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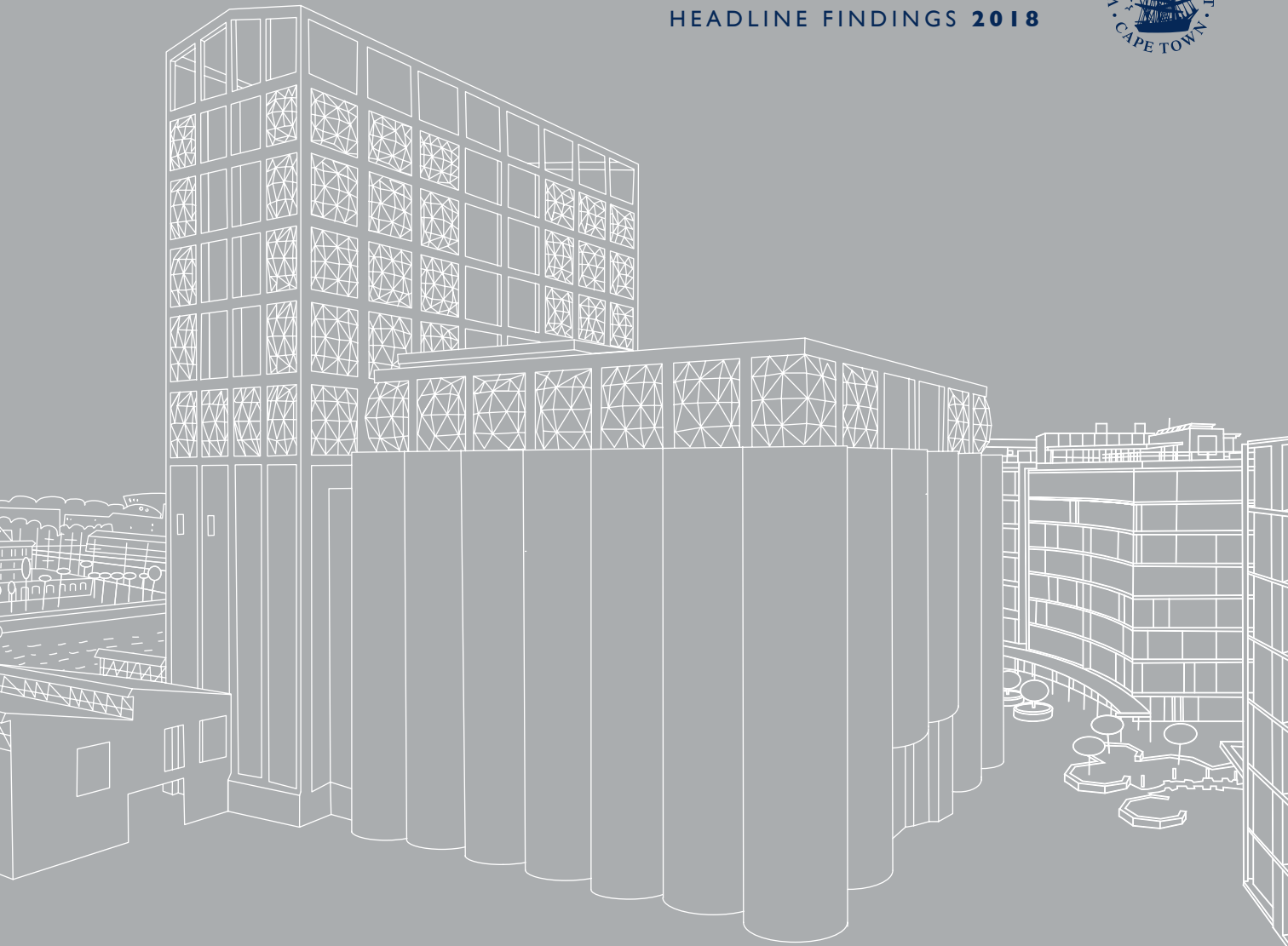
2016

2017

2018

# V&A Waterfront Economic Contribution

## HEADLINE FINDINGS **2018**



# V&A Waterfront: Growing Incomes and Jobs

The V&A Waterfront, situated in the oldest working harbour in the southern hemisphere, is one of the most visited destinations in Africa. Rising from long neglected harbours – the Alfred and the Victoria Basins, derelict and cut off from the City, it has become a leading waterfront, an extraordinary place to work, shop, stay and play. Its evolution continues.

The V&A Waterfront has undergone a remarkable transformation in the thirty years since its establishment. Alongside the physical evolution, the economic and social contribution of the V&A Waterfront continues to grow and mature. It employs thousands of people who would otherwise be without jobs and hundreds of people have benefited directly from the remarkable enterprise development projects. National and international tourists bring money to Cape Town. So too do the growing number of national and international corporates. These changes have helped the V&A Waterfront give back to the community to where today it is a centre of creative enterprise development and gives growing support to entrepreneurship and innovation.

This is the fourth bi-annual update to chronicle the economic contribution made by the V&A Waterfront. The V&A Waterfront appointed Stratecon to quantify the economic contribution to Cape Town and the country. The emphasis in earlier reports was on the macroeconomic contribution. The 2016 to 2018 report gives a more holistic view of the economics of the V&A Waterfront. The macroeconomic contribution is still there. However there is more emphasis on the thrust of the V&A Waterfront in growing incomes and employment in start-ups and enterprise development, and on the changing face of the precinct. The indirect benefits are as great – its contribution to the iconic status of Cape Town as a world city is immeasurable. The analysis finds that the best could still be to come. The thrust to attracting leading national and international companies, the growing emphasis on promoting creative enterprise development and technology start-ups holds great promise that the V&A Waterfront will accelerate the competitive edge of Cape Town.

