

REPUBLIC OF SOUTH AFRICA COMPETITION COMMISSION

Competition Act, 89 of 1998

MEETING WITH MASINGITA PROPERTIES

DATE: 30 NOVEMBER 2017

VENUE: CSIR PRETORIA

CHAIRPERSON: Ms L Mtanga

COMMISSION MEMBERS

Ms S Grimbeeck : Principal Economist
Mr T Khumalo : Senior Legal Counsel
Prof Halton Cheadle : Apology

ON BEHALF OF MASINGITA PROPERTIES

Mr M Nkuna : Chairperson and Founder
Mr T Tiphiri : Chief Exectvie Officer
MR M Manno : Development Manager
MR J Engelbrecht : Asset Management
MR E Boatburgh : Leasing Manager
Ms J Lam-Ford : Representing Masingita Properties



LEPELLE SCRIBES

P O Box 73090 Lynwood Ridge 0040
Free State (051) 430 1052 431 8205
Limpopo (015) 291 5522 230 0030
Fax: (086) 512 9211
Cell: (082) 866 9707
Email: info@lepellescribes.co.za

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In the hearing of

COMPETITION COMMISSION
AND
MASINGITA PROPERTIES

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Transcribers: W Brand. H van Rhyn. A de Jager. T Fouché. D Ackerman.

Signed off by: H van Rhyn
Sworn Transcriber

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LEPELLE SCRIBES

PO Box 73090 Lynwood Ridge 0040

FREE STATE: (051) 430 1052 431 8205 LIMPOPO: (015) 291 5522 230 0030

Cell: 082 866 9707 Fax: (086) 512 9211

Email: info@lepellescribes.co.za

PROCEEDINGS ON 21 FEBRUARY 2017

CHAIRPERSON: Good afternoon, everyone. We will now proceed to hear the submission from Masingita Properties. Am I right?

MR NKUNA: Yes.

CHAIRPERSON: Do you call yourselves Masingita Properties?

MR NKUNA: Yes.

CHAIRPERSON: Okay, thank you. My name is Lulama Mtanga, I am Chairing these public hearings. Just to explain, the Chairperson of the inquiry is Professor Halton Cheadle who, due to circumstances beyond
10 his control and the control of the commission, could not join us at these specific hearings.

I have been asked to Chair the hearings on his behalf. I am assisted by the two colleagues who work for the Competition Commission and I will ask them to introduce themselves.

MS GRIMBEECK: Good afternoon, my name is Sunel Grimbeeck, I am the principal economist at the Competition Commission and I am leading the technical team that is working on the retail inquiry.

MR KHUMALO: Good afternoon, my name is Thabo Khumalo, I am the senior legal counsel working at the Competition Commission and
20 with the grocery with the retail market inquiry.

CHAIRPERSON: I will then ask the delegation from Masingita Properties to introduce themselves, especially those people who would be participating in the discussion or answering questions, or any clarification questions that we may have and that we also... because we had sent out questions, other parties kind of had presentations that they wanted to make or introductory remarks that they wanted to make. So can we also, after you introduced yourselves, get an indication from you, as to how you wish to proceed?

Do you want us to ask questions or do you have a presentation that
30 you would like to make to us? Thank you.

MR NKUNA: Thank you, very much, Chair. My name, I am Mike

Nkuna, the Chair and the founder of Masingita Properties.

MR TIPHIRI: Thank you, Chair, I am Thuma Tiphiri, the CEO of Masingita Properties.

MR MANNO: Thank you, Chair, my name is Marcello Manno, I am the development manager for Masingita Properties.

CHAIRPERSON: Sorry, Sir, can you repeat your name?

MR TIPHIRI: Marcello Manno.

CHAIRPERSON: Okay, Marcello?

MR TIPHIRI: Yes, Manno.

10 CHAIRPERSON: Manno?

MR TIPHIRI: Correct.

CHAIRPERSON: Okay.

MR ENGELBRECHT: Good afternoon, Chair, my name is Johan Engelbrecht, my responsibility is asset management for the portfolio.

MR WOUDBURG: Good afternoon, Chair, I am Edward Woudberg and I am the leasing manager for Masingita Properties.

MS NAM-FORD: Good afternoon, Madam Chair, this is Joyce Lam-Ford, I act for Masingita.

CHAIRPERSON: Sorry, Madam, we missed that?

20 MS NAM-FORD: Joyce Nam-Ford.

CHAIRPERSON: Okay, Joyce?

MS NAM-FORD: Yes.

CHAIRPERSON: Okay and the surname?

MS NAM-FORD: Nam-Ford.

CHAIRPERSON: Nam-Ford?

MS NAM-FORD: Yes.

CHAIRPERSON: Okay, correct.

MS NAM-FORD: Thank you.

30 CHAIRPERSON: I have got it, thank you. Thank you very much. Mr Nkuna, I do not know if you... who is the main speaker? We just want to get an understanding as to how you intend to proceed.

We are not sure if you would like us to ask questions or you have a presentation that you would like to make, as I have indicated earlier.

MR NKUNA: Thank you very much, Chair. Let me outline how are we now going to proceed as a delegation from Masingita? We have got, you know, some presentation which, you know, we are going to hand it over to you, so that you can understand as we talk to you because you see, you have already given us questions to answer.

So we have prepared, you know, a detailed, you know, a response on the questions and answers.

10 CHAIRPERSON: Yes.

MR NKUNA: Right? We propose to answer questions from the panel after the presentation. So in other words, we will go on and do the presentation and once we finish and then you can then start asking questions.

CHAIRPERSON: That is in order, Mr Nkuna.

MR NKUNA: We also converse the main theme that emerge in those answering into the presentation.

CHAIRPERSON: Sure.

20 MR NKUNA: We propose to make the ... I have alluded to that, and we have already introduced ourselves. So what I would do, I will hand over, you know, the presentation so that, you know, as they do the presentation you can follow us.

So before, you know, I hand over to the persons that are going to, you know, move with the presentation with us, firstly, you know, I think it is important for myself to give an overview about myself, so that, you know, you can understand, because you see, some of the questions that you might, you know, need to answer, they might be contained on my, you know, overview.

30 CHAIRPERSON: Okay. Mr Nkuna, can I ask that as you are... as you introduce yourself, who you are, in that context give also some background on Masingita as well.

MR NKUNA: Definitely, definitely I am going to do that. I will give a background about myself and the background about Masingita, alright and thank you for inviting us to this commission so that, you know, you can share... we can share the understanding of this, you know, environment with you.

As I have indicated that I Mike Nkuna, coming from, you know, the rural area of Malamulele that is where I was born and moved to Johannesburg whereby, you know, all of us, you know, as black people would be residing from the rural areas and immigrate to Johannesburg to seek for gold and that is what happened in my case. I was a bit fortunate on the basis that, you know, my father was already working in Johannesburg.

At that time, you know, the township, particularly Soweto, as you know we had, you know, the Soweto Counsel and the Soweto Counsel, they were the ones that, you know, were giving, you know... you know, housing and obviously, you know, businesses as well.

So in those days, you know, the development of business was going to rest with, you know, vest with, you know, the Soweto counsel whereby, you know, my father was, you know, allocated, you know, a small butchery and I would, you know, remember when he started, you know, because it was more of a corner shop, which was in Chiawelo and as he was running that, you know, butchery, the turnover, you know, what he was doing, you know, per day, would be between R500 and R1 000 to a point whereby, you know, he realised that, you know, he is not making money and then he came to me and asked me whether, you know, I will be prepared to run, you know, that kind of, you know, butchery.

Indeed, you know, I went there and you know, test myself whether, you know, I was a true entrepreneur and indeed, when I took, you know, the management of that butchery, I was able to turn it around to a point that, you know, from the R500 that he was doing in a form of

turnover, I then, you know, take it to about R5 000 to R10 000 a day. So that, you know, it would demonstrate that, you know, if, you know, you are a born entrepreneur and you have got a vision to be somewhere else, you will grow to that height.

So what happened is that, you know, as we know that, you know, black people in those olden days were not, you know, allowed to own houses, up until after, you know, the '76 uprising.

Only then the then government decided, you know, to give black people, you know, the bonded houses, particularly for those who were
10 working for government, so that they can get subsidy.

So what happened is that, you know, in the 1978/79, when the government decided to give, you know, the bonded houses to blacks and they did not allow blacks to be the developers, you know.

