

# **Chapter 10: Summary, Conclusion and Way Forward**

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## **10.1 CHAPTER SUMMARY**

This chapter is a summary of the book, key conclusions, and the way forward on value creation, service delivery, human factor and development and management of real property in Africa. The book was authored by several real estate practitioners, project managers and planners, with the intention of adding to the growing knowledge base on how value can be created to give people quality service delivery. It further enlightens on the implication of the human factor in averting fire while development and management of real estate property is another focal point of the book. In this chapter key conclusions from the book are discussed chapter by chapter, followed by recommendations and the pronouncement of the way forward.

## **10.2 KEY CONCLUSIONS FROM THE BOOK**

This section provides the concluding remarks emanating from the book chapter by chapter. Chapter One gave an overview of the book, introducing key issues and highlighting the general structure of the book and its constituent chapters. In this regard, the discussion of concluding remarks is outlined from Chapter two to Chapter 9.

### **10.3 CHAPTER 2**

The chapter focused on the interplay of globalisation, foreign direct investment and real estate investment in Sub Saharan Africa and Northern Africa. The chapter established that Africa is rapidly urbanising to the extent that by 2030, more than half of its population will be living in cities. This calls for substantial improvement in service delivery by various local authorities managing cities across the African continent. Services delivery requirements in this regard include quality and quantity aspects of housing, water supply and job opportunities, among others. The book submits to the conclusion that this is a huge task given the resource incapacities, mismanagement and the political circus that usually characterise African states. It is thus apparent for African countries to use FDI as a vehicle to channel development and management of urban services for the benefit of their citizens.

Globalisation has been viewed in scholarly writing as the flow of human capital, financial resources and technologies across nations constituting the globe. Although this has been criticised as the continued dominance of capitalism at the expense of weaker economies, it remains an influential aspect which African nations can benefit through injection of capital from foreign investors. The chapter examined how African nations can fit in and benefit from globalisation and, consequently FDI. In the context of Africa, globalisation in the real estate began to increase in the post-2000 era. Many foreign companies thus

injected capital into land development initiatives, realising profits in the process. Therefore, the book concludes that the injection foreign capital is important in realising value creation. On the other hand, these foreign investors come in with skills and knowledge to develop and manage real property on the African continent.

The theoretical framework by Appadurai (1996) has been key in discussing the countries selected in the case study methodology adopted in the chapter. Key elements of this framework include *ethnoscapes*, *technoscapes*, *financescapes*, *mediascape* and *ideoscapes*. Although discussed separately for clarity's sake, these factors are highly interdependent. For instance, the *ethnoscapes* concern people involved in the movement of capital across borders, fulfilling the *financescape* concept. Technology, media and *ideoscapes* are linked, for instance technology is used by media houses to share information with various users. Ideas can be communicated via media.

Tanzania's *ethnoscape* is diverse as it constitutes co-existing Muslims and Christians, contributing to diversity in infrastructure needs. Co-existence is a pull factor to FDI in the real estate sector because it shows the country's tolerance toward varied ethno-religious groups. The country can market its products through the internet while media reports on tourist destinations in the country, hence lure FDI. However, land policies are still fragile. South Africa has a mature financial,

capital and real estate market. This promotes local and foreign investment in real estate. The book concludes that policies of the South African government are clear and liberal to some extent such that it is better able to fit in the globalisation move. Although FDI is flowing into Zimbabwe, the *ideoscapes* are a bit twisted because of political and civil unrest since the turn of the new millennium. Policy inconsistency, and currency challenges remain dominant, thereby negatively affecting investments in real estate.

The study established that Egypt has been ranked first in FDI flows in Africa. It has a strong tourism sector offering investors opportunities to invest in hotels, accommodation, and commercial facilities. Libya has a multi-ethnic society promoting co-existence, while its rich oil reserves attract FDI. Nevertheless, the Arab spring uprisings and the after effects may deter and discourage some investors to put in capital into these countries.

