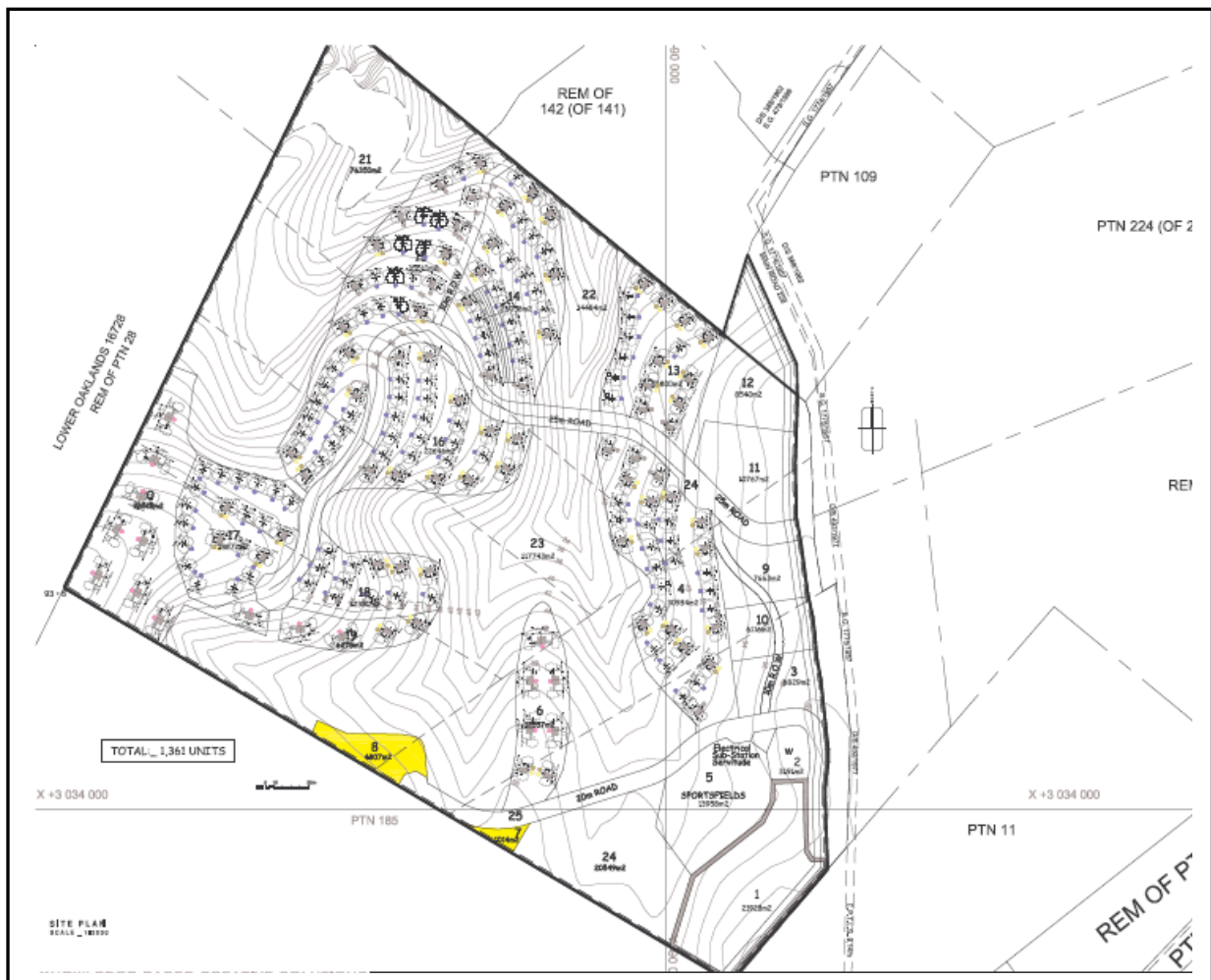


MARKET ASSESSMENT | SOCIO-ECONOMIC IMPACT ASSESSMENT



13 November 2008



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## INKWAZI DEVELOPMENT MARKET ASSESSMENT

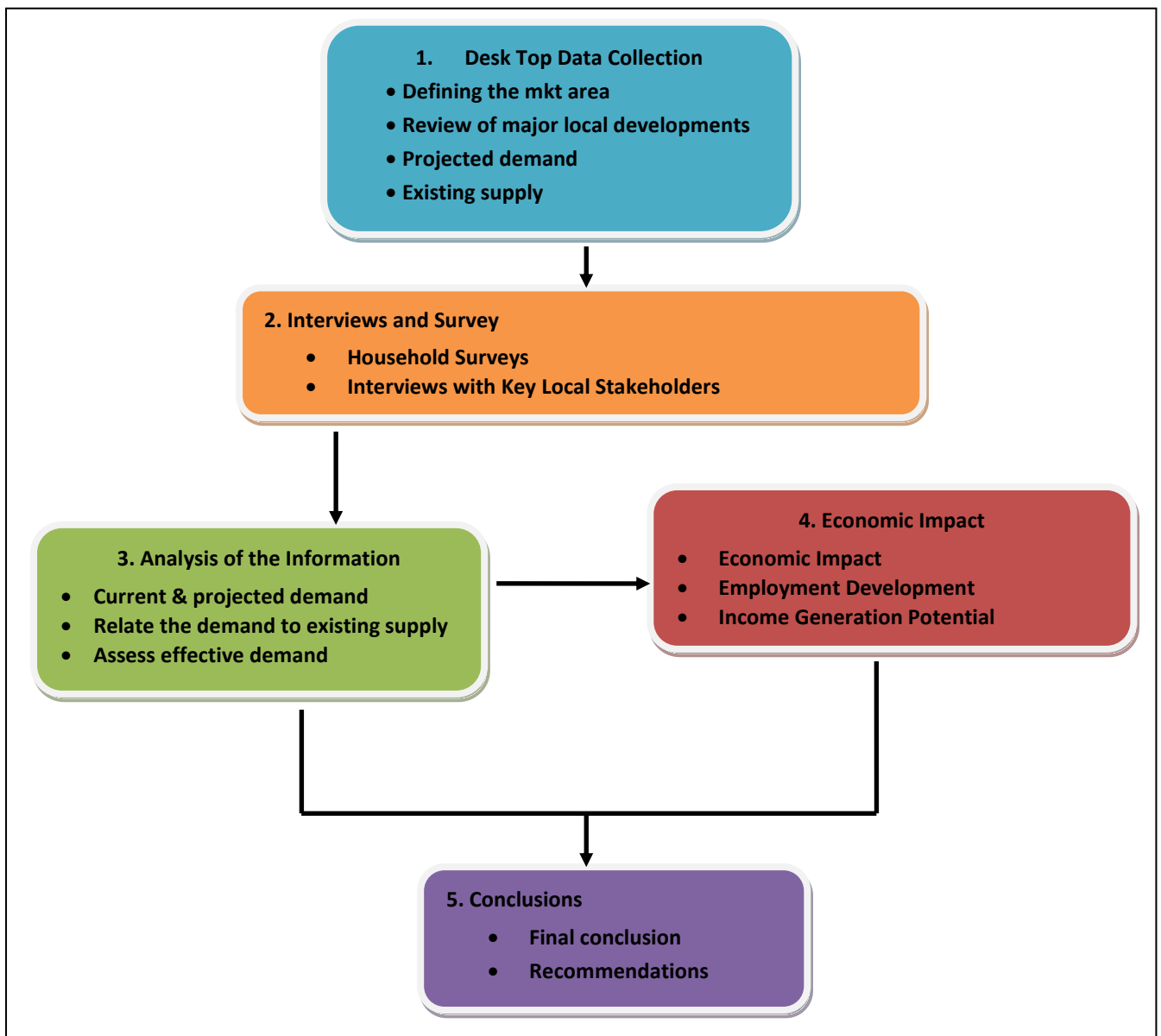
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The approach followed allows for both the needs and desirability (market demand) for the different components of the development independently as well as the development as a whole to be assessed. This approach has been utilised due to the extent of the residential estates and other adjacent developments currently underway in KwaDukuza.

## 2.2 Methodology

The project followed a five tiered methodology (as indicated in the diagram) below. For ease of understanding, this report document follows a similar structure. The approach adopted in this study was incorporated into the methodology, with the macro and micro elements captured in section 1. Focus on the micro elements, specific to the site and the development are unpacked in detail in sections 2 and 3.



The household survey in step 2 was conducted telephonically with households based within the greater KwaDukuza area. The focus of the survey was to determine market demand, earning capacity and desire to relocate to the new development.

### 3. Household Survey

The focus of the survey was to determine the desirability of the development. As Urban-Econ has spent considerable time developing research in the iLembe District, and KwaDukuza Local Municipality in particular, a wide range of data resources were available for this study.

The household survey targeted Ballito households with landlines, thus sampling from medium and high income areas. This was complemented by the survey conducted earlier in 2008 by Urban-Econ that examined low and middle income households in Greater Stanger and the surveys, conducted in 2007, on medium and high-income households as part of the Old Acre's study.

