



SAPOA
SOUTH AFRICAN PROPERTY
OWNERS ASSOCIATION

CEO'S REPORT 2025



Neil Gopal - SAPOA, CEO

Dear members

The purpose of this newsletter is to bring to your notice a few important industry related matters.

1. COMPETITION COMMISSION INCREASING OF MERGER THRESHOLDS

- 1.1** As members are aware, there are different thresholds in place that apply to merger approval to be provided by the Competition Commission, in terms of the regulations issued under the Competition Act, 89 of 1998 ("the Competition Act").
- 1.2** The applicable provisions provide that the Competition Commission must be notified of all intermediate mergers and acquisitions if the value of the proposed merger equals or exceeds certain thresholds, calculated by either combining the annual turnover of both firms, or their assets.
- 1.3** The existing thresholds have been in place, unamended, since 1 October 2017, despite the fact that the cumulative inflation rate over that period is 40.7%.
- 1.4** SAPOA has now addressed correspondence to the Competition Commission to commence talks on raising the applicable thresholds in line with effect of inflation over the past 8 years.
- 1.5** It is envisaged that SAPOA will meet with the Commission, to make its initial submissions whereafter the formal process may be commenced.

2. ETHEKWINI MUNICIPALITY VACANT LAND RATES ISSUE

- 2.1** In its draft budget for the 2022/23 financial year, the Municipality indicated a 100% increase in the rates randage in respect of vacant land. This sudden increase had an extremely detrimental effect on property developers.
- 2.2** After repeated engagement with the Municipality failed to adequately resolve the issues, litigation was instituted against the eThekweni Municipality.
- 2.3** The litigation consists of two parts:
 - 2.3.1** Part A: An interdict was sought, prohibiting the Municipality from enforcing the increased rates on vacant land, pending a judicial review of both the decisions.
 - 2.3.2** Part B: The court was asked to review and set aside the decision taken by the Municipality in 2022 to double the rates randage on vacant land, as well as the 2023 decision not to reverse the 2022 decision.
- 2.4** The Court refused the interdict sought in Part A. The refusal of the interdict does not impact the review done in Part B, and merely means that property owners in the eThekweni Municipality have to continue making payment of rates as it appears on their account.
- 2.5** The record pertaining to the 2022 and 2023 decisions has been received. The record is voluminous and spans an excess of 4000 pages.
- 2.6** We have delivered our amended papers, and the City has delivered its answer. We now have to reply thereto. Once this has occurred, the matter may be set down for argument.
- 2.7** Senior counsel has considered the viability of proceeding with the litigation, and has indicated that we already have sufficient grounds to proceed with Part B of the litigation.
- 2.8** In the meantime, earlier this year it was agreed that it would be prudent for the parties to meet and discuss possible resolutions to the dispute. SAPOA made a number of different proposals, none of which elicited a proper response from the Municipality.
- 2.9** SAPOA is now also engaging the Municipality's newly appointed Head of Property, in an attempt to amicably resolve the issue. Should these efforts fail, the litigation will be proceeded with. It has been agreed that, whilst these discussions are ongoing, the legal proceedings remain pending.

3. RATES PROJECT NATIONALLY

- 3.1** SAPOA is continuing with its national rates project, the aim of which is to engage the Minister of Cooperative Governance and Traditional Affairs ("COGTA") in order to enable the Minister to set maximum increases in respect of municipal property rates.
- 3.2** The scope of the project has been expanded to not only include Johannesburg, Tshwane, Cape Town, eThekweni and the Nelson Mandela Bay metropolitan municipalities, but also Polokwane and Mbombela.
- 3.3** SAPOA is still engaged in the stakeholder engagement process, obtaining information from the relevant municipalities, engaging with them thereon, and compiling the final information. It is, unfortunately, quite difficult to obtain the relevant information from the different municipalities.
- 3.4** It is envisaged that the Minister will be engaged during 2026.

4. PROPERTY PRACTITIONERS' ACT

- 4.1** During the past year, SAPOA sought clarification from the Property Practitioners' Regulatory Authority ("PPRA") regarding the status of property developers who only develop properties, but do not market and sell their own properties. The argument was that such property developers do not fall within the ambit of the Property Practitioners' Act, 22 of 2019 ("the PPA"). In the alternative, it was argued that, should the PPRA form the view that these property developers indeed fall within the ambit of the PPA, they should be exempted from the provisions of the PPA.
- 4.2** The PPRA issued a ruling, agreeing with SAPOA's submissions that property developers who only develop properties, which properties are then marketed and sold by property practitioners do not fall within the ambit of the PPA, and hence do not need to register with the PPRA, or comply with the PPA. The PPRA stressed, however, that the property practitioners who market the property will have to comply with the provisions of the PPA.

