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INCORPORATING
GIS TECHNOLOGY
FOR ADVANCED
GEO-SPATIAL ANALYSES

Market Studies
- Retail Studies
- Centre Repositioning
- Consumer Surveys

Special Projects
- Mixed Use Developments
- Inclusionary Housing Projects
- Economic Impact Assessments

Africa & Far East
- Real Estate Feasibility Studies
- Economic Assessments
- Socio-Economic Surveys
- Impact Assessments

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PHILIPPI MARKET STUDY

January 2014

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PRESENTATION OUTLINE

- Project Brief & Process
- Location Analysis & Findings
- Economy & Demographics
- Demand Analysis & Findings
  - Industrial
  - Retail
  - Residential
  - Office
  - Other
- Economic Impact Assessment
- Way Forward

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PROJECT BRIEF

- ✓ Demacon Market Studies were commissioned **by Philippi Economic Development Initiative (PEDI)** to perform in-depth market research

- ✓ It is our understanding that an **in-depth market research** is required to inform strategic planning regarding **current and future development potential,** optimum mix of activities and market penetration rates, etc**.**

- ✓ This study is focused towards the **Philippi** (especially in terms of the Philippi East area) area. A specialist market study is compiled, outlining **current market potential (2013 as base year) as well as up to a 20-year growth forecast**..

- ✓ Study outcome:
  - **Unlock the latent potential** of Philippi Industrial
  - Provide **direct access** to the Industrial hub;
  - Promote **integration** of Philippi to surrounding area;
  - Allow for the integration of **Philippi Industrial to Airport Industrial**.

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LOCATION ANALYSIS

- ✓ The Philippi area encompasses a unique and distinctive landscape, as well as the **last remaining agricultural area** in the Cape Town City Metropolitan area.
- ✓ Philippi also forms part of **District G (Cape Flats District) and District F (Mitchells Plain/Khayelitsha District)** within the City of Cape Town context.
- ✓ Philippi is an **enormous area**, bounded by Lansdowne Rd in the north, and the railway line in the South. It is a large, diverse area with various housing types, businesses and population groups (mostly Xhosa).
- ✓ Philippi is **strategically positioned** - located next to the airport, close proximity to horticultural land and the City – all of which have made the land valuable.
- ✓ **Philippi East** is identified as a sub metropolitan node (2nd highest hierarchy of nodes).

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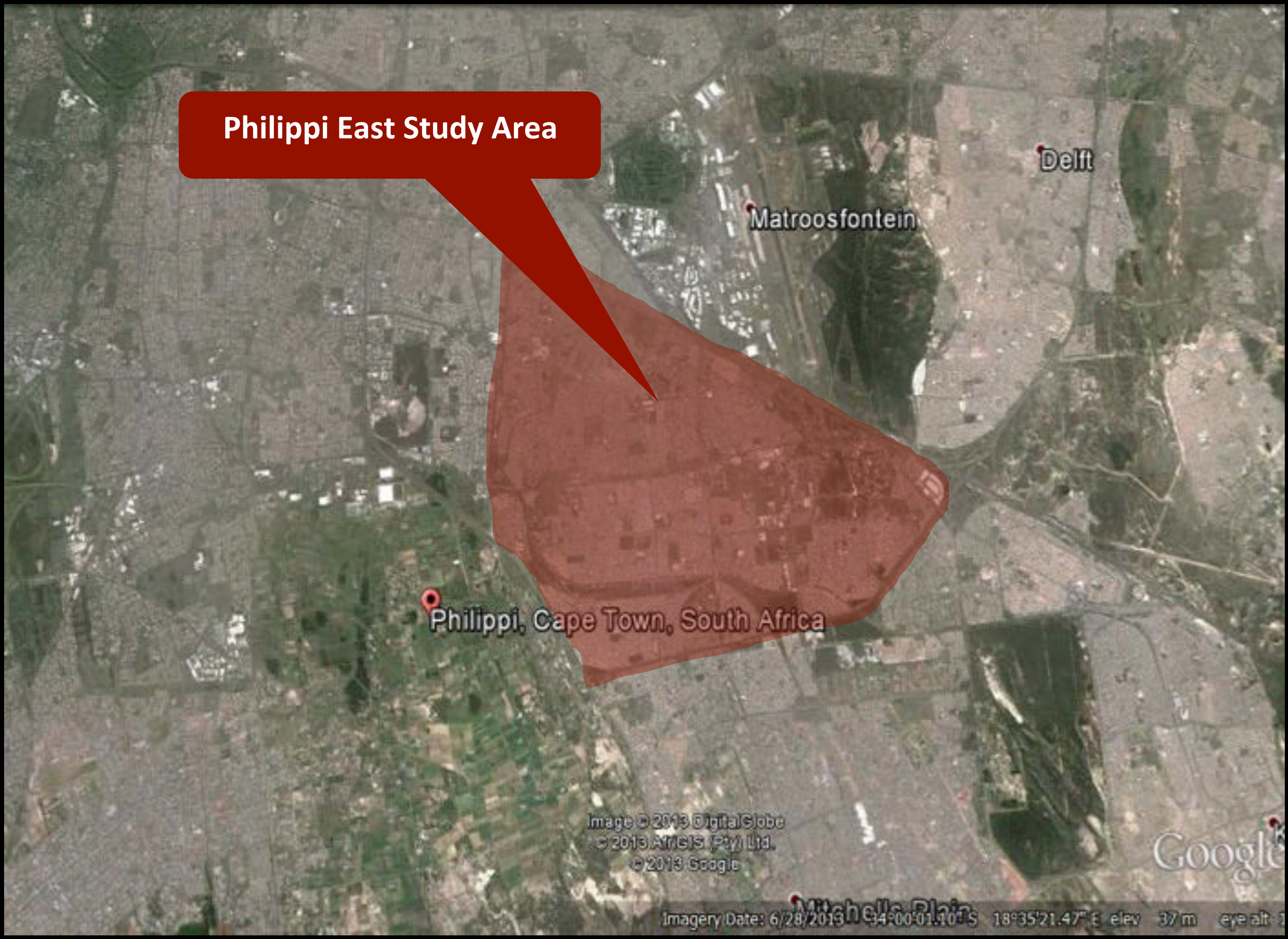
LOCATION ANALYSIS



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LOCATION ANALYSIS FINDINGS

Summary of Site Evaluation Results - CURRENT

Development Site	Rating
Industrial/Warehousing/Distribution/Mini Storage	69.4%
Retail	70.2%
Residential	62.5%
Office	45.8%

Summary of Site Evaluation Results - FUTURE

Development Site	Rating
Industrial/Warehousing/Distribution/Mini Storage	76.3%
Retail	76.4%
Residential	72.2%
Office	74.2%

Note: *80%+ indicates an exceptional site rating; a site rating of 70 – 80% is high and indicates that most important fundamentals for successful industrial development are in place; a rating of 60 – 70% indicates some critical factors may be lacking but could possibly be addressed; projects with a sub 60% rating are not recommended for consideration.*

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LOCATION RECOMMENDATIONS

✓ The most **important conditions** that have to be in place for commercial and other markets to thrive within Philippi are as follows:

- ❖ Optimised / enhanced **site value** from the N2
- ❖ Improved **accessibility** – directly to and from the N2
- ❖ Improved **infrastructure** capacity
- ❖ Improved **security and safety**
- ❖ Improved **address value**
- ❖ Improved **branding / rebranding**.

✓ If these conditions and prerequisites are in place, development in **Philippi will increase significantly** which will be economically beneficial for Philippi and surrounding areas. Only then will the **future/optimistic scenarios be possible**.