There has been a spectacular increase in economic activity at the V&A Waterfront. This has been driven particularly through developments at the new Silo and Canal districts. It was found that the recent increase in economic contribution eclipses all previous changes at the V&A Waterfront. It also surpasses economic growth in the country, the province and relevant sectors like retail and finance. It has also been found that the V&A Waterfront punches above its weight for the land area that it occupies.



*There are two important technical notes at the end of this booklet that assist a full understanding of the results.*

# Size and Growth

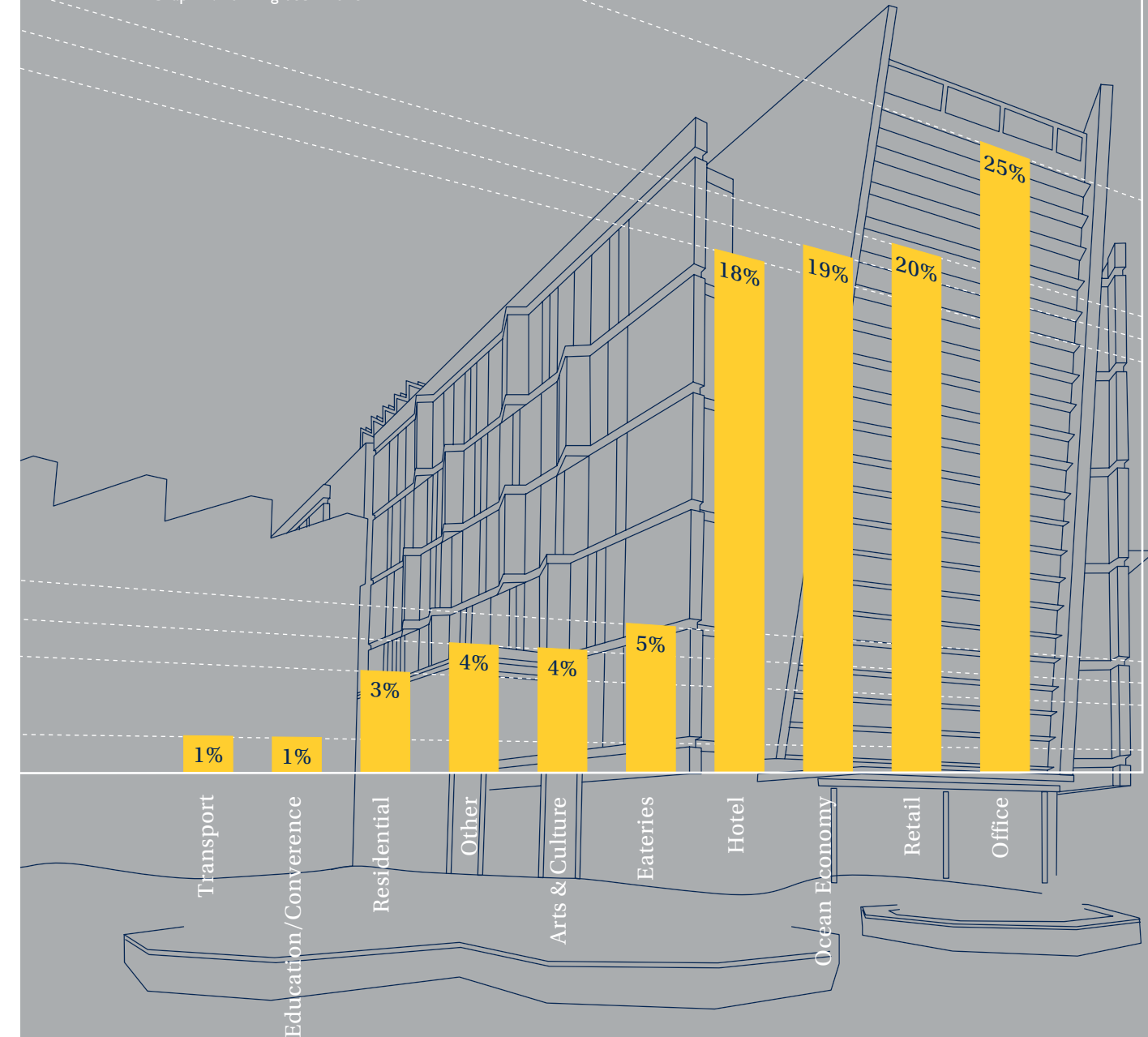
Changes in the way in which land is used is, typically, a slow, evolutionary process. This has certainly been the case at the V&A Waterfront. Two of the initial objectives with the V&A Waterfront were to reclaim the waterfront and give back ocean access to its city residents. A secondary objective was to grow the tourist appeal of Cape Town. This was a spectacular success and today the V&A Waterfront is one of South Africa's foremost tourist attractions.