5. LITIGATION AGAINST CITY OF CAPE TOWN 2025/26 BUDGET

- 5.1** In March 2025 the City of Cape Town published a first draft of what was eventually adopted as its 2025/26 Budget ("the Budget"). In the first draft, provision was made for a number of tariffs which SAPOA and its members felt were unlawful, and a number of other aspects which SAPOA and its members disagreed with. These included the following:
 - 5.1.1** The proposed property rates increase is virtually double the current inflation rate. SAPOA has repeatedly pointed out that consistent above-inflation property increases are unsustainable. Furthermore, the fact that Cape Town may have the lowest rates in the rand of the metros in the country does not paint an accurate picture, as property values, which are high in Cape Town, play a significant role in determining the actual rates amount payable by a property owner.
 - 5.1.2** The introduction of a city-wide cleaning levy is unlawful, as this levy is nothing other than a tax, for which Ministerial approval has not been obtained. Furthermore, the impact of the levy is unfair, as property owners are obliged to pay the levy, irrespective of whether they receive any cleaning services.
 - 5.1.3** The new basis for calculating fixed water charges, and the introduction of a basic sewerage charge, both calculated according to property value, is not only unfair, but also penalises property owners for investing in sustainable solutions such as solar plants and water harvesting.
 - 5.1.4** The proposed electricity charges are discriminatory towards commercial property owners. Furthermore, it is disingenuous for the city to advertise that property owners will only face a 2% increase in electricity tariffs, as bulk electricity users face a 16% increase.

- 5.1.5** The City's innovative tariff calculator on its website is only available for residential property owners. Commercial property owners, faced with a raft of new tariffs, new methods of calculating tariffs, and significant increases in tariffs, are simply unable to assess how these changes will impact their financial position. As a result, they are deprived of the opportunity to meaningfully take part in the public participation process.
- 5.2** Since publication of the first draft of the Budget, SAPOA has submitted three sets of comments, and have twice met with representatives of the City in order to discuss the concerns which SAPOA had regarding the proposed Budget. These concerns focused on three key areas:
- 5.2.1** Introduction of a city-wide cleaning tariff;
 - 5.2.2** Introduction of a basic fixed sanitation charge linked to property values; and
 - 5.2.3** Amending the basic fixed water charge to a fixed charge linked to property value.
- 5.3** As a result of the engagements between SAPOA and the City, the City delayed the application of these impugned charges in respect of business and commercial properties for one year, until 1 July 2026. The tariffs are, however, already applicable to all vacant and residential properties.
- 5.4** Based on legal advice received, SAPOA remains of the firm view, however, that the impugned tariffs as set out above are unlawful, as they offend against the legislative provisions that apply to local government. Despite the engagements as aforesaid, SAPOA and the City have been unable to agree on the correct legal position.
- 5.5** As a result, SAPOA launched an application to the Western Cape High Court during July 2025, challenging the legality of the impugned tariffs, and requesting the Court to set these tariffs aside.
- 5.6** Even though the impugned tariffs will only impact the majority of SAPOA members with effect from 1 July 2026, it is important to note that SAPOA members who own vacant land and residential properties are already impacted. Furthermore, if these tariffs, which have already been adopted by the City council, are only challenged once they apply to business and commercial property, a court may very well find that there is no basis for urgency in challenging the tariffs, as they had been adopted in June 2025. Any litigation then instituted will take a substantial period of time to finalise, with the added concern that, as each municipal budget builds on the previous budget, it will be virtually impossible to unscramble the proverbial egg and undoing the unlawful charges raised until the matter is eventually heard. Furthermore, it is to the benefit of the City to have the legality of the impugned tariffs tested in court sooner rather than later, as it has to start working on the budget in respect of 2026/27 during September this year. It was imperative for SAPOA to therefore launch the application at the present stage.
- 5.7** There are only two parties to the litigation, being SAPOA as Applicant, and the City of Cape Town as Respondent. No SAPOA member or any other entity is an applicant in the litigation.
- 5.8** At this stage, three other entities have indicated that they wish to be admitted as *amici curiae* (friends of the court), being the Good Party, the Cape Town Collective Ratepayers' Association ("the CTCRA") and the SA 1st Forum. None of these parties have, as yet, been formally admitted by the Court. The role of a friend of the court is not to be a co-litigant with either of the parties, but to address the Court on issues that may be of relevance to reaching a decision, but which has not been dealt with by either of the parties. Therefore, even though a friend of the court may support either of the parties in litigation, they do not become a co-litigant. The joining of the three *amici* is anticipated to be dealt with by the Court on 17 September 2025. The main dispute will be heard on a date to be allocated thereafter.
- 5.9** Even though the litigation has been instituted, SAPOA has indicated a desire to keep its good relationship with the City intact, and has stressed that it intends approaching the litigation in a non-confrontational manner: the parties have a difference of opinion, and are asking the Court to adjudicate this difference.