The development of those houses, it was given to the big, you know, Construction Company, the Murray and Roberts, the Grineakers. So myself, you know, I saw an opportunity whereby, you know, I started mobilizing people and take, you know, a sub contract, you know, in those companies who were... that were doing the development in black areas.

20 That is when, you know, I realised that, you know, I wanted to be a property developer and meanwhile I was running, you know, my father's butchery and in 1980 I had an opportunity to buy a land in Soweto whereby, you know... you know, when I saw that land, I felt that, you know, I need to do some development and the development that I wanted to do was a garage and a small convenient supermarket, because I had realised that, you know, operating, you know, a butchery in a corner shop, it was not bringing enough customer.

I wanted to develop a shopping centre, a small shopping centre which, you know, people will then come and buy petrol and buy other things
30 and which was going to bring more customers.

So that is where, you know, I realised that, you know, to put up, you

know, a shopping centre, it would be better idea and indeed, after I developed... after I bought that stand, I was approached by BP, because BP wanted to buy that site from me. I then said no, guys, I am not interested in selling the site, I am interested in developing.

At that time the so called, you know Pick 'n Pay and Shoprite, they were not there. In those days, you know, the big supermarket, it was Score and OK Bazars and Score Supermarket approached me to say can we become a tenant and I then said yes and I was fortunate that, you know, I approach, you know, the bank that was then, you know, 10 the Permanent Building Society to come in as a tenant, they agreed and I was able to package, you know, the whole, you know, study in order to develop that convenient centre.

After I have realised, you know, 60% of, you know, the national tenants, I approached, you know, the very same Permanent Bank Building Society whereby, you know, to apply for a loan in order to develop that shopping centre.

Somehow my loan was rejected and I did not take no as an answer. I had to approach, you know, the power that might be and try and understand what is the criteria they use in awarding and rejecting.

20 So they tried and explain to me to say when, you know, we invest, you know, money or give you loan, we are investing money that belongs to the investors.

Therefore we have to make sure that, you know, there will be a return on the investment and secondly in so far as, you know, development is concerned, we are looking at, you know, at the ratio of 60% national tenant and then we award it along those basis and I then said look, in this instance, you discriminating me because I have achieved 80% and the powers that might be, they realised that they have made a mistake, they gave me loan. That was the beginning of my journey. So 30 if you look at, you know, Masingita over the 30 year period, we have developed more than 16 shopping centre in rural areas and township.

CHAIRPERSON: My apologies, Mr Nkuna, can I interrupt you there?
What year did you buy the land, 1980?

MR NKUNA: 1980.

CHAIRPERSON: How were you able to own land, because a number of submissions we received here, was that in those years black people could not own land. So how were you able to own land?

MR NKUNA: As I have indicated, as I have indicated when I started, I have indicated to you that, you know, blacks were not, you know, allowed, you know, property, nor houses.

10 CHAIRPERSON: Except for those who worked for government.

MR NKUNA: Except... No, no, what happened is, you see, before 1976, blacks were not allowed completely own a house or land, but you see, after 1976 and then they have established, you know, the Soweto City Council.

You will recall that, you know, that Soweto City Council, the late, you know, Mr Tshabalala... because when I came to Soweto, the two prominent male, it was Maponya and Tshabalala and myself, because I was a visionary, when I arrived in Soweto, somehow, you know, I felt, you know, that, you know, I have to make an impact as an individual,
20 because you see, you know, to become a businessman or to become a developer, it must come from you.

You have to feel it and say I want to make a different, because you see, if you want, you know, to be fed, nothing will come to you.

So you have to have a vision and say this is how I am going to execute my vision. So after 1976, after the uprising, the then government realised that, you know, they were in trouble. Then they established that, you know, we got to create land so that, you know, blacks can start owning houses and those who have got vision, they can start with the development of whatever, you know, they want to do.

30 So I managed to buy my first land in 1980 and the first development which was more organised, because Maponya had, you know, a corner

shop in Dube, Tshabalala had, you know, in Ayetu and the corner shop in Mofolo and White City Jabavu, those who know Soweto, you will know. So myself, you know, I wanted to come in and add number. I hope I have answered your question.

CHAIRPERSON: You have, Sir.

MR NKUNA: Okay.

CHAIRPERSON: Thank you.

MR NKUNA: So as I have indicated that, you know, my journey started from that one and I then said to myself I need to pride myself and focus on the areas that, you know, no one else has focused on those areas, because you see, if you look at, you know, the demographic of our country, when South Africa... I will go back to history, I am not a politician, I am a businessman, I will go back to history.

When, you know, the British colonised us, right and later on, you know, the Afrikaner came to us to help them to fight the British to take the country and after, you know, we have helped, you know, the Afrikaner to take the country, they then start, you know, in developing, you know, South African and if you look how, you know, they developed South Africa, they created, you know, the urban area and the rural area and the township.

So if you look at, you know, the development of, you know, the urban area was designed that, you know, in the township and rural area there must not be any development.

So that, you know, blacks can commute, move into the... come to the urban area and work, later on and commute back. So whatever, you know, they earned, they will spend it on transport and they will spend it on transport going backwards.

So you find that, you know, even if, you know, they want to buy grocery, it was not going to be easy to buy grocery within their doorsteps or to see their doorsteps being, you know... you know, also

developed or uplift so that, you know, it can also become urban area. So when I started, you know, I then felt that, you know, myself, I need to make a mark and focus mainly in the township, right and prove that, you know, given a chance, we can do it and my primary goal, it was to focus in Soweto and, you know, rural areas.

So if you look at, you know, the shopping centre that, you know, I have developed, you know, they are mainly in township and, you know, rural area and I will call myself insofar as saying that, you know, I wanted to be a champion and a pioneer in developing in a, you know, township
10 and by developing in a, you know, a township, you know, I felt that, you know, I will be uplifting the lifestyle of our black people and also create jobs and create competition.

Because you see, if you do not have competition, you will not be able to grow. Because if you create competition for yourself and reach... set up goals and say I want to reach there, then you will achieve it.

So that is what, you know, I did to myself and I have achieved that with the distinction because in today's market, you can go to any corner of this country, you ask about Masingita, they will tell you about Masingita and yes, there are challenges.

20 Challenges, you know, you will hear as, you know, as we present. You find that, you know, as you grow and you want to borrow money, there are conditions that comes with it and you have to decide whether you take it or not.

Things like, you know, exclusive clauses, you find that, you know, at some stage, you know, because you see, I was a beginner, when they say, you know, they will put this clause, you say I want to go there, I had to sign.

But you see, what makes me happy, in some of the leases that I have signed, now that, you know, I am highly experienced, I am highly
30 respected in this field, when I got back to them and say going forward, I may not put you into my centres, remove this clause, they are

removing it, because they respect the knowledge that I have, knowledge is power.

So going forward, let me allow, you know, so that, you know, we do the presentation and once we finish with the presentation, we will be able to, you know, respond to your questions and the other thing that, you know, I have noticed as I was looking at, you know, the list of the participants that were invited here, I realise that, you know, I was the only proper developer, because you see, the people that were here, including the one that left here, they are property fund managers, they
10 are listed company, they are not in our category, because you see, they do not go to the banks, they use their own money.

For instance, some of us because of knowledge and the experience that I have, a company like, you know, Redefine, they also assisted me and financed me in one of the development which, you know, they wanted to partner with me and if I did not have that experience, they would not have done that.

So some of the things, you know, you will hear, what I will do now, you know, I will hand it over to Marcello, to go in with, you know, the slide and then once we finish and then we will open up for questions.

20 CHAIRPERSON: Just a short question from me. We understand that there are proper players in the property space who manage, who are the property managers and then there are those who develop.

MR NKUNA: Unlisted, yes.

CHAIRPERSON: And then there are those who will be developing. So you are saying... are you... do you do any property management at all or do you just focus on development and then someone else manage your properties?

MR NKUNA: Fortunately, you know, you must have heard, you know, as, you know, they were, you know, introducing themselves, you know,
30 because you see, my property portfolio has grown to a point whereby, you know... like when I started, you know, I was operating from the

boot of my car and now, you know, if you have a sizable portfolio, you can no longer operate from the boot of a car and now I have got, you know, an asset manager in Johan, he runs that division.

So because of experience I am now also privileged, you know, I am also privileged like those ones, because you see, when I had grown up, I said, you know, how possible these guys can achieve this. So I set up some goals and say, you know, I want to achieve what they have achieved and I want to prove a point and I did not tell you the other story.

