Arend Venter.

About 30-million cartons had been shipped abroad so far this year — about the same as last year's total, he said. Total gross value at the point of sale abroad would be about R1bn.

Venter said the packing season for the industry in southern Africa had come to an end, and the last portion of the crop was now being marketed.

During the first part of the season export markets had been relatively buoyant.

However, during the second half severe competition from South America had created difficulties.

Venter said overall prices had been higher than during the previous season.

The main reasons for the sharp upturn in production costs were the high costs of inputs, the weak rand, escalating wages, and the high local inflation rate.

Venter said the belief that fruit farmers were in the pound seats was wrong, mainly because of the inflation spiral, which had forced prduction costs to record levels.

B/Day 9/11/90

Drop-Inn shedding properties

Finance Staff

CAPE TOWN — Shareholders of independent liquor retailer Drop-Inn have voted unanimously to sell all its property interests for R12,7 million and to consolidate its shares.

At a general meeting in Cape Town it was resolved that the Berk Family Trusts, majority shareholders in Drop-Inn, would acquire the properties and leave the operations to focus solely on liquor retailing and catering.

Drop-Inn executive chairman Sam Berk said the fact that property showed only a 13 percent return on cspital, against 40 percent for liquor sales, had motivated the company to offload its properties.

It was felt Drop-Inn's shares were undervalued against net asset value because of the lower yields from property.

Drop-Inn has signed 10-year leases with 12 percent escalation clauses with the trusts.

Drop-Inn operates 17 liquor stores and warehouses, including the Benny Goldberg outlet in Johannesburg.

Goldfields builders hit by mining cutbacks

Star 20/11/90

Business conditions for builders and sub-contractors on the Free State goldfields are deteriorating as a result of cutbacks by the mining sector, says Bruce Garfield, president of the OFS Goldfields Building Industries Association.

He told the association's annual meeting: "Fortunately, many builders anticipated the slowdown and are finding work in sectors not related to mining.

"Government restraints on public expenditure are also adversely affecting the industry, which is unable to absorb any cost increases."

Mr Garfield said he doubted whether the goldfields would ever again see the massive development of the late 'seventies when the area recorded the highest growth rate in the country.

"Our community leaders must start offering investment incentives to attract industrial sectors which are not dependent on the mining industry," he said.

Star 28/11/90

Lost City hotel contract awarded

By Frank Jeans

The construction ndustry's most prestgious contract in recen years — a proposed ix star hotel and enterainment centre in the l300 million Lost City development near th Sun City complex — has been awarded to the Bophuthatswaa division of the Stocks roup.

The toal value of building work at Lost City ove a four-phase development is about R300 mllion, including the 35-bedroom Palace Hotel

Deie Murphy, Sun Internationaal's director of development, says: "The nev Sun City project is the largest building development anywhere in the sub-continent and the most complex undertaken in modern times."

Bart Dorrestein, group managing director of Stocks, says: "This is the most exciting project ever tackled by any one company.

"It will be far more splendid than anything ever before built in southern Africa.

"Sol Kerzner and the Sun International team have come up with a mind-boggling concept."

All four phases of the development have to be finished by December 1 1992.

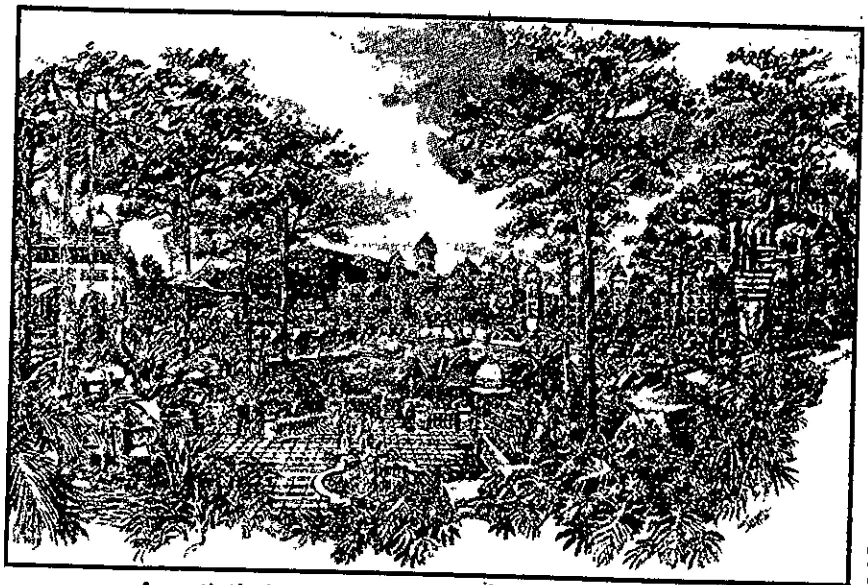
Because the schedule is so tight, Sun International has not had time to put the contract out for full-scale tender.

"We were able to negotiate a very keen and competitive deal with Stocks. That company has been involved in many other developments at Sun City and has a proven track record of success in resort construction," says Mr Murphy.

However, the hotel contract is only the first to be awarded and other major local and international contractors and sub-contractors will be involved in construction, landscaping and other specialist phases.