5.10 On Tuesday 16 September 2025 SAPOA's legal team was called into a case management meeting with all the other parties by the Judge President of the Western Cape High Court, in order to set dates for the hearing of the matter and agree timelines for the final exchange of affidavits. This has been necessitated by the fact that, not only are there three parties who wanted to be admitted as friends of the court, but also because the City has brought a conditional counter[?]application to declare certain sections of the applicable legislation unconstitutional, should SAPOA succeed with the litigation. This constitutional challenge necessitated the joinder of the Minister of Cooperative Governance and Traditional Affairs, who now also has to file papers, with both the City and SAPOA being entitled to respond.

5.11 A further complicating factor is that Afriforum launched a separate legal challenge, albeit on very similar grounds, which has to be heard by the same judges, lest a different court come to a different conclusion on similar issues. That means that both challenges will be heard at the same time, although they remain distinct and separate matters. Timelines had to be agreed and set in respect of all these matters. The Judge President graciously assisted the parties by setting aside three days for the hearing of the matters, being 2-4 December 2025, dates which are normally reserved for full bench appeals. Judge President Mabindla-Boqwana is currently in the process of issuing an order, containing these dates, together with agreed dates for the exchange of further affidavits.

5.12 We therefore anticipate that the matter will be concluded by 4 December 2025.

6. LITIGATION AGAINST CITY OF JOHANNESBURG CCTV BYLAW

6.1 On 28 February 2025 the City of Johannesburg purported to promulgate the Privately-Owned Closed Circuit Television Surveillance Camera Bylaw (hereinafter referred to as "the Bylaw"), which provides, amongst others, for the obligatory registration of all CCTV camera systems operational within Johannesburg, and which have an angle of view to public places. The Bylaw also provides for the annual renewal of approval, regular inspections of all CCTV cameras by City officials, the payment of fees in respect of applications and renewals, as well as the fact that footage may only be released to a SAPS or JMPD officer – footage obtained from CCTV cameras may no longer be shared by the property owner or security provider. The Bylaw has been in operation since 28 February.

6.2 SAPOA instituted court proceedings in May 2025 to have the Bylaw declared unconstitutional and unlawful, and to have it set aside. Even though the City has given notice of its intention to oppose the matter, it has failed to deliver its answering affidavit.

6.3 As a result of this failure, SAPOA's attorneys, GVS Law, proceeded to set the matter down on the unopposed roll for hearing on Tuesday 9 September 2025.

6.4 Subsequently, on 14 August 2025, the City's attorneys notified SAPOA's attorneys that the City intends repealing the Bylaw at the next meeting of the Municipal Council at the end of August 2025. They advised that the necessary resolution is being tabled, in order to effect such repeal. SAPOA's attorneys indicated that SAPOA intends seeking a costs order against the City, should the Bylaw indeed be repealed. No further communication was received from the City's attorneys.

6.5 On Tuesday 9 September 2025 the Court granted an order against the City, in favour of SAPOA, for the City to pay SAPOA's legal costs on a higher scale. SAPOA will now continue to collect these legal costs from the City.

6.6 SAPOA is satisfied that its persistent efforts to have this unlawful Bylaw set aside has borne fruit. SAPOA trusts that the City will learn from this costly mistake, and that it will properly consult with the industry should it wish to adopt similar bylaws in future.

7. COMPLETED MATTERS

7.1 During the past year SAPOA also attended to the following legal issues:

7.1.1 Proposed amendments to the Consumer Protection Act regulations:

- 7.1.1.1** In October 2024 the Department of Trade, Industry and Competition ("the DTIC") invited comments on proposed amendments to the regulations to the Consumer Protection Act, 68 of 2008 ("the CPA").
- 7.1.1.2** SAPOA submitted comments specifically on aspects of concern to its members, specifically relating to marketing databases.
- 7.1.1.3** In May 2025 the DTIC met with representatives of SAPOA in order to gain better insight into the comments.

7.1.2 Transformation Fund

- 7.1.2.1** Early in 2025, the DTIC invited comments on a proposed Transformation Fund which it wishes to establish in order to enhance transformation in the country.
- 7.1.2.2** SAPOA submitted comments to the DTIC, focusing on the fact that SAPOA supports transformation, and is the driver of a number of transformation initiatives within the property industry. Having said that, concern was expressed that the Transformation Fund may lead to an unnecessary duplication of efforts. SAPOA also highlighted governance concerns with regard to draft regulations that would govern the Transformation Fund.

8. OTHER MATTERS:

8.1 National Executive Engagement with the City Of Johannesburg Stakeholders

On the 7th of March 2025, SAPOA received an invitation to attend the National Executive Engagement Session with the City of Johannesburg and other Stakeholders held at the Johannesburg City Council Chambers.

