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DEVELOPMENT AGENCY
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BAAKENS RIVER VALLEY

Economic Barometer Pilot Study

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INTRODUCTION

Since its establishment in 2003, the Mandela Bay Development Agency (MBDA) has sought, through its operations, to act as the primary institution behind the revitalisation of key locations within the greater Nelson Mandela Bay (NMB). This has entailed the MBDA undertaking several capital investment projects throughout the NMBM.

To quantify the impact of these projects, the MBDA appointed a service provider in 2009 to develop an economic barometer for the Agency. The purpose of this economic barometer was twofold. Firstly, it sought to quantify the economic impact that the Agency's various capital projects on local business activity, GDP, and employment. Secondly, it sought to, via means of a survey administered to businesses and residents, determine what impact the MBDA's activities had on people's perceptions of the areas where these projects occurred.

This survey was conducted for a three-year period, covering four areas namely: Gqeberha (Port Elizabeth) Central and the CBD; North End; King's Beach, and Kariega (Uitenhage) CBD. This survey was again conducted between 2014 and 2016 and expanded to include business and residential respondents in Helenvale and New Brighton.

The MBDA now wishes to readminister this economic barometer survey for a further three years commencing in 2023. To inform this process, the MBDA appointed a service provider to update the original economic barometer survey and conduct a pilot study ([this report](#)) of this revised survey in one of the Agency's existing mandate areas, namely the Baakens River Valley.

The scope of the pilot study is to:

- Identify suitable quantitative and qualitative impact criterion that can measure the direct and indirect consequences from the MBDA's investment and management initiatives within the greater Baakens River Valley area.
- Compile a data collection tool that will be administered to a sample of property and business owners in the area to test sentiment regarding the MBDA's initiatives.
- Undertake a randomised data collection process and roll-out of the questionnaire to collect stakeholder sentiments and inputs for the analysis.
- Obtain capital expenditure data from the MBDA and local property owners and use this to run an economic impact modelling analysis to quantify direct, indirect, and induced impacts that have resulted from the MBDA's involvement in the area.
- Develop a concise report presenting the results of the quantitative and qualitative impact criterion, based on the outcomes of the data collection process and economic modelling.

The following document seeks to present a summary of the key outcomes of the pilot study in the Baakens River Valley area.

METHODOLOGY



Given that there was no comprehensive, area-wide database of businesses operating in the Baakens River Valley area from which a representative survey sample for the 2023 Economic Barometer Survey could be drawn, it was first necessary to determine the total business population within the area. This was achieved by manually counting all the businesses operating in the area during a site visit to the area in February 2023. During this process, the names, and locations of each of the businesses operating in the area were recorded based on street signage. These results were supplemented with additional businesses identified via internet-based research.

This process identified a total of **60 unique businesses** in the Baakens River Valley area.



Following the completion of business audit, the most recent iteration of the Economic Barometer Survey developed in 2016 was reviewed and updated. Most of the questions from the earlier iteration of the survey were retained, however, certain area specific questions were removed and substituted with those applicable to the Baakens River Valley. Equally, questions relating to the impact of COVID-19 on business operations were also added to the survey.

Once these revisions had been completed, the survey was administered to the business identified during the audit process. Given the small sample size it was elected to attempt to make contact with all the identified businesses.



The next step was to seek to quantify the economic impact of the MBDA's various interventions in the area based on the Agency's capital and operational expenditure. This impact was quantified by means of a Social Account Matrix (SAM) Model, which estimated the impact of the MBDA investment on production, GDP, and employment. These results were supplemented with business investment data derived from the Economic Barometer Survey.



The final step in the methodology was the compilation of a report setting out the key outcomes. This report profiled the businesses surveyed, quantified the investment undertaken in the area by both the MBDA and the local business community; outlined the perceptions of businesses about the area; and indicated what the economic impact of the investment in the area had been.

LOCATION



The Baakens River Valley and its surrounding areas is an important part of the NMB as it serves as both the origin of Gqeberha and a critical environmental corridor in the heart of the city. The area also includes historic parts of South End, which was once a vibrant, cosmopolitan community much like District Six in Cape Town.

The area covers approximately 44 hectares and stretches from the entrance to the Port Elizabeth Harbour, along Lower Valley Road to the lower part of Brickmakers Kloof, and then up to the top of Walmer via Upper Valley Road.

It primarily comprises industrial warehousing, some housing and office space, and a selection of social amenities.

