

Putting PE back on map

Will bold strategy to lure property and tourism investors pay off?

WHILE MOST CITIES and larger towns have had more than their fair share of building and construction activity in recent years, South Africa's development boom has completely by-passed the Eastern Cape coastal city of Port Elizabeth.

In fact, PE residents haven't seen a construction crane in 20 years. And while investors are pouring millions into building new shopping malls, hotels, restaurants and holiday homes in Knysna, Plettenberg Bay, Jeffreys Bay and even East London, most major property developers still regard PE as a dead duck.

But that view could change over the next five years if the city successfully manages to reposition itself as a potential growth node. The Mandela Bay Development Agency (MBDA), formed in 2003 to help revitalise PE's inner city and adjacent harbour area, has embarked on an aggressive campaign to attract developers and investors to bring their chequebooks to PE.

The fact that PE has been chosen as one of the host cities for the 2010 Soccer World Cup will no doubt support the drive to brand PE as an investor-friendly property and tourism destination.

Speaking at a Property Investors' Conference recently held in the city, the MBDA out-

lined bold plans to turn the existing harbour into a mini V&A Waterfront similar to that in Cape Town on the site where Portnet currently houses its oil tank farm and manganese ore loading facilities.

MBDA CEO Pierre Voges told around 250 delegates that roughly 40ha of land would be made available for hotel, leisure and residential development once the Ngqura Port at the Coega Industrial Development Zone is up and running by 2008. A 1 000-seat international conference centre is also on the cards for the harbour area.

Voges argued that land prices are still considerably lower in PE than in other coastal cities, including Cape Town and Durban, which makes for a very attractive property investment proposition. Said Voges: "The best time to invest is on the ground floor – just before the lift starts going up. PE is at that point. Those who don't invest now are going to kick themselves in ten years' time."

Though Voges may be right, property commentator Erwin Rode says that though PE's residential, commercial and industrial property markets offer good upside, with prices still relatively cheap, investors and developers still regard PE as a high risk area.

Rode says there's no certainty that the MBDA will indeed succeed in turning the

inner city and harbour area around and it faces a tough task convincing investors that it will deliver on its mandate.

Nevertheless, Rode says that once Portnet's oil tank farm and ore loading facilities are moved to Coega, there's no reason why PE's harbour couldn't show a similar success to that of the V&A Waterfront.

Rode suggests that investors brave enough to climb into the PE market now should buy existing properties, as relatively low rental levels won't make new developments viable just yet.

However, Gillian Saunders, principal of Grant Thornton's tourism, hospitality and leisure division, says PE has already turned the corner in terms of becoming a desirable property and tourism destination. All that's now needed is investment flow into the area. She believes the best potential investment opportunities are in the hotel, retail, restaurant and entertainment sectors to service the expected influx of additional tourists over the next few years.

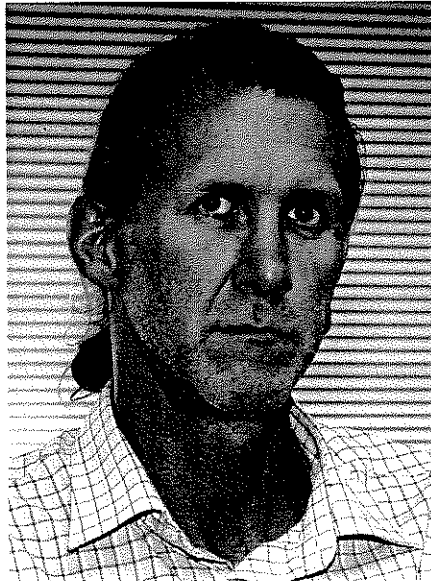
Saunders says preliminary plans for the waterfront development include 600 new hotel rooms. The city currently has around 11 500 hotel beds.

Existing hotel beds won't be nearly enough to accommodate soccer fans expected for the eight matches scheduled for PE in 2010. The World Cup organising committee estimates that PE will need at least 25 000 beds in 2010.