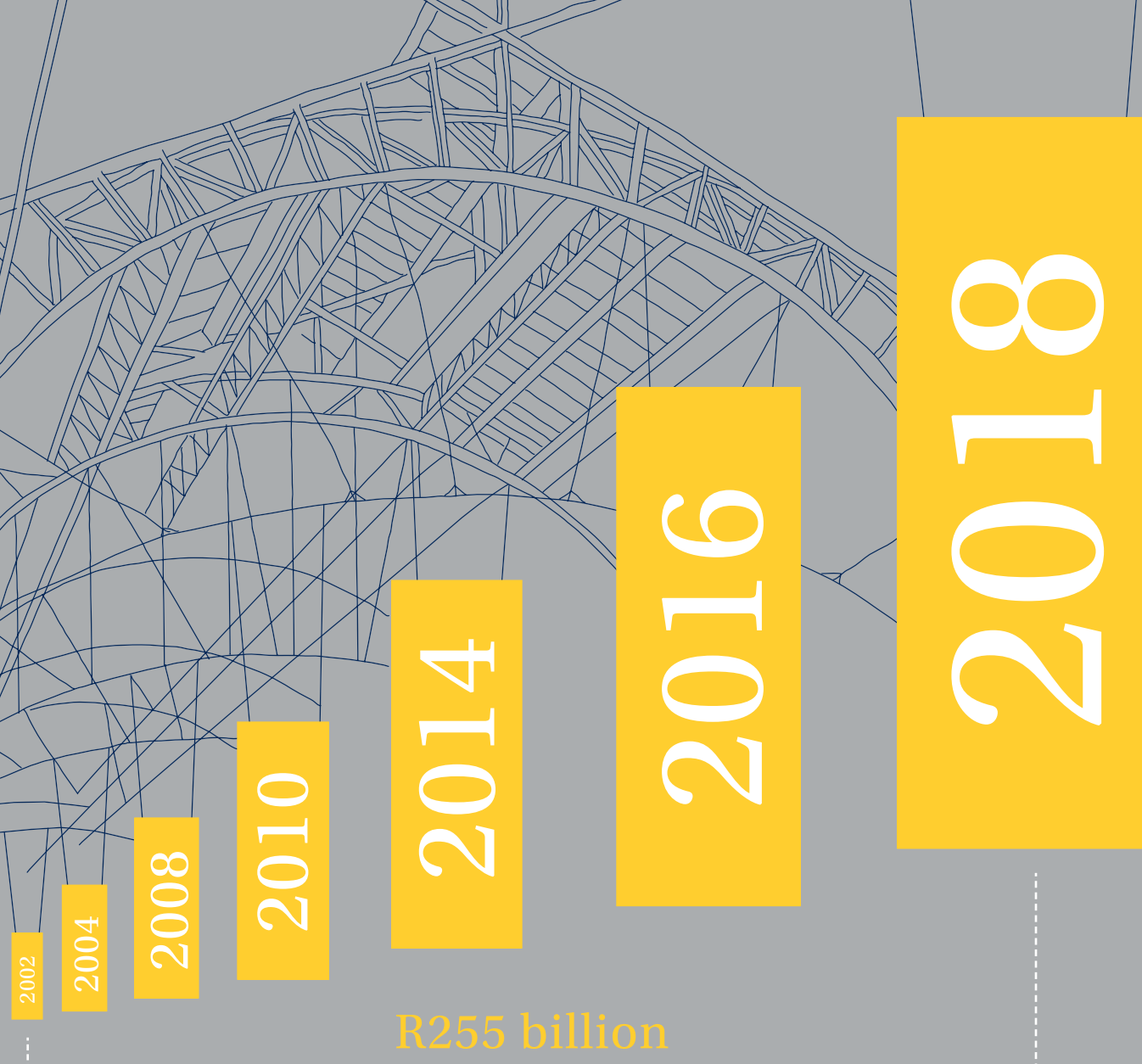
These changes should not obscure the fact that more than half of the V&A Waterfront is open area. Water bodies and canals are predominant and in 2018 made up over 31% of the entire area. The largest part of the physical V&A Waterfront footprint are open areas like pedestrian walkways and open areas and spaces making up almost 37% of the entire area. The remainder is divided between roadways, which take up 9% of the footprint, and buildings at 23%.

The changing composition, and movement away from retail and tourism through the addition of office space, is graphically illustrated in the diagram opposite. This year the largest use of the buildings was for commercial offices which made up 25% of all gross, lettable area. Areas dedicated to the general public are retail - 20%, hotels - 18% and eateries - 5%. The ocean economy features prominently with a 19% land use. 'Arts', in the broader sense, find their place in arts & culture - 4% and education/conference facilities - 1% (the latter includes the internationally renowned UCT - Graduate School of Business).

The V&A Waterfront is no longer a retail mall. It is no longer just a place that tourists visit. Rather it has a mixed use with offices, retail, accommodation, the ocean economy, as well as arts, culture and education. The V&A Waterfront is a growing commercial district with increasing prestige attached to firms operating from the V&A Waterfront. These changes make, and will continue to make, a major contribution to the competitiveness of Cape Town. This is evidenced by a number of companies relocating from other areas of the province into the V&A Waterfront and, by inference, the City of Cape Town. The most notable example of this is the recent move by British American Tobacco to the V&A Waterfront. Other new and notable tenants include PricewaterhouseCoopers and Ernst & Young.

Graph 1: Building use - 2018





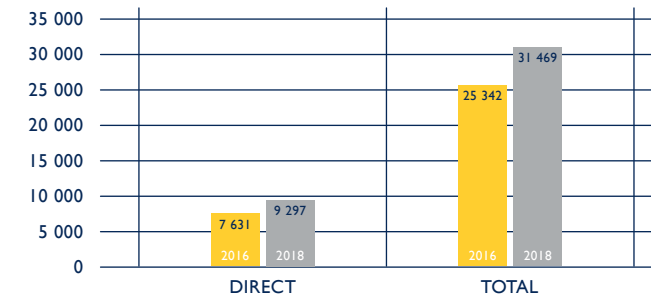
Graph 2: Cumulative Nominal Contribution to GDP

## Contribution to GDP (Gross Domestic Product)

Contribution to GDP is the most far-reaching measure of economic contribution. There is a need to differentiate between direct and total GDP contribution. Direct contribution is a measure of the economic activity at the V&A Waterfront. Total includes economic multiplier effects.

There was a 22% increase in real contribution to direct GDP between 2016 and 2018 (7.4% between 2016 and 2017 and 13.5% between 2017 and 2018). This was an overall increase from R7.6bn to R9.3bn. At 24%, the increase in contribution to total real GDP was even larger, growing from R25bn to R31.5bn. This is an outstanding degree of economic growth.