Specifically, the survey conducted for this survey was administered telephonically on a new sample of householders who had not previously been surveyed by Urban-Econ.

Questions that were asked of respondents included issues of:

1. Size and type of residence
2. Number of persons sharing the home
3. Likely take-up of housing in a gated community/development
4. Number of employed and retired persons in the household
5. Location of the employment and schooling facilities
6. Considered benefits and constraints of residential estate life
7. Perceived demand for additional estate development in Ballito

The rationale behind selecting these issues in particular was to assist in understanding the need for housing and commercial space in Inkwazi.

The responses to the questionnaire in conjunction with understanding gained from other surveys conducted in the study area and the socio-economic profile of the area form the analysis of the demand for Inkwazi Development.

## 2. Macroeconomic Overview

### 2.1 Macroeconomic Indicators

The KwaDukuza Local Municipality has seen rapid economic growth over the last 5 years. This trend has been underpinned by the rapid development in retail and mixed used developments in the greater Ballito area. In particular, KwaDukuza's growth has bolstered the local housing market and there have been numerous high-end housing developments established.

These trends are unpacked in greater detail in this section, with emphasis placed on the macro-economic housing trends of KZN and on the specific residential housing supply and demand trends within KwaDukuza.

A key trend supporting new residential developments like Inkwazi's establishment is the in-migration to KwaDukuza, prompted by the burgeoning local economy, desirable location and lifestyle of the KZN north coast. The close proximity of the site to the major centres of Ballito, Stanger and Durban has considerable attraction for the market.

### 2.2 KwaZulu-Natal Residential Market

The property market in KwaZulu-Natal (KZN) is split into three distinct areas, eThekweni, the northern and southern coastal belt and the hinterland. Much of KwaZulu-Natal property market is still achieving growth between 15-20%, creating good opportunities for investors. KZN property offers a good opportunity as sellers are willing to negotiate their prices, in some case reducing their properties of up to 20% ([www.property24.com](http://www.property24.com)).

Outside of eThekweni, Ballito is the best performing town. Prices have risen by 300% in the past five years. New residential units were brought into the market in answer to the strong demand from Gauteng and other up country buyers and commercial development has kept pace with the residential market. Ballito has transformed into a mini city and is set for further development. Several multi-nationals have taken commercial space in the town while new residents are setting up shops providing work opportunities for locals which in turn, further stimulate the housing market ([www.property24.com](http://www.property24.com)).

This rapid development in Ballito has had a positive knock-on effect in the rest of KwaDukuza, with housing costs rising rapidly within Ballito potential home owners have started to look for more affordable housing in the adjacent areas. This in turn has led to a shortage of available stock.



### 2.3 Current Property Prices in KwaDukuza

Prices indicated by realtors and property websites indicated that homes of 4 bedrooms were on sale around the R2.3m mark in the greater Ballito area. This price range makes owning freehold non estate property with the area very difficult for many residents within KwaDukuza.

There is a dearth of middle income housing – this became evident during the telephonic surveys with over 30% of respondents indicating that they would be interested in exploring the opportunities of estate living if there were homes available at the R1.5m and below mark.

### 2.4 Major new Development Features of the Area

#### 2.4.1 Rapid Growth of New Developments

There are numerous developments in the Greater Ballito area, for ease of understanding these have been split into two areas, the Sheffield Beach/Salt Rock area and the rest of the Ballito area.

#### Sheffield Beach/Salt Rock Developments

Residential Development	Number of Units
Brettonwood	700 – partially completed, still under construction
Dunkirk	350 - completed
Mount Richmore	2500 units approved
Sheffield Manor Equestrian Estate	1200 units – under construction
Zululami Estate	700 units – under construction
Croc Farm Retirement Village	700 units – in planning stages
Sheffield Gardens	80 units – recently completed
Sheffield Cove	130 units – recently completed
Chairman’s Rest	25 units – recently approved
Palm Lakes	3450 units (850 units in first phase by 2010)

#### KwaDukuza Area Developments

Residential Developments	Number of Units
Zimbali Lakes	Residential units – 600 Commercial component – 25000m <sup>2</sup> Hotel – 250 rooms Service industrial – 10Ha
Zimbali South & West	Zimbali West: Residential – 500 units Zimbali South: Residential – 194 units Hotel – 250 rooms
Hilltop Estates	250 units



## INKWAZI DEVELOPMENT MARKET ASSESSMENT

<b>Zimbali Proper</b>	100 units
<b>Zimbali North</b>	80 units
<b>Ballito Ext 3</b>	150 units
<b>Seaward Estates</b>	500 units
<b>Ballito Ext 5</b>	480 units
<b>Rey's Estate</b>	40 units
<b>Link Road Properties</b>	Residential - 100 units
<b>Ballito Business Park 2 &amp; 3</b>	Services & Commercial – 100 units
<b>Ballito Business Park 4</b>	Services & Commercial – 20Ha
<b>Sundrum Estate</b>	3000 residential units (unzoned)
<b>Wakenhaven Estate</b>	120 residential units
<b>Meadowbrook Estate</b>	250 residential units
<b>Ballito Gardens</b>	100 residential units
<b>Umhlali Country Club</b>	150 residential units
<b>Shortens Estate</b>	250 residential units
<b>Sub 69 of 3 Compensation 868</b>	500 residential units
<b>Breaside Service Industrial</b>	60Ha (Services Park)
<b>Simbithi Eco-Estate</b>	700 residential units
<b>Chaka's Rock Proper</b>	80 residential units
<b>Mt Richmore</b>	2500 residential units
<b>Colwyn Extension</b>	40 residential units
<b>Umhlali/Tinlye Manor South Bank</b>	3000 residential units (currently on hold)
<b>Umhlali/Tinley Manor North Bank 2</b>	1000 residential units (currently on hold)
<b>Umhlali/Tinley Manor North Bank 1 Resort</b>	2000 residential units (currently on hold)
<b>Carteff and Hilltop Farms</b>	2500 residential units
<b>Woodmead</b>	3400 residential units
<b>Helmsley</b>	150 residential units

### 2.4.1 Average House Purchase Price

The current average house purchase price trends in Ballito and surrounds have rose from R1.5m in 2006 to R1.9m in 2007 and by midday through this year were recorded at an average of R2.3m. Top end properties are selling between R5m and R40m ([www.eprop.co.za](http://www.eprop.co.za) and Prop Data figures).

In the table below are current price indicators per property type.

Property Type	Average Price
Vacant Land	From R650 000
Flats (high rise)	R800000 – R1.5m
Clusters	R950000 – R2m
Freehold	R1.9m – R5.5m

## 2.5 South African Residential Property Perspectives

The South African residential property market has experienced rapid growth over the last few years, despite interest rate hikes and the weakening rand. In June 2006 the market showed a growth rate of 13.8% compared to the USA (9.5%), UK (5.2%) and Australia (3.7%). It has taken South Africa four years to double its housing prices as compared to Australia (8 years) and UK (6 and half years). South Africa's strong growth rate has resulted in property prices catching up with the rest of the world.

- **Affordable Housing**

Nominal house prices in the affordable segment which includes houses of 40m<sup>2</sup> - 80m<sup>2</sup> and priced between R250000 and R750000 increased by 18% year-on-year (y/y) - in the second quarter of 2007. In real terms, house price growth in the affordable category came to 10, 3% y/y in the second quarter ([www.finforum.co.za](http://www.finforum.co.za)).

According to a recent article on [www.property24.com](http://www.property24.com) (15/04/-08): " The banking sector is more than meeting its commitment of originating housing finance loans of R42 billion to the Financial Sector Charter (FSC) market over five years from 2003 to the end of 2008, according to the Banking Association of South Africa".

Despite meeting this commitment, it is evident from the waiting lists available at local municipal level (which indicates over 20000 applicants for KwaDukuza alone) that there remains insufficient supply of housing to this particular market segment.

- **Middle- Segment Housing**

In the middle-market segment (houses of 80 m<sup>2</sup>-400 m<sup>2</sup> and priced at up to R2, 7 million), nominal house prices increased by an average of 15, 3% y/y to about R919 000 in the second quarter of 2007. In real terms, house price growth in this category came to 7, 8% y/y in the second quarter. In both nominal and real terms, the year-on-year growth in house prices in the second quarter was down on that of the first quarter, when it was a nominal 15,7% and a real 9,2%. In the three middle-segment categories, house price growth was as follows in the first quarter of 2007([www. finforum.co.za](http://www.finforum.co.za)).

In the following three middle-segment categories house price growth was as follows in the first quarter of 2007:

- Small houses (80 m<sup>2</sup>-140 m<sup>2</sup>): a nominal 10, 0% and a real 2, 9% higher.
- Medium houses (141 m<sup>2</sup>-220 m<sup>2</sup>): a nominal 17, 7% and a real 10, 0% higher
- Large houses (221 m<sup>2</sup>-400 m<sup>2</sup>): a nominal 18, 1% and a real 10, 4% higher.