The Palace will be Africa's first six-star hotel and certain aspects of it are "enormously complex and elaborate".

Features of the project include a waterworld, complete with wavepools and water slides, and a golf course and country club.



An artist's impression of the Lost City hotel complex.

Star 14/11/90 (32)

Vat at 12 percent will cripple building industry

By Frank Jeans

If value added tax (VAT) is introduced in South Africa next year at a rate of 12 percent, the effect could be devastating for the building industry which is already in the grip of a severe downturn.

The effect of the proposed tax system on the key industries of building and contruction can be gauged by the fact that 1989 turnover of these sectors was more than R22 billion last year — a figure which must have increased considerably since then as a result of inflation.

Non-residential building accounted for more than R7 billion, residential nearly R6,5 billion and civil engineering about R8,5 billion.

These labour-intensive industries also provide employment for more than 500 000, excluding the informal sector.

Commenting on the cost effect of VAT, Professor Piet Botha of the Department of Quantity Surveying at the University of Pretoria, says: "Research indicates that for the construction industries to make the same contribution towards the fiscus, the rate of VAT should be between 6 and 10 percent.

Professor Piet Botha ... seeking equitable deal.

"Any rate above this will represent an increase in building costs. If VAT is set at a rate of 12 percent, costs will immediately rise between 5 and 7 percent and such an increase in costs will be devastating."

Professor Botha, who was speaking as a leading member of the Association of Quantity Surveyors, points out that such an additional cost burden would drastically affect affordability, which again would have a serious social and economic impact.

"I subscribe to the principle that the construction industries should contribute the same amount of tax as was derived from the general sales tax system," he says.

"This will be equitable to both the fiscus and the consumer."

Professor Botha also raises the question of costs on projects which are not subject to GST and incurred before next October when VAT is implemented but which will be invoiced only after that date.

These costs could cover, for example, the cost of land and services incurred by a developer, architects' and quantity surveyors' fees, the costs of preliminaries such as insurance, salaries and rentals, and transport, overheads and interest costs.

"Notwithstanding that these costs would not be subject to GST, some form of relief should be granted in all cases where construction was in progress at October 1 1991," he says.

Concor a good buy for the longer term

Star 5/11/90 (32)

Due to the traditional lag of the construction industry behind the general economy and the finalisation of some large contracts in the second half of the year, Concor exceeded expectations with a near-doubling of profits in financial 1990.

Earnings growth this year, however, is expected to be modest.

In the annual report chairman BW Murphy says available work is expected to reduce in the short term.

He says that Concor has broadened its base to the stage where a substantial portion of group profits is being realised from activities not directly affected by the cyclical nature of the construction industry.

He predicts earnings in the current financial year will at least equal the past year's 46,4c a share.

In the year to June, group turnover climbed 18 percent followinglowed an increase of 29 percent in financial 1989.

After net interest received of R0,9 million, pre-tax profit rose from R5,8 million to R15,4 million. The R5 million tax payout reduced the rise in taxed profit to 79 percent from R5,8 million to R10,4 million.

After the contribution from associated companies and allowing for outside shareholders' interest, attributable profit increased 96 percent from R5,4 million to R10,6 million.

Mr Murphy says all operations were profitable and budgets either achieved or exceeded. Earnings a share jumped from 23,7c to 46,4c.

Diagonal Street

LYNNE PEACH

The dividend for the year was 10c, compared with a payout of 4c previously.

The balance sheet showed improved strength. Not only were borrowings down from R9,5 million to R9,1 million, but the cash balance more than doubled from R11,5 million to R24,1 million.

Net asset value amounts to 157c a share — 34 percent higher than 117c a year ago.

Concor, priced at 100c, is trading on a P/E ratio of 2,2 and provides a dividend yield of 10 percent.

Although group profits may drift sideways this year, the share looks relatively cheap in the longer term.

COMMENT: Concor's share price has been in an upward trend since the second half of 1989 when it bottomed at 60c.

In the past three months the price rose briefly to 115c before dropping back to 85c and then recovering to 100c.

The start of a negative trend will be confirmed by the charts only if the price falls and maintains a level below 90c.

New Vaal housing scheme launched

By KENOSI MODISANE

A Johannesburg-based pharmaceutical and a housing company this week launched a new range of corporate group scheme housing in Evaton's North Oasis Gardens.

The scheme, which involved Adcock-Ingrams Laboratories and Minrav International, was hailed as "positive step for companies to be involved in group housing schemes for their employees".

"This is not only a step forward in the building industry, but it is a triumph that senior officials from companies should inspect houses built for their employees before they move in," said Mr Phillip Nicolau of Minrav.

32

"It is also a good social exercise that senior members in a company should know where their employees retired to at the end of every working day," added Nicolau.

Sowetan 30/11/90

About 11 executive officials from Adcock inspected the houses built at the new surburb. And they were later treated to a braai as a "roof wetting party".

R4000 basic houses for export to Africa

CT C/t ARGUS 1/12/90 (32)

By TOM HOOD
Business Editor

HOUSES selling for about R4 000 are being exported to Zaire, Mozambique, Botswana and Lesotho by a subsidiary of Rabie Investment Holdings.