Graph 3: Contribution to GDP



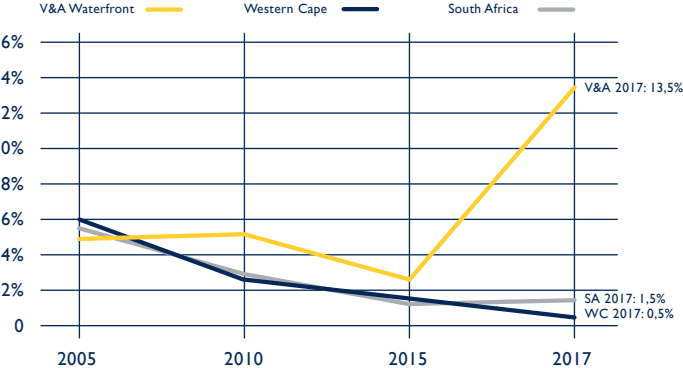
GDP is important not just because it is income but also because income has the capacity to add to wealth. It is estimated that the V&A Waterfront has, since 2002, contributed a nominal total of R255bn to the South African economy.

Four different lenses can be used to give perspective to this remarkable growth.

# 1. Economic growth: V&A Waterfront, South Africa and the Western Cape

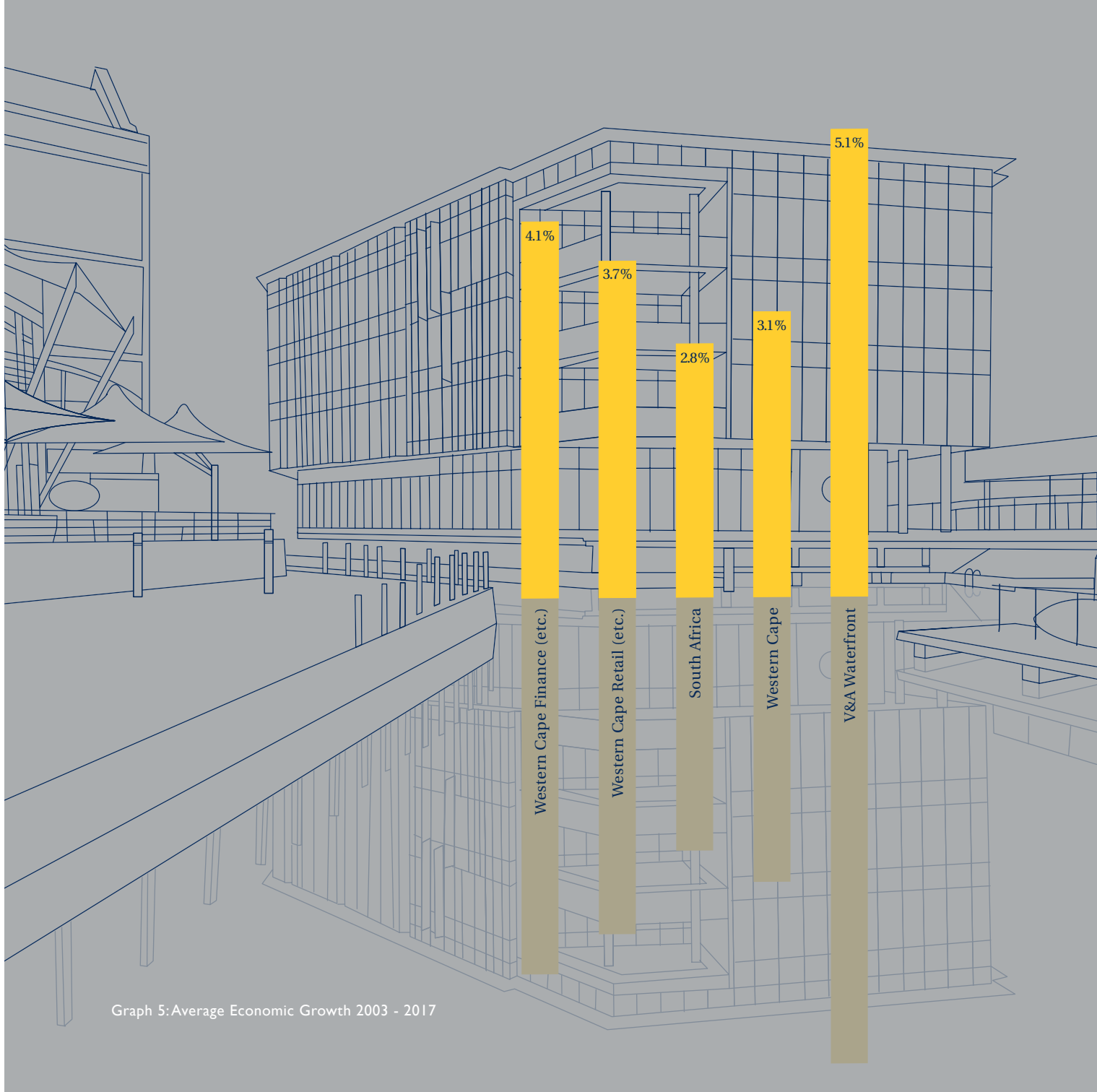
First, in real terms, during the 2017 calendar year, the V&A Waterfront economic growth was 13.5%. This growth dwarfs the national growth of 1.5% and provincial of 0.5% in that year. The step change is obvious in the diagram. Between 2005 and 2015, the V&A Waterfront grew more rapidly than the province and country. The change in trajectory since that time is nothing more than remarkable.