Despite the gains in house prices made in 2007, the middle income market has been quite substantially affected by the economic turndown in 2008. Middle-segment house price inflation is currently experiencing a dip of -1.6% according to Absa (Absa 2<sup>nd</sup> Quarter Review) and Standard Bank has indicated a drop in the 3<sup>rd</sup> Quarter of -2.6% in year on year figures (Standard Bank, 3<sup>rd</sup> Quarter Review).

- **Luxury Housing**

Nominal house prices in this segment (houses valued at between R2,7 million and R9,9 million) increased by an average of 9,2% y/y to around R4,1 million in the second quarter of 2007 (8,5% y/y in the preceding quarter). House prices in the luxury category increased by 2, 1% y/y in the second quarter of 2007 in real terms ([www. finforum.co.za](http://www.finforum.co.za)).

The luxury housing market is currently the most stable, recording relatively low growth rates when compared to the performance of affordable and middle-segment housing. Although house price growth in the luxury category has been **below that of other segments** of the market for some time, this category of housing is largely able to withstand economic impacts like changes in inflation and interest rates ([www. finforum.co.za](http://www.finforum.co.za))

## 2.6 Regional Residential Markets

### Housing Prices

On a provincial basis, nominal year on year growth rate varied from Free State and Gauteng to KwaZulu-Natal. The change in the provincial property market is susceptible to factors such:

- Regional economic trends (such as sectoral trends, developments and growth);
- Living standards and conditions (such as household income and poverty); and
- Physical location of properties (coastal, inland, rural and metropolitan areas).

These factors usually play an important role in the divergence of house price growth between provinces. The table below summarizes the national averages.

#### Average Nominal House Prices, 2003-2007

	2003 RAND	2004 RAND	2005 RAND	2006 RAND	2007			
					Q1 RAND	Q2		
						RAND	Q/Q %	Y/Y %
<b>NATIONAL</b>								
<b>Middle Segment (80m-400m, &lt;R2.7m)</b>	433973	573862	704571	812002	893853	919046	2.8	15.3
Small (80m-140m, <R2.7)	308500	418570	501975	580964	624300	632765	1.4	10.0
Medium (141m-220m, R2.7)	397286	536378	664608	772266	860524	890442	3.5	17.7
Large (221m-400m, R2.7)	599510	779137	977504	1122008	1250150	1289837	3.2	18.1
New (80m-400m, R2.7)	583481	672712	742912	827482	911275	943823	3.6	15.6
Existing (80m-400m, R2.7)	414506	553449	696833	810105	890674	914251	2.6	14.9
<b>Affordable (40m-79m, R370000)</b>	124977	150981	188760	216875	242763	249714	2.9	18.0
<b>Luxury (&gt;R2.7m-R9.9m)</b>	2598975	3163464	3414490	3774556	3952472	4093241	3.6	9.2
<b>PROVINCES</b>								
Free State	301953	408676	492558	571035	628322	655743	4.4	16.0
Gauteng	478982	610580	734341	846845	945966	964740	2.0	16.0
KwaZulu Natal	411907	553094	682469	817493	853958	900779	5.5	10.2
<b>METROPOLITAN AREAS</b>								
Bloemfontein (Free State)	372173	518074	641063	760687	844862	900893	6.6	20.1
Greater Johannesburg (Gauteng)	480853	616784	741088	875013	981064	1000874	2.0	16.6
Johannesburg Central and South	385635	536704	617684	759872	864557	888439	2.8	17.2
Johannesburg North and West	612301	762480	920534	1074115	1189033	1212553	2.0	15.3
East Rand	389058	505274	638641	753914	835114	866004	3.7	16.9
Pretoria (Gauteng)	539931	671212	813542	924195	1021021	1048256	2.7	16.4
Durban/Pinetown (KwaZulu-Natal)	401129	541044	722272	853509	926453	973681	5.1	14.9

(Source: [www.finforum.co.za](http://www.finforum.co.za))

## 2.7 Impact of the Interest Rates on Property Market

Since June 2006, the SARB has increased the repo rate by 550 basis points which lead to banks raising their prime and mortgage interest rate to a level of 15%. This has directly impacted upon the accessibility of financing for first-time home buyers as well as severely impacting the ability of lower income households to access finance for housing.

Below is an indicative matrix of monthly mortgage repayments that the average householder would be incurring to a lending society/mortgage house.

### Payment at a Mortgage Rate of Housing Loan

MONTHLY MORTGAGE (on 15 year bond)					
LOAN AMOUNT	RATES				INCREASE IN REPAYMENT
	13.50%	14%	14.50%	15%	13.5% - 15%
R 100,000	R1298	R1331	R1365	R1399	R101
R 200,000	R2598	R2663	R2731	R2799	R201
R 300,000	R3894	R3995	R4096	R4198	R304
R 400,000	R5193	R5326	R5462	R5597	R404
R 500,000	R6491	R6658	R6798	R6996	R505
R 600,000	R7789	R7790	R8134	R8395	R606
R 700,000	R9088	R9322	R9470	R9794	R706
R 800,000	R10386	R10653	R10806	R11193	R807
R 900,000	R11684	R11985	R12142	R12592	R908
R 1,000,000	R12983	R13317	R13478	R13991	R1008
R 1,500,000	R19474	R19976	R20217	R20987	R1513

Source: Urban-Econ Calculations

## 2.8 Five key factors Impacting Housing Demand in Greater Ballito

### 2.8.1 Location

The location for residential development is good, as the site falls adjacent the major urban node Stanger and Ballito has good adjacency to the N2 and R102. Employment opportunities are limited in Stanger at present as the local economy has a limited manufacturing sector – although there is growing services and retail evident. The likelihood of residents seeking employment in Ballito and beyond is high, and this location would be suitable for residents to remain commuters to work.

### 2.8.2 Affordability

The demand for housing in KwaDukuza is in the lower and middle end market segment (R250 000- R900 000) as indicated by the household survey and interviews with local realtors. (*Urban-Econ: Survey and Interviews 2008*). At present, the lower end of the market is being serviced, with a clear

gap emerging for middle income homeowners. There is clear aspiration to this market and indication that middle income households would certainly consider relocating to estates.

### **2.8.3 Employment and Commuting**

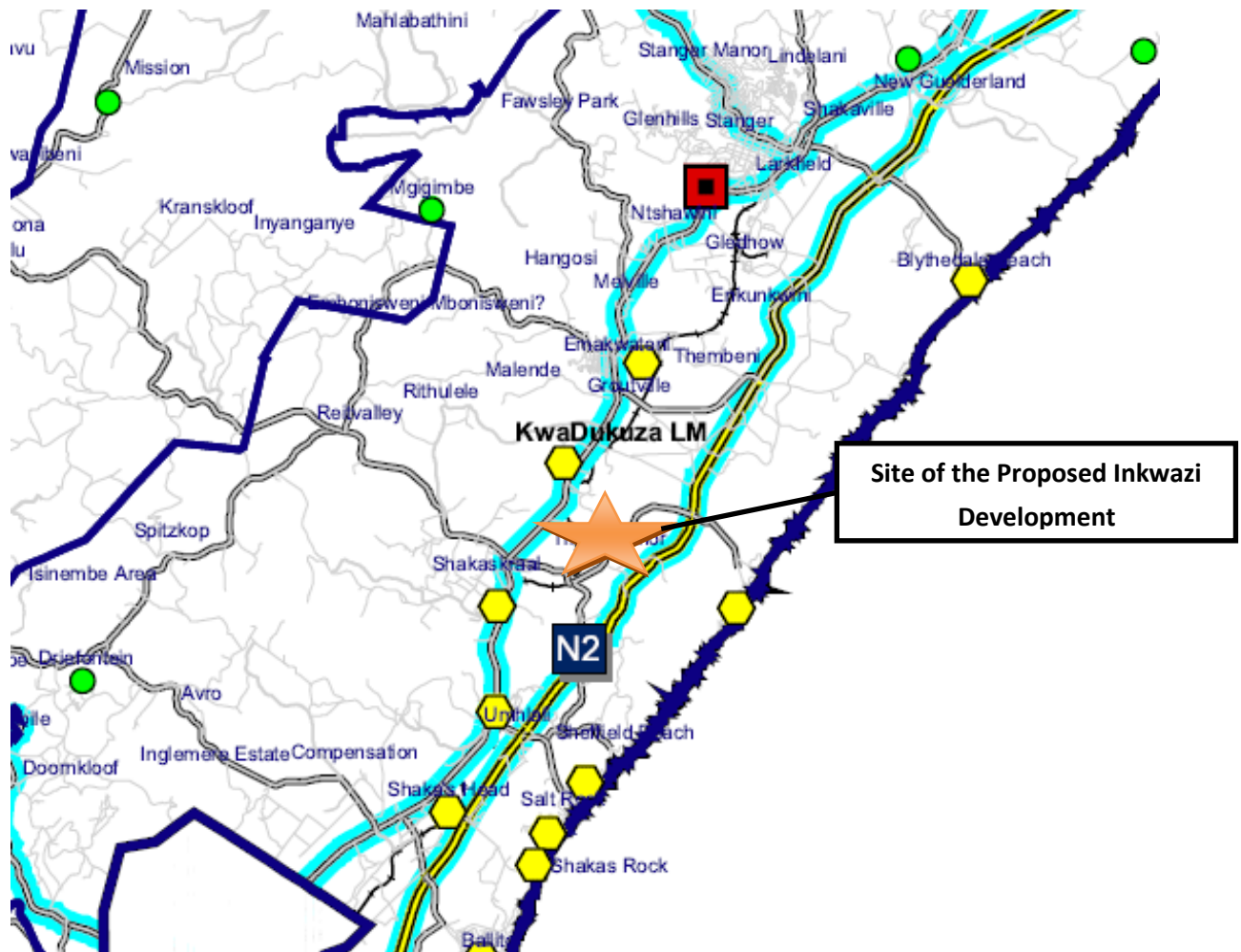
As the existing trend of living and working in different areas continues to be born out it is that householders residing in Greater Ballito will be constrained for employment opportunities. Over 83% of those surveyed indicated that members of their households worked along the coastal strip of: Stanger, Ballito, Durban, Umhlanga, Umdloti and Richards Bay.