And the Cape-based development company sees increasing export potential in Europe, the Middle East and other countries in sub-Saharan Africa.

The houses are built of four panels of glass-fibre reinforced concrete and have windows, a roof and floor.

Rabie and Murray & Roberts Construction have created a company, Kwikspace, to make these affordable basic houses that are moveable and can be bolted on to a platform.

The company, Kwikspace, has put in a R10 million tender to export 5 000 of the factory-made houses to Israel fo accommodate Russian Jews, the chairman, Mr John Rabie, disclosed this week.

It is already providing temporary housing for the Highlands water project in Lesotho, Mossgas and mineral development in Botswana.

The company is one of the remaining major groups building houses for black families, others companies having pulled out of the business earlier this year.

"While demand for black housing has remained high, it is aborted by the fact that many financial institutions have withdrawn from black housing," said Mr Rabie in an interview in Cape Town this week.

"Out of about 10 developers we are the only one left in the black housing market in the Cape. We are trading successfully and we are not withdrawing from the black market.

"We have shown our good faith by working with existing communities and we are committed to stay in that market.

Home owners have been hit by high interest rates of 20 percent for 17 months and this made an impact on people affording their homes and their bond repayments.

"It is high time the government brought down these rates to give people the opportunity to breathe," said Mr Rabie.

"We expect housing policy to change in the new year, which is good news for the industry."

"The recession has forced us to cut back dramatically and we will survive unlike many of our competitors."

Next year would see "extremely difficult trading conditions.

"We conserved cash by not paying a dividend this year and offering bonus shares instead a dividend last year."

Rabie owns land on which it plans to build 4 000 homes for black families all over the country.

Two prime projects are on the outskirts of Soweto, in Dobsonville North Gardens and in Protea Glen.

There is also land in Khayalitsha, where there is good demand for houses.

"People want houses but at present Khayalitsha is experiencing a bonds boycott. It is the only place in the country — there is no bonds boycott in Johannesburg or Natal."

Rabie's first entry in the black housing market in the Western Cape — 64 houses priced from R49 000 to R60 000 at Khany Park, Khayelitsha — was sold out in four months.

This has been followed by the Future Homes project of 350 houses at Khayelitsha. This was regarded as a significant breakthrough in the provision of affordable housing as buyers could get a conventionally brick-built house of two fully-carpeted bedrooms, living/dining area, kitchen and bathroom for R34 000.

Builders become own bosses

By JOSHUA RABOROKO

THREE black small builders have been rewarded for having the tenacity and the courage to realise their dreams.

Mr Khasha Goyose, Mr Joseph Fesi and Mr Jannie van der Colf, are ordinary men, who, after working for others for many years, decided to become their own bosses. And they wanted to own construction companies.

A few years ago they joined the South African Housing Trust's Small Builder Programme and they have become national winners in the programme's first Small Builder of the Year competition. Khasha in the basic category, Joseph in the intermediate section and Jannie in the advanced sector. 32

Many companies, large and small, pay lip service to job creation. Many of the unemployed lack the get-up-and-go to polish their skills and increase the chances of their future employment.

Small building firms schooled in the disciplines of affordable shelter provision are a national asset - as are skiled individual craftsmen used to working in this testing environment.

The SAHT has vigorously sought to nurture this type of entrepreneur and this type of skilled building industry workers. Its Small Builder Development Programme is unique. Sowetan 3/12/90

It is also central to the SAHT mission, which involves not only the provision of affordable shelter, but the creation of jobs and entrepreneurial opportunities within poorer communities.

It liaises with industry bodies and training institutions in order to fit entrants to the building sector with basic skills. The workers are then able to market their skills to small builders working on developments facilitated by the trust.

LTA

B/Day 4/12/90 (32)

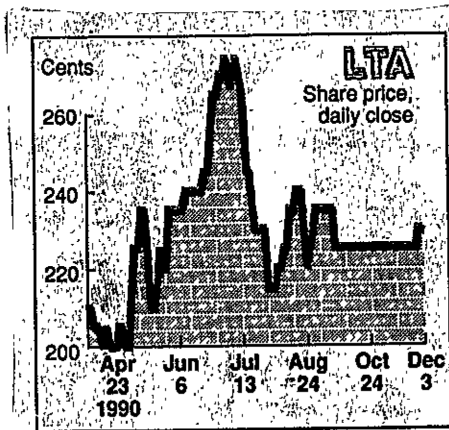
□ From Page 1

shareholders converted to ordinary shares. This doubled the number of ordinary shares in issue and diluted earnings which nevertheless rose to 39c (30c) a share.

No interim dividend is payable and Davies was cautious on predictions of a dividend for the year as a whole.

Good performances were achieved by the earthworks division, the civil engineering division and from Steeledale.

LTA shares closed at 230c yesterday, which is considerably below the net asset value of 385c. At this level they offer a historical dividend yield of 8,69% and an earnings yield of 37,39%.