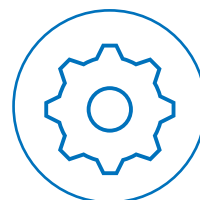
R94 MILLION

Estimated GDP generated by the Baakens River Valley area in 2022, representing **less than 1%** of the NMBs total



7%

Estimated increase in the size of the area's GDP between 2010 just prior to COVID-19



R27 MILLION

Generated by the manufacturing sector, equivalent to **28%** of the area's GDP

BUSINESS PROFILE



60

Businesses identified during the audit of the Baakens River Valley area

It was only possible to **contact 56** of these identified businesses after multiple attempts



SEVEN

No longer operating from the Baakens River Valley area



FOURTEEN

No response received from businesses after multiple attempts to contact them



SIX

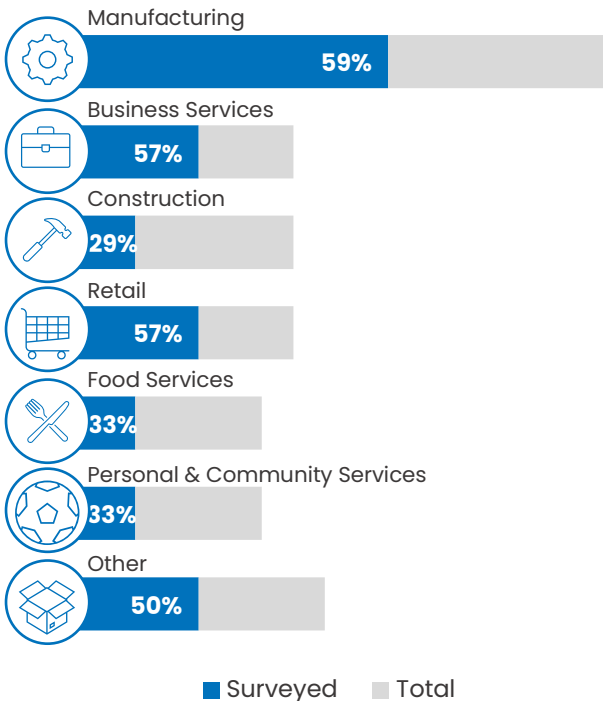
Did not wish to participate in the survey



TWENTY-EIGHT

Businesses participated in the data capturing process and completed a survey

BUSINESS TYPES



The Baakens River Valley area comprises an eclectic mix of businesses spanning several sectors, by far the most prominent of which is manufacturing. These manufacturing businesses including alcohol production; coffee roasting; boat building and repair; clothing and textiles and many more.

There is also an active business service sector focusing on radio broadcasting; advertising and marketing; architectural, and accounting services.

Construction businesses focus mainly on the electrical installation; carpeting and flooring; and glass installation.

The retail and food services industries are important to the area, with several restaurants and shops selling a variety of goods.



6 YEARS

Average number of years a business has operated in the area

Most businesses have longstanding operations in the area, with just **12%** indicating they had been in the area for a year or less. The majority of businesses (**46%**) reported being in the area for between 2 to 5 years.

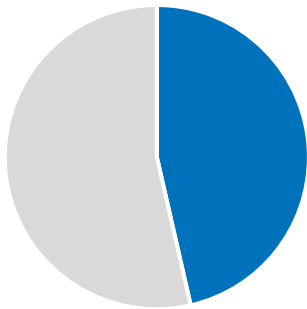
PERFORMANCE

394 

Total number of people employed by surveyed businesses of which **311 (79%) are permanent** and 83 (21%) are temporary workers

Based on the data from the survey sample, it was possible to extrapolate an estimate of total employment within the Baakens River Valley area. This yielded a result of:

738 EMPLOYEES



46% of businesses have hired additional staff over the last 5 years

The diverse nature of the firms operating within the Baakens River Valley made the area particularly resilient during the COVID-19 pandemic. This meant that just **11% of firms retrenched workers** over the period. None of these firms, however retrenched more than four employees.

The survey results further suggest that **employment has risen by 23% post pandemic**. Prior to the outbreak, total employment in the area was estimated at just 321.



77%

Of surveyed business have hired between **1 and 4 staff** over the last 5 years



23%

Of surveyed business have hired more than five staff, with **15%** having hired **more than 10**

The trends in employment growth were also borne out in businesses turnover. **Almost half (48%)** of businesses indicated that their **turnover had increased** either slightly (37%) or significantly (11%) over the last five years – even after considering the impact of COVID-19.