- 10 When I arrived in Johannesburg, coming from the rural area, I admired, you know, Carlton Centre and I said to myself wow, how did they do it? I said one day I am going to do it. I can tell you, sitting here, that, you know, today I am the first black to have developed, you know, a high rise building in the centre of the economy of this country. It is because I said I am going to learn, I am going to do it. So if you look what is happening in our country, you know, it saddened me because people, in terms of talking about, you know, serious business, talking about tender, tender, tender. How are you going to learn?

CHAIRPERSON: Which property is that in Sandton?

- 20 MR NKUNA: It is a residential development.

CHAIRPERSON: Okay.

MR NKUNA: Masingita Towers.

CHAIRPERSON: Okay.

MR ENGELBRECHT: Madam Chair, excuse me, being an asset management structure in a property management structure, I just want to clarify that. The ownership of the properties are holding in a company which are directly to the asset management of, and the asset management has an outsource, so I outsource that to third parties to do the physical property management.

- 30 So the structure starts with the property manager which reports to me as the asset manager and I report to the shareholders.

CHAIRPERSON: Okay, so Masingita does not do any property management.

MR ENGELBRECHT: Property management. To clarify, we do not do any property management, no.

CHAIRPERSON: You may proceed, Sir.

MR MANNO: Come again? Thank you.

CHAIRPERSON: Thank you, you may proceed.

MR MANNO: Thank you, Madam Chair. One of the key factors that influence development is location, location, location. Based on that,
10 we have had a look at accessibility of the location, the visibility of the location, the catchment, the flow of the catchment and then finally our Chairman's final sign off. We take him to the sight, he would have a look at it and get a feel for the ground and positioning of where it is and what sort of community we would serve and how.

The key factors, once we have identified the location that we look at, would be... first of all would be the availability and identifying the location of where we believed the centre would be suitable. Thereafter we would then arrange for a demographic study, a specialist study, a demographic study, which would be conducted by a professional firm,
20 either Fernridge or Demacron, et cetera.

From this Masingita will look at a few aspects which would come in the report, which should be concluded in the demographic, which one would be the commercial and residential growth in primary and secondary catchments.

Now the primary catchment would be within a certain radius and the secondary would be in a certain radius. This would differ in an urban area going to a rural area. Rural areas would have a bigger catchment and then the urban area would be more concentrated in a smaller catchment radius.

30 Masingita would then enquire about the availability of land, whether it would be owned by council or to be owned by individuals and would

look at the acquisition and how it would go by the acquisition of the land.

We would also further take into account existing retail outlets within the area, surrounding area and traders within the area. We would obviously engage with them and understand what are the needs of the community, etcetera, on our own basis?

Upon there we would consider a commercial viability of which we would have the plans drawn up of what we believe what we could place on the site, together with an architect professional team in doing
10 the feasibility and costing and so forth and see what sort of a return we would get.

Based on that, we would then be able to see if the land could be secured. Once the land would be secured, we then discuss with the local authorities in terms of rights and achieving, etcetera and then put it out to the market, whereby we would look at all the tenants and when I specify tenants, meaning more national tenants.

We go to the national tenants and understand what sort of tenant driven demand our location and centre would have. This would be also a very important factor that would govern where we would put the
20 centre.

Based on all of this, this demographic and professionals, etcetera, would then tell us what sort of size of a centre, because it would give you a conclusive result. It will tell you how many households are within the area, what sort of income expenditure you could expect within the area and it would then base it down to a total expenditure within you primary catchment for the area.

Of that we would generally only take a 14-20% factor and say of the total spenditure of the area, between the 14-20%, this would then account for a shopping centre of a certain size.

30 With that given and said, what would happen then, it would tell you percentages of gross and normally a normal household expenditure

would be 30-40% in terms of grocer and the balance would be split across the various categories.

Once we have this in place and the outcome is within the design and roll, we would then go back to the tenants of which they would them, themselves, especially our anchors and fashion retails, would then arrange their own demographic studies to confirm the numbers. Thank you very much.

CHAIRPERSON: I just want to understand, why 20 - 40% of the catchment area of that market?

10 MR MANNO: Predominantly it is 14-20%, predominantly because of... [intervened].

CHAIRPERSON: 14-20%?

MR MANNO: 14-20%, predominantly one, is that a lot of... there is a lot of leakage within the area, so you do not get all of the catchment, a lot of people prefer other destinations and are loyal to other stores and other than that, I think that would be it.

CHAIRPERSON: Okay.

20 MR NKUNA: Before I hand over to, you know, Edward, I just want to correct something. You know, sometimes you see I was just focussing, you know, on this of property development. In line with your question insofar as Masingita doing the management of their own property or not.

Johan answered it, you know, correctly, but subsequently to that, you know, we have just, you know, formalised a relationship with Aries Property on the basis of that, you know, Masingita own 51% and they own 49% on the property management and facilities management and the property advisory, because you see, I have realised that, you know, most of our black people, they would want to enter into this space and they would want, you know, to deal with somebody who understand it.

30 So I then said, you know, it will be bad for me to die with this kind of

knowledge without passing this knowledge to other people that can learn to me... from me.

CHAIRPERSON: Then just to go back to your... thank you, Mr Nkuna. Just to go back to what you said on identifying the catchment area. How do you determine a catchment area and does this differ in a raw city and in a township and urban city? What considerations will you take into account or factors that would make this catchment area different in those areas?

10 MR MANNO: Thank you, Madam Chair. As I alluded, it would be the needs of the area. So we look at the population and current demand. Your primary catchment or retail demand would be a great factor in population. So we would look at household, it would be un-serviced households, in terms of needs, etcetera, like specific areas like we discussed, Malamulele, also Zebediela.

So Zebediela on its own is a small township which only has walk-in trading and had no retail or other stores and the nearest place for them to go and shop would be 30-40 kilometres. So this would be a primary focus for us.

20 We look at it and then do the demographic to understand what sort of average household income it would have, what sort of population does it have and what sort of demand would this retail centre in that area cater for?

MR NKUNA: To add on to what he had just answered, you know, he has given an example about Zebediela. In most cases where it comes to identifying site, you know, I am more experienced, you know, I am giving them a guideline, because when, you know, you approach, you know, an area, you look at, you know, the surroundings.

30 Take Zebediela, it is a village which, you know, is situated in a very central area and surrounded by about, you know, 48 villages and, you know, you then look at, you know, a good spot where, you know, the traffic flows.

It is like a river, you look at, you know, how... where the water flows. So similarly the flow of people will pass there towards, you know, a shopping centre which would be in Lebowakgomo, which is about, you know, 30 kilometres.

So what we are doing, we are saying that, you know, if we then put it here, we will shorten their distance. That is how we identify site.

CHAIRPERSON: Then on... in assisting the income levels in the areas that you... in that catchment area, how would you do that exercise? How would you conduct that exercise?

10 MR NKUNA: Fortunately in today's... it is a very good question, right. Fortunately, you know, I will answer it, you know, broadly, because you see, I have dealt with, you know, that kind of question, when, you know, I was trying to convince Shoprite and when I was trying to convince Nedbank to finance me, right.

I have said to them firstly, you know, what we would have to do, we would have to get statistics in terms of the people that are working within. In that instance you will be looking at, you know, government servants and then you will then look at other employment like farming within the area and then bearing in mind that, you know, history in terms of us as blacks, when, you know, we go to Johannesburg to seek for employment, or when we go to Polokwane to seek for employment, we go and work there, but you see, we do not, you know, spend our money in Johannesburg, we spend our money back home.

20 So you will have to take a factor of that in justifying the viability of putting that and it has proven, because guys like, you know... you know, Shoprite, and I still believe that, you know that they owe me some intellectual property, because you see, Christo Visser officer managed to go and do, you know, the money transfer, because you see, they were probing for me. The money transfer that is happening, 30 it happened because of me. So that is how we justify the income.

MR WOUDBURG: Thank you, Mr Nkuna and afternoon, everyone.

Part of the presentation was to ... [intervened].

CHAIRPERSON: Sorry, just for a second. You mentioned that, did Shoprite also fund you or was it Nedbank that was doing the funding?

MR NKUNA: Nedbank was funding me for the development and then Shoprite, you know, I was communicating to them to come in as a tenant.

CHAIRPERSON: As an anchor tenant?

MR NKUNA: Correct.

CHAIRPERSON: Okay.

10 MR WOUDBURG: Thank you and good afternoon. Part of our presentation was to discuss why shopping centres or malls instead of standalone stores.