Graphic: FIONA KRISCH Source: JSE

Earnings boost for LTA shareholders

(32)

CHARLOTTE MATHEWS

CONSTRUCTION company LTA has turned a 2% improvement in turnover in the six months to end-September into a 156% climb in shareholders' earnings by cutting interest payments to a 10th of last year's level. B/Day 4/12/90

LTA's 2% increase in turnover to R1bn was exceeded by the 5,2% rise in operating profit to R21m. Bottom-line profits were boosted by the decline in interest paid — from R7,4m to R719 000 — and by lower dividends on preference shares.

Borrowings were repaid with cash generated by all divisions in the group.

Major projects in which the group is involved include Bank City, the access road to the Lesotho Highlands Water project and the Mossel Bay refinery.

During the period, 99% of preference

□ To Page 2

SA companies set to build houses in Soviet Union for Chernobyl victims

B'Day 5/12/90

32

ZILLA EFRAT

SA HOUSING companies which build pre-fabricated housing for export stand to benefit from a multi-million rand project to build about 2 000 houses for relocated victims of the Chernobyl disaster.

This was disclosed yesterday by Andrei Chernunkin, a member of the Soviet Council of Ministers and head of a Soviet delegation to SA.

While no deals have been concluded yet, the project could be worth between R300m and R500m.

An agreement has been reached in principle that the SA government will facilitate SA companies' participation through the provision of export credits or counter-trade arrangements. Correspondent banking relations have already been established.

SA companies are also involved in building houses for Soviet immigrants in Israel, as well as in projects in Africa.

Sapa reports that ANC leaders and the SA Council of Churches (SACC) have approved the plan for SA business to help resettle victims of the Chernobyl disaster.

However, ANC secretary-general Alfred Nzo said the organisation had told the Soviets that the time was not yet right for sanctions to be lifted. The ANC, SACC and the eight-member Soviet group met at the ANC's Johannesburg head office yesterday.

Two-million people need to be resettled as a result of the Chernobyl disaster. The relocation will involve an investment of $50bn. A large proportion of this will come from the Soviet Union, but other countries, including SA, will also contribute.

Chernunkin said SA's assistance would not be charity, but would be set up through the establishment of credit lines and through barter and counter-trade deals involving the Soviet Union's natural resources. SA would supply technical expertise and building materials and equipment.

The transaction would involve Ecoprom, the planning commission for industrial products for the central Soviet government, and German-based project consulting company Marvol, as well as the Department of Trade and Industry's commercial correspondent in Moscow, Mark Voloshin.

The 2 000 houses would be built in population centres in the Republic of Russia, Byelorussia and the Ukraine.

Chernunkin said SA stood to benefit through increased production and the creation of jobs. He said its involvement in the project would also serve as a basis for future economic relations between SA and the Soviet Union when sanctions were lifted.

SA had technical expertise in low cost housing, as well as in mining equipment

☐ To Page 2

Chernobyl

B'Day 5/12/90

32

☐ From Page 1

which could be used with Soviet research to clear radioactivate soil.

Speaking at Jan Smuts Airport before returning to the Soviet Union yesterday, Chernunkin said that if the agreement could be brought to finality, it would be important for SA because the Soviet Union had unlimited resources and represented a huge potential market for SA.

He said his delegation had met President F W de Klerk, Trade and Industry Minister Kent Durr, Finance Minister Barend du Plessis and Foreign Affairs Department and ANC representatives.

They had also met business leaders including Barlow Rand CE and vice-chairman Warren Clewlow, Anglo American Corporation chairman Julian Ogilvie Thompson, Rembrandt's Johann Rupert and Sankorp's Marinus Daling.

On the banking side they had meetings Volkskas Merchant Bank and Bankorp representatives.

Chernunkin said the delegation had received much support for solving the problems of Chernobyl during these meetings

'Sea pollution exaggerated'

GERALD REILLY

PRETORIA — The Foundation for Research and Development warned yesterday against exaggerating the pollution threat in the sea around Cape Town.

A foundation spokesman said government officials involved in a False Bay pollution study had stated that the water at all recognised swimming beaches was safe. BDay 6/12/90

Bathers and shellfish gatherers were advised to avoid areas only within 50m of sewerage and stormwater outlets.

Pollution was mainly restricted to areas immediately in front of waste water outlets. The quality of treated sewerage was often better than that of river water, he said.

Commercial concerns accumulating oysters and mussels in areas where pollution could occur purified their products in fresh water before selling them.

However, as marine pollution could be increasing because of urbanisation and squatting in the vicinity of False Bay, it was important that the public be made aware of its potential threat.

Rough ride ahead for building industry

GERALD REILLY (32)

PRETORIA — The building industry is in for another rough year in 1991, with overall performance declining and increased unemployment, economists say.

They warn there is little likelihood of an upturn until well into 1992.

Building Industries Federation of SA (Bifsa) economist Charles Martin said the numbers employed in the industry decreased by about 10 000 to 265 000 this year.

By the end of next year this was likely to decrease to less than 250 000.

In the depressed residential building sector the slowdown was expected to continue until early 1992, mainly because of continued high mortgage rates and shrinking disposable incomes. Order books for non-residential buildings were also thin.