Businesses attributed this increase to several factors including **increased foot traffic** to the area post lockdown, a **recovery in consumer demand**, and **new business models** adopted by both firms and consumers during the pandemic.

Aspects such as load shedding and weak economic growth remain key concerns for businesses in the Baakens River Valley. These were the two primary factors cited by the 37% of businesses that indicated that their turnover had declined either slightly (11%) or significantly (26%) over the last five years.

CHANGE IN TURNOVER



48%
INCREASED



37%
DECREASED

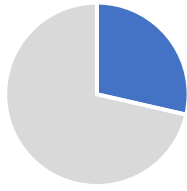
A further **15%** of businesses indicated that they had experienced **no change in their turnover** over the last five years.

PROPERTY IMPROVEMENTS



71%

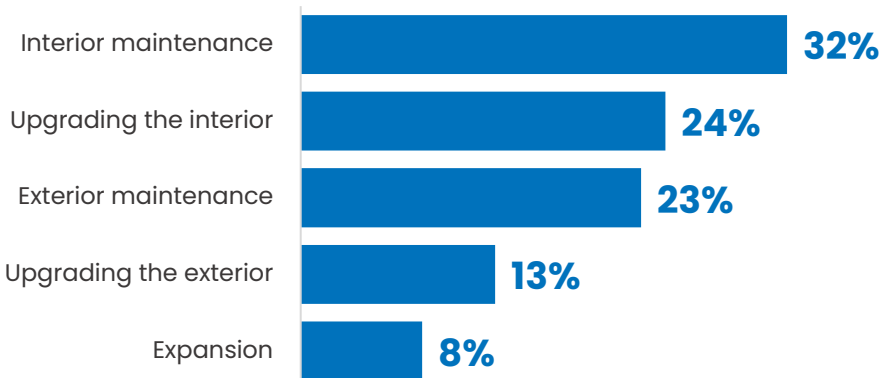
Made improvements



29%

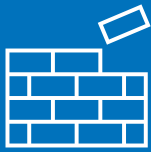
Did not make improvements

Percentage of businesses that indicated that they had made some form of improvements to their premises in the **last five years**



NATURE OF IMPROVEMENTS

Given that all but one of the businesses surveyed indicated that they rented the premises from which they operated, it is unsurprising that **56% of all improvements** made over the last five years were to the interior of the business's property.



72%

Of the business that made improvements spent **less than R500 000** in total

R382 955

Average value of improvements made

R8.4 MILLION

Estimated value of all improvements made by surveyed businesses in the Baakens River Valley area over the last 5 years. This figure **increases to an estimated R15.3 million** if non-surveyed businesses are considered.

46%

Of businesses indicated that the MBDA investments into the Baakens River Valley area was either the **main (4%)** reason or had **some influence (42%)** for their decision to make improvements to their premises.

The **majority (54%)** of businesses, however, indicated that the MBDA's activities in the Baakens River Valley area had **no influence** on their investment decision.

60% Of the businesses still plan to make **further improvements in the next 5 years**

Comments expressed by businesses when asked what motivated them to invest in the area:



Motivation by fellow business owners in already operating in the area.

Felt like and had the vibe of the Biscuit Mill in Cape Town.

We saw the future growth prospects of the area.