So just to substantiate that, we found that it was convenient to the consumer to have more than one type of offering available at one place. It saves the consumer time, effort and money by allowing them to visit one venue for all their needs and services.

The opportunities to trade increased, by having everyone together and deciding that people will come to one venue as opposed to be sporadic and going to standalone stores.

20 Safety is also a consideration when we develop shopping centres. People find that by coming to a shopping centre, it is a safe environment to shop, to spend their time and money. Retailers operating in standalone stores also do not benefit from the branding power of a shopping centre. A shopping centre is advertised and therefore they are also advertised.

Then also we wanted to just discuss what an anchor tenant is in our view.

30 CHAIRPERSON: Just to go back to what you have just said now. With all the benefits that you pointed out in having a one stop shop, area, premise or whatever you call it, would you say a standalone store, supermarket chain, or what is your view on competition between

a standalone store and a store located in a shopping centre?

Will those stores compete? Just give us the different permutations and basis for competition in a certain way, that where you have got a store in a shopping centre and let us say five kilometres down, away from that store, there is another one?

MR WOUDBURG: I see Mr Nkuna is itching to answer that.

CHAIRPERSON: Okay.

MR NKUNA: *Ja*, in my overview, I have given you my background.

CHAIRPERSON: Yes.

10 MR NKUNA: That, you know, I was running a standalone butchery shop.

CHAIRPERSON: *Ja*.

MR NKUNA: And how I, you know, realised that, you know, operating isolated, alone, you will not be able to grow, you know, your turnover.

CHAIRPERSON: Yes.

MR NKUNA: Your turnover reach limited, but you see, going into an organised development, which brings all the people, the likelihood, if you are a true business person, for you to increase the turnover, the chances are very high and I have proven that myself.

20 CHAIRPERSON: Okay.

MR NKUNA: I am talking from experience.

CHAIRPERSON: Okay.

MR WOUDBURG: Thank you, Mr Nkuna. So just going on with the presentation. What is an anchor tenant and what role does it play in shopping centres or malls.

So in our view an anchor tenant is a main... is our main tenant. It is usually a national chain or department store, it attracts on only retail customers, but other tenants as well. They occupy a large space, I think we know that and often in Masingita's cases, there is a
30 supermarket or large grocer that offers a wide range of goods and services in their premises.

Ancillary tenants, you asked in one of your questions what an ancillary tenant is, we just want to get the definition between the two from Masingita's view.

Ancillary tenants are smaller tenants, they occupy less space and they have a smaller offering due to the limitations of their GLA. They are usually speciality or independent stores. Ancillary tenants will generally follow anchor tenants. You know, once I know we have an anchor tenant, they will approach us to take occupation in our shopping centres. Anchor tenants also generate a lot more feet than
10 ancillary tenants. Just generally, ancillary tenants do not generate traffic by themselves, they need to be in a group and they also follow the anchor tenant.

One of the other questions was... [Intervened].

CHAIRPERSON: Just a second.

MR WOUDBURG: Sure.

CHAIRPERSON: On your answer on anchor tenants, you said an anchor tenant would be a supermarket or a large retailer.

Do you have, as Masingita, do you have a list of ... Is that list confined for you as to who you chose from? Is it a confined list?

20 MR WOUDBURG: No.

CHAIRPERSON: Or it depends on where your development is?

MR WOUDBURG: No, it is not. Just from Masingita's view, in our developments our anchor tenant is generally a supermarket or grocery tenant, but it is not specific to one specific retailer, if that is what you are asking?

CHAIRPERSON: Do you have a list that you... Not just one, but you have a list that you have confined yourselves to that is ideal or only anchor tenants to... [Intervened].

MR WOUDBURG: Ja, I think we are going to unpack that a little bit
30 later when we get into the questions and answers.

CHAIRPERSON: Okay, sure.

MR WOUDBURG: We get quite specific into that, Madam Chair, if that is okay with you?

CHAIRPERSON: Okay, that is fine.

MR WOUDBURG: Alright, just following the presentation in terms of tenant mix, how our tenant mix is determined. A tenant mix is very much demand driven, tenant demand driven.

So when we advertise a new development, we get a specific demand from tenants who will approach us in order to take occupation in a new development. The demand in the primary and secondary catchment area, so as Marcello and Mr Nkuna alluded to, you know, there is a demographic study done and we focus in on that and to cater for the needs of that community.

The LSM profile, as I have mentioned in the catchment area and then also the land parcel size and the parameters of the development.

So in the demographic it will unpack what the prescribed development size should be and then that is also equated to the land parcel size and sometimes we have zoning restrictions, so we cannot put a specific type of tenant into our development.

So that also dictates it a bit and the location. So we obviously... Marcello alluded to location, location, location, that also comes into terms of the decision and the tenant mix that we put together.

There is also financial requirements that 70% need to be national brand tenants. The definition of a national tenant is a retailer that has a footprint in all nine provinces of South Africa that is their definition of a national tenant, the financier.

They are not prescriptive to the type of tenant that we put into the shopping centre, but you need to prescribe to the 70% national take-up in a new development. The reason for risk... or the reason for this is due to the financial risk and for us to have longevity in that shopping centre.

I just want to get to the... I see Mr Nkuna covered the other two, the

impact of Masingita shopping centres or malls in rural areas. I think we have touched on that and we will get into that a little bit more.

Something we also wanted to mention is the entrepreneurial growth. When we go in and develop a shopping centre, the surrounding standalone stores and we put an example of a pharmacist.

So we developed a shopping centre and one of our tenants were Clicks and there was a pharmacist that had occupation across the road and Clicks ended up taking in that pharmacist to their store to operate the pharmacy and their licence.

10 So they actually became entrepreneurs and business partners with Clicks. It is just something that we wanted to allude to as well.

Around the mall we also find that smaller businesses start to mushroom and we have hawkers around our shopping centre, all benefitting from the foot traffic that is being driven by the new shopping centre in these rural and township locations.

We also just want to touch on the exclusivity clauses. We will obviously unpack this in our questions, but just as a brief overview. So we start by saying the role of exclusivity clauses in Masingita's shopping centres or malls.

20 In every opportunity and every transaction this is required by the anchor, by the anchor tenant. Their justification for this is the size of the shop that they are taking, the lease period that they are committing to the shopping centre, so it is a long lease.

The initial period is ten years and they thereafter have options to renew and the substantial investment that they are making into the shopping centre, which Masingita understands.

They also have a lot of market power, so as the developer, the financier has prescribed a 70% national ratio and part of that 70% in a large portion is the anchor tenant.

30 Historically Masingita has yielded to the pressure from the anchor tenant and form it on the basis that they have just justified. It is also

because Masingita at the time did not have the market power to negotiate against this.

However, going forward and as Mr Nkuna alluded to, knowledge is power. You know, if the Competition Commission were to decide or find that these clauses are anti-competitive and should not be included in leases, the developers and the consumer may be better off.

Masingita has also had times where... and Mr Nkuna again alluded to this earlier, that the anchor tenant has wavered the exclusivity clauses. We had examples in rural areas where Mr Nkuna would have
10 owned a shopping centre of 12 000 square metres and has then, due to the amount of trading density and the market capture that that specific centre has, has decided to expand the shopping centre and in some cases substantially.

Manno has approached the anchor tenant and explained to them what his intentions are and what his vision is with the shopping centre to expand it and that anchor tenant has decided to waver the exclusivity clause to permit new supermarkets into the expanded shopping centre. In other cases we have had smaller shopping centres and we have made provision for smaller, independent grocers and butches to enter
20 into our shopping centres. Often the exclusivities are prescribed on the size of the shopping centre.

You know, so if we are building say a 15 000 square metres shopping centre there will be a supermarket and we will always ensure that there is provision for entrepreneurs and smaller butches surrounding the area to take up occupation.

Thank you, I would like to hand back to Mr Nkuna.

MR NKUNA: Thank you very much, Edward. You know, you will realise that, you know, we have got, you know, your questionnaire and we have dealt with some of the issues that you were concerned in detail
30 and if you look, you know, at the back here, you will see your questions and answers in details.

But I am not saying that, you know, if you feel you want to ask questions, you must not ask us questions, you are at liberty to ask any question. Thank you very much.

CHAIRPERSON: Thank you, Sir. In your side, I just want to see if I do not have any question before that one. Okay, just to go back to the question that I have asked, which you said we must park until you finished the presentation, on anchor tenants and whether or not Masingita has a confined list of anchor tenants that you chose from?