The purpose of the session was to grant invited stakeholders the opportunity to address the Presidency, Executive Mayor, Ministers and other Officials on the current state of the City together with how the city can be turned around. SAPOA in its address highlighted concerns which covered among other matters:

- **The downward trajectory of the city and the negative impact it has on its members property values;**
- **Poor service delivery affecting business and its citizens, which is increasing the cost of doing business hence dampening investor confidence as well as;**
- **the infrastructure which is in a state of despair.**

We however reaffirmed our commitment to working with Government, as well as the City and other partners to ensure that we jointly address all the issues raised with the goal of achieving a City that is safe, well managed and economically vibrant.

In its response, the Presidency welcomed all the inputs brought forward by SAPOA and as such, highlighted that a Presidential Working Group will be established to address all the concerns raised in this regard.

On 18 March 2025 the SAPOA CEO and Ops Manager, together with other stakeholders, were invited to a consultation meeting to discuss the TOR for the working group which led to the establishment of 8 workstreams to which SAPOA circulated to its members on the 4th of April 2025, calling for interested members to put their names forward.

WORKSTREAMS:

- **Work stream 1:** Governance and Financial Sustainability Co-Chairs: National Treasury, Department of Cooperative Governance and COJ
- **Work stream 2:** Water and Sanitation Co-Chairs: Department of Water and Sanitation and Johannesburg Water
- **Work stream 3:** Electricity and Energy Co-Chairs: Department of Electricity and Energy and City Power
- **Work stream 4:** Clean and Safe Public Spaces (Roads, Lighting and Waste) Co-Chairs: Department of Cooperative Governance, Johannesburg Roads Agency, Pikitup and SANRAL
- **Workstream 5:** Safety and Security Co-Chairs: SAPS and JMPD
- **Workstream 6:** Human Settlements and Social Development Lead & City Co-Chair: National Department of Human Settlements, National Department of Social Development and COJ
- **Workstream 7:** Cultural Institutions and Heritage Sites Lead & City Co-Chair: The Presidency and Department of Sports, Arts and Culture
- **Workstream 8:** Inner City and Township Rejuvenation Lead & City Co-Chair: Cities Support Programme and COJ

SAPOA Members continue to serve on various work streams in this regard.

8.2. Gauteng Property Investment Showcase Engagement

On the 12th of February 2025 SAPOA attended the Gauteng Property Investment Showcasing Session hosted by the South African Local Government Association ("SALGA"), held at the Johannesburg Chamber of Commerce ("JCCI") offices.

The objective of the gathering was to establish a dialogue between local government and private developers within the property development sector in Gauteng, including but not limited to affordable housing on the means to facilitate and fast-track the delivery of integrated human settlements. Various municipalities were granted an opportunity to present available land earmarked for housing development for the purposes of attracting investment within various parts of the region.

In the session, other matters relating to the availability of bulk infrastructure as well as strategies on how to grow the economy within these municipalities were addressed. SAPOA continues to support initiatives of this nature as these have a direct impact on the growth of the property sector, employment and the economy at large.

8.3. The SAPOA/NBI initiative continues to address Youth Unemployment Challenges within South Africa

On the 26 February 2025, SAPOA together with the National Business Initiative (NBI) sent out a call for expressions of interest from the property industry seeking placement for learners that have acquired various technical skills within the Installation Repair and Maintenance (IRM) space. This initiative was established through an MoU signed by both parties with the intention of curbing the country's unemployment rate with a specific focus on young people.

The NBI continues to manage the entire administration of the HR Cycle which covers recruitment, placement and payment of stipends to the learners, whilst our member company's provide the learners with a place of work given that these are not learnerships but rather placement opportunities granting young people an opportunity to enhance their skills and further their experience within their respective fields of expertise.

Herewith below the fields of expertise:

- | | |
|----------------------------------------------------|-------------------------------------------------|
| • Assistant Handyperson (Mamelodi based) | • Assistant Handyperson (Standerton) |
| • Assistant Handyperson (Soshanguve based) | • Solar PV - REWA Assistant (Standerton) |
| • Welding Assistant (Ekurhuleni West) | • Solar PV - REWA Assistant (Witbank) |
| • Plumbing Hand Assistant (Ekurhuleni East) | |

On The 8 September 2025, SAPOA met with the NBI to discuss the possibility of extending the existing partnership to include the EPWP program which is currently being managed by the Department of Public Works and Infrastructure. The inclusion of the Expanded Public Works Programme ("EPWP") plays a crucial role in South Africa's constrained economy by addressing unemployment and providing income support through temporary work opportunities.

The Infrastructure Sector is a significant component of the EPWP, contributing to the programme's targets by increasing labour intensity within government's existing budgetary commitments for infrastructure. The main target will be unemployed High School leavers and TVET graduates, aiming to unlock economic potential through skills development, enterprise support, and market access. This pilot seeks to re-imagine how the EPWP Infrastructure Sector can provide equitably accessibly quality work experiences that give dignity to beneficiaries and sets them up for success in attaining sustained income generation.