✓ Improvement in these conditions will invariably **raise the expected level of take up within the area**.

ECONOMIC PROFILE

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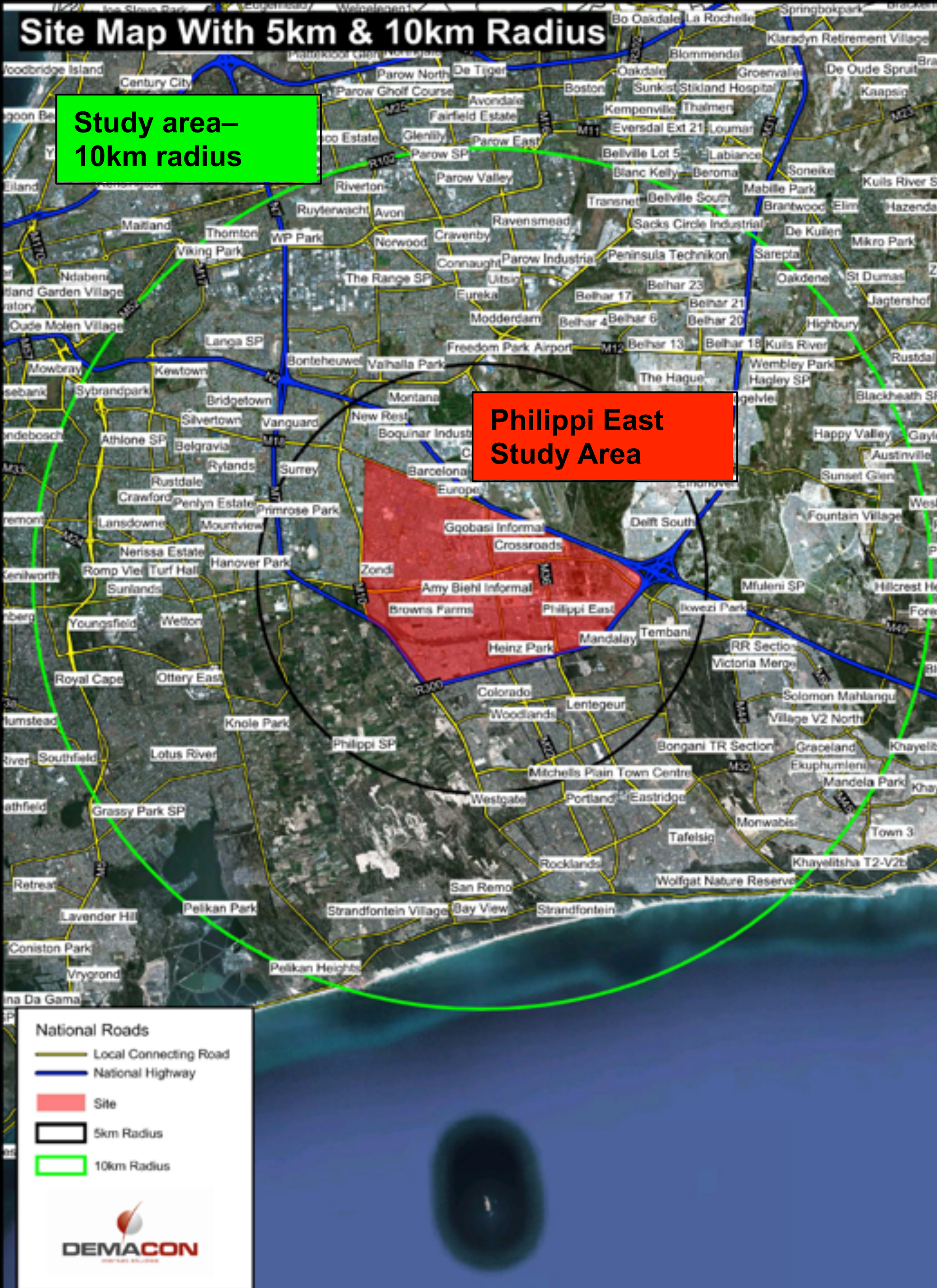
ECONOMIC PROFILE SUMMARY

VARIABLE	MARKET CHARACTERISTICS
Size of the Sub-Regional Economy (2011)	✓ City of Cape Town Metropolitan municipal economy **contributes 73.5%** to the Western Cape Provincial economy.
Dominant Economic Contributions (2011)	✓ CoCT Economic Profile: 1. Finance, insurance, real estate and business services -36.1% **2. Manufacturing – 15.9%** 3. Wholesale and retail trade, catering and accommodation – 15.2% 4. Transport, storage and communication – 10.9% 5. General government – 9.8%
Economic Growth Performance – Time Period 1996 - 2011	✓ The City of Cape Town Metropolitan municipal economy recorded an average growth rate of approximately **3.7%** over the long-term period (1995 – 2011). The short to medium term (2006 – 2011) recorded an average growth rate of approximately **3.1%.** ✓ Western Cape Province recorded an average growth rate of approximately 3.7% over the long-term period (1995 – 2011). The short to medium term (2006 – 2011) recorded an average growth rate of approximately 3.2%.
Manufacturing Sector Performance & Growth Time Period 2007 - 2011	✓ The Petroleum products, chemicals, rubber and plastic sector is the largest sector within the Manufacturing sector with a contribution of 23.7% in 2011, followed by the Food, beverages and tobacco sector with a 17.3% contribution. ✓ The manufacturing sector produced a negative growth rate of **-7.7%** during 2009 to 2010 followed by a growth rate of **4.2%** between 2010 and 2011.