10 Are there grocery retailers in Masingita's view that can... that only can qualify as anchor tenants and are these confined in, or is this dependant on an area, road, township, urban?

How does it work for you? Can you just expand on that question for us?

MR NKUNA: Thank you. You know, we do not have, you know, a confined, you know, tenants or list, but it depends on, you know, the circumstances. I will give you an example.

20 Let us assume, you know, you want to go and develop something in Malamulele and you find that, you know, one particular developer has developed and he put, you know, Shoprite as an anchor tenant and I then assess, you know, the market and after assessing the market and feel that, you know, there is an opportunity to put another development and obviously I will go and check which, you know, anchor tenant can, you know, satisfy the needs of, you know, the people in that particular area. That is how we work.

CHAIRPERSON: Okay, in doing so, are you confined in terms of the list that you chose from? Is it a limited number, Shoprite, Pick 'n Pay, Spar and that is it, because when Mr Woudberg was talking, he said anchor tenants or large retailers? So I wanted to see how wide is that group for Masingita? How broad a group is?

30 MR NKUNA: Well, it is quite large, you know, you cannot be limited to the number that, you know, you have just alluded to. Because

sometimes, you see, you find that there are supermarkets that, you know, are more on the franchise, you know and if you find that, you know, the operator, you know, can serve the purpose, you end up talking to him. I will give you an example, whereby, you know, I have got a smaller shopping centre, which, you know... because once you are in retail, it is in your blood, you cannot move out of it, because you become addicted.

10 So I felt that, you know, I do not need, you know, the Shoprite or the Pick 'n Pay, I went and get, you know, a franchise, you know, supermarket, because sometimes Pick 'n Pay, they offer franchise and then I went and get, you know, a franchise of OK. I am presently running that supermarket and I am competing with, you know, Shoprite, Boxer, Pick 'n Pay and Spar.

CHAIRPERSON: You define that shopping centre is a smaller centre, would that be 12 000 square metres?

MR NKUNA: That one, it is 7 000 square metres.

CHAIRPERSON: 7 000 square metres, okay. Can I ask maybe a more specific question? Do you have Choppies as your anchor tenant anywhere in your shopping malls, especially in the rural areas, townships where you are, you have developments?

20 MR NKUNA: Currently I do not have Choppies, but I can tell you that, you know, the CEO of Choppies is coming to see me on Monday, I have got an appointment. We are currently talking because we cannot limit ourselves.

CHAIRPERSON: You are not limiting yourselves?

MR NKUNA: No, I cannot.

CHAIRPERSON: Okay. Then there is also the... if you look at your slide 17, the impact of Masingita's shopping centres or malls located in rural areas or townships.

30 What would you say is the impact there? Is it positive, is it negative, especially on other retailers that may have existed prior to the mall or

centre that you developed?

MR NKUNA: To us it is very positive.

CHAIRPERSON: Okay.

MR NKUNA: If you look from areas that, you know, we have been developing, we were able to urbanise those areas and you will find that, you know, the spin off, in terms of, you know, developing in that whole area, grows and more people are coming into the area, more people are starting to go for franchises. So you find that, you know, we have made a big difference in the life of, you know, the people in those areas.

10

CHAIRPERSON: Can you speak to... can you just give us... [Intervened].

MR MANNO: Madam Chair? Sorry, Madam Chair, if I can just give you some other examples just based on that question?

CHAIRPERSON: Yes?

MR MANNO: Masingita also believes that competition is good for the community and I will give you examples. So Malamulele, which is a very small town, currently has three shopping centres of which is two owned by Masingita and the third existing one is by Fund.

20

Giyani has four, five shopping centres of which out of those five, three is owned by Masingita. Currently one of its larger regional shopping centres that we develop in one of the smaller 12 000's into the 45 000 square metre, is Masingita.

So as long as there is a primary catchment and there is a demand for it... [Intervened].

CHAIRPERSON: Is that in Giyani?

MR MANNO: That is in Giyani, yes.

CHAIRPERSON: Okay.

30

MR MANNO: As long as there is a primary catchment and there is a demand, which our demographics and surveys and studies would indicate. Your retailer also do a similar example in study and that

would indicate whether they would have a viability in the area. I do not know if that has answered the question?

CHAIRPERSON: No, it answered. I just wanted to also get a sense of where most of your developments are, as Masingita? Where would you be located? Are you an urban shopping centre developer, found in Sandton or are you more focused in the rural areas, townships? If so, are you still focussing on certain provinces, more in certain provinces and less so in other provinces?

10 Just give us a fair sense of where Masingita operates as a business or has been up to now?

MR NKUNA: Thank you, Madam Chair. You know, when I was giving my overview, you know, I have alluded that, you know, we chose, you know, to focus in township and rural areas.

We did not want to come to the urban areas and compete, you know, with, you know, those big, you know, property fund that are operating within the urban area. So we created our niche business by focussing in township and rural areas.

CHAIRPERSON: Yes.

MR NKUNA: Insofar as you know, which area.....

20 CHAIRPERSON: Provinces...

MR NKUNA: Or which provinces, we develop in any province where, you know, we can find you know, a suitable land which will satisfy, you know, our needs. Currently we have just completed, you know, a very good development of about 25000m² in Thabong in the Free State because the municipality there, they were creative and they wanted to create something and you know, provide you know, services closer to the people.

30 So they invited us and when we assessed the land and we that, you know, the land was suitable and we then completed that development, you know, two years ago. So we can go anywhere.

CHAIRPERSON: I know you have said there are spin offs for the local

retailers and traders where your malls have been built but we have also had people who have come forward here to say where these malls have been built and complaining quite bitterly about municipal land having been given up or sold to developers.

I will not say like yourselves but developers, to build malls and, and how, how they, them as citizens of those areas, how them as traders and business people of those areas have never been..., considered by the, the local authorities.

To what extent do you work with and, and bring in these local business owners in the area, into your shopping area, into your, into your shopping centres?

Especially your area because your area or focus is where these complaints are coming from.

MR NKUNA: Ja, look [intervened]

CHAIRPERSON: Townships and rural.

MR NKUNA: Yes, let me answer it in, in this fashion: I have indicated to you when I started, you know, this you know, conversation that you know, I come from a background of being a retailer and I was running a butchery, right? And you know, because you see I was a visionary, you know, I, I told myself and subject myself to say, I want to compete and I would simply say, you know, in a nice way, you know, because you see if you know, if you want to grow and you want to be competitive and sometimes have an opportunity to go out there and compete with the world, you need to subject yourself to competition.

So I often hear people talking about that, you know, the big malls that have come into, you know, the township have killed the smaller, you know, you know, shops.

My answer to that, it is no. To those, you know, who are not selfish because you see, when, you know, big malls come into townships, they, they are also creating jobs because you see, you must bear in mind if it was only a corner shop standing there, you would not be able

to employ, you know, you know, 2000 people. You will end up with three people.

So what, you know, our people need to understand is to say, you know, we also want to be top developer or top business people and you cannot be a top business people if you want protection Your Worship, and in other words you do not want, you know, to compete.

And you want to go into a race course and run the race alone. To me that, it does not make sense. You know, I believe that, you know, if you now, we then tell ourselves that you know, I want to achieve something and work on it and you know, we will be able to be competitive and, you know, look, I am sitting here, competing with the likes of Redefine. I am sitting here competing with the likes of, you know, Resilient, I am sitting here competing with the likes of MacCormick. I can count and count and count, but you see, because you see, I said I am going to make it, and I am busy, you know, competing and when I come into an area they know that, you know, I am going to give them a challenge.

CHAIRPERSON: Mr Nkuna, it, it may be easy for you to say that as a, as a property developer but when you, when, when you speak as a retailer, and this is the argument we have listened to and we have also raised to some of the complaints that were put to us, if you, if a retailer come in from a certain area and then a mall comes and depending, let us say if a Shoprite or Pick n Pay, a big supermarket chain is located in that, in that shopping centre, are you saying that they need to be visionary, visionaries or the traders outside the shopping centre need to be visionaries to be, to enable themselves to compete against this entity that is huge, that has, has had the benefit of history in, in building themselves, establishing themselves into a sizeable business that, that financially, has financial muscle that can purchase volumes of goods and therefore benefit from discounts which local and, which a smaller corner shop cannot really afford to do.