8.4. Adopt and Protect a Robot Campaign developed by the Gauteng Provincial Government

On the 8 October 2024, SAPOA wrote to both the Gauteng Premier, Transport MEC as well as the Joburg Mayor and other officials, citing its members concerns with respect to the provinces nonfunctional traffic lights. Following the letter, a meeting was held between both the SAPOA CEO, Ops Manager as well as other officials to discuss the issues experienced together with ways in which SAPOA could assist with resolving the problem.

As this is an ongoing matter, the department introduced the concept of the "Adopt and Protect a Robot" to SAPOA which seeks to ensure the reduction and eradication of theft, vandalism and overall damage of the regions traffic signals through placing all control boxes of these traffic lights within the yard of SAPOA members properties, whilst making use of all security measures such as CCTV to have the robots under continuous surveillance.

SAPOA further scheduled an information session for its members on the 27 March 2025. The purpose of the session was for the department to grant SAPOA members an opportunity to acquire more information on the initiative and how it will work in this regard.

8.5. Platform for Water Security Gauteng (PSWG)

The multi-stakeholder Platform for a Water Secure Gauteng (PWSG) was launched in June 2024 at the request of the Director General of the National Dept of Water and Sanitation (DWS) to address growing water insecurity in Gauteng. It brings together some of the key stakeholders from national, provincial and local government, leaders of the metro municipality water providers Rand Water as

well as leaders of some key business and civil society organisations. The PWSG is supported by the World Bank based 2030 Water Resources Group (2030WRG) and technical experts from local academia and professional organisations.

SAPOA has continued to engage and support the work done by the PWSG which aims to achieve rapid impacts to contribute to improved water security in Gauteng. Through its analysis, it has identified several distinct problem areas where actions can be targeted. While many of these are beyond the PWSG mandate, there are others where PWSG can make an immediate contribution.

In selecting these, PWSG is guided by three simple principles:

- **Equitable outcomes**
- **Shared responsibilities**
- **Mutual trust and respect**

Gauteng has experienced water insecurity over the past few years. On the current path, it is expected that water insecurity will continue at least for the coming 6 years.

There are causes related to both demand and supply sides and very serious water management issues. This harms businesses and households.

Over the past few years, Gauteng has experienced water supply disruptions. On the current path, these disruptions are set to continue. There are a number of reasons for this, including:

- **Delays in major water supply projects**
- **Delayed system and infrastructure maintenance and repair leading to significant deterioration which means that leaks will persist even in the context of renewed commitment to repair and renewal.**

The PWSG continues to promote effective working relationships amongst the major stakeholders to water delivery and consumption, resulting in measurably and continuously improving water security in Gauteng with SAPOA representing the property sector on this forum. SAPOA shall continue to participate on platforms that seek to address issues experienced by both the sector and the economy at large for the benefit of its members and civil society in this regard.

8.6. SAPOA Continues to engage with various Associations to jointly tackle issues of Common interest:

8.6.1 SAPOA signs an MoU with Johannesburg Chamber of Commerce which seeks to:

- Foster a common vision and goal between the private sector and government.
- Work together to resolve various challenges that affect both business and the property industry as and when they arise.
- Lobby and address existing and proposed government policies as well as legislation that has an impact on business and the property industry.
- Make representation to the relevant government authority on any matter that may affect business and the property industry
- Identify areas of common interest and support one another to build and strengthen the collaboration.
- Support each other's events.

8.6.2 SAPOA signs an MoU with Banking Association of South Africa (BASA) which seeks to:

- Foster a common vision and goal between the private sector and government on relevant property and banking matters.

- Jointly lobby and address existing and proposed government policies and legislation that has an impact on the banking sector, property industry and business at large.
- Make representation to the relevant government authority, to influence regulatory reforms that support commercial property developments and financing matter that may affect the banking sector in relation to the property industry.
- Agree on a list of focused projects for each year, with a clear implementation plan, funding model and governance structures.
- Establish working groups and/or committees where necessary to review and develop strategies/positions on matters affecting both parties and their members.
- Share information, research initiatives and support each other's relevant events.
- Work together to identify areas of common interest, opportunities and address challenges that affect both parties.
- Display each other's logo on advertising or communication media material and using the words associated with or in association with upon receiving written approval.
- Both parties agree to advertise events emanating from this MoU.

8.6.3 SAPOA signs an MoU with the Nelson Mandela Bay Business Chamber (NMBBC) which seeks to:

- Encourage economic growth within the in Nelson Mandela Bay by collaborating on matters that are mutually beneficial to the Parties and their respective membership
- Lobby Transnet to address their buildings in Nelson Mandela Bay that have become dilapidated and devaluing property in surrounding areas, by obtaining the necessary legal opinion and court order;
- Lobby the applicable areas of local, provincial and national government to highlight the challenges being experienced by Nelson Mandela Bay Municipality in respect of service delivery and its negative impact on the local economy;
- Collaborate on various land planning and property development matters that are experiencing delays and challenges in being executed;
- Exchange of knowledge and communications generated by the Parties relating to their respective activities, projects and initiatives;
- Collaborate and contribute to any spatial development frameworks and plans being implemented by the NMBM;
- Analyse and provide input and comment on the NMBM IDP and Budgetary process;
- Provide support for geographic business clusters and task teams that have been initiated by the NMBBC;
- Comment on the Annual Municipal Budget Process & Rates and Tariffs Policy;
- Collaborate and partake in the Chambers Business Enablement Task Team (BETT);
- Collaborate and partake in any other Chamber Task Team, committee or forum as agreed to and deemed necessary.