DEMOGRAPHIC PROFILE



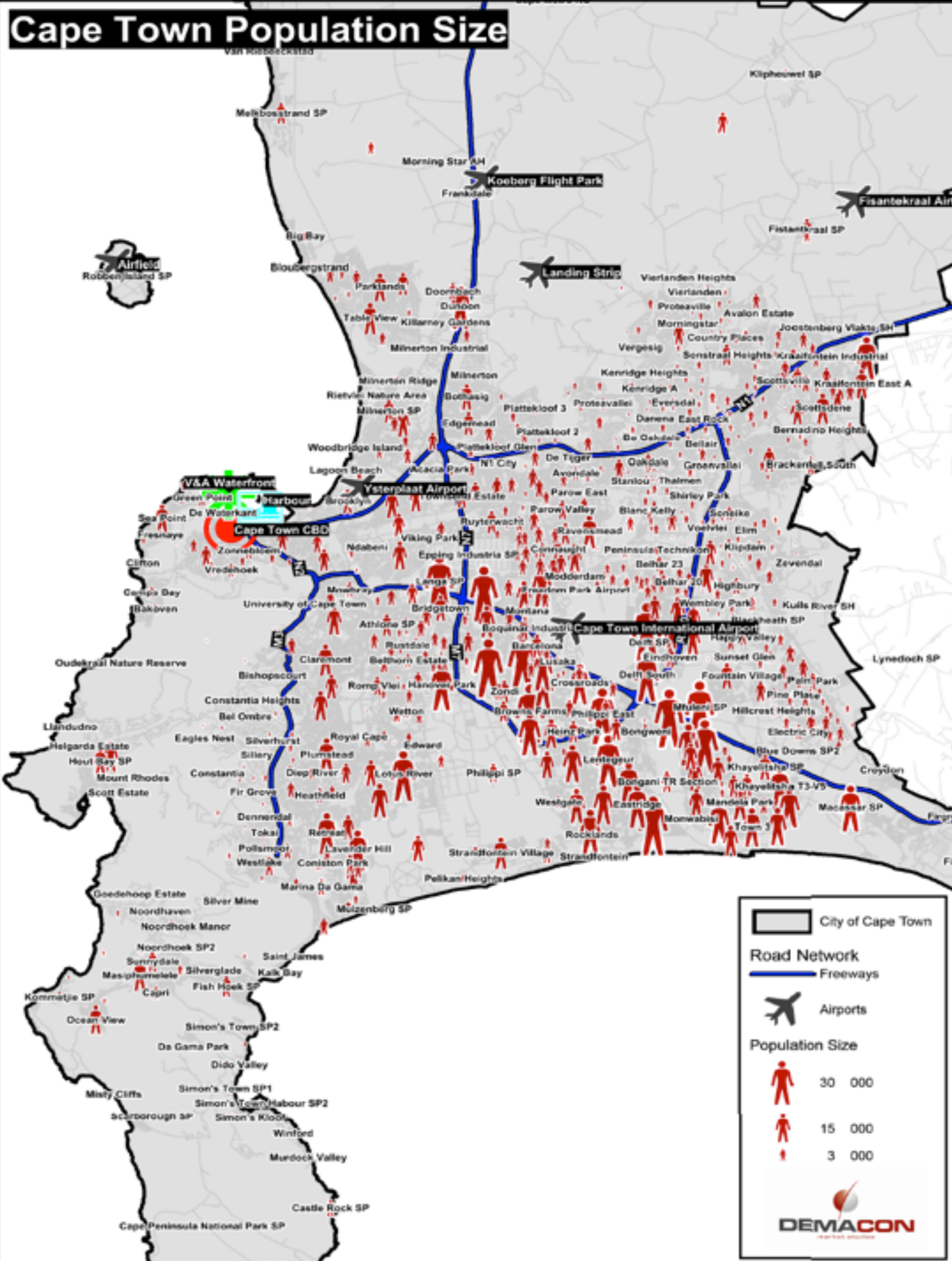
10km Radius Area

- ✓ Population figure **2 019 913 people**
- ✓ **520 837 Households**
- ✓ average **household size of 4.0** persons per household

Philippi Study area

- ✓ Population figure **351 710 people**
- ✓ **107 986 households**,
- ✓ average **household size of 3.3** persons per household

Cape Town Population Size



Population Size

- ✓ In terms of population size, the numbers are high within the Philippi study area

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DEMOGRAPHIC PROFILE SUMMARY

Variable	Primary Market – 10km radius	Philippi East Study Area
Number of people	✓ 2 019 913	✓ 351 710
Number of households	✓ 520 837	✓ 107 986
Household Size	✓ 4.0	✓ 3.3
Age profile	✓ 0-14: 27.4% ✓ 15-19: 8.8% ✓ 20-34: 30.1 % ✓ 35-59: 27.3% ✓ 60+: 6.3%	✓ 0-14: 28.0% ✓ 15-19: 8.5% ✓ 20-34: 36.2 % ✓ 35-59: 23.6% ✓ 60+: 3.7%
Racial Distribution	✓ Coloureds: 51.5% ✓ African Blacks: 46.5% ✓ Indian Asians: 1.4% ✓ Whites: 0.6%	✓ African Blacks: 96.6% ✓ Coloureds: 3.2% ✓ Indian Asians: 0.1% ✓ Whites: 0.1%
Highest level of education (aged 20 and older)	✓ Grade 12 and Higher: 34.3% ✓ Some Secondary: 47.4% ✓ None: 2.1%	✓ Grade 12 and Higher: 32.5% ✓ Some Secondary: 48.8% ✓ None: 3.3%
Level of employment	✓ EAP: 66.5% Of which: ✓ Employed: 64.3% ✓ Unemployed: 29.5% ✓ Discouraged work seeker: 6.1%	✓ EAP: 70.1% Of which: ✓ Employed: 55.7% ✓ Unemployed: 37.1% ✓ Discouraged work seeker: 7.2%
Weighted Average household income	Total market earning an income (All LSMs): ✓ R98 690/annum ✓ R8 224/month LSM 4 to 10+: ✓ R110 216/annum ✓ R9 185/month	Total market earning an income (All LSMs): ✓ R50 837/annum ✓ R4 236/month LSM 4 to 10+: ✓ R60 720/annum ✓ R5 060/month
LSM Profile	✓ LSM 1-3: 30.1% ✓ LSM 4-10+: 69.9%	✓ LSM 1-3: 40.9% ✓ LSM 4-10+: 59.1%
Dwelling Type	✓ House or brick structure on a separate stand or yard: 53.4% ✓ Informal dwelling/shack not in back yard: 18.6% ✓ Semi-detached house: 10.4% ✓ Informal dwelling/shack in back yard : 9.1% ✓ Flat or apartment in block of flats: 5.1%	✓ House or brick structure on a separate stand or yard: 43.2% ✓ Informal dwelling/shack not in back yard: 30.9% ✓ Informal dwelling/shack in back yard : 17% ✓ Flat or apartment in block of flats: 3.6% ✓ Semi-detached house: 2.1%
Tenure Status	✓ Rented: 21.5% ✓ Owned but not yet paid off: 24.1% ✓ Occupied rent free: 14.5% ✓ Owned and fully paid off: 39.9%	✓ Rented: 22.3% ✓ Owned but not yet paid off: 7.6% ✓ Occupied rent free: 24.1% ✓ Owned and fully paid off: 45.9%

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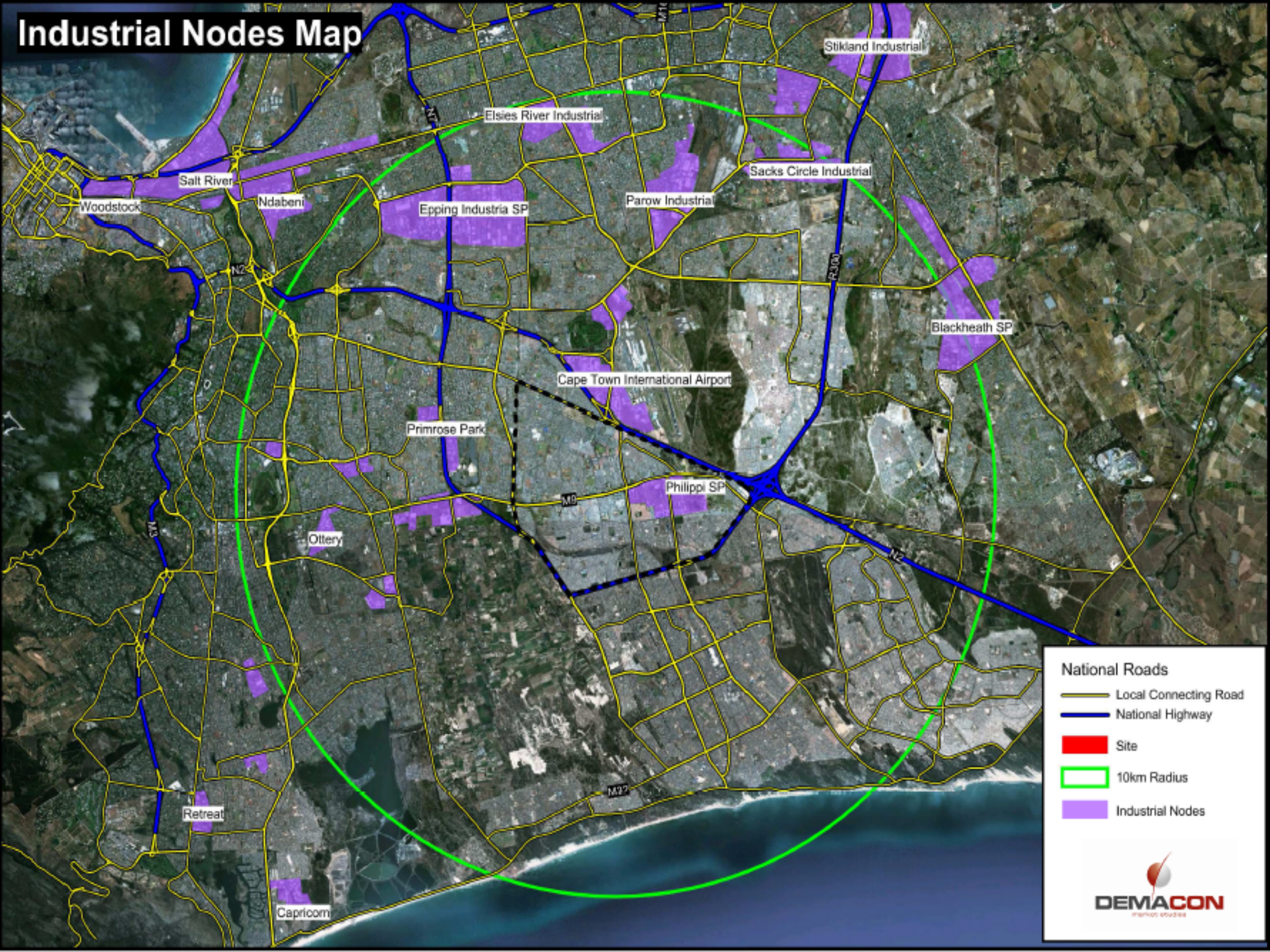
INDUSTRIAL MARKET FINDINGS