#### **10.4 CHAPTER 3**

This chapter systematically discussed service delivery and local government tax systems with a view to assess the practices in Africa. It further assessed the possibility of improvements such as the introduction of participatory budgeting, taxing the informal sector and capitalising on land value capture. Reviewed literature and theoretical underpinning drew lessons from Asia and Latin America where tax systems and service delivery have

been successfully done. It was established in this chapter that a tax system must be designed to favour all interested parties in the real estate sector. However, this contradicts the case of African local authorities, as there are spasmodically introduced tax systems on land. Lessons can be drawn from China which used participatory budgeting as way to curb corruption and improve administrative efficiency and enhance state capacity.

In Africa, Asia and Latin America, the informal sector is dominating the formal sector. Against this background, taxes must be introduced to collect revenue for the purpose of funding service delivery. The chapter established that several malpractices, for instance, corruption and mismanagement, hinder the implementation of methods that worked elsewhere. Three facets of informality exist: legality, registration and payment of taxes enterprise size, and level of capital intensity. There is a challenge in quantifying informality because there are no clear records, hence the chapter used a working definition of informality, unregistered activities in the economy. Zimbabwe, Tanzania and Nigeria have highest rates of informality. Mozambique, the Ivory Coast and Madagascar have moderate levels of informality, while Botswana, South Africa, Cameroon have low rates.

Value capture involves harnessing land value gains that materialises because of additions of special improvements to benefit a specific area. In other words, 'value capture' is used

interchangeably with 'betterment levy'. Justification for the term is *ad valorem* focussing assessments of ordinary property taxes, and is similar in conception to development exactions and impact fees. The chapter further concluded that taxation is the best alternative to facilitate the integration of state resources to fund state building efforts in developing countries. Developing countries have tax systems that are often regressive and distortionary and lack legitimacy. Because of this, value capture is impeded.

The chapter further reinforced that a betterment levy must be charged to the citizens once a local authority makes improvements on the land. A betterment tax is issued when authorities effect a regulation that positively affects the value of a property, for example, when the bulk-factor of a building is reviewed upwards. Local government planning authorities must be given power by the central government to sell right to change use from rural to urban land use, which has more value. This has the potential to raise revenue for local authorities in Africa. Planning authorities can also use public land leasing to individuals and institutions to carry out uses that generate revenue. Another avenue for local authorities is to permit the public sector to acquire and resell land. This function helps to capture the full value of the gains on land since in many parts of Africa, a certain tax accumulates (transfer duty/stamp duty) to the government each time real estate exchanges hands amongst citizens.

The chapter concluded that Africa must develop a tax system on land because land is one of the largest assets that the continent has. With a great number of people living in slums, African governments must tax them in a fund-raising move for the provision of basic services. This must be supported by functional markets and recruitment of professionally trained planners who can, with due diligence, carry out their duties effectively. Policies and requisite legislation permitting local authorities to own and control land need to be set. The study is an instrument enlightening local authorities on the potential of taxing the informal sector while tipping them on the design of appropriate ways capture land value.

## **10.5 CHAPTER 4**

The chapter was guided by the Modern Portfolio Theory which suggests that investors base their allocation decisions on the expected return and risk of investments, and diversification benefits, measured through the correlation of returns with other assets in the portfolio. Real estate is one of the favoured investments because it can increase in value over time and is an effective hedge against inflation. As a catalyst in management of real estate, a management triad is used by international institutional investors to control and monitor real estate investments. Management triad includes property management, asset management and portfolio management.

Property management is the operation, control and oversight of real estate as used in its broadest terms. Asset management is defined as the coordinated activity of an organisation to realise value from assets. Portfolio management refers to a combination of securities, such as bonds, stocks, wine, real estate and other instruments. Functions involved in management of properties involve site management, personnel management (onsite and offsite staff), and management of trust accounts, leasing services and tenants' service provision. In recent times, property management encompasses facility management where development and control of non-core support services are done. Asset management and portfolio management ensure that investors realise value from an array of assets.