### **2.8.4 Accessibility**

The N2 is the major national road that runs through KwaDukuza and is the major entrance and exit points for the municipality. KwaDukuza serves as an entrance point into far north areas of KwaZulu-Natal. KwaDukuza has the R102 and R74 which are the district roads within the municipality. The local roads form the internal road structure for KwaDukuza. Refer to the map on the below for road accessibility, the proposed development is favourably located between the R102 and N2.

#### **Provincial Road Network for KwaDukuza Local Municipality**

## INKWAZI DEVELOPMENT MARKET ASSESSMENT



Source: [www.ilembe.gov.za](http://www.ilembe.gov.za)

### 2.8.6 Dube Trade Port Development

The Dube Trade Port is currently under development in La Mercy – a short distance to the south of Stanger. This major project is expected to completely alter the economic activity on the North Coast, impacting significantly on the economic profile and employment patterns. Dube Trade Port includes several trade zones expected to significantly improve the levels of employment. In addition, the construction phase for the King Shaka Airport and Dube Trade Port is phased over several years (with the airport becoming operational in 2010 and the final phase of the trade port by 2060) which too has significant employment opportunities in the area.

Specifically, permanent jobs in logistics, retail and light industry are likely to generate a high requirement for middle income housing. At present, there is a gap in the market for middle income family units - an opportunity that Inkwazi could capitalise upon.

As is indicated in the map below taken from The Wider Spatial Development Vision for the La Mercy Airport/DTP Development; 2005) the expected impact of the development is shown along the N2 and M4 Corridor in a series of mixed used developments which incorporate additional residential housing, retail and tourist accommodation.



## 2.9 KwaDukuza in Context

KwaDukuza is one of fastest growing local municipalities in KZN. Much of this growth has been spurred by the development of high-end estates and communities in and around the greater Ballito area.

### 2.9.1 Population Trends

As is indicated in the table below, KwaDukuza Municipality comprised of over 45000 households in 2001 – and subsequently experienced annualised growth of 4% to the end of 2007. This was realised by the establishment of a further 11000 households during the period.

#### Household and Population Growth Rates

		2001	2007	% Change in Growth
<b>KwaDukuza</b>	Population total	158096	204441	4%
	Households total	45404	56432	4%

Source: Quantec, 2008

In section 2, focus was placed on the number of new residential developments currently being planned and those already approved and in process of construction.

### 2.9.2 Employment Trends

The employment trends evident in KwaDukuza are unpacked below in total percentage of employment. The total employment for KwaDukuza is recorded at 42.76%, with unemployment at 21.47% and not economically active residents comprising 35.77%. In comparison, KZN's unemployment average is approximately 45%, far higher than the trend indicated in KwaDukuza.

#### Total Employment, 15 years -64 years (2001)

	Employed	Unemployed	Not Economically Active
<b>KwaDukuza</b>	45116	22659	37744

Source: Quantec, 2008

A review of employment across the major economic sectors indicates that the major employers remain agriculture, manufacturing and wholesale and retail trade as well as government services.

#### Employment by Occupation (percentage), 2001

Occupation	KwaDukuza (%)
Legislators; senior officials, managers	4.76
Professionals	4.08
Technicians	6.22
Clerks	7.33
Service workers; shop and market sales workers	8.8
Skilled agricultural and fishery workers	4.88
Craft and related trades workers	12.95

Occupation	KwaDukuza (%)
Plant and machine operators and assemblers	8.69
Elementary occupations	33.62
Undetermined	8.67
<b>Total</b>	<b>100</b>

Source: Quantec

### 2.9.3 Income Level Trends

The household income levels for KwaDukuza are listed in the matrix below, interestingly; the study area encompasses middle and high income market segments, which comprises just over 17% of the total KwaDukuza populous.

#### Number of Households per Annual Income Level (percentage) (2001)

		KwaDukuza (%)	Cumulative KwaDukuza (%)
<b>Low Income Market Segment</b>	No Income	14.2	14.2
	R1 – R4800	11.7	25.9
	R4800 – R9600	23.0	48.9
	R9601 – R19200	19.3	68.2
	R192001 – R38400	13.9	82.1
<b>Middle Income</b>	R38401 – R76800	8.4	82.1
	R76801 – R153600	5.1	90.5
<b>High Income</b>	R153601 – R307200	2.9	95.6
	R307201 and above	1.4	98.6
<b>Total</b>		<b>100</b>	<b>100</b>

Source: Derived from Quantec, 2008

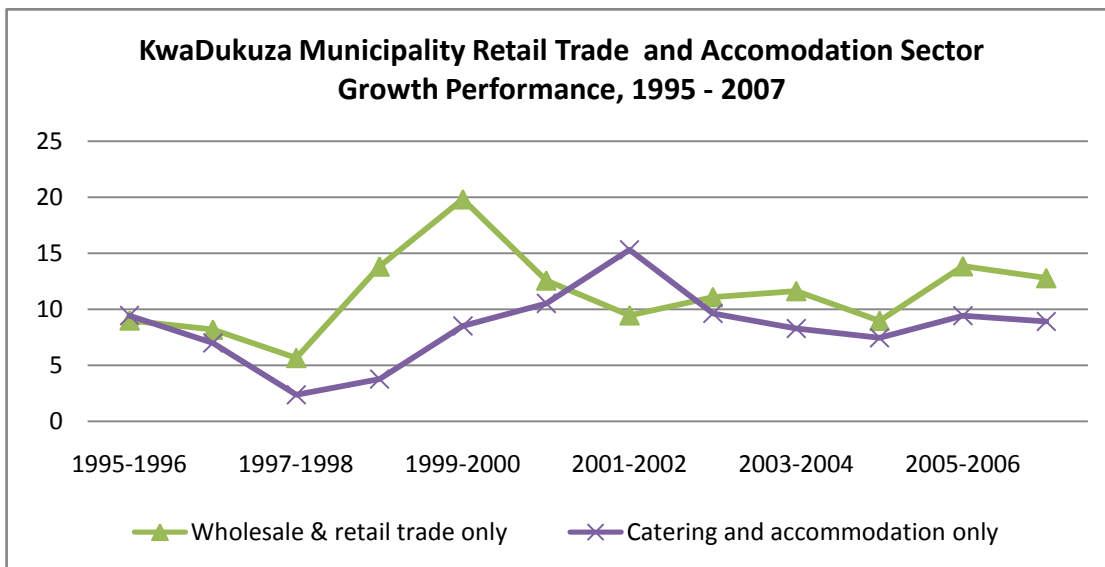
### 2.9.4 KwaDukuza Sectoral Economic Trends

Several interesting economic trends in KwaDukuza should be noted, the first of which is the good performance that retail has had in comparison to the other industrial sectors.

As is indicated in the graph below, the retail sector performed exceptionally well over the past decade, with year on year growth regularly outstripping the general industrial growth in KwaDukuza. This trend however, does appear to be cyclical, with year on year growth 2006/7 slowing in retail when compared to general industrial growth. This trend is also very much in line with the national retail sector growth rates (as indicated in section 2).



The sector includes accommodation and catering activities (i.e. aspects of hospitality trades). In order to unpack the role of retail solely in KwaDukuza, the sector is disaggregated in the graph below.



What emerges is that retail is the major driver of the growth within this sector – for all years, with the exception of 2001/2, retail was the major performer in the sector. Interestingly, both components of the sector follow similar trends, with a rapid growth from 1997 to 2000, followed by a decline till 2002 and a slow recovery and bolstering from 2005/6.