On public sector building, Martin said no significant increase, if any, could be expected. BDay 6/12/90

Tendering

Labour costs during 1991 were expected to rise by about 13% and material costs by 13,5%. However, the overall costs to the customer were unlikely to rise by much more than 8%. This was because of the sharply increased competitive tendering which could be expected next year.

Martin said the expected easing of interest rates would have only a marginal effect on activity in the industry.

Building of houses for blacks was unlikely to make a significant contribution to the total volume, mainly because of the affordability problem. Township unrest would probably restrict progress in this field.

Turnover this year would be R14,5bn at current prices — a decrease of about 5% in real terms over 1989. This trend would continue.

The Stellenbosch Bureau for Economic Research said the outlook for the industry next year was grim, especially in the residential market.

SOWETAN BUSINESS

Builders sure to uplift their lot

32

Sowetan 6/12/90.

By ALI MPHAKI

THE African Builders Association (ABA) has come of age following a resounding two-day conference held at Indaba Hotel, Fourways.

The more than 150 delegates from all over the country left the conference in high spirits and a lot of enthusiasm to rededicate themselves to a commitment to uplift the lot of black builders.

This positive attitude was further enhanced by the indication that the corporate world is out to support black builders materially and otherwise.

The five-guest speakers, significantly all white, exhorted white business to throw in their lot with black builders towards building a new South Africa.

One of the speakers, Mr Bob Tucker, managing director of SA Perm, told delegates that while black builders continue to strive to uplift themselves, it was the duty of big business to invest with them.

"Until there is a dual responsibility, the black builder will not be able to enter the mainstream economy," he said.

The highlight of the conference was the awards dinner with Mr Enoch Mthetwa of KwaZumba, Natal, chosen as the 1990 Builder of the Year.

Three other awards were presented posthumously to "pioneers of the black building industry and founder members of ABA".

Among the reciepients was Mr M Molapisi, who was secretary of the Transvaal African Builders Association (Taba).

There were two other firsts at the conference; the announcement of ABA's bursary fund and the election of a new and first executive. Hitherto ABA has been running on an interim committee.

The fiery Mr Joas "Baker" Mogale was elected first president.

In his maiden speech, Mogale said the bursary fund would start as soon as the money was available. The National Association of Home Builders donated R12 000 to support the effort.

"The idea is to encourage black youth to join the building industry. There is no indication of young men coming up to join the building industry and we want to attract them with this bursary," Mogale said.

"The one who qualifies for the bursary would take up studies in the whole variety of construction.

The new executive comprises Mr Cyril Gwala of Natal (secretary), Mr Themba Sokopo of Ciskei (vice secretary) and Mr Enoch Nthetwa (treasurer). Additional members are Mr Ben Rahlao from the Free State, Mr Molotov Ngo of Western Cape, Mr Gerald Daujana of Western Cape, Mr Gauta Shabangu and Mr Ken Dlamini, who is also managing director of the marketing wing of ABA.

First president Joas Mogale.

Teacher crisis brewing over dismissal threat

A TEACHER crisis is developing since about 4000 teachers on probation could be fired because they are unable to undergo official evaluation due to a "ban" on inspectors from visiting schools.

The Department of Education and Training (DET) has circulated letters to all teachers on probation and in areas where the inspectors do not visit the schools, inviting them to apply in writing to be evaluated. New Nation 7/12/-13/12/90.

Apparently most of the teachers had not done this by the time the deadline expired on November 30.

In the DET's final reminder, it was stated that those teachers who did not apply the department would "accept that it is your intention to act in conflict with the departmental instructions and your services will be terminated".

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It was unclear at the time of going to press if the teachers had actually been fired.

The move was condemned by the SA Democratic Teachers' Union (Sadtu) which described it as victimisation.

Sadtu assistant-general secretary Thembelani "Thulas" Nxesi said the department's warning was unacceptable.

He said a Sadtu delegation met with the national education minister Louis Pienaar last week and it was agreed that a joint working committee would be formed to draw up a job description for inspectors, before they could be accepted in the schools.

In a joint statement released after the meeting, the two parties agreed that the education minister would consult with other education officials about the permanent appointment of probationers and temporary personnel.

Thulas charged that the undertakings of senior officials were being disregarded by their juniors.

An irate Thulas said: "You meet with the minister today and you agree on something. But, when you go back to your region, you find no change."

He said his organisation remained committed to negotiating with the department around this and many other issues.

"We believe that this move is not in the interests of education in this country," he said.

If the teachers were not readmitted, many children would be without teachers at the beginning of next year.