The chapter used a case study approach where interviews with real estate professionals were employed to gather data. Thematic content analysis was applied on the National Railways of Zimbabwe Contributory Pension Fund (NRZCPF), Zimre Property Investments (ZPI), Mashonaland Holdings and Pearl Properties. Although NRZCPF has no registered estate agent it is the second largest real estate property owner in Zimbabwe. It has investments in bonds, capital market, money market, treasury bills and prescribed assets. The study concluded that the use of the management triad is largely undefined owing to overlapping duties by property, asset and portfolio managers.

ZPI has a dominant office real estate in the central business district (CBD) of Harare. However, the specialisation in offices indicates a lack of diversity. Due to a decline in office usage and revenue generated thereof, ZPI has engaged in residential developments. It has diverse skills bases that oversee its investments. Mashonaland Holdings has mix of office and industrial property, 45% and 43%, respectively. In comparison with ZPI, Mashonaland Holdings (MH) is better in terms of diversification since it has a balance between industrial and office in the CBD. It uses the management triad in a more defined way than ZPI. Pearl Properties has a more diversified portfolio since it has a considerable mix of four types of commercial property classes. Its portfolio predominantly consists of the CBD office and the industrial property type. The expansion of Harare has made office parks more attractive to high class tenants, like accounting firms, such as Price Waterhouse Coopers, earning the company revenue. The use of management triad is comparable with MH.

## **10.6 CHAPTER 5**

The chapter studied how the Harare City Council is losing revenue due to operations of touts and use of undesignated drop and pick-up points, yet existing termini within the CBD were designed for revenue collection to fund road construction and maintenance within the city's jurisdiction. In the analysis of the loss of revenue to the touts, the study concluded that the city council must be assisted by other institutions in controlling

the public transport system in the city centre. It was generally established that operators pay US\$1 to a tout for every outgoing commuter omnibus. This payment is based on the fare charged per passenger per trip. If restraint is not exercised on touting and use of undesignated passenger pick-up and drop points, the Harare City Council will continue to lose revenue. The study informs the urban management and real estate agenda on the potential revenue that can be received by the council from the termini around the city centre.

The other key conclusion from this chapter is that the intensified densification of the city, through residential developments, is generating more traffic than before. The resultant increase in commuter omnibuses and purchase of ex-Japanese used vehicles has increased vehicular traffic on the roads of Harare. Interviews with personnel in the traffic management section of the Harare City Council indicated that budgets outline the intention of the city fathers to collect revenue. However, conflicting roles between the council and ZINARA is a challenge. It was established that ZINARA does not disburse funds to the council as stipulated. Thus, the council does not have enough revenue to fund road maintenance and termini. Public transport operators' high operating costs are as they must pay ZINARA, Vehicle Inspection Department and police. These costs include registration fees, operating licenses and route permits. Additionally touting and police bribes take a share on the operator's generated revenue.

## **10.7 CHAPTER 6**

The chapter sought to investigate the challenges of rental accruals due to the COVID-19 pandemic in Botswana. Due to restrictive lockdown measures, most companies faced closures and reduced working hours. This reduced their revenue-generating activities. Investors invest in real estate to safeguard and store value, to guarantee a stream of income and shield against inflation. However, in the face of COVID-19, earning rentals from unemployed tenants became difficult. Receiving the highest possible income and value from an investment was made difficult because commercial real estate continued to bill tenants who were failing to generate income.

The conclusion emanating from the study is that COVID-19 resulted in rental accruals because property owners continued to bill rentals to meet mortgage payments and property maintenance costs. The failure to meet rent payments by tenants affected both property owners and managers, because they could not get income. Through questionnaires, interviews with tenants, property managers and REIB/REAC representatives, coupled with secondary sources, the study established that tenants had disagreements with property owners. Some tenants faced constant pressure from property managers to meet their rental obligations. However, it can be concluded that rental rebates were not granted to struggling tenants. The study concludes that prop-tech solutions help in effective record-keeping, tracking of transactions and reporting

in the real estate sector. Examples of such prop-tech are MDA, Classic, MRI and Novtel.