8.7. SAPOA Launches South Africa's First-Ever Municipal Performance Awards to Spotlight the Local Governments That Get It Right in the property sector

The following press statement was issued on 25 August 2025

For the first time in South Africa's history, the financial health of the nation's municipalities will take centre stage on a national platform, not for criticism but for celebration.

SAPOA, in partnership with Ratings Afrika and the Banking Association of South Africa ("BASA") has launched the Municipal Performance Award, the first national accolade to honour municipalities that demonstrate not just basic compliance but true excellence in governance, fiscal discipline and service delivery.

SAPOA approached Ratings Afrika in 2024 with the idea of launching these awards at its annual conference. The concept is bedded on the significant importance of the existing Ratings Afrika analytical tool which has been developed and implemented over the last 15 years.

Presented during SAPOA's prestigious 2025 Annual Convention, this groundbreaking award will recognise local governments that balance their books, safeguard public resources, invest in infrastructure and create the conditions for communities and businesses to thrive.

SAPOA's President, Mr Itumeleng Mothibeli, Managing Director of Vukile Southern Africa says "In a sector where dysfunction often dominates the headlines, these awards will shine a spotlight on the outliers, the municipalities that prove financial sustainability is possible and that it can be the foundation for economic growth and prosperity."

According to Ratings Afrika's 2024 Municipal Financial Sustainability Index (MFSI®), the vast majority of South Africa's 115 largest municipalities are in deep financial distress.

Collectively, they recorded R35,3 billion in operating deficits last year, money they didn't have, spent on services they could not sustainably fund.

Liquidity shortfalls ballooned to R104,9 billion, up a staggering R20 billion from 2023, leaving many municipalities unable to pay service providers like Eskom and water utilities on time.

"It's a crisis that hits residents and businesses alike. Ageing roads go unrepaired, water treatment plants limp along, and power cuts intensify. In some municipalities, service delivery is collapsing outright, a reality that drives up costs for property owners, undermines investor confidence and chokes economic growth" added SAPOA CEO Neil Gopal.

Yet amid the decay, a handful of municipalities stand out as models of fiscal discipline and good governance. They balance their books, collect revenues efficiently and invest consistently in infrastructure, proving that financial sustainability is still possible in South Africa's municipal sector.

It is precisely this standard of excellence that SAPOA aims to celebrate through the launch of the Municipal Performance Awards. The award will be recognising municipalities that not only meet the basic obligations of governance but excel at them.

Judging will be based on Ratings Afrika's six key financial components, a comprehensive benchmark of fiscal health that measures a municipality's ability to generate operating surpluses to fund services, maintain sufficient cash reserves to absorb shocks, practice prudent borrowing and repayment, apply disciplined and forward-looking budgeting, keep rates and tariffs affordable and invest consistently in infrastructure to strengthen resilience and sustain long-term service delivery.

"A municipality's financial health directly affects the property sector's ability to grow," said SAPOA President Itumeleng Mothibeli. "When service delivery is reliable and infrastructure is maintained, property values rise, businesses invest, and communities thrive. We want to hold up the municipalities that get this right as examples for the rest of the country."

For SAPOA, the award is more than industry recognition, it is a rallying point for reform. By showcasing best-performing municipalities on a national stage, the association hopes to foster healthy competition, inspire better governance and highlight the economic benefits of fiscal sustainability.

We can't accept that dysfunction is the norm," said Gopal. "We want to create a culture where municipalities strive for this recognition and where excellence becomes the standard, not the exception."