Graph 4: Economic Growth



# 2. Average economic growth: 2003 to 2017

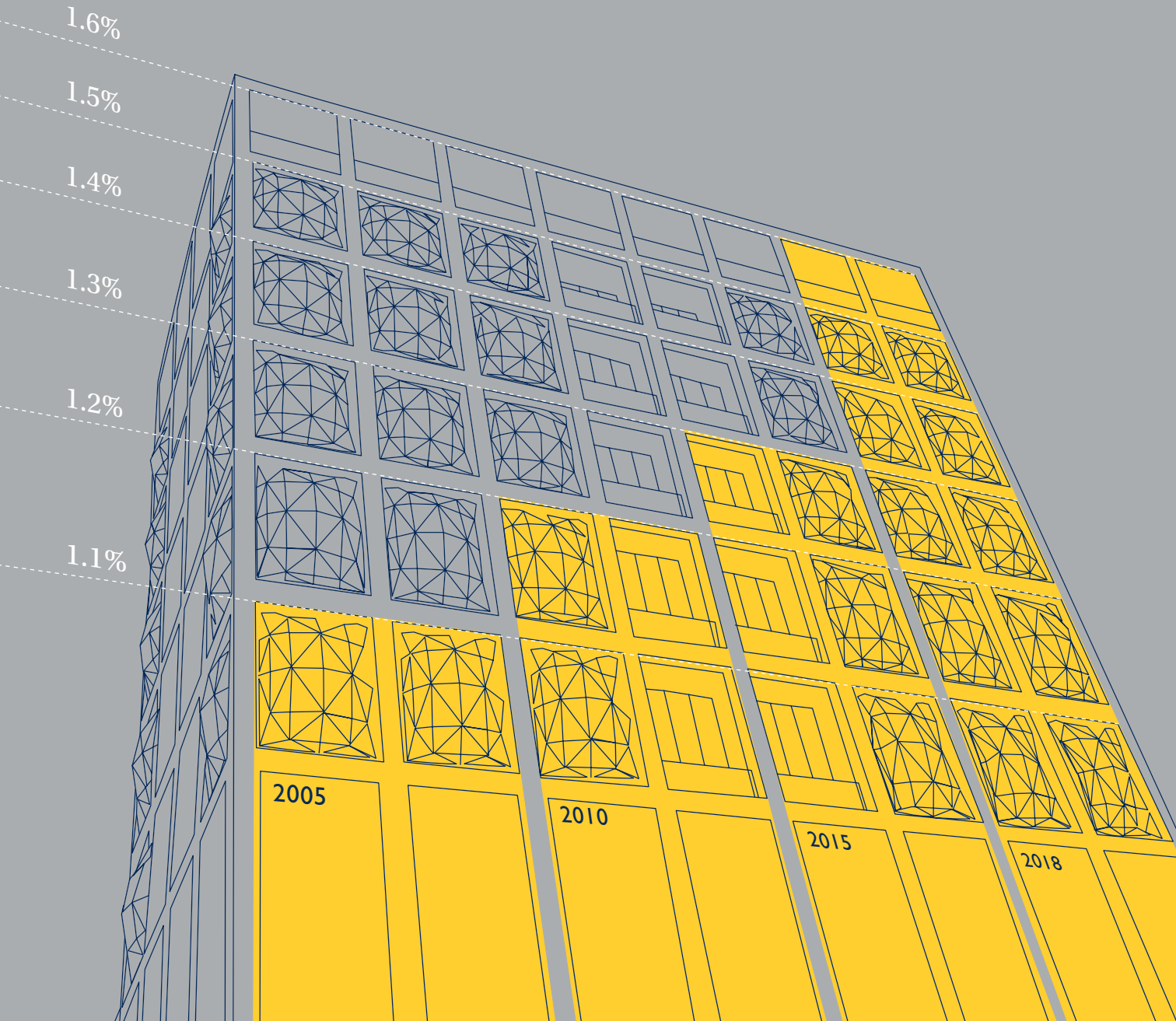
Second, the V&A Waterfront has outperformed measurable comparisons since 2003. The average economic growth at the V&A Waterfront was 5.1% between 2002 and 2018. Over the same time the country grew, on average, by 2.8% and the province by 3.1%. The provincial finance et. al. sector grew at 4.1% and retail et. al. by 3.7%.



Graph 5: Average Economic Growth 2003 - 2017



Graph 6: Contribution to the Western Cape Economy by the V&A Waterfront



### 3. V&A Waterfront contribution to the Western Cape Economy

Third, the V&A Waterfront has increased as a proportion of the provincial economy. In 2005 the V&A Waterfront constituted 1.1% to the provincial economy. This increased to 1.2% in 2010 and 1.3% in 2015. There was a spectacular jump to 1.6% in the 2017 calendar year (2017/8 financial year).

### 4. Footprint

Finally, the V&A Waterfront punches economically well above its land area. The V&A Waterfront contributed 1.6% to the provincial economy, yet physically it only takes up 0.001% of provincial land area. A fairer comparison might be to urban land. Here it occupies 0.2% of the developed land within the urban edge of the city.

Graph 7: V&A Waterfront - Relative Footprint Size

WC Economy	1.6 %
WC Land Area	0.001 %
CoCT Developed Land	0.2 %

# Fostering Enterprise Development

One of the most outstanding initiatives at the V&A Waterfront is growing incomes and jobs through fostering enterprise development and promoting start-ups.