Industrial Nodes Map
Stikland Industrial
Elsies River Industrial
Sacks Circle Industrial
Salt River
Ndabeni
Woodstock
Epping Industria SP
Parow Industrial
Blackheath SP
Cape Town International Airport
Primrose Park
Philippi SP
Ottery
Retreat
Capricorn
N1
N2
M3
M9
R300
National Roads
Local Connecting Road
National Highway
Site
10km Radius
Industrial Nodes
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Cape Peninsula Nodes - Mean Prime Industrial Market Rentals (R/m²/month)	Average size leased					Vacancy Factor
	250.0	500.0	1 000.0	2 500.0	5 000.0	
Viking Place	36.80	34.00	30.75	25.50	23.50	2.0
Glosderry	44.50	41.00	45.00	38.00	35.00	3.0
Paarden Eiland/ Metro	41.00	37.50	36.50	35.00	35.00	3.0
Montague Gardens	40.25	36.00	35.00	31.67	31.00	3.3
Marconi Beam	41.25	40.00	38.00	37.50	32.00	1.7
Killarney Gardens	32.67	31.00	29.00	28.00	25.50	3.5
Racing Park	30.00	30.00	26.67	26.67	23.00	4.7
Atlantis	22.00	22.00	35.00	30.00	-	-
Woodstock/ Salt River/ Observatory	41.50	35.00	30.00	30.00	25.00	2.5
Athlone	30.00	30.00	30.00	30.00	-	5.0
Lansdowne Nerissa	30.00	30.00	30.00	30.00	-	5.0
Sand Industria	32.00	30.00	30.00	-	-	-
Ottery Hillstar	35.00	35.00	35.00	35.00	-	3.0
Ottery Sunset	35.00	35.00	35.00	35.00	-	3.0
Diep River	45.00	45.00	40.00	40.00	-	3.0
Elfindale	45.00	45.00	40.00	40.00	-	3.0
Monwood/ Philippi East	25.00	25.00	25.00	25.00	-	6.0
Retreat/ Steenberg	45.00	45.00	40.00	40.00	-	3.0
Capricorn Park	45.00	45.00	45.00	42.00	-	7.0
Maitland	38.60	34.80	27.50	27.67	25.00	3.3
Ndabeni	45.00	35.33	30.00	29.00	26.33	2.5
Airport	44.00	37.00	36.00	32.00	38.50	2.8
Epping 1 & 2	35.80	33.25	26.75	25.40	23.80	3.8
WP Park	39.60	37.25	33.00	29.00	29.00	2.0
Elsies River (excl, Central Park)	33.50	32.50	30.75	20.00	20.00	3.3
Parow Beaconvale	36.75	35.50	35.33	33.00	33.67	3.0
Tygerberg Business Park	38.75	36.75	34.25	33.00	32.00	2.0
Parow Industria	36.33	31.00	30.50	29.25	27.50	3.6
Parow East	33.50	30.00	26.00	25.50	24.00	2.5
Bellville Oakdale	35.00	25.00	30.00	30.00	-	1.0
Bellville Stikland/ Kaymor	36.33	35.33	34.33	31.00	30.33	2.3
Bellville Triangle	31.67	29.33	28.00	25.67	25.00	2.0
Bellville South/ Sacks Circle	32.50	28.00	25.33	24.33	23.33	2.3
Kraaifontein	32.00	30.00	29.50	29.00	27.50	1.5
Brackenfell Industria	33.50	31.75	29.67	29.33	29.50	2.3
Everite Brackenfell	34.33	34.00	30.00	29.25	30.00	2.3
Kuils River	32.33	28.67	28.67	27.33	28.50	2.0
Blackheath	30.50	29.50	29.00	27.50	27.00	2.5
Saxenburg Industrial Park 3	30.00	28.67	28.00	26.33	27.50	2.3
Okavango Park	34.00	30.67	28.67	27.33	27.00	2.0
Firgrove	-	-	-	-	-	-
The Interchange (Somerset)	30.00	30.00	30.00	-	-	-

Mean Market Values for Serviced and Level Industrial Stands, R/sqm excl. VAT, 2013:Q1	Area (sqm)				
	1.000	2.000	5.000	10.000	Vacancy Grade
Viking Place	1.000	900	800	800	1.0
Glosderry	1.500	1.500	1.500	1.500	0.0
Paarden Eiland/ Metro	2.000	1.750	1.750	1.500	0.0
Montague Gardens	1.600	1.575	1.500	1.500	0.5
Marconi Beam	1.800	1.800	1.500	1.500	1.0
Killarney Gardens	1.450	1.100	1.250	1.100	1.3
Racing Park	1.050	1.000	1.000	850	4.0
Atlantis	-	-	-	-	-
Woodstock/ Salt River/ Observatory	2.000	1.800	1.800	1.800	1.0
Athlone	-	-	-	-	-
Lansdowne Nerissa	-	-	-	-	-
Sand Industria	-	-	-	-	-
Ottery Hillstar	1.000	1.000	1.000	-	1.0
Ottery Sunset	1.000	1.000	1.000	-	1.0
Diep River	1.000	1.000	1.000	-	1.0
Elfindale	1.000	1.000	1.000	-	1.0
Monwood/ Philippi East	**450**	**450**	**450**	**300**	**9.0**
Retreat/ Steenberg	1.000	1.000	950	950	-
Capricorn Park	700	700	700	-	7.0
Maitland	1.217	1.117	1.150	900	1.0
Ndabeni	1.875	1.475	1.400	1.150	0.8
Airport	**1.283**	**1.258**	**1.250**	**1.200**	**3.0**
Epping 1 & 2	1.075	1.017	1.083	983	1.5
WP Park	1.463	1.450	1.200	1.100	1.7
Elsies River (excl, Central Park)	800	775	700	683	1.7
Parow Beaconvale	1.200	1.125	1.000	950	2.2
Tygerberg Business Park	1.300	1.200	1.000	1.000	2.2
Parow Industria	1.125	1.113	963	950	2.2
Parow East	1.500	1.500	1.000	1.000	1.0
Bellville Oakdale	-	-	-	-	-
Bellville Stikland/ Kaymor	1.450	1.200	1.200	1.100	3.0
Bellville Triangle	925	925	1.000	1.000	-
Bellville South/ Sacks Circle	1.000	1.000	900	850	-
Kraaifontein	900	875	738	725	2.0
Brackenfell Industria	1.000	1.000	900	875	2.0
Everite Brackenfell	1.200	1.200	1.000	1.000	1.0
Kuils River	875	850	725	675	1.0
Blackheath	650	725	500	425	3.3
Saxenburg Industrial Park 3	1.200	1.000	975	850	3.3
Okavango Park	1.100	1.100	1.050	950	1.0
Firgrove	-	-	-	-	-
The Interchange (Somerset)	-	-	-	-	-