So how visionary are you asking these people to be against this

background that, these are the questions that we, this is what, when people complained, this is what they came to us and said that, pre-94, this is who we were, we had no access to finance, no access to our assets, we did not own any assets and then come 1994, we wake up, there will be land, you knock on, on a municipality's door trying to find land and no offer will be made to you as local businesses for, to expand your businesses. And then you wake up one day, there is a mall.

10 You know, I remember specifically there was a person from Tembisa who had gone, who had seen a site and thought, I want that site from my business and he went to three different municipalities and got no answer, and the next thing he heard, he, he was telling us at this hearing that the next thing he heard that, that site was being sold. And he did not even know who the owner was. And he had tried to establish this on his own.

20 So these are the challenges that some people, some of the retailers on the ground, who are not in property development, who are... All they are doing is to sell grocery. They are not, they do not understand what, what is happening with property and these are the dynamics that they are facing.

So are you saying these, these small corner shops that would, who would, who have had ambitions to grow and looked around the, there was just no possibility pre-94 of growing themselves beyond being a corner shop and then come 1994, they wake up, there is a big mall on their doorstep. How are they supposed to grow?

MR NKUNA: Maybe... Thanks, thanks Madam Chair. Maybe let me answer it like this, but you see, once I am finished there then I will give it, I will open a floor for my colleague to also add.

Maybe let me put it like this. Let me remove the cap of a developer.

30 CHAIRPERSON: *Ja*.

MR NKUNA: And talk as a retailer. So that, you know, you can find a

fair comparison. You know, I have just indicated here that, you know, currently, you know, I decided to take, you know, a franchise and the reason I have done that, you know, I wanted to create some jobs for the local people in that area and I ended up taking a space of about 1600 and put an OK, you know, a supermarket which is a franchise, right?

And you look within the surroundings, you know, SPAR they have got, you know, two supermarkets.

CHAIRPERSON: Sorry, Mr Nkuna, when you say 'take', what do you mean? Acquire? Or did you give an opportunity to an existing franchise that was not owned by you and then you put them in your centre? What, what do you mean by 'take'?

MR NKUNA: No, no, I, I acquire myself.

CHAIRPERSON: So, you, you... Okay.

MR NKUNA: I acquire, you know, from somebody who was running that supermarket but he was not making an impact. So I acquired that, you know, supermarket and say, you know, I want to run it myself and you look within the area, there are two big supermarkets, SPAR, there is a Pick n Pay, there is a Boxer and Boxer, they have got two stores and Shoprite and apart from that, there are several Somalians, by the way, Somalians are very good, you know, retailers.

How they do it, I do not know but you see, I am competing with them because you see, what they do, they are very creative. This big supermarket, you find that sometimes they compete amongst themselves and sometimes, you know, they sell goods for nothing in order to call people into their supermarket.

So what Somalians do, when you know, they have this big special, this big supermarket, they go and take everything at below cost. Right? And when, you know, the special, you know, passes, and then they go and sell it at the same price that they are selling, so it is being creative.

So, people's mind is that, you know, we do not want anyone to come here, we can go and sell, you know, goods, you know, at a high expensive price, consumers suffers. Because you want to dominate the, the area. So what, you know, I, I have done you know, I wanted to prove a point that, you know, it is possible.

And then let me tell you this again I come from a rural area called Mbuzana. My old mother, may her soul rest in peace, she was running, you know, a corner shop like, you know, what I have seen, you know, the former president Thabo Mbeki, his mother was also running a corner shop, so what happened is that, you know, when she died I felt that, you know, I cannot let, you know, this you know, legacy die. Because I have got grandchildren.

I want my grandchildren to know that, you know, their grand-grandma was running, you know, a *spaza* shop. I went in there, in a village and the majority of shops that were run by our people, are no longer run by them, they, all of them, they have sold them to Somalians.

So I then said, you know, I want to prove that you know, we can also do it, and I can tell you Somalians, they, they are wondering how am I doing it? So it is about creativity, how you want to run your own business.

I have removed the development hat, now I am talking about the hat of retail because I know both.

CHAIRPERSON: Is, is it not creativity that is backed up by some financial muscle that those people in those areas will not have?

MR NKUNA: I have just given an example that, you know, as a child myself, you know, when you know, you are an entrepreneur, you come with creativity. You know, I remember, you know, I used to sell loose draws, and I remember in the early days, you know, when you know, when we had soccer matches in Orlando stadium, I will go and buy, you know, extra tickets and resell them in the stadium. That is creativity. It is not about, you know, financial muscle.

CHAIRPERSON: Okay.

MR MANNO: Ja, thank you, Madam Chair, just to add to Mr Nkuna's creativity, generally in the rural areas there is a lot of *stokvel* groups that start to accumulate, so it is a few families that get together and put money aside for Christmas and when they make food and so forth for each other, so they arranging food parcels a year in advance.

So being creative would be the, the family, the person in the community that knows that there is a lot of *stokvels* going around, going to a Cash and Carry or going to a big wholesaler and doing a bulk order and being able to offer a better price to the people and that when December comes, he has got a bulk order price secured, no escalation on the price and he puts down a deposit and he is able to sell it and make a mark-up on.

So there is various factors which have been able to be used, but if I can just touch back on a few points of your questions. We have outlined it.

MR KHUMALO: Sorry, sorry, Mr Manno. I am not sure if you are familiar with other parts of this inquiry. For instance, we are looking at that area of competition between local people and several other groups.

CHAIRPERSON: Foreign nationals.

MR KHUMALO: Ja, people of other national descent, though some of them are now South Africans or... Ja, so we are looking at that and I am not sure how much, even to Mr Nkuna, how much you have heard about business practices in that area.

I mean what you described you know, we can sum it up as resourcefulness, but taking on the example of *stokvels* as Mr Nel was alluding to, we... we have heard even from cash and carries that there are different price in strategies, whether or not you are buying the same amount of goods as other groups or not. You know, I mean what else could you as resourceful business people suggest that those who

do not have access to this preferential pricing, even from cash and carries and other wholesalers. What else can they do to, you know, to enhance their comparativeness?

MR NKUNA: Look you know, your summary which you know, you say, you know it is more on the resources. I will, you know, you know disagree with you.

I will always revert back to myself, because you see when I started I did not have money. You know because all what I had, I had the wheel and sometimes you see, you need to subject yourself and you know go
10 and borrow money and when you start, you know, you find that you know, it would not be cheap.

It will be costly, but myself because you see, I wanted you know to achieve something and I have borrowed money, you know to various institutions and that you know help me to, you know to manage, you know to buy you know, if... you know I am no longer as a developer now.

I am talking as a retailer, because that is where I started. So you find that you know when I go and talk to the people that were supplying meat, you know I will negotiate, because again what you know you
20 must do as a business.

If you go to somebody and say you know, I am coming to buy and you know he says, his price is this and you do not negotiate, you know he will just take it, because you see, he wants to make money. So if you are a business man and you want to achieve something, you will negotiate, because you see you will know your surrounding and what you can send, because you will have to do your own market research and say, if I sell this at this price, then people will buy. So when you go to the wholesaler you have to negotiate. Right?

So that is what you know I have seen with, you know this guys that
30 you know are coming from outside, you know the boundaries. They are good in negotiators and the other thing that you know my mother

was doing, which attracts you know people to go and support her and she offered you know people credit facilities.

You know she will give them a bag of mielie-meal and then when you know the husbands you know send money back home, they go and pay and then she will give... that is how she sustain her business. Then I see even the big supermarkets I had you know recently that Pick & Pay wants to do that. So it goes back to creativity.

CHAIRPERSON: Mr Nkuna I hear you, even that credit facility strategy of creativity, we are not hearing that for the first time. Black
10 business people, those small retailers, in the townships and the rural areas, have been doing that for years.

MR NKUNA: Yes.

CHAIRPERSON: That is how they sustain those communities in the first place. So that we know, but what we are saying is, how creative can they be against a big supermarket chain?

Like, I think we do need to agree at some point. They will run out of creativity. Do you not think they will run out of creativity, faced with a big player that can really, really sell products at a lower price, at a lower price value they can afford to and some of them have exited the
20 market on this basis.

So I do not know, I do not know how far your creativity can take you without the financial backing, because for us, for you to have money, you said you had to do it in an expensive manner.

MR NKUNA: Yes.

CHAIRPERSON: That expensive manner for them it meant going to, I am speaking, I am basing this on submissions that we received. It meant going to knock on a door of a bank, asking for a loan and if you have no asset, you have no way of obtaining any loan from a bank.