### 2.9.5 Population Growth

As is indicated in the table below, KwaDukuza Municipality comprised of over 45000 households in 2001 – and subsequently experienced annualised growth of 4% to the end of 2007. This was realised by the establishment of a further 11000 households during the period. Interestingly, the area of Greater Stanger has grown at a more rapid pace – experiencing 6% annualised growth from 2001 to 2007. In comparison, the KZN growth rate for the same period is 1.1%. This elevated localised growth rate has seen an increase in over 8102 persons over the period choosing to reside in the Greater Ballito<sup>1</sup> area and an additional 2428 households being established in the Greater Ballito area. Reasons for this relocation include growth in the regional economy of KwaDukuza – especially within the services and construction sectors of Ballito and the growing desirability of the “Ballito lifestyle”.

In part, this growth is easily discernable in the rapid development of the Greater Ballito area, with new commercial and retail nodes established as well as residential and light industry and services.

#### Household and Population Growth Rates

		2001	2007	% Change in Growth
<b>KwaDukuza</b>	Population total	158096	204441	4%
	Households total	45404	56432	4%
<b>Greater Ballito</b>	Population total	20368	28470	40%
	Households total	6572	9000	37%

Source: Quantec

The next section examines these population trends in an economic context making use of the following indicators: education, employment, work occupation and household income in order to provide an overall static picture of the local economy as well as provide an overview of the householders’ ability to afford to buy into the new development.

<sup>1</sup> Greater Ballito includes: Ballito, Blythdale, Darnall, Salt Rock, Shaka’s Rock, Shakaskraal, Tinley Manor and Zinkwazi.

## 2.9.6 Education

### Level of Education – Percentage Measures of Highest Qualification Achieved (2001)

	No schooling	Some primary	Complete primary	Some secondary	Std 10/Grade 12	Higher	Total
<b>KwaDukuza</b>	20	20	6	29	20	6	100
<b>Greater Ballito</b>	12	16	4	26	27	15	100

Source: Quantec

As is evident in the table above a substantial proportion (26% of KwaDukuza) has either a matric or tertiary qualification. However, within the Greater Ballito areas, the levels of access to basic education are higher, with fewer individuals having no schooling and a higher percentage (27% in Greater Ballito in comparison to 20% in KwaDukuza) completing matric.

### Profile of School-Aged Persons (2007)

	KwaDukuza	Greater Ballito
<b>5-9 Year(s)</b>	10	9
<b>10-14 Year(s)</b>	10	9
<b>15-19 Year(s)</b>	10	9

Source: Quantec

The Greater Ballito area has a high percentage, 27%, of the local populous of school going age. In absolute numbers this equates to 10438 school children.

Due to the rapid residential growth experienced by KwaDukuza and Greater Ballito in particular, this profile of school aged persons is of critical importance for suitable education planning for the area.

To this end, the Inkwazi Estate has made provision for the development of a Department of Education school at the entrance (before the residential component) of the development. The following is an excerpt from the “New School Requirements and Property Needs for a 10-Year Development Period Phase” study.

The highlighted passage indicates the urgency and relevance to the Inkwazi Estate area.

“There is a current under provisioning of schools in the southern areas of KwaDukuza, including areas such as Ballito, Salt Rock, Sheffield Beach and new estates such as Dunkirk, Simbithi, Zulumani and Seaton Delaval.

Conversion of farms from agriculture to residential and tourism related uses and the associated jobs in construction and in these estates have fuelled local migration from the hinterland towards the coast. This has resulted in the growth of low income and informal settlements and associated over crowding of existing schools.

As a result of the substantial development of (mainly low income) housing inland of the N2, on both sides of the R 102, learners are walking long distances to schools in Groutville, as well as having to cross the N2 to go to Silani Primary School in Salt Rock.

KwaDukuza has made an application for a Neighbourhood Improvement Grant, which includes a School Development Strategy.

#### **New school priorities and site availability**

- a) Ballito area including Zimbali
  - The entire area is served by only three government Primary Schools; but there is government Secondary School. As a result of the recent growth, **there is an immediate need for at least one Primary School in the Ballito area.** Two vacant school sites are available (Erf 516 – 2.4 ha and Erven 837/828 – 5.1 ha).
  - A new Secondary School (Umhlali College) has been approved by the Department but has yet to be built. This is needed urgently, however, there is a problem concerning land availability.
- b) Salt Rock area has experienced substantial growth with more in the pipeline. A Primary School is needed and a site is available (Erf 541 – 2.4 ha, however, this site appears to be traversed by a wetland and may not be suitable for development of a school).
- c) Northern cluster, west of the N2, including Nkobongo, Shakaskraal, Shayamoya and Etete  
The Dept of Education has approved a new Primary School and Secondary School for Shakaskraal/Shayamoya.
  - One Primary School needed (a number of sites are available)
  - One Secondary School in Shayamoya or Etete (sites available)
- d) Groutville has a population of some 90 000
  - One Primary School needed (sites available)
  - Two Secondary Schools needed at Groutville Priority 1 and between Groutville and the N2 near Dube (sites are available)
- e) Stanger/Shakaville
  - There are no immediate needs
  - In the future a Primary and a Secondary School may be needed close to Stanger (sites are available).
- f) Blythdale
  - A small existing school site (1.2 ha) could be made available to a private school.

### 2.9.7 Employment

The employment trends evident in KwaDukuza are unpacked below in total percentage of employment, employment by race group and then unemployment and economically inactive persons.

The total employment for KwaDukuza is recorded at 42.76%, with unemployment at 21.47% and not economically active residents comprising 35.77%.

#### Total Employment, 15 years -64 years (2001)

	Employed	Unemployed	Not Economically Active
<b>KwaDukuza</b>	45116	22659	37744
<b>Greater Ballito</b>	6611	1890	5212

Source: Quantec

As is evident in the table above, there are a slightly higher percentage of economically inactive persons in Greater Ballito than in KwaDukuza as a whole, this is in part due to the high number of young retirees (50 to 60 year olds) living in Greater Ballito, an unusual phenomenon.

A review of employment across the major economic sectors indicates that the major employers remain manufacturing and wholesale and retail trade as well as government services. Interestingly, Greater Ballito has a higher percentage of individuals employed within the wholesale and retail sector as well as in manufacturing than KwaDukuza. Important to note is that 16% of those employed in Greater Ballito are employed in the Government sector, which includes generates a substantial "middle class".

#### Percentage of Occupation by Sector, 2001

Occupational Sector	KwaDukuza	Greater Ballito
<b>Agriculture</b>	8.73	6.52
<b>Mining</b>	0.13	0.24
<b>Manufacturing</b>	6.17	11.5
<b>Electricity</b>	0.14	0.5
<b>Construction</b>	2.76	5.37
<b>Wholesale and retail trade</b>	5.77	12.34
<b>Transport</b>	1.42	2.71
<b>Financial and business service</b>	2.61	9.18
<b>Government</b>	9.92	16.29



## INKWAZI DEVELOPMENT MARKET ASSESSMENT

Undefined	5.11	0
Not Economically Active	57.24	22.47
<b>Total</b>	<b>100</b>	<b>100</b>

Source: Quantec

### 2.9.8 Labour Market and Incomes

Income levels are interestingly split within KwaDukuza. For ease of reference for this study, the annual household income levels are indicated in three bands for 2001: low income (R0 – R38400 per annum); middle income (R38401 – R153600) and high income (R153601 and above). As is evident from the table below is that a greater percentage of the households in KwaDukuza falls in the lower categories than is the case for Greater Ballito. This means that a greater percentage of the households in Greater Ballito are higher income earners than for KwaDukuza as a whole. 35% of the households in Greater Ballito are medium income earners and above.

#### Number of Households per Annual Income Level (2001)

	KwaDukuza	Greater Ballito
No Income	14	13
R1 - R4 800	12	6
R4 801 - R 9 600	23	19
R9 601 - R 19 200	19	15
R19 201 - R 38 400	14	12
R38 401 - R 76 800	8.4	11
R76 801 - R153 600	5	10
R153 601 - R307 200	3	9
R153 601 - R307 200	0.9	3
R614 401 - R1 228 800	0.3	1
R614 401 - R1 228 800	0.2	0.5
R614 401 - R1 228 800	0.1	0.5
<b>Total</b>	<b>100</b>	<b>100</b>

Source: Derived from Quantec, 2008

#### KwaDukuza Household Income & Spending Patterns 2001 – 2007 (Real Terms)

	2001	2002	2003	2004	2005	2006	2007
Final Consumption	2062215	2150539	2245448	2420219	2689410	3010641	3313198
Disposable Income	2100914	2186101	2281853	2447950	2706028	3006966	3303391

The average household's disposable income has increased 57% in real terms between 2001 and 2007. This indicates that there has certainly been a movement of middle and high income immigration into KwaDukuza. This trend is borne out by the increase in high- income housing

developments in the area. Unfortunately, there are no disaggregated income levels available below municipal level to indicate the specific trends for local area.