9. COMPETITION ADVOCACY IN THE PHARMACY RETAIL SECTOR

9.1 WORKSHOP: COMPETITION ADVOCACY IN THE PHARMACY RETAIL SECTOR

- 9.1.1** According to the Competitions Commission, the South African retail pharmacy sector is facing increasing concentration, with corporate pharmacy groups active in securing shopping centre tenancy and market access.
- The Commission is of the view that independent community pharmacies, which are mostly small and medium enterprises (SMEs) and businesses owned and operated by historically disadvantaged persons (HDPs), have difficulty in securing or retaining tenancy in shopping malls and this has had a negative impact on competitive rivalry with the corporate groups and the promotion of consumer choice.
- 9.1.2** The competition concerns and complaints received by the Competition Commission from independent community pharmacies include:
- 9.1.2.1** Early termination or non-renewal of their leases in shopping centres to replace independents with national corporate pharmacies.
 - 9.1.2.2** High rental costs, additional costs, and unfavourable trading terms which are not faced by national corporate pharmacies.
 - 9.1.2.3** Corporate influence on tenant mix, leading to exclusion or limitation of small and medium entities (SMEs) and historically disadvantaged persons (HDPs).
- 9.1.3** In response to the complaints received, the Advocacy Division of the Competition Commission is engaging with the SAPOA Shopping Centre owners, property funds and property developers in an online workshop (webinar) to explain the concentration issues and barriers to entry facing small and independent community pharmacies to access retail space and promote competition principles for their entry and retention in shopping centres. The Commission will also promote the implementation of the Grocery Retail Market Inquiry (GRMI) recommendations that relate to these issues, accessible at <https://www.compcom.co.za/retail-market-inquiry/>.
- 9.1.4** SAPOA members are invited to actively participate in the discussions and debate, and share the challenges they may face to retain or secure rental space for independent community pharmacies, and their perspectives on the GRMI recommendations on rental rates and tenant mix in relation to the entry and participation of independent community pharmacies.
- 9.1.5** The Commission's Guidelines for the Exchange of Competitively Sensitive Information provides guidance on the dos and don'ts regarding information to discuss in the workshop, accessible at: <https://www.compcom.co.za/guidelines/>.
- 9.1.6** The webinar is planned to take place on 3 November 2025.

9.2. BACKGROUND NOTE ON COMPETITION COMMISSION ADVOCACY WORKSHOP

- 9.2.1** The Competition Commission of South Africa (Commission) has reached out to SAPOA with a proposal to host an online workshop on 17 November 2025 aimed at addressing potentially anti-competitive conduct in the retail pharmacy sector. In particular, the Commission seeks to address concerns raised by small and independent pharmacies regarding the potential preferencing of large corporate pharmacy groups (e.g. Clicks and Dischem) for leases in retail properties.
- 9.2.2** At the outset, it bears mention that the Commission has not accused SAPOA or any of its members of engaging in any conduct that may be problematic from a competition law perspective and has confirmed that there are currently no investigations being pursued against SAPOA or its members in relation to the relevant alleged conduct. However, the Commission's view is that SAPOA's members are best placed to assist with the identified issues, given that property owners engage directly with the retail pharmaceutical market players as actual or potential tenants.

9.2.3 The Commission has advised that it has received concerns and complaints relating to:

- 9.2.3.1** Early termination or non-renewal of leases in shopping centres to replace independent pharmacies with national corporate pharmacies.
- 9.2.3.2** High rental costs, additional costs, and unfavourable trading terms which are not faced by national corporate pharmacies.
- 9.2.3.3** Corporate influence on tenant mix, leading to exclusion or limitation of small and medium entities (SMEs) and historically disadvantaged persons (HDPs).

9.2.4 In response to these concerns, the Commission now seeks to engage with property owners with the aim of promoting the potential implementation of the recommendations of the Grocery Retail Market Inquiry (GRMI). The remainder of this note is intended to provide the SAPOA members with a summary of the GRMI recommendations for purposes of the upcoming workshop.

9.3. GRMI SUMMARY

- 9.3.1** The GRMI was initiated 2015¹ to understand the competitive landscape of the South African grocery retail sector. The GRMI canvassed various aspects of the grocery retail sector and found that this sector contained features that could distort competition. The Commission then recommended that stakeholders in the grocery retail market adhere to sets of behaviours in order to ensure that competition in this market was not distorted further.
- 9.3.2** Ultimately, the Commission found that South Africa's grocery retail sector was characterised by barriers to entry and expansion. Further, the Commission found that long-term exclusive use lease agreements and considerations relating to tenant mix and rental rates were amongst some of the things that distorted competition in this sector. The GRMI consequently resulted in the conclusion of settlement agreements between the Commission and national grocery retailers (Shoprite, Pick 'n Pay and SPAR) to end exclusive leasing arrangements in order to promote access to commercial retail properties for SME and HDP-owned grocery retailers.
- 9.3.3** Importantly, the GRMI was focused solely on South Africa's grocery retail sector and related particularly to fast-moving consumer goods and their supply chain and did not include a thorough and complete investigation into the retail pharmaceutical market and the extent to which similar issues existed. It is notable, however, that the GRMI stated that pharmacies are often the types of businesses that are implicated in the long-term exclusive use agreements that it took issue with, although not saying anything further.
- 9.3.4** We provide below summaries of the key findings of the GRMI and its recommendations to remedy these.

9.4. EXCLUSIVE USE LEASE AGREEMENTS

- 9.4.1** The Commission found that long-term exclusive lease agreements ("**Exclusive Use Agreements**") distorted competition in the grocery sector, particularly as they were likely to result in smaller market participants being unable to access shopping malls, as routes to market, and eventually resulting in market foreclosure.