And though a number of hotel developers and operators are apparently "snooping around", to date no one has committed to building a new hotel in PE. Those who may be interested are probably holding out for prime positions at the waterfront. But analysts say it could take another 10 years before PE's waterfront starts taking shape. That's because the rehabilitation of the tanks and ore dumps is still a long way off.

While some residents believe

Investors still regard PE as high risk. Erwin Rode



PE's ripe for the picking. Pierre Voges

that the proposed waterfront development is pie in the sky, because it's been talked about for years, the MBDA seems confident that it can deliver on its ambitious project. The MBDA has already employed the project leaders behind the V&A Waterfront and commissioned Johannesburg-based Grant Thornton to draw up business plans and economic impact studies.

Voges says though he's aware of scepticism concerning whether the waterfront will ever materialise, until now the lack of available land for development has limited the ability to develop PE to its true potential.

That scenario has changed, with local government recently approving a land release policy and the Department of Public Enterprises also committed to sell pockets of State-owned land.

Voges said that one of PE's competitive advantages is that it has plenty of well-located open tracts of land in and around the CBD and harbour area – mostly State-owned – which

The next
V&A
Water-
front?



could easily be turned into profitable commercial and residential developments.

Public Enterprises Minister Alec Erwin confirmed that Government is committed to disposing of its "non-core" land holdings currently owned by Transnet and Portnet in and around PE's harbour area, freeing additional

tracts of prime waterfront land for private sector development.

There's also the suggestion that PE's inner city offers potential for office-to-flat conversions, similar to that already taking place in the inner cities of Cape Town and Johannesburg.

The MBDA has already gone some way in making the inner city more attractive to developers by tackling crime and grime, spending R400 000/month on employing private cleaning and security services. In addition, R25m will be spent over the next 12 months to upgrade and pedestrianise the area around Govan Mbeki Square.

A major incentive for investors keen to become involved in renewal efforts is the fact that roughly 250ha in the CBD and harbour area falls within the SA Revenue Service's Urban Development Zone, offering tax incentives to developers and landlords who redevelop existing buildings or construct new ones in designated inner city areas. There's also talk of possibly moving Settlers Highway, an ugly structure blocking the harbour/coastline area from the inner city.

Voges concedes that turning PE around will be no easy task. One of the major challenges facing the city is to rid itself of perceptions of being nothing more than an industrial blue-collar zone with a stagnating economy that's overly reliant on the automotive industry. It may also be easier said than done to shake the city's lingering legacy of corruption and inept political decision-making.

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SAS NEXT TOURISM HOTSPOT

PORT ELIZABETH has performed less than spectacularly in the tourism stakes. Last year it only attracted 428 000 overseas tourists – less than 7% of the 7m who travelled to South Africa. The fact that no new hotels have been built in the coastal city for at least 10 years and that a Holiday Inn closed its doors, further underscores the fact that PE has been losing out to other tourist destinations in SA.

Yet analysts rate PE as one of SA's next tourism boom areas. Recent research by Kaiser & Associates showed that PE has the potential to more than double its tourist numbers over the next decade. They project that foreign arrivals could jump from 428 000 (2005) to 750 000 in 2015, while domestic tourist numbers could increase from 1,9m to a massive 4,3m over the same time.

Gillian Saunders, principal of Grant Thornton's tourism, hospitality and leisure division, says those projections are realistic provided PE is successful in getting its proposed waterfront develop-

ment and international convention centre off the ground. The 50 000-seat soccer stadium to be built to host eight matches during the 2010 Soccer World Cup will be a further drawcard to lure visitors to PE. Construction is set to begin next month.

Saunders says the projects proposed would help turn PE around and bring it in line with other vibey SA tourist cities, such as Durban. Says Saunders: "PE should top the list of SA's secondary cites and could become a mega-city if it carries out the mandate of the Mandela Bay Development Agency to revitalise the city centre and surrounds."

She says PE has all the fundamentals in place to become a great tourist destination: good road, air and rail links; sea, sand and sun; a bush and game lodge offering nearby; and a moderate climate.

But Saunders says there are some challenges, a major one being that there should now be a sense of urgency to get the various developments off the ground sooner rather than later.