

Will infrastructure projects really deliver for property?



05 Apr 2011 - eProp - R1IPG

Intro

Governments all over the world have turned to infrastructure projects over the past few years as an immediate means of creating employment and boosting economies out of recession

But governments and their taxpayers should also be making plans to derive longer-term benefits from the expenditure.

So says Hano Jacobs, CEO of the Realty 1 International Property Group, who suggests that in SA, such plans should include ways to make the country more productive and globally competitive, as well as ways to increase homeownership and wealth creation, not just in the cities but in many smaller towns and villages.

"As outlined in this year's national Budget," he says, "the government plans to spend some R800bn over the next three years on SA's neglected roads, railways, water treatment facilities and hospitals as well as on new pipelines, dams and power stations, many of them in far-flung locations.

"And these projects will undoubtedly create thousands of new jobs and have an immediate impact on the property markets of many towns as demand rises for housing for itinerant project workers. We have seen this happen before as big capital projects took shape in Richards Bay, for example, and more recently in the power station towns of Lephalale and Bronkhorstspuit.

"However we have also seen how the bottom can just as quickly drop out of such markets – and local economies - as projects are completed and many of the workers go home or move on to other contracts elsewhere. Consequently, local as well as national authorities should urgently be looking beyond the short-term effects of the projects themselves, and making serious plans to harness their potential to deliver more enduring benefits."

At the national level, Jacobs says, SA could do with a shared vision of a strong infrastructure providing a platform for higher levels of productivity and competitiveness that will benefit everyone, "in much the same way as everyone pitched in to make the Soccer World Cup such a success". Although rated the most competitive country in Africa, SA still only ranks 54th out of 139 countries monitored by the World Economic Forum, so there is plenty of room for improvement, he says.

"However at the local level, the key for most towns will simply be to attract and keep more residents - preferably skilled - and to achieve that, their local authorities will not only have to see to it that they are safe and well-run, but also encourage and facilitate the establishment of new businesses and industries and the relocation of others to provide long-term employment locally.

"Indeed, it is only when this happens that we can expect to see the property market – and the economy - derive real and lasting benefit from the infrastructure programme, because it is only people with better-paid, permanent jobs who will generate a sustainable increase in the demand for local housing, help expand their town's tax base, and set in motion a cycle of further job and enterprise creation in the local construction and service sectors."