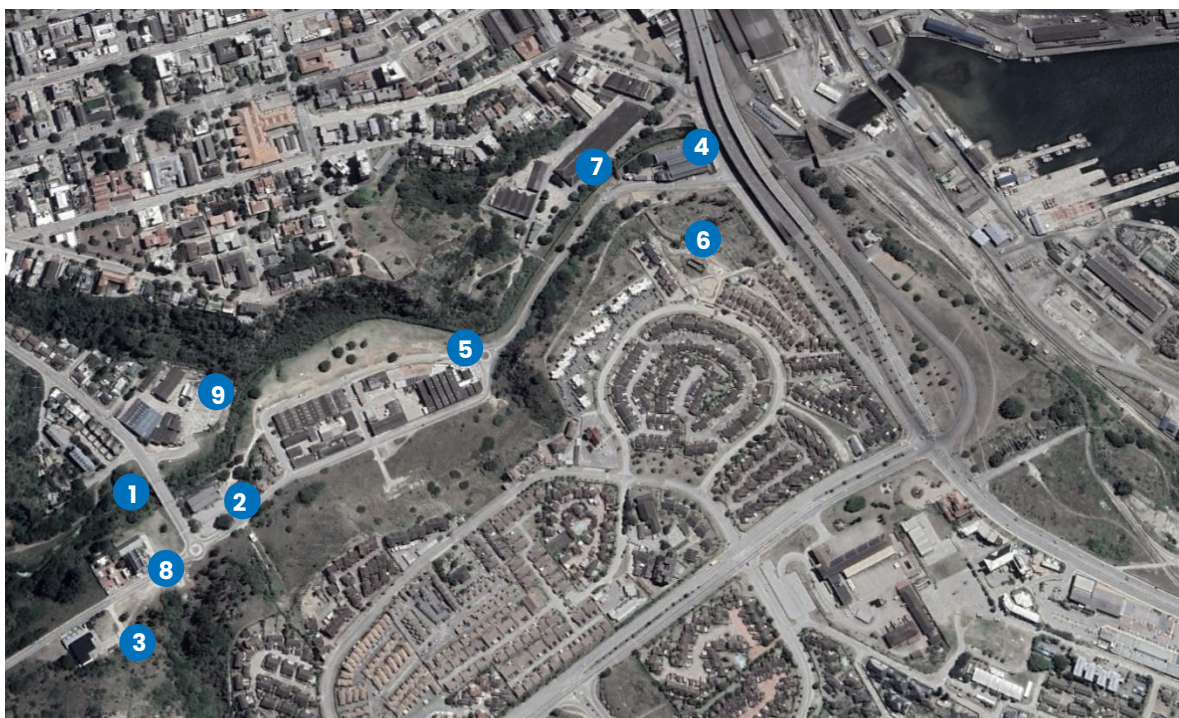
Local vibe, proximity to restaurants and CrossFit gym.

MAJOR INVESTMENTS

PUBLIC

PRIVATE

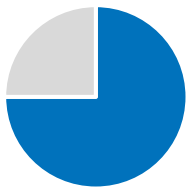
- 2010
- 1 **R80 million** for the construction Brickmakers Kloof bridge
- 2011
- 2 **R16 million** for the redevelopment of the Boomtown Offices
- 2017
- 3 **R10 million** for the construction of the Momsen Bike Factory
- 2018
- 4 **R84 million** into the revamp of the Tramways Building
- 5 **R10 million** into the upgrading of Lower Valley Road
- 2019
- 6 **R15 million** for initial phases of the Saint Peters redevelopment
- 7 **R14 million** for the construction of the Baakens Pedestrian Bridge
- 8 **R23 million** for the construction of the Algoa FM offices
- 2023
- 9 **R11 million** for the rebuilding of the Butcats/Yamaha Boat factory



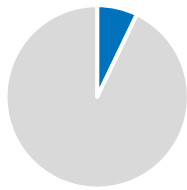
R265 MILLION

Total investment into the area since 2010 in current prices, of which **R204 million (77%)** was investment by the **public sector** and **R61 million (23%)** by the **private sector**

PERFORMANCE



75%
Rental/Property values increased



7%
Rental/Property values decreased

Perceptions of business about the rental and property values trends in the Baakens River Valley area over the **last five years**

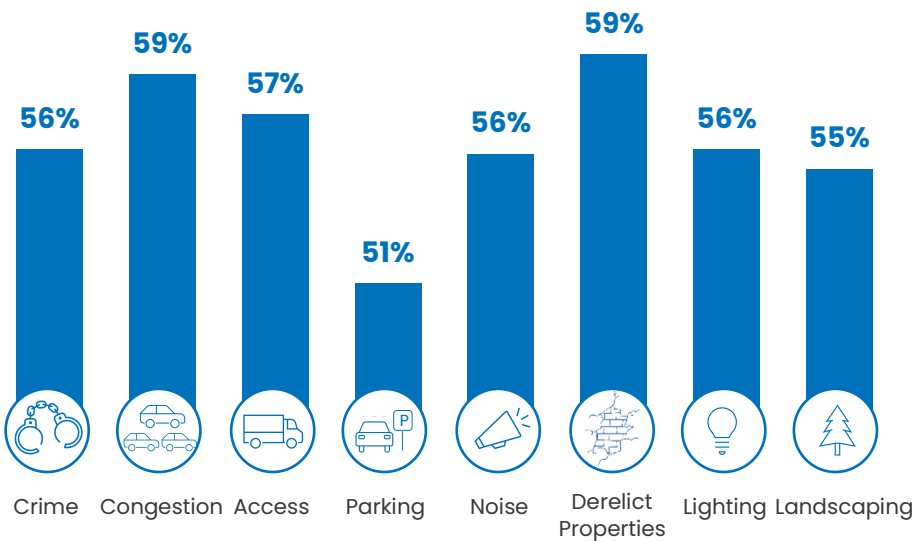
ENVIRONMENTAL FACTORS

To establish what impact developments in the Baakens River Valley have had on various factors, businesses were asked to rank key issues on a scale of one to five. A ranking of one (1) indicated no improvement, while a five (5) indicated significant improvement. These were then converted to a percentage.