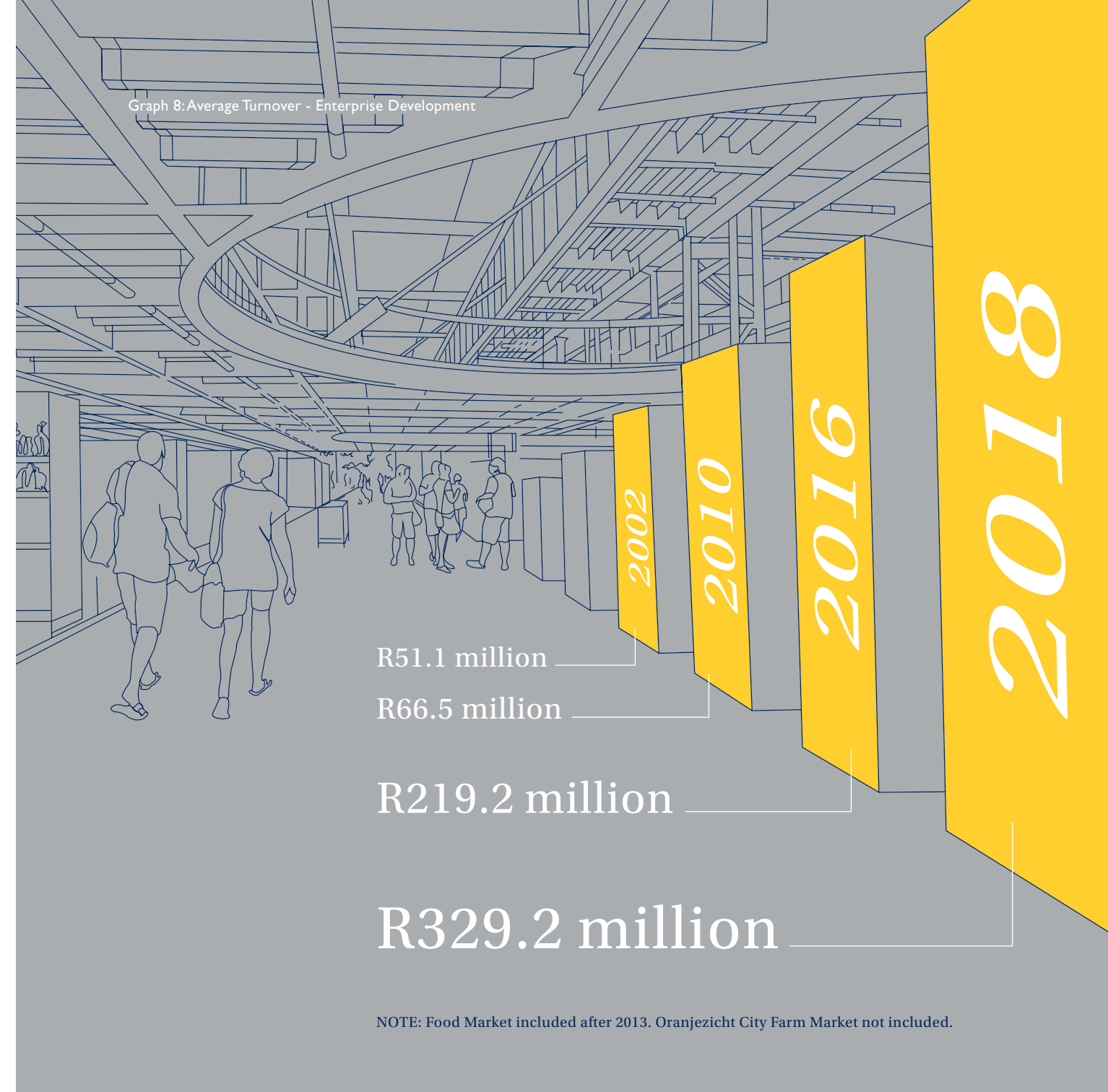
This started with the Red Shed, Craft Market and Wellness Centre, and the Barrows (the 'Sheds'). These have been eclipsed by the Watershed. Adding to the mix is the Food Market, the Oranjezicht City Farm Market and Workshop 17. This has helped flourish previously disadvantaged entrepreneurs and small-business owners.

- In 2002 there were 39 embryonic firms in enterprise development. This grew to 177 by 2018 in The Watershed, Kiosks and Food Market. In addition:
  - In 2012 the V&A Waterfront started to support the Oranjezicht City Farm Market. By 2018 there were 72 small businesses that benefited from this support.
  - A key start-up initiative is Workshop 17. There were 110 start-ups and other firms operating here in 2018.

There are not just more people supported through these initiatives. They make more money and there are more jobs:

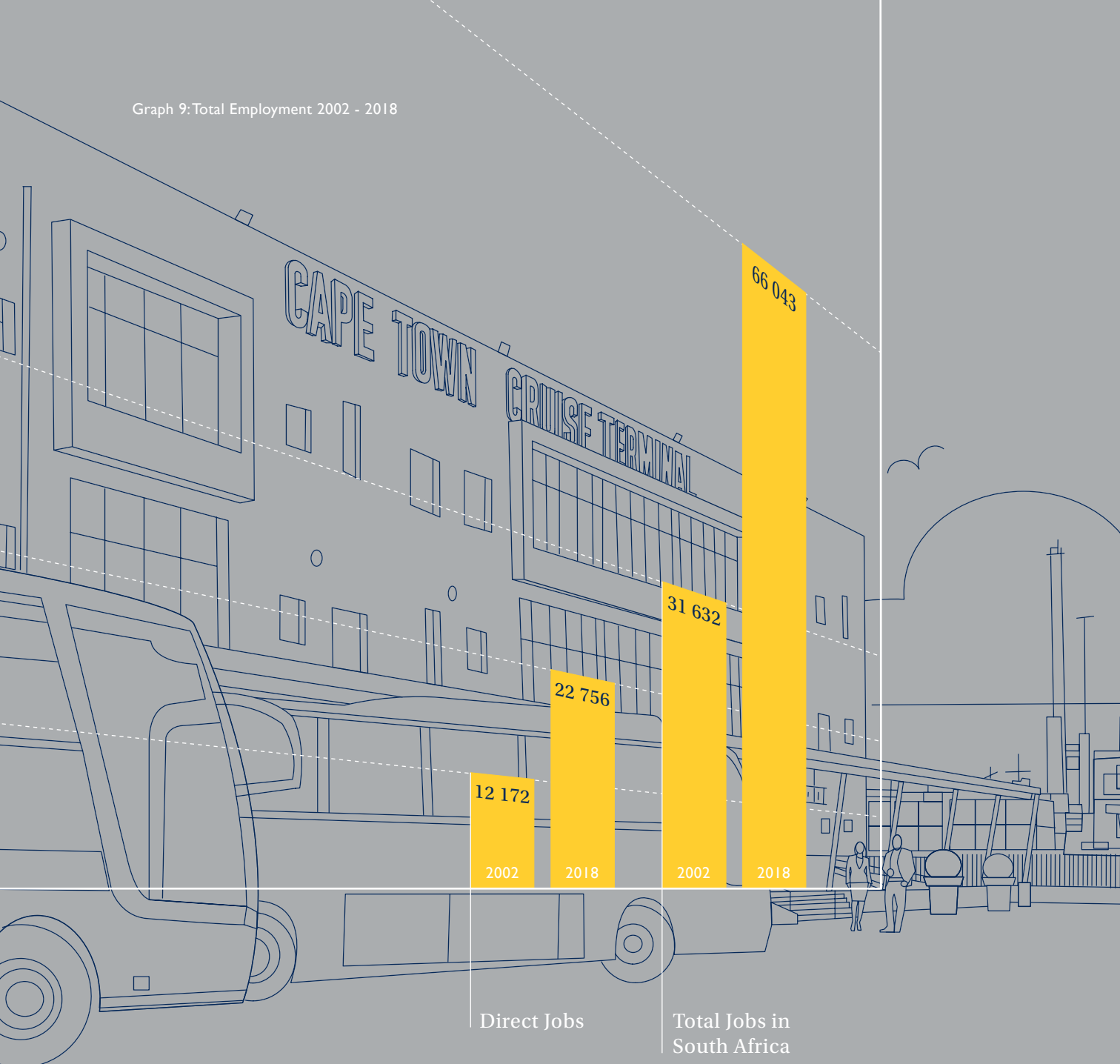
- In 2007 the total revenue of enterprise development was R78m. This increased, excluding Workshop 17, to R139m in 2015 and R329m by 2018 (including City Market in 2018).
- Overall, the market's average annual tenant revenue also increased. This was just over R449 000 at the Red and Blue Sheds and Food Market in 2010. It increased to R598 000 in 2015 including the Oranjezicht City Market, and leapt to R1.5m by 2018.
- A year-on-year comparison shows more jobs in enterprise development. There were 829 people working here in 2014. This had increased to a comparable 1 300 by 2018. (Workshop 17 information not available).
- A recent measurement extension included people working offsite. It was found that there were over 1 500 people working offsite but directly in enterprise development. This means, this year, over 2 800 people were gainfully employed in enterprise development.