INDUSTRIAL DEMAND

SCENARIO 1: BASELINE SCENARIO

Cumulative Additional Land Demand	Up to 2018	2018-2023	2023-2028	2028 - 2033
Total Manufacturing (Hectares)	82.87	223.23	406.04	523.73
Total Warehousing (Hectares)	125.96	361.36	677.03	880.27
Total: City of Cape Town Metropolitan Municipality	208.83	584.60	1 083.07	1 404.00
Philippi Project market share (average development potential (Ha)	**5.22**	**14.61**	**27.08**	**35.10**

DEVELOPMENT RECOMMENDATIONS

Variables	Rand per annum / m² GLA
Capital Investment (2013 constant values)	R694 207 390
Size of industrial (sqm)	73 074
Employment opportunities	1 329
Parking bays	1 461
Parking infrastructure & landscaping cost	R32 737 359
OPME	2014/2015

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INDUSTRIAL DEMAND

SCENARIO 2: OPTIMISTIC SCENARIO

Cumulative Additional Land Demand	Up to 2018	2018-2023	2023-2028	2028 - 2033
Total Manufacturing (Hectares)	82.87	223.23	406.04	523.73
Total Warehousing (Hectares)	125.96	361.36	677.03	880.27
Total: City of Cape Town Metropolitan Municipality	208.83	584.60	1 083.07	1 404.00
Philippi Project market share (average development potential (Ha)	**15.66**	**43.84**	**81.23**	**105.30**

DEVELOPMENT RECOMMENDATIONS

Variables	Rand per annum / m² GLA
Capital Investment (2013 constant values)	R2 082 622 171
Size of industrial (sqm)	219 223
Employment opportunities	3 986
Parking bays	4 384
Parking infrastructure & landscaping cost	R98 212 077
OPME	2014/2015

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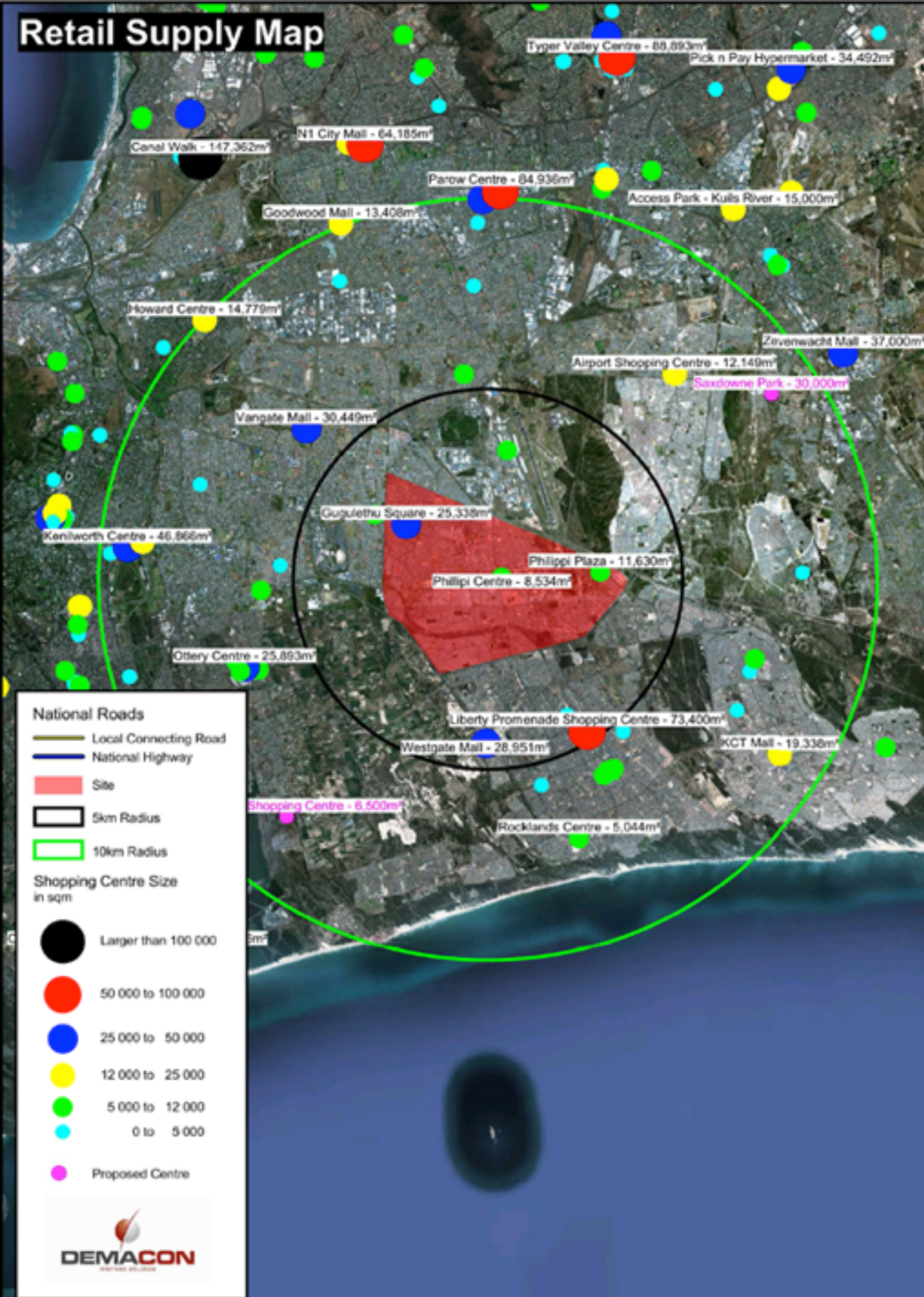
INDUSTRIAL MARKET FINDINGS

- ✓ The **baseline scenario** essentially **forecasts growth** over the next 10-20 years, based **on historic trends**.
- ✓ The **optimistic scenario**, on the other hand, **assumes positive growth with major turnkey intervention** – such as N2 accessibility, exposure etc.
- ✓ The recommended type of development: **Light industrial / warehousing / distribution / storage**
- ✓ The optimum point of market entry (OPME) is in **2014/2015**.

RETAIL MARKET FINDINGS



RETAIL SUPPLY

- ✓ There is scope to do the first super-regional sized township mall in SA.
- ✓ The single largest is currently 72 000sqm.

