

# Eskom moratorium not all bad

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**ESKOM'S moratorium on the supply of electricity to all new developments larger than residential units is not necessarily all doom and gloom for Port Elizabeth developers.**

According to local commercial and industrial property broker, Warren Jack, it is "definitely not the end of the world". In fact, he says, it can even be an opportunity for vigilant investors.

His comments come in the wake of the national power supplier's announcement that it will not approve the supply of power to new town-house developments, petrol stations, factories and construction projects for up to six months in the light of the country's ongoing energy crisis.

Jack explains that any undue delay in the start of new developments increases the developer's holding costs, such as interest payable on his loan. "However, the current capital growth of commercial and industrial land negates and outweighs the effect of higher holding costs," he says.

"Some investors might view this (moratorium) as an opportunity to acquire more land, while more circumspect buyers sit back to see what happens. Due to the tremendous capital growth being achieved, many investors are willing to pay top dollar for land and let it lie."

According to Jack, land that he had valued for a German company at R350 per square metre in November last year, was valued at between R750 and R1 000 per square metre last month.

Although the rate of new developments is slowing down as a result of the interest-rate hikes, investors continue to pay "silly prices" for land due to the nature of the market, sometimes without proper due diligence, he says. "It might be a good time for the industry to slow down and take stock."

Jack says he foresees that the delay in approval for power could be a bigger problem for major players in the national market, some of whom may have up to forty developments on the go simul-

taneously. "A six-month delay could seriously impact on their cash-flow."

Locally, he says, it has had no influence on commercial and industrial property deals. "It has been business as usual." According to him, his company has concluded land deals approaching the R100 million mark over the past six weeks.

Estate agent and developer Jaco Rademeyer says although the moratorium may not be a disaster for established developers, new or

first-time developers may struggle to sustain a major project for longer than they had bargained for.

"Remember, on a loan of R10-million the developer has to fork out about R100 000 per month. An extra six months equate to an additional R600 000 out of his own pocket."

Rademeyer says rapidly rising building costs caused by the ever-increasing fuel price further amplify developers' holding costs, cutting into their profits.

Estate agents are set to feel the pinch more than anyone else, he says. "Developments are usually marketed and sold from plan, while agents get paid on registration. They will therefore have to wait an extra six months for their money."

Buyers, on the other hand, are set to benefit from the moratorium, says Rademeyer. "They will have achieved six months' capital growth on their investment by the time they have to start paying."