¹ The GRMI was initiated and concluded before the amendments to the Competition Act in 2019. Prior to the 2019 amendments, the Commission was only able to conduct market inquiries and make non-binding recommendations to remedy any concerning findings. Following the amendments, the Commission is now empowered to make binding remedial orders to address any market features which prevent, impede or distort competition.

9.4.2 Ultimately the GRMI found that Exclusive Use Agreements, which were often concluded with national supermarket retailers, limited the extent to which landlords could exercise their right to lease lettable area within their property. These agreements, according to the GRMI, often came about as a result of the buyer power of national retailers.

9.4.3 In its recommendations, the GRMI implored national supermarket chains to withdraw from or refrain from enforcing any exclusivity rights that emanated from agreements that they had concluded with property developers or landlords within a shopping centre. This is noteworthy, especially given that property owners were not overtly implicated in this recommendation, but rather in the recommendation relating to rental rates, which is discussed below.

9.5. RENTAL RATES

9.5.1 The GRMI stated that unequal bargaining power, which is often skewed in favour of national retailers, influences the differential rental rates at which space in a shopping centre is leased to various tenants.

9.5.2 The Commission expressed dissatisfaction with differential rental rate determination but did not make a recommendation in this regard. The Commission stated that it did not make a recommendation because rental rate determination is a complex commercial exercise.

9.5.3 However, the GRMI did state that it intended to engage further with property developers on the issue of differential rental rates. In particular, the Commission stated the following in the GRMI report in relation to rental rates and the recommended remedial action:

In order to continue the work undertaken by the Inquiry, the Minister should appoint a facilitator to seek to secure voluntary compliance by property owners and managers of shopping centres. If the facilitator is unable to secure voluntary compliance within six months from the date of publication of this Final Report, the Government should introduce a legislative framework to give effect to these recommendations in the form of a code of good practice and the establishment of an industry Ombudsman.

9.6. TENANT MIX

9.6.1. On tenant mix, the Commission took issue with the ability of national retailers to exercise their buyer powers in order to influence the line tenant allocation that would be in place in the shopping centre that they are leasing space in. According to the GRMI, tenant mix is ordinarily determined by the property developer prior to obtaining financing for the shopping centre, after which, prospective tenants are invited to obtain leases in the shopping centre.

9.6.2. The Commission found that national retailers can use their ability to enforce or to waive Exclusive Use Agreements to influence the tenant mix in any given shopping centre. However, the GRMI did not seem to state an obvious conclusion in relation to the issue of tenant mix. Accordingly, it is possible that these engagements with SAPOA have been instituted to resolve this issue.

9.7. CONCLUSION

9.7.1. In our view, the Commission's current efforts to engage with SAPOA members, although not necessarily initiated with a view to prosecute, are driven by a desire to concerns regarding access to visible retail space for small and independent pharmacies. It appears that the Commission believes that the issues identified during the GRMI in the grocery retail market, are applicable to the retail pharmacy market.

- 9.7.2.** SAPOA intends to participate in the workshop in order to better educate the Commission on the nature and dynamics of the retail property market and to potentially mitigate against the possibility of formal complaint investigations which may negatively impact on property owners. Particularly as the GRMI was concluded in 2017 and the issues identified during that time may no longer be relevant today, especially as we are now looking at a different market.
- 9.7.3.** Members are encouraged to participate in the workshop to make any submissions which may be helpful for the Commission's purposes. Members are also reminded that this will be a platform which includes competitors and competitively sensitive information should not be shared leading up to or during the workshop. For guidance, we have attached a brief guide setting out the kinds of information that should not be shared between competitors.
- 9.7.4.** An invite and draft agenda of the workshop was sent out to the members. Members are encouraged to inform SAPOA of any initial concerns or comments on the workshop. Matters that are common to the industry will be collated and addressed on behalf of members.
- 9.7.5.** Any queries can be directed to Neil Gopal at ngopal@sapoa.org.za.

PRACTICAL GUIDANCE

PERMISSIBLE	NOT PERMISSIBLE
Members may discuss general market/ industry trends that are publicly known and based on publicly available information	Do not engage in any discussion regarding the business strategies or operations of any particular firm/property
Members may engage on the Commission's proposals and the general impacts that this may have on the property industry.	Do not disclose any sensitive information regarding the tenant identification/placement strategies, rental rates or future pricing strategies of any firm.
Members may comment generally on the challenges associated with concluding lease agreement with independent community pharmacies	Do not disclose any information relating to strategies aimed at retaining tenants (pharmacies or otherwise). Including information relating to the determination of appropriate rental rates and tenant mix.
Members may comment on the GRMI and the appropriateness of the recommendations made for present purposes.	Do not disclose any information relating to the potential of the impact the GRMI recommendations may have on any individual business or pricing strategies.

We thank you for your continued support.

N Gopal

16 SEPTEMBER 2025



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