RETAIL DEMAND

Retail Market Development Potential

Development Type	Effective Market Gap	Development Prospects
Regional Centre	Yes	Medium to High

Recommended Centre Options

Recommended Centre Options	
Total annual growth in market demand (sqm/a)	6 331
Centre share of growth (sqm/a)	791
Point of market entry (OPME)	**2017:2018**
Additional growth in demand for centre (sqm)	2 374
Retail GLA at OPME	80 911
Services GLA at OPME	20 228
Cinemas & entertainment	3 500
OPME Centre size (sqm)	**104 638**
On-site job creation	3 488
Retail Sales potential (R 2013 value)	2 336 448 831
Total capital investment - buildings (R 2013 value)	1 360 299 918
Additional Parking bays required	6 278
Parking infrastructure & landscaping cost (R 2013 value)	149 423 714

RESIDENTIAL MARKET FINDINGS

RESIDENTIAL DEMAND

Residential Market Development Potential

Development Type	Effective Market Gap	Development Prospects
Credit-linked and bonded residential units	Yes	Medium to High
Subsidy Housing	Yes	Medium to High

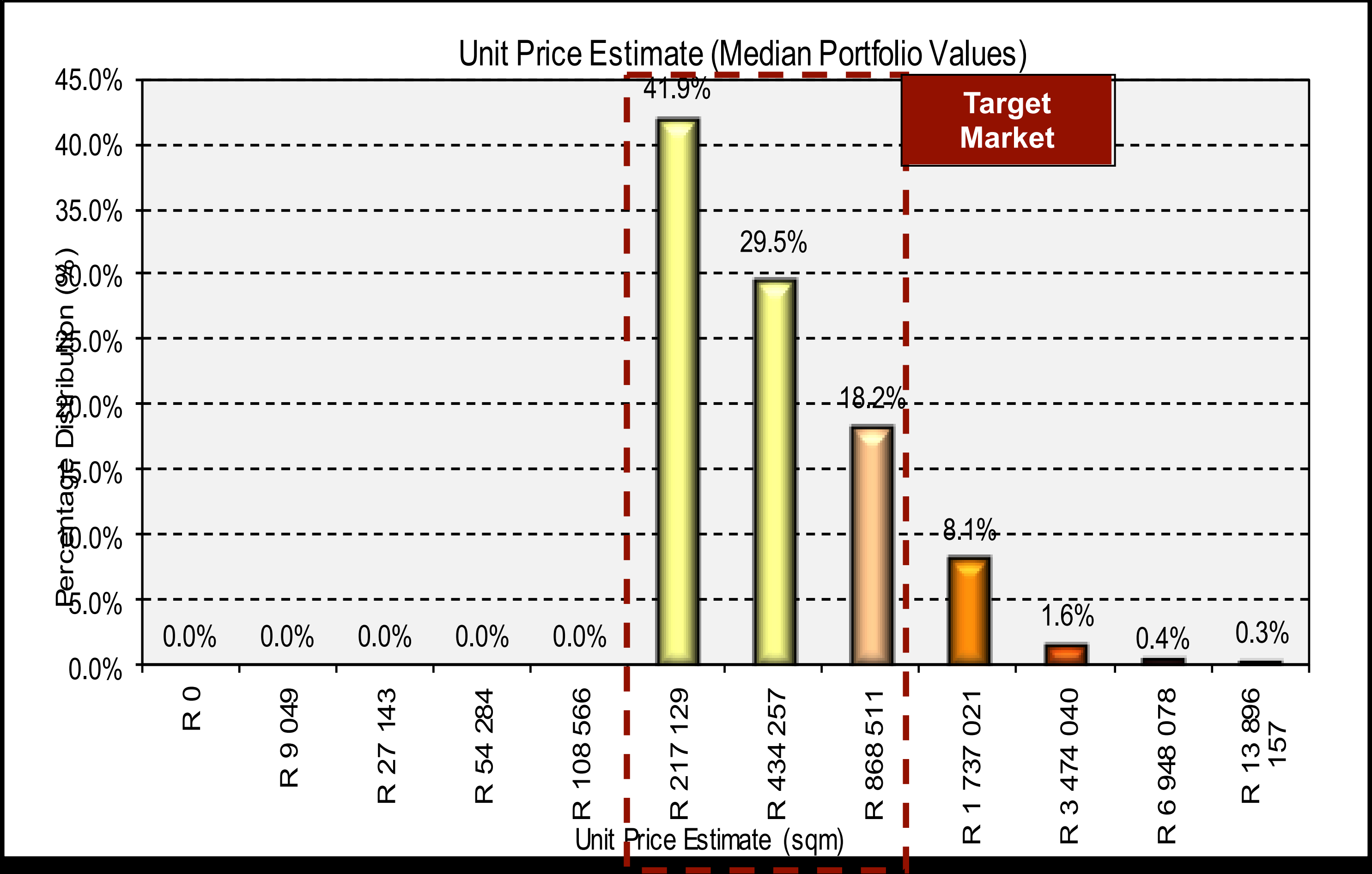
Project Size and Anticipated Take-Up

	TOTAL MARKET		
A	Additional HH: base yr. + 10yrs		19 826
B	Annualised Market growth (full housing spectrum)		3 965
C	Credit-linked and Bonded Segment		40.7%
D	Credit-linked and Bonded Segment take-up per annum		1 614
E	Annual secondary market contribution (units / annum)	Min	3 180
F		Max	4 240
G	Total annual Credit-linked and Bonded demand	Min	4 794
H		Max	5 854
	PROJECT SPECIFIC		
I	Project Credit-linked and Bonded Segment Units		**12 500**
J	Forecast market share of total market sales	Min	20%
K		Max	30%
L		Min	959
M	Project forecast total annual take-up rate (units / annum)	Max	1 756
N	Years to 80% take-up (Credit-linked and bonded segment units)	Min	7.1
O		Max	13.0
P		Avg	10.1
Q	**OPME**		**2014+**

12 500 credit-linked and bonded units and **8 333 subsidy units** could be absorbed within the Philippi market area. Units should be priced from **R210k upwards.**

RESIDENTIAL DEMAND

Unit Price Estimate



Source: Demacon, 2013

RESIDENTIAL MARKET FINDINGS

NOTE:

- ✓ **To ensure alignment** of sustainable human settlement development and urban public finance sustainability **an appropriate mix of subsidies and affordable residential products needs to be created.**
- ✓ In terms of its location, the area could potentially **cater to the bonded and credit linked demand base, priced from R210k upwards**, however, arguably the **greatest threats to sustainability of this development** is the **disproportionally large segment of households that qualify for subsidised** (*i.e.* non-rateable) housing. Disproportionally large **subsidy component** as part of the mixed typologies **affects the projects image and branding.**
- ✓ Industry best practice indicates that an absolute **maximum of 30% - 40% of units** in an integrated mixed typology type development **should comprise subsidy** and social housing. Ratios **exceeding this number negatively affect project branding and take-up of bonded units.** Further to the above, fully integrated approach was to be followed (i.e. subsidy and bonded in one precinct) the subsidy ratio **should not exceed 20% to 25%.**
- ✓ The 60:40 ratio provides for the creation of a rateable housing component which, in turn, would be required to facilitate sustainable cross-subsidisation of non-rateable subsidy housing.
- ✓ ***This approach facilitates much needed net additional growth of the local municipal fiscus.***

RESIDENTIAL MARKET FINDINGS

✓ Given the current **housing backlog in the City of Cape Town of 300 000 units**, this project could account for as much as ±40% of the backlog. Although the project will meet important social needs, it will **simultaneously create a disproportional infrastructural burden** with costs exceeding further income yields. **Efforts clearly need to be made to stimulate economic growth and increase the demand for rateable bonded housing in the area**. The following illustrates two interlinked strategies to facilitate growth and rateable bonded units:

1. **Increasing residential density** around nodes to bolster demand thresholds
2. **Increased demand**, will in turn, increase the potential viability of commercial real estate such as shopping centres – which, in turn, typically forms powerful nodal catalysts.