### 2.9.9 Dwelling satisfaction and home improvement

The 2006 iLembe Quality of Life Survey found that the levels of satisfaction with dwellings are highest in the KwaDukuza and Ndwedwe Municipalities where 56% and 62% of the population respectively indicated that they were either satisfied or very satisfied with their dwellings. Mandeni has the lowest levels of satisfaction, with only 26% of the population answering that they were satisfied or very satisfied. KwaDukuza, despite having a high percentage of respondents that indicated that they were satisfied, also had the highest number of dissatisfied and very dissatisfied respondents (39%) out of all the local municipalities

#### Dwelling Satisfaction, 2006

	Local Municipality				
	Mandeni	KwaDukuza	Ndwedwe	Maphumulo	Ilembe
Very satisfied	9.96	1.07	10.72	16.87	6.88
Satisfied	16.06	54.91	51.52	23.70	44.35
Neither satisfied nor dissatisfied	35.36	5.43	12.46	28.70	14.64
Dissatisfied	17.89	34.21	21.68	26.69	27.51
Very dissatisfied	4.86	4.32	3.54	3.91	4.15
undetermined	15.87	0.06	0.08	0.14	2.47
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: Ilembe QoL Survey, 2006

Respondents were asked the reasons for their dwelling satisfaction which is shown in the table below. The majority of people (around 40%) in all of the local municipalities listed a peaceful and stable community as being the most important reason for their dwelling satisfaction. Adequate and convenient access to services and amenities was also seen as important. Being safe from crime as well as owning their own home was also factors that were lifted out as being responsible for dwelling satisfaction.

#### Reasons for dwelling satisfaction, 2006

	Local Municipality				
	Mandeni	KwaDukuza	Ndwedwe	Maphumulo	Ilembe
Rent free	14.77	11.92	6.76	13.41	11.80
Family ties	6.04	1.98	4.73	3.35	3.99



## INKWAZI DEVELOPMENT MARKET ASSESSMENT

Owns home	8.72	9.93	3.38	3.35	6.22
Good access to services and amenities	17.45	23.85	28.38	27.38	24.4
Peaceful and stable community	41.61	39.07	40.54	40.78	40.51
Safe from crime	2.01	8.61	8.78	1.12	4.94
undetermined	9.4	4.63	7.43	10.61	8.13
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: Ilembe QoL Survey, 2006

The reasons given for why respondents felt dissatisfied with their dwellings are shown below. Many people list an unfavourable location as a primary reason, particularly in Maphumulo and Mandeni. Needing repairs was given by 29% of the population in iLembe and was particularly high in KwaDukuza. Many respondents answered that their dwellings were overcrowded, in other words there were too many people living in the same household, this also gave overcrowded as a reason

### Reasons for dwelling dissatisfaction, 2006

	Local Municipality				
	Mandeni	KwaDukuza	Ndwedwe	Maphumulo	Ilembe
Needs repairs	26.45	37.5	23.36	27.2	28.61
Crime	6.61	1.79	3.74	0.80	3.23
Inadequate services/amenities	20.66	11.62	42.05	23.2	23.66
Unfavourable location	29.76	24.7	17.76	33.6	26.89
Overcrowded	13.22	25.9	12.15	12.8	15.92
Undetermined	3.31	0.00	0.93	2.4	1.73
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: Ilembe QoL Survey, 2006

## 2.10 Households

### 2.10.1 Growth Indicators

This section reviews the existing population growth trends in KwaDukuza and the affected wards. Growth can be measured by migration into an area; household density growth and population growth. The figures below are derived from Census 2001 and updated, utilising the Quantec Regional Market Indicators. The derived densities for KwaDukuza and Stanger for 2007 are also indicated below.

## 2.10.2 Population Density Growth Rates

### Household and Population Density Growth Rates Existing and Projected (2007 - 2015)

		2001	2007	2010	2015	% Change in Growth
<b>KwaDukuza</b>	Population total	158096	204441	243492	325846	4%
	Households total	45404	56432	63407	67211	4%
	Area (Sqr Km)	632	632	632	632	
	Population density	250	323	385	515	4%
	Household density	72	89	100	106	4%
<b>Greater Ballito</b>	Population total	20368	28470	34876	45714	7%
	Households total	6572	9000	10692	16450	9%
	Area (Sqr Km)	32.32	32.32	32.32	32.32	
	Population density	630	881	1079	1414	9% <sup>2</sup>
	Household density	203	279	330	508	9% <sup>3</sup>

Source: Quantec; Projections by Urban-Econ

A breakdown of the growth rates experienced at a local municipal level and at the town level is provided above. Interestingly, Stanger has experienced a growth rate in excess of KwaDukuza over the period of 2001 – 2007. Growth is reflected at 6% for Greater Stanger (and 4% for KwaDukuza). This compares very favourably to the provincial population and household density figures which are recorded growth rate of 1.1% and 0.38% respectively for the same period. These figures have been projected to 2015 to assist in modelling the derived demand (which forms the focus of section 4) for housing in KwaDukuza.

## 2.10.3 Existing Density

The household density evident in KwaDukuza (89) is much lower than that of Greater Ballito which is recorded at 279 households per km<sup>2</sup>.

### Household Density (2007)

	Household density (Households per Sqr Km 2006)	Area (Sqr Km)	Household total
<b>KwaDukuza</b>	89	632	45928
<b>Greater Ballito</b>	279	32	9000

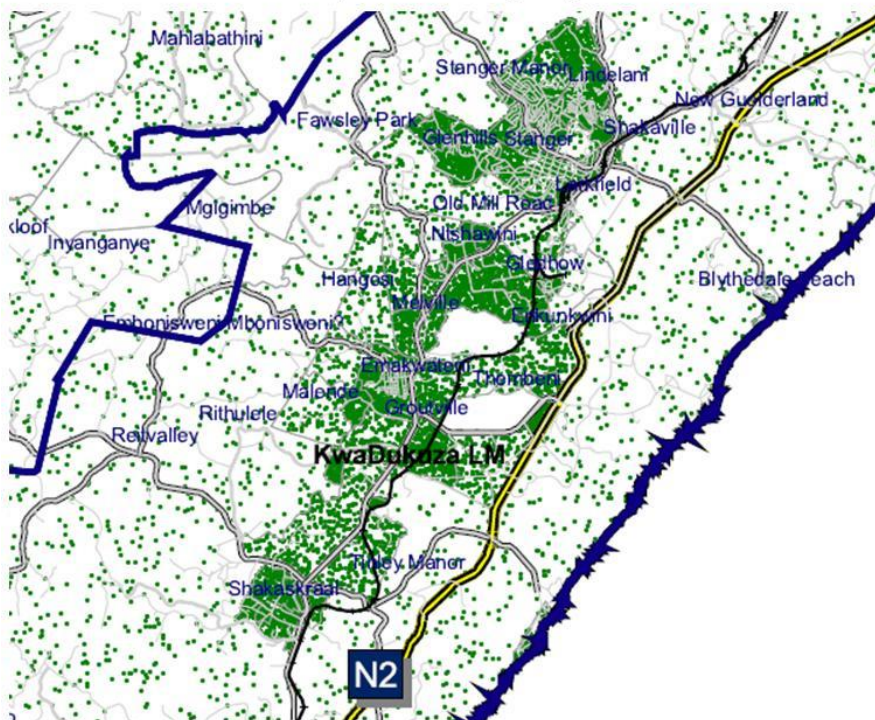
Source: Quantec

<sup>2</sup> Change in growth of population density is measured from 2001 to 2015 to be an increase of 124%. Annualised growth is 9% change in density.

<sup>3</sup> Change in household density for the total period is 150%, however, if this is annualised, the growth in household density is just over 9%.

The existing densities in the Greater Stanger area are indicated in the map on the following page.

**DENSITIES one dot represents 10 people**



Source: KwaDukuza IDP

When asked how many people resided within the residence, the respondents in the survey indicated in the majority that there were 2-3 persons sharing the accommodation. If this is cross-correlated to the number of persons per household working full time, it becomes evident that the ratio of dependency is 1:1 – or for every one person employed is in turn supporting an additional member of the household. This ratio of dependency is exceptionally low, and indicated the high level of employment in the Greater Ballito Area.

**Household Size of Survey Respondents (Percentage)**

	1-3	4-5	6
<b>Number of Members of Household</b>	60%	35%	5%
<b>Ratio of Household Dependency (averaged)</b>	1:1	1:2	1:4

Urban-Econ Survey 2008

**2.10.4 Migration (persons)**

KwaDukuza in total reflected low migration (just over 3% by 2001). The Greater Ballito Area reflected in-migration of 13% of the total movement into KwaDukuza. The in-migration post 2001 is reflected

in the table in 2.17.2 which notes that Greater Ballito's population density has grown 124% - due to the growth of population in excess of 6% per annum.