## **10.8 CHAPTER 7**

This chapter reviewed effectiveness of government's initiatives to address low-income housing issues in Botswana. Reviewed literature indicated that the housing dilemma is a universal challenge, although experienced more in Africa, China and India. The study established that the demand for housing is increasing owing to population growth and immigration of expatriates. These circumstances have prompted residential market developments to match the rising demand for housing. The competition for this basic need has crowded out low-income earners to a greater extent, relegating them to dilapidated and informal housing.

Through online questionnaires and secondary data, the study concluded that the government of Botswana has adopted several initiatives to address the plight of low-income earners. This has been done through legislation and subsequent policy adoption. Examples include establishing the BHC in 1971 through an act of parliament and the Transfer Duty (Amendment Act No. 24 of 2019). Although the BHC has completed many housing units, many low-income earners are failing to buy the houses because of the elitist nature of its requirements. The Transfer Duty Tax and Capital Transfer Tax Acts of 2019 were enacted to promote property ownership by

locals as opposed to acquisition of property by foreigners. By increasing the threshold capital gains tax when a foreigner purchases a property, the act makes properties expensive. The study concluded that the act reduces the number of willing buyers on the property market.

Furthermore, the study concluded the Amendment Exempt Tax to first-time citizen homeowner makes it easy for parents to transfer their properties to their children without tax. This strategy enhances property ownership by local Batswana. However, the act discourages property ownership by foreign nationals - a deterrent to FDI. Simultaneously, this piece of legislation disqualifies most of low-income earners to purchase houses offered by the BHC. In situations like that, it was revealed that it was difficult for youths to purchase houses, while the majority bought land and built houses for themselves instead of purchasing completed BHC units.

## **10.9 CHAPTER 8**

This study analysed how Zimbabweans were adequately housed using the existing funding and housing finance facilities. The chapter concluded that housing is a fundamental human right noted by global institutions such as the UN and the World Bank as evidenced by their initiatives in assisting several countries across the world. Nevertheless, despite the adoption of strategies meant to deliver housing to people, developing countries often struggle to house their citizen especially low-

income earners. This is shown by long housing waiting lists in several local authorities. It is against this background that many citizens are living in overcrowded slums, informal housing in developing countries, including Zimbabwe.

The study concluded that the challenge to housing the poor in Zimbabwe is an outcome of the economic malaise that the country has gone through since the turn of the new millennium. Low salaries, inflations, unemployment, currency distortions and high levels of informality results in many failing to qualify for housing finance from banks. Because of this, most households live in stress where a fairly large portion of the income is spent on rentals or mortgages. Key informant interviews and questionnaires were used to solicit information from respondents selected through random sampling. Snowball sampling was used to choose respondents from institutions.

The study found out that mortgages are not available to most of home-seekers. Because of the high cost of buying a completed house, most home-seekers buy vacant housing stands which develop on their own. This results in challenges of meeting both rentals and sustaining the cost of building the new home. Housing finance for the urban poor is unavailable and banks are reluctant to give mortgages in the local currency because of its inflationary nature. The other challenge is that of policy inconsistency on the part of the government. which has affected the housing sector at large, including developers and

real estate companies. It was established that existing bank-funded or developer-initiated housing development projects are not affordable for the poor, hence their capture by middle- and high-income earners.

#### **10.10 CHAPTER 9**

The study assessed the level of inclusion of the Human Factor (HF) approach in fire safety management system at the University of Zimbabwe. Building fire is a potential hazard in each and every building category (residential, commercial, industrial and institutional). The HF approach refers to a person's awareness, ability and capacity to deal with a task without any probing and knowing what to do, when to do it, why it is done and the likely consequences of doing it or not doing the task. Literature reviewed indicated that lack of the HF results in lack of knowledge and awareness of fire safety by building occupants. Fires fall into several categories, from Class 'A' to Class 'F' or 'K'. Each class has a peculiar causative factor and amelioration.