✓ Housing schemes in Gauteng have a 60% and higher subsidy component. In these projects take-up of bonded units (i.e. rateable assets) has been notably slower compared with projects where the subsidy component has not exceeded 30% to 40%.

✓ The **market is brand conscious and to be financially feasible the biggest proportion should consist out of rateable assets. The biggest challenge facing the country is not the housing challenge per se, but it is one of <u>economic and financial sustainability</u>.**

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OFFICE MARKET FINDINGS

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OFFICE DEMAND

Office Market Development Potential

Development Type	Effective Market Gap	Development Prospects
Offices / Commercial	Yes	Low to Medium

Space Demand Modelling Results – m² GLA

Cumulative Additional Space Demand	Up to 2018	2023	2028	2033
Finance & Insurance *(sqm GLA)*	180 411	313 188	504 450	731 256
Business services *(sqm GLA)*	1 492 582	4 024 603	7 078 538	8 640 691
Total: City of Cape Town	1 672 993	4 337 790	7 582 989	9 371 947
Total: Philippi share - Min	**16 730**	**43 378**	**75 830**	**93 719**
Total: Philippi share - Max	**33 460**	**86 756**	**151 660**	**187 439**
Average*	**25 095**	**65 067**	**113 745**	**140 579**

RECOMMENDED SIZES	Rand per annum / m²
Size of Office (sqm)	65 067
Capital investment (2013 constant values)	748 268 856
Employment opportunities	3 253
Parking	2 603
Parking infrastructure & landscaping cost (2013 constant values)	61 943 648
OPME	**Post 2020**

Office development will ONLY follow after all other developments and locational prerequisites are in place.

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AGRI-PROCESING MARKET FINDINGS

AGRI-PROCESSING MARKET

- ✓ It is evident that the agriculture sector in Philippi relies on the **production of primary products** such as vegetables
- ✓ **No significant value is being added** to these products currently.
- ✓ Value adding to primary products could **expand the market** and **create economic opportunities** for both the investor (monetary return on exports of beneficiated goods) as well as the job market for those who are unemployed within the local area.
- ✓ **Opportunities exist within the wider agribusiness framework** for the Philippi area to take advantage of its latent strengths and comparative advantages. This can help with the development of a **support base for emerging farmers.**
- ✓ In terms of the quantity of the labour force in the agricultural sector, the Philippi area **does not have a shortage in labourers**. But in terms of the quality of the labour force, the labourers in the agricultural sector are in **need of education, skills and training**.
- ✓ It was established within the Economic Profile that the agricultural sector within Philippi is a **“leading” sector** where local growth exceeded metropolitan growth.

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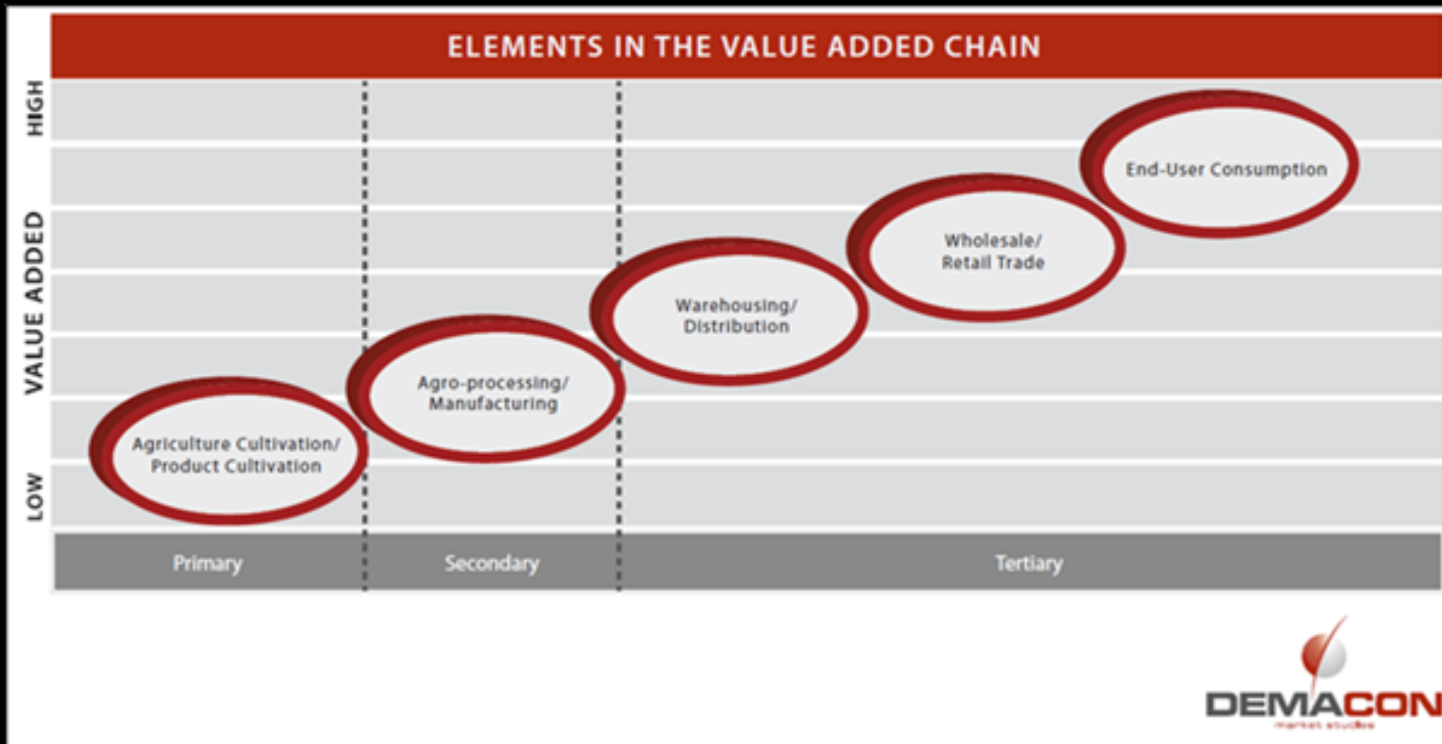
AGRI-PROCESSING MARKET

Agricultural Value Chain



Basic vegetable production centres around a primary, low value-added product during the **Agricultural Cultivation / Product Cultivation** stages of the value chain. As value is added by means of **Agro-processing / Manufacturing** processes, the product moves into the secondary economic sectors, which has greater multiplier potential. If further value is added to the product, it moves into the tertiary sectors, where **Warehousing / Distribution** and **Wholesale / Retail Trade** occur. This chain optimises access to **End-user Consumption markets.**

AGRI-PROCESSING MARKET

In terms of the manufacturing sector and the downstream possibilities; the manufacturing sub-sectors which was identified as the leading sectors within Philippi which could possibly be further developed in terms of Agri-processing/Manufacturing possibilities are as follows:

- ❖ Textiles, clothing and leather goods
- ❖ Wood, paper, publishing and printing
- ❖ Other non-metal mineral products
- ❖ Metals, metal products, machinery and equipment
- ❖ Electrical machinery and apparatus
- ❖ Radio, TV, instruments, watches and clocks
- ❖ **Transport equipment**
- ❖ Furniture and other manufacturing