#### Year Moved Into Area

	1996	1997	1998	1999	2000	2001	Total In-Migration
<b>KwaDukuza</b>	796	2313	2880	3238	3477	4829	158583
<b>Greater Ballito</b>	193	514	691	711	729	1085	20433

Source: Quantec

### 2.10.5 Surveyed Employment

The respondents to the telephonic survey indicated that the majority of those employed were employed within the north coast area (80%).

Estimations are based on telephonic interviews, in which 84%% of respondents indicated full time employment, a further 14% indicated that they were retirees. This level of employment is far higher the average for KwaDukuza as a whole, which is recorded at just over 43%.

### 2.12 Summary of Population Profile

- Greater Ballito is characterised by high levels of in-migration. With very rapid population growth in excess of 7% since 2001.
- Employment focussed within Greater Ballito and the North Coast (Stanger, Umhlanga, Umdloti and surrounds) as per the survey responses
- Nuclear families share the primary residence, with the majority of households indicating low dependency levels.
- Household incomes were recorded at R 87765 pa.
- Population growth recorded at 7% for Greater Ballito.

### 3. Effective Demand

The effective demand for estate housing in Greater Ballito is derived from the following:

- in-migration into the area;
- number of households with school-aged children;
- the natural growth of the residential population and
- the availability of existing and planned developments.

These three trends are captured in the table below and translate these trends into effective housing demand figures for KwaDukuza.

#### 3.1 Measuring Effective Demand

MEASURES		CURRENT	PROJECTED	
			2010	2015
1	Population KwaDukuza	204441	243492	325846
	Households - KwaDukuza	56432	63407	67211
	Households - Greater Ballito	9000	10692	16450
2	Additional Demand for Housing - KwaDukuza	-	6975	3804
	Additional Demand for Housing – Greater Ballito	-	1692	5758
3	Increased Growth In Total Medium and Higher Income Housing Market in KwaDukuza(> R153800 household income pa)	3150	3742	5756
4	Existing Density(hh/km <sup>2</sup> )	89	-	-
	New Density KwaDukuza (hh/km <sup>2</sup> )		100	106
	New Density Greater Stanger (hh/km <sup>2</sup> )	279	330	508
5	New Demand For Middle and High Income Housing (35% of total market)	-	592	2014

For ease of reading these measures are discussed in their colour locks

**1**

The number of persons choosing to reside now in KwaDukuza Local Municipality in 2008 is 216707. Using the existing growth trend of 4% pa, the figures extrapolated for 2010 is 243492 and by 2015 reaches 325846 individuals residing in KwaDukuza. This population growth directly impacts the number of households present in the area. Greater Ballito's number of households increase from 9000 in 2008 to 67211 by 2015. This increase amounts to an additional 7450 households establishing in Ballito over the next 7 years. The population growth for Ballito includes the high levels of in-migration (as discussed in section 3) as well as the natural population growth experienced by the area.

2

The population growth generates an immediate additional requirement for 1692 houses to be built for Ballito by 2010. By 2015 this increases to a further 5758.

3

Out of this demand, its requirement for middle and high income housing (households earning above R153600 per annum) is recorded at 35% of the total number of KwaDukuza households. Initially, within Ballito, this figure is calculated at 3150. Utilising the growth trends, it becomes evident that the number of households falling within this category increases in 2010 to 3742 households. By 2015 this figure has increased substantially to 5756 households.

4

Interestingly, the densities of settlement clearly indicate the preference for location within Ballito. With household density currently recorded at 279 hh/km<sup>2</sup> (significantly higher than KwaDukuza's 89 hh/km<sup>2</sup>) and this increases to 508 hh/km<sup>2</sup> by 2015. This is a projected increase of more 82%, a trend that may best be borne out by the development of estates.

5

This increase in number of middle and higher income households within KwaDukuza translates into demand for new housing stock. As 35% of the households in KwaDukuza fall into these income categories, the impact on demand for new is thus reflected at 35% of the total derived demand, or 592 houses in 2010 and increasing to 2014 houses by 2015.

### 3.2 Dube Trade Port as Driver of Housing Demand

The effective demand described above is a reflection of the natural growth of the Greater Ballito area. The additional demand for middle and high income housing that is likely to be derived from Dube Trade Port's establishment was documented in the EIA process undertaken by Dube Trade Port.

"The significant planning issue is therefore the identification and securing of land for housing the anticipated workforce that may be working within the application site [Dube Trade Port] and areas that develop to the north as a result of the development of the airport and Trade Zones. The planning aim is to reduce travel time and cost for all its citizens, thus planning needs to facilitate workers and their families being located within easy commuting distance of their place of work. These families will also require social facilities such as schools, clinics, halls, sports fields, libraries as well as shopping and recreation facilities. Some of this workforce will be drawn from the existing residential areas of PINK, Tongaat, Verulam, and residential settlements stretching from Umhlanga to Ballito and these workers need to be able to gain convenient access to the economic opportunities on offer." **Source: (Chapter 7 Spatial Planning, Dube Trade Port EIA)**

The combination of the current effective demand in conjunction with the future induced demand derived from the Dube Trade Port development indicates that there is clear socio-economic motivation for the establishment of the Inkwazi Estate.

### **3.3 Market Demand Alignment**

The development is aligned with the socio-economic trends of Greater Ballito, and caters to a previously marginalised market segment, middle income households with children. This group is provided for in the following manner:

- Majority of units are aimed at middle income households
- Inclusion of a DOE school on-site
- Easy commutable distance to major economic centres (Ballito; Tongaat; Stanger and the Dube Trade Port Site).

## 4. Economic Impact Assessment

A local economy is a dynamic system which is constantly influenced by external interventions (e.g. investments) in the economy. Economic impact is defined for the purposes of this investigation as the positive or negative effects on the level of economic activity in a given area, due to an exogenous change. In this case the exogenous change would be the construction and operation of a residential and commercial estate. The net economic impact is therefore the measurement of the expansion or contraction of an area's economy resulting from this change. Positive changes are an indication of a positive economic impact.

Economic impacts also lead to fiscal impacts which are changes in national and local government revenues and expenditures. Economic impacts on total business sales, wealth or personal income can affect government revenues by expanding or contracting the tax base.

The net economic impact of an exogenous change in the economy will be translated according to various direct and indirect economic effects, as are defined below:

- **Direct economic impacts** are the changes in local business activity occurring as a direct consequence of public or private business decision, or public programmes and policies.
- **Indirect and induced impacts:** Ultimately, the direct benefits to business and the residents of communities and regions may also have broader impacts. The direct impacts can result in multiplier effects in an economy.

An example of indirect and induced impacts is where an intervention results in increased jobs which could lead to increased household incomes which in turn could result in increased spending which could result in increased business sales (turnover), which could result in expansion of businesses and thus the need to employ more people.

### 4.1 Measuring economic impact

There are a number of economic variable categories that can be measured to determine the extent to which an economy has been impacted due to an exogenous change. Measurements used in this assessment are as follows:

- Total employment reflects the number of additional jobs created by economic growth. A job is defined as one person employed for one year.
- Total income (which is normally equivalent to Gross Geographic Product (GGP)) is a broader measure of the full income effect.

- Change in output (new business sales) refers to the value of all inter- and intra-sectoral business sales generated in the economy as a consequence of the introduction of an exogenous change in the economy.
- New salaries and wages measures the increase in existing salaries and wages as a result of the exogenous change in the economy
- Increased tax revenue.

Overall some of these various measures of economic impact are overlapping and for this reason cannot necessarily be added together and should be understood to represent different dimensions of measuring economic impact. The direct and indirect economic impacts of the stimulation of economic activities through the development are discussed in this section, which consists of two sub-sections, namely:

- The economic impacts felt during the construction of the development. Although significant these impacts are relatively short-term impacts which occur while the development is being built.
- The long term or sustainable impacts, which occur in an economy during and after the facilities have been built and put into operation as part of the development.

The construction of the residential units will consist of 1500 units (including affordable, middle and high income homes) being developed. In terms of operational analysis the impacts will increase each year, as more units are constructed. The following section will therefore provide an overall projected assessment of the economic impact of the operational phase as well as a projected sustainable impact for the years once the estate is fully occupied and operational.

#### **4.2 Economic Impact of Construction Investment Phase**

It is assumed for the purpose of this analysis that the following will be constructed during this phase of the project:

- 1500 residential units with a total construction value of about R490 million;
- Construction of bulk infrastructure associated with the development at a cost of about R 108 million;
- Commercial facilities (30 units) at a cost of R19.5 million;
- Social Responsibility Spend of R15.3million;
- Totalling to an estimated development and construction cost of R619 million.