So you need a collateral for any loan that you obtained from a bank
30 and because they were not asset owners. They were not able to do that. So they were not as fortunate as some people were and I think

you were one of those people, because you had an asset. They did not.

So the dynamics are not quite... it is not comparing apples to apples. They are dynamics in certain cases and this is what we trying to understand about that question. Where these people have no assets whatsoever, had no way of obtaining financial funding from banks and this is what happened.

This is the complaint that, this is what we have been told, let me put it that way. So I am putting their arguments to you.

10 MR NKUNA: Okay.

CHAIRPERSON: As a developer, as a retailer. Wearing both hats.

MR NKUNA: Okay.

CHAIRPERSON: Giving us an insight as to how to address this.

MR NKUNA: Okay. Let me... I think I understand you, exactly what you are saying.

CHAIRPERSON: Ja..

MR NKUNA: You know, you know if you look when I started, you know, I started during apartheid, right?

CHAIRPERSON: Ja.

20 MR NKUNA: And of which you know, there were no other institutions that you know helps and even though you know I had you know, this you know, noble ideas of you know, running a business, I could not go to the institutions that you know we have today in our country.

If you look currently, we have got you know, the DTI which offer some grant if you know, you will come with you know a noble idea and you are able to put you know, a business plan properly, they give you a grant.

CHAIRPERSON: Hmm.

MR NKUNA: And then we have got you know, institutions such as
30 National Empowerment Fund.

CHAIRPERSON: Hmm.

MR NKUNA: And those institutions they are looking for entrepreneur, that can come and say I have identified you know, a development that is happening in Chiawelo.

CHAIRPERSON: Hmm.

MR NKUNA: And I believe that you know I can have a supermarket and this is my business plan and National Empowerment Fund, you know, they finance such people.

So if you look then and now, it is much easier for a black person to access cash as compared to when I started during apartheid time.

10 CHAIRPERSON: Okay, and still want to say that you said during up that times when you also had assets in your hand... [Intervened]

MR NKUNA: I did not have an asset, sorry ma'am. I did not have any asset.

CHAIRPERSON: Okay.

MR ENGELBRECHT: Sorry Madam Chair if I can also just, before we ask another question if I can also just go through a few facts, because I had not been given a change to finalise a few facts on... on the retail. So, just from our side, the Shopping Centre in short term, does have some side effects to the smaller retailers. We are not saying that it does not.

20

CHAIRPERSON: Hmm.

MR ENGELBRECHT: It does have some smaller side effects, but in long term it has a much beneficial effect. If I can just go through some things that we have prepared.

CHAIRPERSON: Hmm.

MR ENGELBRECHT: "Larger retails can compete on price and offering and in some"... [Intervened]

MR NKUNA: It is on the... it is on your... [Intervened]

CHAIRPERSON: In the rest of the ... [intervened]

30 MR ENGELBRECHT: Ja.

MR NKUNA: He is reading from the questions and answers.

MR ENGELBRECHT: So I will just go through some of the things we have prepared; “Take away from the independent retailer. However developing a shopping centre mall, create a better economic opportunities for all.”

I know we keep touching on it, so excuse me if me repeating it.

CHAIRPERSON: Yes.

MR ENGELBRECHT: It is just because of all the various answers et cetera.

CHAIRPERSON: Yes.

10 MR ENGELBRECHT: “Traders located close to shopping malls often benefit due to such proximity. The spill over effect that brings more feet to the trader too. For example close to malls; there are often Value Marts which have a mixture of tenants; some brand names, factory stores, independants, et cetera.

Traders also are not specified according to time in which they have to trade, whereas a shopping centre has a time line, where he can only trade from half past seven to five or to six.”

20 So often traders open up at six, before people go to school and some close later. As example. We do make provision in our centres for traders, either hawker stores et cetera, where we have made allowances for traders to be able to come in.

So they are not subjected to the rental that would be charged in a shopping centre. “The rise of township based shopping centres or malls introduced by Masingita, in rural areas has contributed to change in the shopping experience which benefits consumers.”

As Mr Nkuna expressed, like SASSA, Home Affairs, et cetera.

30 “Generally you would have to travel 30 or 40 kilometers for this. Your travel time has been shortened, money used on transport et cetera, can now be used in the primary catchment. So whether it is to your local store

owner that you know or to the shopping centre, the experience is now more focussed on.

So your catchment area becomes a bigger growing factor which I think is very important, because a lot of times you travel further out to go get what you needed, because your stores close by did not offer it.

So your money expenditure is happening more around the area.

10 “In order to have access to a large variety of items and in order to purchase bigger or more expensive items, residents were forced to spend their savings on public transport, which I have explained.

Shopping centres enhance trading conditions and offer opportunities to local retailers to grow their business offering.

There are also event this in a primary catchment area.”

20 Then what I would like to say is that the building of shopping centre or mall attracts other business and residential development. So generally what happens is, you see a big growth of residential development also happening around the shopping centre, due to the job offerings, due to is locality or where it is and that you are closer to your primary needs, which is food et cetera for your family, because he husbands all work away like we said and they send their money in.

Thus the community grows which benefits again, on the long term it benefits the independent retailer.

“Competition benefits the consumer. The retailer has to focus on customer service, improving their range of stock and services and on being price competitive.

30 An independent retailer with a good track record can benefit from the entry of a large development into a

township or rural area.

Since independent retailers or sometimes invited by train stores to operate under their brand, thus independent retailers are empowered and receive training and get the opportunity to join the formal trading sector.”

What we have seen on a few occasions is, for instance we have had a beauty store, beauty salon, beauty store, optometrist and the local ladies, what they did is they both got together and they created one store.

10 So you go for optometrist, you go for your hair and then they combine it for a nail salon and it was not the first. When we developed another shopping centre they grew with us.

We found that our pharmacist started by trading in fast foods and he started doing fast foods. Certain stores like an OBC what they will do is they would take someone which is local, which wanted a butcher and they would assist with financing or achieving financing from, is it DTI?

MR NKUNA: DTI.

20 MR ENGELBRECHT: DTI, etcetera. So then they would get them into a franchise position. As we discussed Clicks, what they taking is someone with a license, included them in their store, a franchisee and they continued. We have that on a few occasions.

“Masingita is sensitive to the social economic conditions in townships and is focussed on the needs of the community in which they do business.” I think this is a very important point from us and it something that we do strive for, hence us looking at rural areas. Thank you.

30 CHAIRPERSON: You are welcome. I think we are towards the end of our questions. I have two questions. The first one is, I guess let me start with this question, because it kind of follows up with what we have been discussing.

To what extent does Masingita bring in those entrepreneurs in the area, into, or enable them to actually operate in your shopping centres?

The ones in the township, rural areas, to what extent do you make it possible for your smaller traders, smaller players other than hawkers, other than hawkers? People who want to operate a business and want to have walls and a proper business, what initiatives are you doing in those areas, are you making in those areas to bring those players in? Rural and townships.

10 MR NKUNA: Well, you know look, you know Masingita you know, you know take an extra mile you know in uplifting you know our people. If I, I can tell you about you know several, not one, several people that you know I have uplifted.

You know there is one guy called Chirinda, he is a pharmacist by promo, profession, you know he was working for Dischem and I managed to tell him you that you know I am going to build, develop a shopping centre in a certain area.

20 Come, you know I will take you up so that you know you can apply for the pharmacy licence because currently you know our government wants to give licence to the smaller player. And indeed you know, you know off plan you know we showed him where we want a pharmacy and indeed he applied for pharmacy licence and you know when we opened, he operated that store for six months and he realised that he is making money.

30 He approached me to say what else can I do and I said you know the other area that you can go, you can go into the food you know area which you know you can place it next to your store and I went you know in so far as you know negotiating for a franchise with you know Steers and Debonairs and, you know and we also helped him to raise you know the funding.

And you know this guy now he is a super guy, and I am not talking

about him only, I can talk about more than 20 of them. Right, so it depends on the will of people, whether you know they want to participate in a meaningful way or they want to go and sit down there and complain and thinking that you know things will come.

Nothing will come if you know you do not try and uplift yourself. Only you yourself can uplift yourself. That is the, the, the, the feeling that you know I have in so far as that uplifting other people.

MR MANNO: Madam Chair sorry if I can just add to what Mr Nkuna is saying here.