AGRI-PROCESSING MARKET

- ✓ Philippi is seen as an **ideal place for agro-processing** and it is **strategically placed**.
- ✓ It is **situated next to the rail link, right next to the N2, and in very close proximity to the airport**. There is also a direct link to the port as well as a line through to the produce developing areas through the Winelands.
- ✓ with regards to Agri-processing.
- ✓ The **agricultural potential** within Philippi is **enormous** and will add value within the area.
- ✓ Philippi will also **play a major role** in terms of the **Integrated Rapid Transport (IRT) Systems** development (which was recently approved), which will lead to **further downstream developments, value-adding and opportunities** within the local area.
- ✓ Philippi will be able to contribute significantly towards especially **the transport and manufacturing sectors** (e.g. transportation equipment and related manufacturing, engines and parts, repairs, servicing, logistics etc.).
- ✓ Based on the findings, it is clear that all indications are that **Agri-processing would be feasible and economically beneficial** to the area, **subject to full feasibility analysis** of the agricultural sector/market.
- ✓ As indicated throughout the study, **Philippi already has various significant assets that make it an ideal location for various types of development**.
- ✓ **Co-ordination, networking and interaction** between various parties need to be supported. Certain functions and programmes do not appear to be aligned between these various associations.

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GAP ANALYSIS

Development Type	Effective Market Gap	Development Prospects
Industrial Development	Yes	Medium - High
Credit linked & bonded residential units	Yes	Medium - High
Subsidy housing	Yes	Medium - High
Regional Centre	Yes	Medium - High
Offices / Commercial	Yes	Low - Medium

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PHILIPPI DEVELOPMENT POTENTIAL

Summary of the Philippi Development Potential

Development Type	Industrial	Retail	Residential	Office	Agri-processing & Fresh produce market
Size -Baseline Scenario	73 074m²	104 638m²	12 500 credit-linked and bonded units 8 333 subsidy units	65 067m²	-
Size – Optimistic Scenario	219 223m²	313 914m²	15 000 credit-linked and bonded units	113 745m²	-
Site rating	Current: 69.4% Future: 76.3%	Current: 70.2% Future: 76.4%	Current: 62.5% Future: 72.2%	Current: 45.8% Future: 74.2%	-
Market Gap	Yes	Yes	Yes	Yes	Yes
Configuration compatibility	Medium to High	Medium to High	Medium to High	Low to Medium	Medium to High
Recommended for project – Yes/No	Yes	Yes	Yes	Yes	Yes
OPME	2014/2015	2017/2018	2014 and beyond	Post 2020	Over long-term

PHILIPPI DEVELOPMENT POTENTIAL

- ✓ It is evident that the proposed development is in line with current and future spatial development guidelines set out in the Regional Spatial Development Framework and the District Plans.
- ✓ The proposed development will provide a supportive / complimentary function, especially in terms of industrial, towards the broader node as well as Airport Industria and the Cape Town International Airport, and in such a manner **expand the industrial hierarchy of the area**.
- ✓ The proposed development will also act on the future potential generated by the N2.
- ✓ The development will contribute to the expansion and development of the Philippi local economy as well as the local rates and tax base of the City.

LAND USE REQUIREMENTS

Land use requirements – Baseline Scenario

Land use	Hectare	With Roads & public open spaces, etc. (20%)	Surplus buffer (future expansions) (30%)	Composition
Offices	5.42	6.51	8.46	2%
Light Industrial-Baseline	18.27	21.92	28.50	6%
Residential	250.00	300.00	390.00	82%
Retail	29.90	35.88	46.64	10%
Hectare Take-up	**303.59**	**364.30**	**473.60**	**100%**

Land use requirements – High Road Scenario

Land use	Hectare	With Roads & public open spaces, etc. (20%)	Surplus buffer (future expansions) (30%)	Composition
Offices	9.48	11.37	14.79	2%
Light Industrial-High Road	48.72	58.46	76.00	11%
Residential	300.00	360.00	468.00	67%
Retail	89.69	107.63	139.92	20%
Hectare Take-up	**447.88**	**537.46**	**698.70**	**100%**

ECONOMIC IMPACT ASSESSMENT

Potential economic impact that the proposed Philippi development will induce on the local, district and provincial economies and communities during both the construction and operational phases:

Synthesis of Economic Impact Modelling Results of Philippi development – *Baseline Scenario*

VARIABLE	INPUT VALUE	TOTAL IMPACT
Construction Phase (Once-off)		
Additional Business Sales	±R6.7 billion	R15.5 billion
Additional GGP		R5.5 billion
Additional Employment		36 500 jobs
Operational Phase (Sustained Annually)		
Additional Business Sales	±R5.7 billion	R12.9 billion
Additional GGP		R6.1 billion
Additional Employment		21 050 jobs

Synthesis of Economic Impact Modelling Results of Philippi development – *High Road Scenario*

VARIABLE	INPUT VALUE	TOTAL IMPACT
Construction Phase (Once-off)		
Additional Business Sales	±R10.9 billion	R25.0 billion
Additional GGP		R8.8 billion
Additional Employment		58 900 jobs
Operational Phase (Sustained Annually)		
Additional Business Sales	±R14.3 billion	R32.1 billion
Additional GGP		R15.1 billion
Additional Employment		51 750 jobs

ECONOMIC IMPACT ASSESSMENT

Forecast Future Additional Rates & Taxes Payable per Land use – *Baseline Scenario*

LAND USE	RATES & TAXES / ANNUM	PERCENTAGE SHARE
Offices	R66 038 450	19,7%
Light Industrial - Baseline	R38 730 608	11,6%
Residential	R115 212 240	34,4%
Retail	R114 460 264	34,2%
TOTAL	**R334 441 563**	**100,0%**

Forecast Future Additional Rates & Taxes Payable per Land use – *High Road Scenario*

LAND USE	RATES & TAXES / ANNUM	PERCENTAGE SHARE
Offices	R115 443 213	16,2%
Light Industrial – High Road	R116 192 355	16,3%
Residential	R138 254 688	19,4%
Retail & related	R343 380 793	48,1%
TOTAL	**R713 271 049**	**100,0%**

ECONOMIC IMPACT ASSESSMENT

Forecast Future Additional VAT, Company Tax & PAYE Payable – *Baseline Scenario*

Tax Payable	Construction Phase	Operational Phase (sustained annually)
VAT	R2 175 913 460	R1 812 247 080
Company Tax	R1 305 548 076	R1 087 348 248
PAYE	R648 393 300	R373 936 410
TOTAL	**R4 129 854 836**	**R3 273 531 738**

Forecast Future Additional VAT, Company Tax & PAYE Payable – *High Road Scenario*

Tax Payable	Construction Phase	Operational Phase (sustained annually)
VAT	R3 503 580 920	R4 490 324 300
Company Tax	R2 102 148 552	R2 694 194 580
PAYE	R1 046 311 380	R919 297 350
TOTAL	**R6 652 040 852**	**R8 103 816 230**

If the **proposed Philippi development were not to occur**, the **above benefits** in terms of additional business sales, GGP, employment, as well as various rates and taxes payable to the local and national fiscus, would be **lost to the local, district, provincial and national economies.**

WAY FORWARD

- ✓ Land Availability
- ✓ Business Plans
- ✓ Feasibility Studies
- ✓ Detailed Economic Assessments
- ✓ Economic and Fiscal Impact Assessments
- ✓ Surveys
- ✓ EIAs