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Illustrating enterprise development in a DBSA project: Number 1, Biccard Street

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Looking at Braamfontein in Johannesburg some six or more years ago, one could have concluded that it was a lost case. The DBSA team which handled the South Point application for property development services over the past years feels obliged to share this feel-good story. If you feel overwhelmed as a development activist, facing many challenges and fatigue, do not lose heart and read this DBSA article to draw development inspiration.

Number 1 Biccard Street, Braamfontein, is a modern elegant building, the work of a bright young lady-architect who designed its inventive interiors. With stylish apartments and a roof-top social area, it offers a breath-taking cityscape of Johannesburg where one senses the same exhilarating feeling when atop New York City sky-scrappers. Neatly poised with equal dignity alongside the rest of Braamfontein's multi-storey buildings, it is the hallmark of student accommodation in an urban setting. No wonder the international broadcasters secured it for the 2010 Soccer World Cup.

The recently refurbished building is one among several the DBSA is investing in.

The project is the first of its kind to be supported by the DBSA in a relatively new concept of the outsourcing of student accommodation to the private sector. The client, property developers South Point Management Services, started their business by funding the refurbishment of seven office buildings in the Braamfontein area in close proximity to each other to provide student accommodation for tertiary institutions, accommodating some 2 800 students.

The total cost to purchase and refurbish the buildings amounted to R57 685 827 and were funded under two separate loan agreements for R47, 7 million and R10 million respectively. This concept proved so successful that new projects are underway in Pretoria and Port Elizabeth, also funded by the DBSA.

The buildings offer various facilities suited to the student lifestyle. These include wireless internet access which is free up to 500mb for students who need access outside campus. The accommodation in Biccard Street has a gym which offers a subsidised rate of R60 per month to students. South Point also periodically invites guest speakers to address students on various topics during the course of the year. A "Young Black & Gifted" speaker series is being planned to feature successful black entrepreneurs to motivate the students. An entrepreneurship gesture has already been extended to one of the students who was afforded an opportunity to start a small Internet café to raise income for tuition fees. Residents are entitled to receive a copy of the "Zikpan!", a student initiated newspaper for the South Point community. Creating a sense of community is certainly a keen undertaking by South Point Management Services. They have also assisted with the establishment of various student clubs such as an investment club and various sports clubs.

Economic turnaround

Rewind to some six years ago. Investing in Braamfontein might have been considered a risky investment in a not-so-good area. An area rendered stagnating is being turned around six years later to offer a bright future. More so for the students populating the various buildings turned into student rental accommodation who are in close proximity to two major universities.

Braamfontein has a thriving property market with mostly office space and rental accommodation. With Gautrain right at their door-step and a stone's throw from the city centre, this has become a desired well connected dwelling space with easy access to wherever residences may need to go.

The greater comparative value of purchasing old buildings instead of constructing new buildings was proven in the Braamfontein building projects. During the appraisals, indications were that in the current economic circumstances, even more than before, buying unutilised buildings at a discounted price contributes to high capital appreciation of assets. This was shown in improved property values of the years when assessing the returns on DBSA's investment. Assets exceeded liabilities 2.3 times in 2006, within two years since South Point was established in 2004. There was also a good take-up of space, with a 100% occupancy rate and 98% in rent collections by 2006.

These indicators clearly show application of sound business principles and well-managed enterprise. They also show a willingness by tenants to pay for well-managed rental accommodation. When the DBSA team recently visited the sites, they found the buildings to be of good quality and well maintained. What was on site is indeed what was approved in the building plans. The team was particularly impressed with the client's efforts to enhance enterprise development and to ensure placement and empowerment of young professionals.

Developing staff

They continuously assess the potential of staff and where appropriate placing them in new positions better suited to their talents or with their service providers and even encouraging them to start their own businesses. There are some notable advances in terms of empowering staff. Three building managers started off as cleaners. There is also currently a cohort of ten security guards who are in the process of being developed into building managers. They are being offered computer training and building management courses.

Over the past six years, some 240 permanent jobs have been created and with each new building that South Point acquires and refurbishes, approximately 15 permanent jobs are created.

Supporting students

South Point also supports student mentorship and internship programmes. It has also employed recent graduates who have gone on to do in-house training programmes with the company. Some of the candidates have qualified in the built environment fields such as Architecture and Property Science. Student accommodation bursaries are also awarded. Last year, eight full accommodation and four half- accommodation bursaries were granted based on academic merit; financial need and previous residency in a South Point apartment for at least two years.

For the youngsters still in the toddling stages of education, South Point recently opened “South Point Kids” in association with Scatterlings. South Point Kids is an early learning education centre also located in Braamfontein that can school 270 children from birth to six years. South Point invested R350 000 into the building of the facility and has given a “rent free” period until such time as the crèche can fully pay for itself (break even is approximately 145 children).

The South Point project, besides merely offering student rental accommodation shows signs of extending human and social impact as well as the creation of a close-knit student community. It resonates very aptly with DBSA’s quest to see development impact being demonstrated.

So next time a project appraisal lands on your desk, it may not just be another one. Spot the opportunities, take it up and secure a bright new future for many a disadvantaged person. Yes, we can make a difference!