DARLING & HODGSON Fm 7/12/90 (32)

ORDERS AT LOW EBB

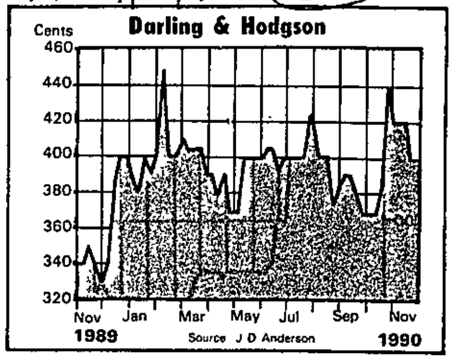
Activities: *Supplies products to the construction and building industries.*
Control: *Malbak 61,1%.*
Chairman: *H F Brown; MD: S R Bruyns.*
Capital structure: *62,87m ords. Market capitalisation: R271,5m.*
Share market: *Price: 400c. Yields: 8,00% on dividend; 24,14% on earnings; p:e ratio, 4,1; cover, 3,0. 12-month high, 450c; low, 330c. Trading volume last quarter, 910 000 shares.*

Year to Aug 31	**'87**	**'88**	**'89**	**'90**
ST debt (Rm)	5,3	0,01	—	—
LT debt (Rm)	—	0,06	37,0	10,0
Debt:equity ratio	—	—	—	—
Shareholders' interest	0,96	0,85	0,93	0,90
Int & leasing cover .	2,2	6,4	15,6	21,8
Return on cap (%) ..	12,3	31,2	17,12	17,21
Turnover (Rm)	365	396,9	542,4	629,8
Pre-int profit (Rm) ...	28,8	73,6	101,7	113,9
Pre-int margin (%) ..	7,6	18,6	18,75	18,11
Earnings (c)	34,7	60,8	107,0	96,6
Dividends (c)	5	18	25	32
Net worth (c)	369	310	843	866,7

Economic, political and labour problems hampered Darling & Hodgson (D&H) in financial 1990. Demand for its products declined and margins were squeezed.

This year the building cycle is unlikely to turn but the group's cash holdings will offer some protection and should enable well-timed acquisitions.

FM 7/12/90 (32)



The contribution to operating profit from 42%-owned Blue Circle slipped to 55% from the previous year's 60%. Its three operating divisions — cement, building materials and engineering — all saw a decline in sales volumes and margins narrowed. MD Richard Bruyns says cement exports helped to cushion the overall decline.

Wholly owned Rocha, which makes concrete and fibre reinforced pipes and precast culverts, improved its margins despite operating in a shrinking market, through strict cost control and productivity improvements. The division contributed 36% of operating profit.

Bruyns says the lock division had a traumatic year. Domestic demand fell sharply though export sales more than doubled.

Despite the slide in demand, and difficulties experienced by contractors in fulfilling contracts because of political and labour unrest, group pre-tax profit rose 14%. But the effective tax rate jumped from 21,3% in fiscal 1989 to 35,5% as assessed losses were used up. Cash flow benefits of using assessed losses have ended and the policy is to cover dividends three times (1989: 4,3 times).

The higher tax charge and rise in payment to outside shareholders caused a fall in attributable earnings. Lower cover still allowed a higher dividend payout. At year-end there was a strong balance sheet, including cash of R57m on hand. Bruyns says this places D&H in a position to grow by acquisition and "ensures that it will weather the recession adequately."

Order books throughout the group are at a low ebb and no change in trading environment is expected. Chairman Hugh Brown expects EPS to drop by about 10%.

The share has been fairly volatile recently — it moved from 370c to 440c in October and has fallen back to 400c, but remains above its 12-month 330c low. *Pam Baskind*

LTA FM 7/12/90 (32)

DIVIDEND IN SIGHT

A strong cash flow and a lower tax rate boosted LTA's performance for the six months to end-September. Despite a virtual doubling in the number of issued shares, EPS rose 30% and shareholders can look forward to a dividend payout at year-end for the second year running.

Refocusing of LTA's activities on its core construction, earthmoving, building and civil engineering activities last year continued to benefit the group. Despite the gradual slow-

FM 7/12/90 (32)

PROFIT LEAP

Six months to	Sep 30 1989	Mar 31 1990	Sep 30 1990
Turnover (Rm)	992	840	1 008
Operating profit (Rm)	20,2	16,1	21,3
Attributable (Rm) ..	4,1	7,3	10,8
Eps (c)	30	56	39

down of activity in these sectors, operating profit rose 5,2% on a turnover rise of only 1,6%.

The improved trading performance lifted cash flow and enabled a reduction in borrowings and interest payments. Long-term liabilities eased to R9,7m (R20,7m) and the interest bill was slashed from the year-ago R7,4m to R0,7m. Financial director Jimmy Oosthuizen says cash on hand is virtually equal to borrowings and by year-end net interest may be earned.

The effective tax rate, which rose steeply last year, dropped to 44% (53%), allowing benefits of the lower interest bill to flow through to the bottom line. And Oosthuizen expects the tax rate to moderate further by year-end. With the help of a R0,5m extraordinary item — income from the sale of properties and shares in minor companies — and reduced payments to preference shareholders, attributable earnings jumped by 164%.

Despite the conversion of 99% of the preference shares to ordinary shares during the six months and the almost doubling of the issued shares, EPS rose 30%. Group policy is to pay a dividend only at year-end, but Oosthuizen says this may change. He reckons there is no reason why the group should not pay a dividend in financial 1991.

MD Colin Wood expects a "satisfactory" trading pattern for the rest of the year. Additional work is needed for the civil and building operations, but the other divisions' order-books are considered reasonable.

LTA is trading at 230c on an earnings multiple of 2,7, compared to the sector average of 5. This is below the share's 275c 12-month high and at a large discount to the 385c net worth.