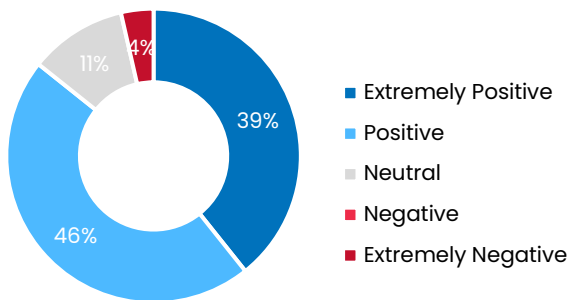
The interventions in the area have had a positive impact on congestion and derelict properties, but limited impact on parking, landscaping, and

Businesses were also asked how they perceive the Tramways upgrade and the functional improvements (e.g. one-way traffic) to the area.

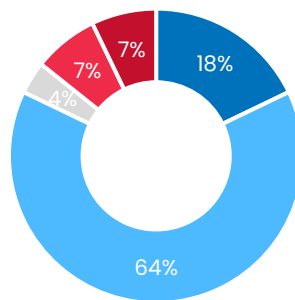
Sentiments were overwhelmingly positive, with **86%** viewing the **tramways upgrades positively**, and 82% saying that the functional upgrades had improved the area.



TRAMWAYS & BAAKENS BRIDGE



FUNCTIONAL IMPROVEMENTS



Types of interventions that business want for the area:

Crime & Safety



75%

Urban Renewal



68%

Business Support



64%

Cleaning & Recycling



57%

Tourism Development



50%

Facilities & Area Management



50%

Other



36%

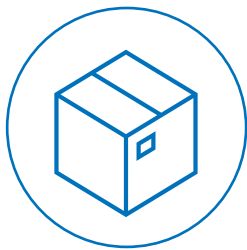
Crime and safety as well as **urban renewal** interventions such as street and infrastructure upgrades are by far the most desired interventions for the Baakens River Valley Area. Other types of interventions requested include: skills training (46%); arts, culture, events, and sports (43%); investment promotion (39%); youth development (32%); and heritage celebration (29%)

ECONOMIC IMPACT

An economic impact is defined as an exogenous change in the local economy that has either a positive or negative effect on economic activity. In the Baakens River Valley, this exogenous change has taken the form of the several capital investments initiated by both the public and private sector. These economic impacts are once-off and only arise for the duration of the construction period.

To quantify the anticipated direct, indirect, and induced impact on an exogenous change, several econometric models can be applied. For this study, the SAM-Leontief model was used. The SAM-Leontief model uses social accounting matrices as the underlying database. Coefficients are taken from the SAM and are used to calculate the open and closed Leontief inverses which are multiplied by the exogenous change to obtain direct, indirect, and induced impact on production. The change in production is then multiplied by direct multipliers to obtain specific impacts on GDP, employment, and income.

Using this approach, the total economic impact of the **R273 million invested into the Baakens River Valley area**, including the value of improvements made, has been quantified.



R950 MILLION

Total additional **production** generated owing to the investments in the area



R310 MILLION

Increase in national **GDP** owing to the investments in the area



1 133

Number of **employment opportunities (FTE)** created as a result of investments in the area



R163 MILLION

Rise in **total household income** due to the investments

Contribution of the area to municipal rates revenue

Using the NMB's 2017 and 2022 General Valuation Rolls, it was possible to estimate the property rates income generated by businesses in the Baakens River Valley area.

After adjusting for inflation, the cumulative municipal **valuation** for the properties in the area in 2022 was **R61 million**. Despite the extensive investment in the area, this figure was 1% lower than in 2017. This equates to a per m² rate of R2 339 (2017: R2 362).

This meant that the property rates generated by the area rose marginally between 2017 and 2022, to reach **R1.4 million per year**. This accounts just 0.1% of the NMB's total property rates revenue.



R61 MILLION

Cumulative municipal valuation of commercial property in the area, 1% lower than in 2017



R1.4 MILLION

Total annual property rates generated by the area in 2022