Graph 8: Average Turnover - Enterprise Development



NOTE: Food Market included after 2013. Oranjezicht City Farm Market not included.

Graph 9: Total Employment 2002 - 2018



# Employment

Employment continues to grow at the V&A Waterfront. As with GDP a distinction is made between direct and total (including economic multiplier) jobs.

**Direct Jobs:**

22 756 people worked at the V&A Waterfront in 2018.

- This was a 4.7% annual increase from 20 742 jobs in 2016.
- This had increased from 12 172 in 2002 - an annual average growth of 4.0%.

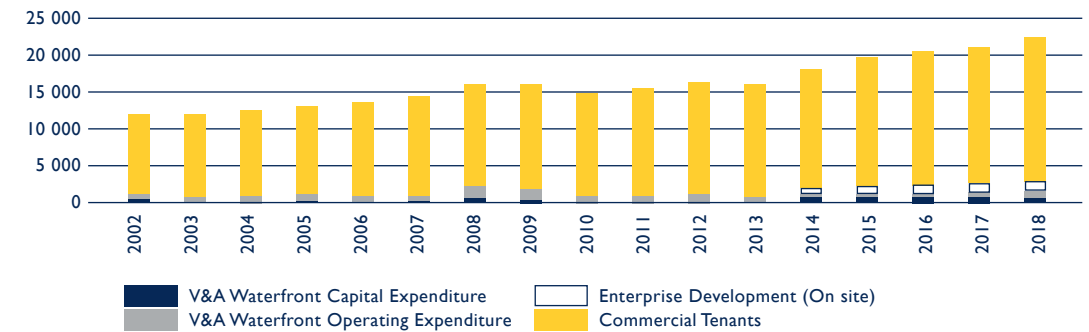
**Some detail:**

- In recent years, the building of the Silo District and Waterway House had a major impact on direct – capital expenditure – jobs; 894 in 2016, 887 in 2017 and 526 in 2018 with building completion.
- There were 1 089 direct jobs from V&A Waterfront operation expenditure in 2018. This is the highest since 2002.
- Tenants are the largest employers.
  - Total employment by tenants grew from 10 889 in 2002 to 21 141 in 2018.
  - It was possible to make a distinction between enterprise development and other tenants from 2014. In this year, 5% of people working for tenants were in enterprise development. This had increased to 7% by 2018. (This measure excludes off-site enterprise development employees).

**Total jobs:**

- The V&A Waterfront sustained 66 043 jobs in 2018. This is the highest recorded since these economic reports started.
- There was an 8.5% annual increase since 2016 and a 4.7% annual increase since 2002.
- Tenant expenditure contributed to 91% of these jobs.

Graph 10: Direct Jobs





# Summary

## Contribution to GDP:

- In 2018 the contribution to direct GDP was R9.3bn and R31.5bn to total GDP.
- The cumulative contribution, since 2003, was R76bn to direct GDP and R255bn to total GDP.

## Comparisons:

- The V&A Waterfront made up 1.6% of the Western Cape economy.
- Grew by 13.5% real, compared to (calendar year 2017) the Western Cape of 0.5% and the country at 1.5%.

## Employment:

- There were 23 000 people working at the V&A Waterfront.
- Total employment was 66 000.

## Enterprise development and start-ups:

- There were 396 businesses operating in this sphere.
- Total turnover, excluding Workshop 17, was R329m
- Average firm turnover, excluding Workshop 17, was R1.5m.
- Over 2 800 people owed their livelihoods to enterprise development and start-ups. (Excluding Workshop 17).

