

# Doing things differently



Some of Bonatla Property Holdings properties

## An innovative approach to property allows this company to deliver empowerment and job creation

**T**raditionally, the way a property investment company functions is by buying investment properties that derive rental income, which it distributes to investors.

Ultimately, the developed properties are sold for a profit.

Most public property companies are controlled by banks or other financial institutions and do not concern themselves with creating jobs or with the socio-economic development of the country.

Bontala Property Holdings walked that path between 1996 and 2006, but has turned the model on its head and is delivering real value to South Africans of all social standings.

In 1996, when it became the first property holdings in South Africa to be black economically empowered, Bonatla Property Holdings did things the traditional way: it built up a big portfolio of good properties over time (R800-million worth) and was ranked the seventh best performing company for shareholders on the Johannesburg Stock Exchange.

### Tradition turned on its head

In 2005 and 2006, this changed and Bonatla sold its entire portfolio of properties.

"We effectively started from a zero



base in 2007 and since then we have successfully built up a portfolio of R500-million," says Niki Vontas, chief executive of Bonatla Property Holdings.

"What changed and why did we do this? Well, one cannot do property in the traditional way anymore. We decided to approach our transactions differently and look at ways to differentiate ourselves."

First, Bonatla is structured differently from other property companies, which generally have the financial backing of banks or other financial services organisations behind them. Bonatla uses its own resources for property investments. Second, Bonatla uses its property-based balance sheet to create businesses and focus on economic development and employment in strategic areas.

"Approximately 40% of our shareholders are black, but that does not help with the BEE rating. To get a proper rating, you need to create jobs and wealth for disadvantaged stakeholders.

A few years ago, we embarked on this road when we acquired what we thought was a charcoal producing business in Escourt," says Vontas.

The charcoal business was not profitable. Everybody advised Bonatla to get rid of the property, but the company decided to investigate what the issues were. What it found is now the stuff of property legend.

"We discovered that this was actually the old British Aerospace activated-carbon plant in the country. Using our own internal resources, we injected the capital to fix the plant, upgrade it and appoint a manage-

ment team from the area. This led to the creation of 70 jobs, which is significant considering unemployment in Escourt ran at 75%," says Vontas.

The investment has paid off and the plant, now operating as Carbon Processing and Technologies (CPTech), has become the leading producer in Africa and the southern hemisphere of activated carbon, in addition to charcoal and hydrocarbon absorbent products.

### Working with, not against

The development strategy to acquire investment/development properties that are relatively low risk, are non-speculative and have the potential for substantial capital profit realisation has proved itself.

Another investment is the one Bonatla is about to make in Umsuluzi

in KwaZulu-Natal. The community there have received land through the land claims process but have no equipment, resources, training or direction to make it work for them.

"The community run the risk of losing their land. We decided to step in and intend developing a leisure, game and nature reserve. We will send members of the community for training in various hospitality businesses and will share profits 50/50 with them. Hopefully, within the next few years they will operate it themselves," he says.

Vontas cites The Heights as another example where Bonatla is creating jobs and wealth for people in communities. This residence that caters for students at the Tshwane University of Technology has been refurbished and can now accommodate 850 students.

"Ultimately, these and our other deals are focused on providing benefit to communities in the proper way. We are not looking for freebies or accolades but we are looking to do business. The way BEE is structured in South Africa at the moment is discouraging companies like us to help with transformation, skills development and wealth creation. If things are to work properly, there needs to be a colourless society when it comes to business or tenders.

"Bonatla and other companies are trying to create economic development and wealth redistribution. We need local and central government to also start doing its part, and support small and medium sized enterprises in this effort," Vontas says. "The companies of the future are SMEs, and the success of BEE is depends on them."