Pam Baskind

Contractors face D-day in Lesotho

CHARLOTTE MATHEWS

(32)

BDay 11/12/90

THREE SA construction companies — Group Five, Concor and LTA — will be among the firms named when two major tenders are awarded for the first phase of the Lesotho Highlands Water Project.

The projects — one involving the building of a dam and the other the construction of tunnels — are worth R2bn.

The tenders would be awarded at a ceremony in Lesotho on Friday, the expiry date of the tender offers, the Water Affairs Department said in a statement.

"The ceremony will include the signing of the bridging loan agreement," it said.

The department would not say who the successful tenderers were, but industry sources said the Katse Dam contract, estimated at about R790m, would go to the seven-party consortium headed by Italian company Impregilo and including Group Five and Concor.

They said the contract to build tunnels linking the dam with SA, estimated at about R1bn, would be awarded to the five-company consortium which includes LTA.

The tenderers were asked to include financing proposals with their tenders. The details of the financing arrangements were not available yesterday, but sources said the majority of funding would come from European banks and export credit agencies. About 35% would come from SA sources.

Last week it was announced that H M C Tunnelling Venture, which includes Concor, was the preferred tenderer for the Trans-Caledon Tunnel Authority's R400m Delivery Tunnel North.

Red tape snags low-cost housing

S/Times 16/12/90

32

By CHARMAIN NAIDOO

PROBLEMS facing low-cost housing are being ignored, says Roy Marcus, managing director of Abacus Technologies and former Wits University dean of engineering.

Abacus, marketer of Symodule, is consultant to Symo Corporation which has developed a cheap modular building system which can be put up in a day.

Professor Marcus says the Symodule system is easily transportable, upgradeable, expandable, robust and aesthetically acceptable.

The steel frame, gypsum panel system enables a 50m² house to be built for R10 000.

Professor Marcus says: "SA needs about 800 000 houses. At least 60% of the homeless cannot afford a house. The problem is serious. But there is no single government department to deal with the problem.

"Various departments have their fingers in the pie, causing confusion, red tape and delays."

Professor Marcus believes there is too great a divide between the shack dweller who needs a roof over his head and the certification process, the Mantag certificate.

The Mantag certificate, administered by the Agreement Board of SA, sets stringent quality requirements for non-conventional dwellings — anything that excludes the use of bricks and mortar.

"The product that comes out of the Mantag process ensures that people have a medium- to high-quality home. But Mantag requirements are so high that they inflate the price of housing."

Professor Marcus says there are no adequate procedures to monitor the construction of conventional houses:

"Anyone can build a brick and mortar house without any checks. Often, substandard materials are used, resulting in large cracks or sinking foundations.

Inadequate

"Unconventional houses on the other hand have to meet Mantag specifications. The solution to SA's housing problems lies in unconventional means.

"We have to find a way to bridge the gulf between the family in the shack and the Mantag requirements."

Professor Marcus suggests that the Government and the private sector get together to identify criteria for low-cost housing.

"Affordability and structural requirements will have to be considered.

"Conventional housing needs a large investment in inspectors to monitor on-site construction as well as the quality of materials used."

ROY MARCUS: Roof for the homeless. Picture: KOBUS BODENSTEIN

Professor Marcus says speedy construction of houses is required.

"The Symodule system can be upgraded to full Mantag specification, but it can also start out at a relatively basic level.

"It is pre-fabricated, so all quality control procedures are carried out in the factory. Symodule dwellings can be extended as the affluence of a family increases. The family can they buy more panels and make additions to the house.

"The system can be used for schools and clinics. Double-storey accommodation can be built."

Professor Marcus believes that the European concept of people living above their business could become popular in SA.

Symodule is being used at Orange Farm — the Transvaal Provincial Administration's official squatter camp.

Abacus Technologies won a contract this week to provide accommodation modules for 1 200 construction workers at Sun City.

Move to oust white contractors

(32)

Sowetan 22/11/90

VAAL Triangle small black builders have embarked on a campaign to have all white building contractors withdrawn from the townships in order to smash what they believe to be "a white monopoly on capitalism."

The chairman of the Orange-Vaal Black Business and Contractors Crisis Committee, Mr Michael Xaba, said they had submitted memorandums to the town councils of Evaton, Lekoa and Orange Farms and trade unions.

The decision was taken after several builders realised the unfairness in the housing department, especially when it comes to the manner and ways in which contractors are dealt with in issues relating to the following;

*Allocation of site and land.

*Pricing of homes (most homes are actually overpriced by white builders).

*Standard of building, and building material used.

*Labour practices and customer satisfaction.

*State of affairs with housing departments of the local authorities.

Xaba said that they would continue the campaign even if financial institutions threatened to stop building loans to the townships. It was their intention to create a dispensation in which all builders regardless of race would operate in the townships through the black association.

Construction industry faces tough times

B/Day 24/12/90 (32)

CHARLOTTE MATHEWS

UPMARKET housing, informal building activity and large organisations are the only sectors of the building and construction industry that will show some resilience in 1991, industry spokesmen say.

Generally, the outlook is bleak.