10 Part of our leasing strategy, when we develop a new shopping centre is that between 10 and 15% of the gross lettable area

CHAIRPERSON: Yes.

MR MANNO: Goes to line shops and independent retailers.

CHAIRPERSON: *Ja*.

MR MANNO: And you think of 10 or 15% of 20 000 square metres, that is 2 to 2 ½ thousand square metres made up of shops between 30 to say 200 square metres. So, it is, it is quite a number of, of independent retailers taking up occupation and shopping centres.

CHAIRPERSON: Okay, thank you very much for that and...

20 MR NKUNA: Can I add something? Recently I, I was approached by you know the, the Minister of Small Business, ma'am Lindiwe Zulu. She was asking me how can we assist you know the smaller you know players to come into you know this big development and play a meaningful way.

My suggestion to her, I was saying that you know currently the, the custodian of the land now it is government or municipalities.

So if we can find a way whereby you know when you know this big developers come and you know try and buy land for development of shopping centre, we can then say we will sell you this piece of land but

30 adjacent to it you know we will make you know a concession of that land so that you know as you design the bigger, development...

CHAIRPERSON: Shopping centre.

MR NKUNA: Shopping centre, you try and develop smaller shops that will be incorporated in the main stream but you see those shops dedicated for the smaller player.

CHAIRPERSON: Yes.

MR NKUNA: At no cost. Because you see if you know you put a high cost on that land you know my focus would be, I am going to raise money to do a development, whoever is going to finance me will want a, repayment. So I will not be able to accommodate as many smaller player as possible...

CHAIRPERSON: Possible...

MR NKUNA: Because...

CHAIRPERSON: No...

MR NKUNA: I will be restricted, but if, you know government come in and say we are prepared to move with you in some instance, we may take the land cost and say we are not going to charge you the land cost and then the land cost will go towards creating you know the smaller shops for smaller players.

CHAIRPERSON: Ja.

20 MR NKUNA: I think that will solve the problem.

CHAIRPERSON: Ja, definitely. It would certainly solve the problem and as well as doing it retrospectively in areas where there already exist this kind of malls which have had a negative impact of those communities where they are located. Yes, I agree with you. And then you also mentioned in, on page 20 that you have also had some exclusive li, exclusive clauses waived. Are you comfortable telling, giving us a sense of how is that happening a lot and then do you want to discuss publically or would you rather keep that confidential as to who has waved which retailers have waived their confidentiality and, and in which areas.

30 MR NKUNA: Well I will answer that one you know I do not want to

discuss confidentially.

CHAIRPERSON: Ja.

MR NKUNA: Because it, it happened you know, when you know I started, you know I wanted to take Boxer in Giyani and at that time you know...

CHAIRPERSON: What do you mean by take?

MR NKUNA: I wanted you know, Boxer to come as an anchor tenant.

CHAIRPERSON: Okay sure.

MR NKUNA: Right, because most of you know the other shops you
10 know were already in existence. So, because you know they did not know the area and they did not know whether they will succeed and they said you know the only way we can come you know we will have to put you know an exclusive you know clause.

And it was the first you know Boxer in that whole area.

CHAIRPERSON: In the Giyani area?

MR NKUNA: Well not Giyani, I would simply say from Polokwane downwards.

CHAIRPERSON: Okay sure.

MR NKUNA: North, I would Northern Transvaal, or Limpopo, it was
20 the first Boxer.

CHAIRPERSON: Okay.

MR NKUNA: So obviously if you know you go into an area which you do not know, you put condition in order to protect your investment bearing in mind that you know they spend a lot of money in terms of tenant allowance. And you know to shop fitting on that whole shop it cost a lot of money. So, and myself I wanted you know to enter that market, I had to subject myself to that.

CHAIRPERSON: Sorry sir before... I am sorry to interrupt you, would you say Boxer was the first store of its size in that area, at that time?

MR NKUNA: No, no there were other stores like you know, you know
30 Pick 'n Pay, like Spar, they were big but you see I saw that you know

there would be a market for another you know big store and to create a proper shop, a soup, a shopping mall.

CHAIRPERSON: No, I am just trying to understand what was so novel about them, about their existence in, in that area to justify their exclusivity in the, in the presence of the other player in the market who were still making money, who were able to, who were, who were operating and not exiting the market.

MR NKUNA: We did not go to that extend ma'am because you see all what you know I was looking at, you know I was looking at you know
10 developing a mall and I had already secure the other tenant who were willing to come and they were saying that you know if you have a good anchor tenant...

CHAIRPERSON: Tenant.

MR NKUNA: And then we will be able to come.

CHAIRPERSON: Sure.

MR NKUNA: So myself you know I was focussing mainly into you know developing a mall and I am happy today you know, they have waived you know those clause because you know I am increasing that development to 45 000 square metre.

20 CHAIRPERSON: Okay. And the, and this will enable other Boxers competitors to come into that...

MR NKUNA: Well Shoprite is coming, Game is coming.

CHAIRPERSON: Okay.

MR NKUNA: Woolworths.

CHAIRPERSON: After how many years?

MR NKUNA: After 10 years.

CHAIRPERSON: Okay. Alright, thank you very much. And then the other, oh okay. The other question that I had for you, I remember reading some of the documents, did you own the, the, the, the
30 property where, where in, in Diepsloot where Shoprite is located that mall there.

MR NKUNA: Yes.

COURT: The Masingita?

MR NKUNA: Ja but it is, ja I have sold it.

CHAIRPERSON: Okay, well is it... are your reasons for selling confidential?

MR NKUNA: Well it is not confidential you know, you know development is highly capital intense and you do not want a situation whereby you know you develop one and say I have arrived and sit back.

10 And if you know, you want to grow you then say you know how do I raise you know equity. Because you see you want to continue with you know development so I was approached, because you see most of the property fund the do not, they are afraid you know, they do not take risk of developing.

They prefer to buy you know when you have completed because you see now the valuation is based on the yield and what happened in this instance PIC came to me and say can we buy and I look at the price and the price was good and I wanted to do some other development. That is what kept me going.

20 CHAIRPERSON: Okay.

MR NKUNA: So some I will keep, some I will sell.

CHAIRPERSON: Okay.

MR NKUNA: For purpose of growth.

CHAIRPERSON: Yes. At the time you sold was the Roots Butchery that is just outside of that that shopping centre where Shoprite is.

MR NKUNA: Roots was part of that.

CHAIRPERSON: The outside, the outside the centre thought the...

MR ENGELBRECHT: No that is, that is quite a recent ... [intervened]

CHAIRPERSON: Yes.

30 MR ENGELBRECHT: Development.

CHAIRPERSON: Okay, I wanted to find if were they there already.

MR ENGELBRECHT: No, there is a Hyper SA Butcher inside that Diepsloot mall.

CHAIRPERSON: Okay.

MR ENGELBRECHT: And then adjacent to it there is a new building that houses Roots and Mezams.

CHAIRPERSON: And Anno?

MR ENGELBRECHT: Mezams.

CHAIRPERSON: Mezams.

MR ENGELBRECHT: It is a dry goods retailer.

10 CHAIRPERSON: Okay ja, ja.

MR ENGELBRECHT: Ja so Roots will be doing the meat and chicken and Mezams will be doing the dried goods.

CHAIRPERSON: Okay, alright thank you. And who are the, is that, who is that, who did you sell to?

MR NKUNA: PIC at that time.

CHAIRPERSON: Okay. Alright, thank you very much sir. Any other questions? Okay, thank you very much. thank you very much.

MR NKUNA: Thank you very much.

20 CHAIRPERSON: Should we have any further questions for you that may be specific to some of the developments that you own, we will come back to you in writing.

And we will review the answers you have given and should we require any clarification, based on these questions, we will come back to you. Thank you very much for coming and we do really appreciate your presence today and attendance, really and truly appreciate it. Thank you.

30 MR NKUNA: Thank you very much, and in closing, you know I would want to say you know, if you know you find that you know, those laws of you know, exclusivity are not good, you know, we will be happy because you see they will benefit us.

CHAIRPERSON: How about if I said be creative Mr Masingita... Mr

Nkuna, be creative.

MR NKUNA: I will be, still be creative you know, whether they are there or not I am, I will be able to move forward.

CHAIRPERSON: That is where the answer lies, be creative Mr Nkuna.

MR NKUNA: Ja.

CHAIRPERSON: Thank you, thank you very much.

And this brings us to the end of the hearings today. We will resume on Monday. Thank you very much for attending. Thank you very much.