**Construction Phase Capital Costs:**

Land Use	Total Cost
<b>Housing Units</b>	R 673,500,000
<b>Commercial Units</b>	R 19,500,000
<b>Gate House, Club, School, Community Hall, Place of Worship</b>	R 20,000,000.00
<b>Site Infrastructure</b>	R 108,250,000
<b>Total</b>	<b>R 821,250,000</b>

**Capital costs supplied by developers on 6/11/2008**

The direct capital investment of the proposed development (measured in construction and other once off costs) will lead to the increase in economic input (in Rand terms) with the result that final economic demand (consumption) changes. The construction of the development will have the following impact on the economy of the sub-region based on the results of the application of the Input/Output Model. The construction phase of the development will lead to the expansion of **sales for businesses** located within the area. For example materials used in construction such as bricks, pipes, concrete etc. will be purchased locally and particular services such as engineers, plumbers, electricians, etc. will be newly sourced. These changes are measured in terms of new business sales i.e. new sales that will be generated in the metropolitan economy as a direct result of the capital investment in the development. Suppliers to these businesses will also experience an increased demand resulting in indirect and induced economic impacts as a direct result of the proposed development.

Constructing the development will result in **direct jobs** being created for the building of the various facilities and residential units. Indirect jobs will also be created in industries that provide goods, material and services. For example, additional goods used in construction will be required from business and industries related to the construction sector. This could lead to an increased number of jobs being created in these businesses i.e. in order to increase output. The total number of new jobs projected to be created as a result of the capital investment phase of the development can be seen below.

**Impact of the construction phase on business sales and employment**

Economic variable	Direct	Indirect	Total
Change in output (new business sales) in rand million value	778.2	976.1	1754.4
Change in Job Opportunities (number)*	2161	1679	3840
Change in GGP in rand million value	257.4	365.9	623.4
Change in Income in rand million value	136	171	307

Source: Urban-Econ Calculations, 2008

\*Note: The jobs created by the construction phase are of a temporary nature.

### 4.3 Economic impact of the operational phase

Ongoing economic effects will be experienced in the geographic areas during and after construction has commenced. The impact calculated indicates the potential economic effect that ongoing, sustained economic activity in the area can have on the total economy after construction has been completed.

A breakdown of the direct employment created by the estate is estimated as follows:

<b>High skilled personnel</b>	
Estate Manager	1
Accountant	1
Sales office manager	1
Commercial node manager	2
Security manager	2
<b>Total</b>	<b>7</b>
<b>Skilled personnel</b>	
Administrators	2
Bookkeeper	2
Security team leader	2
Maintenance team leader	2
Landscapers	3
Sales team	5
<b>Total</b>	<b>16</b>
<b>Low Skilled personnel</b>	
Enquiries/Reception Desk	2
Site cleaners	8
Domestic workers	534
Security guards	12
Gardeners	355
<b>Total</b>	<b>911</b>
<b>GRAND TOTAL</b>	<b>934</b>

#### NOTES

- \* For domestic servants and gardeners, the assumption on which these figures are based is that being a middle to high income residential area, there will be at least one domestic servant per high income household and a shared domestic between every three middle income household. Gardeners are shared as 1 between every four middle income units and every three high income unit.
- \* The number of employees has been calculated as follows; projected employment generated by the estate is divided into the categories of upper income, middle income and lower income economic brackets. There will be seven upper income employees earning an average of R18000 per month. They include the estate and general manager, the accountant, sales office employee, conference centre manager, frail care manager and the stable manager. There are 16 projected middle income employees expected to earn an average of R8000 per month. This category includes the secretary, bookkeeper, sales office reception staff, landscapers and security. Of the lower income category, there are 911 projected jobs being created by the project, with each employee earning an expected R1200 per month. This category includes, amongst others, security guards, cleaners, domestic workers and gardeners.

The increased need for goods and services as a result of the capital investment made in building residences at the development, will result in an overall expansion of the business sales/ annual turnover generated in the study area. These will in turn have indirect effects. The calculation of these effects are based on projected increased household expenditure. The expected household expenditure at full development is R 123.6 million pa based on the assumption that 50% of household income would be spent on consumables / trade. The calculated results are illustrated in Table 4.2.

**Table 4.2: Estimated impact on business sales (during operational phase)**

Economic activity	Direct average annual impact	Indirect average annual impact	Total average annual impact
Employee expenditure *	2307550	1690852	3998402
Resident expenditure **	71334650	52270309	123604959
Levies ***	3776540	2767252	6543792
Water / Electricity ****	629423	461209	1090632
Rates *****	356673	261352	618025
<b>Totals</b>	<b>78404837</b>	<b>57450973</b>	<b>135855810</b>

**NOTES**

- \* Expenditure is calculated on the assumption that 50% of income would be spent on consumables / trade.
- \*\* Additional people relocating to the area results in an increase in disposable income, which in turn results in increased expenditure in the immediate geographic area. The conservative assumption was therefore made that people moving to the development area would have similar incomes. For the purpose of this report, the mean figure of R340000 is used. The annual resident expenditure is a new expenditure in the local economy but not in the national economy since the households have moved from one geographical location to another.
- \*\*\* Levies are paid by each property each month and cover all security costs, club membership, landscaping, upkeep of common property, administration, refuse removal and other services. It does not include, water and electricity consumption costs, sewerage and municipal rates. The calculation is conservatively based on the initial levy amount of R1500 per month. Levies calculations done on the assumption that 30% of expenditure will be on trade, and 70% on other services.
- \*\*\*\* Based on a water costs as at and on the assumption that each household will use an average of 1 kl per day. The sliding scale cost of water is considered in this calculation, resulting in the average spent of each household on water per month is R150. Electricity costs based on estimated monthly usage for upper income houses.
- \*\*\*\*\* Rates determined on a cost of land plus cost of construction basis, although this is due to change to market value related rates assessments. Rates were assessed on this average value as per rates directives.

**4.4 Other economic impacts**

There are other economic impacts that will be caused by the development that will not be quantified in this report. However, it is essential that they are considered in this assessment. They are as follows:

- i) The operational phase will result increased VAT and income tax due to the direct and indirect expansion of the economy, and increased employment.
- ii) Properties in general in the area will experience an increase in value due to the development. This will in turn enable the municipality to increase rates on these properties.
- iii) There will be a significant degree of skills transfer in both the construction and operation phases of the development.

## **SUMMARY OF THE OPERATIONAL PHASE**

The total economic impact of the operation phase of the development is summarised as:

- The building of 1500 residential units will result in:
  - New business sales over the establishment of the development of R135.9million pa at full development
  - Additional permanent, full time employment for 934 persons per annum.
  - Additional employment across the economy due to increased business sales.
  - Increased VAT and income tax due to economic expansion and increased employment
  - Skills transfer and increase in value of houses.

### **4.5 Social capacity**

The greater Ballito area is currently experiencing change in character. The area was predominantly a holiday area with a number of older people that were residing in holiday homes. However the new trend is that the area is changing with a number of families that are moving into the area. There is a shortage of schools servicing the area. Recognising this, the developers have agreed to provide land for a DOE school on site to service the wider community.

After completion of the construction phase there will be a number of jobs that will be created because the development will require a number of support staff in the estate. There are significant maintenance employment opportunities that will be created, such as:

- Household maintenance for example domestic workers
- Landscaping
- Security services

In addition, the commercial node will attract businesses to the area and these in turn will generate employment opportunities.

Lastly, a residential development of this nature will encourage additional local spending – promoting retail, restaurants and services within the Greater Ballito area.

## 5. Conclusion

The analysis of the demand for residential development indicated by the Greater Ballito market for middle and high income housing is highly positive. There exists at present a dearth of middle income housing available, and this would be a key market for the developer to access, notably as the survey clearly indicated the high levels of desirability to remain within the Ballito area.

There are several offerings on the market for the higher-end of the middle income segment – however, there currently remains a significant gap in the market for middle income homes within Ballito.

The indications are clear – Ballito’s population is growing significantly more rapidly than the current housing supply, creating a demand for new housing stock.

**Demand increases for middle and high housing in Greater Ballito can be understood in the following terms:**

CRITICAL DEMAND MEASURES	Current	2010	2015
Demand for Middle and High Income Housing (units)	3150	3742	5756
Expected Densities in Greater Ballito (hh/km <sup>2</sup> )	279	330	508

- The total projected demand (2008 – 2015) for middle and high income units in Ballito is indicated at 12648 units.
- Increased density projects indicate that these units should be developed in cluster formations (estates) in order to meet the demand for land.
- As Ballito remains a highly desirous area in which to reside, provision must be made for additional middle and high income units.

The economic impact of the Inkwazi Estate Development can be understood in the following terms:

**Impact of the construction phase on business sales and employment**

Economic variable	Direct	Indirect	Total
Change in output (new business sales) in rand million value	778.2	976.1	1754.4
Change in Job Opportunities (number)*	2161	1679	3840
Change in GGP in rand million value	257.4	365.9	623.4
Change in Income in rand million value	136	171	307

Source: Urban-Econ Calculations, 2008

**In addition to the above**

- Projected average new business sales aligned to the development of Inkwazi are estimated at R135855810 per annum.
- 934 jobs will be created by the establishment of the development
- A Department of Education School will be able to be established through the developers making land available for this
- Local spending on retail and services will increase as more households are established in the Greater Ballito area, this will encourage additional circulation of monies within the area.