Through a triangulated research methodology, the study concluded that given the heavily built University of Zimbabwe environment, the incidence of fire was a possibility. Furthermore, the study revealed that possible causes of fire at the university included electric faults, exposed cables and use of electric gadgets, while smoking was considered less of a cause. Existence of fire safety equipment, including water, foam, and

dry chemical extinguishers, was acknowledged by respondents. However, halon extinguishers, sprinkler and alarm systems, fire blankets and fire hydrants were not available in some of the university buildings. Although there were clearly labelled fire warning signs on most exit points, the overall conditions of fire safety equipment were not in tandem with established FSM standards.

The study concluded that the HF is a crucial concept in FSM. Through shaping occupant actions and reactions to FSM, the HF has the potential to quicken responses during fire emergency and, consequently, reducing property damage and loss of life. Respondents highlighted that they were not able to operate existing fire safety equipment because of lack of skills. Moreover, there was a noted level of negligence on the part of the university because fire safety equipment was not well maintained. Theft, misuse and vandalism were common challenges, especially in student halls of residence. With this situation, the study concluded that the adoption and consequent implementation of the HF in the FSM at the University of Zimbabwe is still at infancy.

#### **10.11 RECOMMENDATIONS AND THE WAY FORWARD**

In response to globalisation, African countries need to create conducive environments for FDI as an addition to local investments in the real estate sector. However, caution must be exercised to control these investments so that they do not

crowd out or disadvantage local companies. Policy consistency and legal provisions must be rationalised to ensure a proper real estate investment for the benefit of the economy and citizens.

Concerning Chapter 3, African governments need to benchmark their respective local land markets and tax systems with successful international cases. These must be timeously adopted, blended and adapted to the local situations. The elimination of malpractices, such as corruption and mismanagement, is an important factor in effectively administering functional land markets and successful tax regimes to fund service delivery.

In Chapter 4, real estate companies in Zimbabwe should make use of the management triad in effective ways. The three applied components of property management, asset management and portfolio management must be applied to optimal levels by clearly setting out distinct departments and hiring well trained professionals. Diversification into various investments (stocks, bonds, money markets and various properties) by these companies is a possible hedge against risks and uncertainty.

On Chapter 5, the study recommends that policy reviews be done by the central government and effectively devolve traffic management to local authorities. This reduces unnecessary

duplication of efforts by key stakeholders, including Harare City Council, police, ZINARA and the Vehicle Inspection Department, among others. If this is done, local authorities will have the jurisdiction over their plans, budgets and implementation of developments such as revamping bus termini in the CBD.

In a bid to address ¥ challenges highlighted in Chapter 6, the study recommends that technological applications be adopted by property managers to keep track of tenant payments, store information on payment trends and amounts rendered and balances. This helps record information on real-time bases for both decision taking and making in the face of pandemics such as COVID-19.

On Chapter 7, the government of Botswana should rationalise its policy and legal frameworks to offer affordable housing to its poor citizens. The downward revision of the requirements that a prospective home-seeker should satisfy to qualify for purchasing a house is a good strategy for inclusivity. Options for financing housing for the poor, including self-help and soft loans from government, should be explored to help them access housing. This has the potential to effectively buttress existing housing delivery systems to low-income earners.

In order to address the challenges of home-seekers in Zimbabwe identified in Chapter 8, the central government should review existing pieces of legislation so that they

encompass the urban poor. The urban poor should be assisted by both local and central governments to get residential stands at affordable prices through subsidies. On service provision, private-public partnerships in water provision and road construction should be explored in the long term.

On Chapter 9, public institutions, such as universities and colleges, must engage in sensitisation occupants on the need to be on the guard against behaviours that are risky and inform them on the practices to adopt in the event of a fire outbreak. Once the users of the buildings are engaged and informed, the HF is adopted because it concerns the occupants' actions and reactions to FSM strategies.