Contribution by the V&A Waterfront	2002	2010	2012	2016	2018
GDP (nominal)	R6 billion	R13.2 billion	R16.9 billion	R23 billion	R31.5 billion
Sustaining direct jobs	12 172 jobs	14 971 jobs	16 458 jobs	20 742 jobs	22 756 jobs

Graph 11: Use of space at the V&A Waterfront



# Development Timeline

Led by the discovery of gold and diamonds in South Africa, construction begins in Cape Town's working harbour to extend the Alfred Basin to include the Victoria Basin.	1860 - 1920
The V&A Waterfront is established by state-owned transport corporation Transnet Limited.	1988
Ferryman's begins trading at the V&A Waterfront.	1989
Official commercial trading commences at the V&A Waterfront.	1990
The Pierhead Precinct (later renamed the Pierhead District) is added to the V&A Waterfront property. It includes restaurants, taverns, speciality shopping, the V&A Hotel, a theatre, arts and craft market, as well as the National Maritime Museum.	
The Victoria Wharf Shopping Centre opens, following completion of the first section of the retail and entertainment centre.	1991 - 1992
The UCT Graduate School of Business also opens, and building of the Ulundi parking garage and Portswood Ridge offices commences.	
Portswood Square Office Park is completed. The BMW Pavilion, Two Oceans Aquarium, Portswood Hotel, Commodore Hotel and City Lodge open on V&A Waterfront property.	1994 - 1995
The Victoria Wharf Shopping Centre extension is completed, and the Table Bay Hotel and Cape Grace Hotel open to the public.	1995 - 1996
The Clock Tower Precinct (later renamed the Clock Tower District) is completed. This new district includes the BoE (later Nedbank) offices, the Nelson Mandela Gateway, and the Clock Tower retail and office complex.	1999 - 2000
Phase One of the V&A Marina residential development opens.	
The South African head office for BP, extensions to Pick n Pay and Edgars retail space, and Phase Two of the Marina residential development are completed.	2003 - 2006
The V&A Waterfront's new fashion wing is launched at the Victoria Wharf Shopping Centre.	2006 - 2009
The Breakwater parking garage, Dock House Hotel, and the One&Only Hotel open to the public.	

2010	FIFA World Cup in Cape Town.
2011	The V&A Waterfront is jointly acquired by Growthpoint and the Public Investment Corporation (PIC).  The boutique five-star Queen Victoria Hotel opens in June.  The Clock Tower Shopping Centre refurbishment is completed in August, and includes a refreshed retail offering and triple-A office space.  Construction begins on No. 1 Silo, which becomes the head office of Allan Gray.
2012	A large-scale redevelopment of the Food Court in the Victoria Wharf Shopping Centre is completed.
2013	Commercial and residential development on No. 1 and No. 2 Silo are completed.  The redeveloped Pick 'n Pay opens in the Victoria Wharf Shopping Centre. Reconfiguration of the old Pick 'n Pay space begins, with Cotton On and Mr Price moving in.  Refurbishment of the old Blue Shed Craft Market begins, and is renamed 'The Watershed', intended to be the home of African craft and design at the V&A Waterfront.
2014	The extension of the Two Oceans Aquarium is completed, which includes a new 1.5-million litre seawater tank for larger scale exhibitions at the aquarium.  The Watershed opens.  Construction begins on converting the historical grain silo at the V&A Waterfront into the Zeitz Museum of Contemporary Art Africa (Zeitz MOCAA), which is to be the largest museum of contemporary art from Africa and its diaspora in the past 100 years.  Renovations on Ports Edge apartments are completed.
	The V&A Waterfront announces the Silo District, a new mixed-use district that will include residential, commercial and retail space.
2015	Redevelopment of Kings Warehouse within the Victoria Wharf Shopping Centre is completed, making space for two international retailers, Hamleys and H&M, both of which are the first stores in South Africa for the brands.  The V&A Waterfront's second phase of rental residential units, The Breakwater, is launched.  A multi-use innovation hub, Workshop 17, is completed at The Watershed.  The V&A Waterfront is awarded operating rights for the Cape Town Cruise Terminal.  The V&A Waterfront also announces the Canal District, a new mixed-use district on the property, which will be home to the head offices of British American Tobacco Southern Africa and EY.

- The Virgin Active Classic Health Club, housed in No. 4 Silo, opens to the public. 2016
- PwC and Werkmans move into No. 5 Silo in the Silo District.
- The Quayside Terraces project is completed, bringing new, permanent, glass-and-steel designed structure to the popular outdoor restaurants at Victoria Wharf Shopping Centre.
- Waterway House opens with anchor tenant, British American Tobacco, in October, signalling the opening of the Canal District.
- Further development of the Cape Town Cruise Terminal is announced in November.
- Completion of the Silo District. 2017
- After four years of development, Zeitz MOCAA (Museum of Contemporary Art Africa) opened to the public in September 2017.
- The Radisson Red Hotel, housed in No. 6 Silo, also opened in September.
- Second phase of the Cape Town Cruise Terminal is completed with the addition of reception and waiting areas, baggage handling services and immigration and customs facilities, as well as additional facilities necessary for the comfort of disembarking cruise liner passengers. 2018
- Battery Park, a new urban park that forms the gateway to the V&A Waterfront through its Canal District, is opened to the public in November 2018.

## Contact Details

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## Notes on Reading this Booklet:

1. The convention used is to report by financial year.
  - a. The V&A Waterfront financial year closes in March. Hence a FY2018 is the year from April 2017 to March 2018. This, for readability, is called 2018.
  - b. This convention is changed when the V&A Waterfront growth is compared to National and Provincial economic growth which are reported by calendar year. For comparative purposes a V&A Waterfront financial year is compared to the previous calendar year. So, for example, the FY 2018 – i.e. April 2017 to March 2018 – is compared to the 2017 calendar year.
2. StatsSA recently updated their Social Accounting Matrixes (SAMs). This has necessitated a restatement of historical contributions to GDP and taxes. This means that individual and cumulative GDP results cannot be compared to previous reports.

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