Ovbel financial director Justin Millar said: "The economic and socio-political conditions, together with high interest rates and inflation, will make it a fairly difficult year.

"The expectation is that interest rates will come off in the first quarter but it will be only a small drop and that will not have a significant effect on the housing market."

He said the lower and middle end of the housing market were hard hit, although the upper end was still buoyant, especially in Cape Town.

Murray & Roberts CE Dave Brink said most big operators should do reasonably well in 1991 because their order books stretched a year ahead.

"Infrastructure and roadworks are really flat as government spending has dropped right off. A lot of people have withdrawn from the low-cost housing market because it is difficult to achieve profitability with the violence and disruption, high interest rates and red tape.

"In the current economic climate there are still a lot of institutions looking for high quality commercial properties to invest in."

Italtile financial director Peter Swatton said trading had been flat in the past few months.

PPC group MD Ted Hodgkiss said the group was budgeting a further decline of 3% to 4% in cement sales.

"We see our business being kept up largely by residential building and the informal sector."

He said there was a lot of work for non-residential buildings but these contracts would end in mid-1991.

Little cheer for SA construction in water scheme

STimes 30/12/90 (32)

By DON ROBERTSON

CONTRACTS won by four SA companies for the Lesotho Highlands water project will bring little cheer to the construction industry.

It faces a bleak two years at least.

Industry sources say that although the total project is worth about R5-billion before escalations, it will be completed in five years and will not contribute much business to civil engineering.

Tony Puccini, financial director of the civils division at Group Five, says that because of the long-term nature of the work "it will not help us out of the recession we face".

"I foresee difficulties for civil engineering for the next two years. Because infrastructure in SA is fairly well developed, large civils contracts are unlikely in the future and our work will probably switch to housing and shopping complexes."

Negotiations

It has not yet been established exactly what aspect of the contracts will be carried out by the four companies — Group Five, Concor, LTA and Grinaker Construction. Negotiations with the international consortiums have not been completed.

Group Five managing director Peter Clogg is in Italy negotiating with Impregilo, the lead company in the consortium which will build the Katse dam.

Concor is also in this consortium.

LTA and Grinaker Construction are in the consortium which has won the contract to build a 55km-long tunnel to carry water part of the way to the Reef.

LTA managing director Colin Wood says his company has a 35% interest in the consortium which will build the tunnels at cost of about R900-million.

But Mr Wood stresses that this will not necessarily mean the same percentage in the total project.

LTA is upgrading the road to the dam site.

First

Katse dam will have the highest wall in Africa at 180m. It will, however, have a much lower capacity than other dams.

For instance, HF Verwoerd dam has a capacity of 5,9-billion cubic metres, but Katse will hold only 1,9-billion cubic metres. Kariba has a 128m-high wall and Aswan in Egypt has one 111m high.

Work will start in January on the arch dam which will be taller than Johannesburg's Carlton Hotel and will be wider at the top than six rugby fields. The intention is to change the flow of the Malibamatso and Bokong rivers northwards into the SA supply system.

Power will eventually be generated from a hydro-electric plant and the dam will be used for irrigation.

In constructing the dam, 1,9-million cubic metres of rock will be excavated. The wall will take 2,1-million cubic metres of concrete and 387 000 of formwork.

Permanent and temporary accommodation, shops, a hospital, a laboratory, sewage treatment works, schools and communication facilities will have to be provided.

Work on the tunnels will start in January and will take about six years to complete. Two of the 4,5m diameter tunnels will collect water from the Katse dam and carry it down the mountains, under the Caledon and Little Caledon rivers to the Ash, a tributary of the Vaal.

The tunnels will be built by installing pre-cast concrete lining immediately behind the tunnel-boring machine. This is a first for SA.

Sharp brake on building costs forecast

By Tom Hood

Star 31/12/90

(32)

CAPE TOWN — Runaway building costs will be reined back sharply next year, says Professor Wilsey Kilian, former professor of building management at the University of Cape Town.

New work will be scarce and sharply lower increases in tender prices will arise from stiffer competition, he says.

"Productivity increases when workers feel the blast of unemployment. As workers get laid off, the best ones stay on and average labour skills are better, so that contractors are really able to sharpen their pencils when they tender for work."

Professor Kilian, a director of Stellenbosch building economists' Medium-Term Forecasting Associates (MFA), says the home-building industry should record modest growth next year from the impetus of the Independent Development Trust, the SA Housing Trust, the Development Bank and lower mortgage rates.

A cut in mortgage rates, expected early in 1991, should help the industry from mid-year onwards.

In contrast, a sharp drop is foreseen in investment in non-residential building in 1991.

The industry should enjoy freely available labour and building materials, improved productivity of on-site and management labour and lower increases in input costs.

By the second half of the year, materials manufacturers should record improved production volumes as a result of stocking up by merchants wanting to benefit from an expected 1992-94 housing boom.

Johann Snyman, a director of MFA, says building costs are expected to rise by only nine percent next year after a 14 percent increase this year and a 22 percent rise in 1989..

"Contractors will be forced to absorb some of the rises in their input costs which they will be able to do because of better trade discounts on materials and improved labour productivity," he says.