

Real Estate Law

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SOUTH AFRICA

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REAL ESTATE LAW ALERT

How Waterfall City offers a glimpse into the future of long-term leases in South Africa



Long-term leases play a crucial role in providing an alternative, secure land tenure option in the real estate landscape; offering stability and a sense of security for both landlords and tenants. In South Africa, the concept of long-term leases has evolved, with innovative models such as reinstating long-term leases gaining prominence.

Understanding long-term leases

Long-term leases typically extend beyond the conventional residential or commercial lease durations. These agreements commonly last for several decades, allowing tenants to establish a more permanent presence and providing property owners with steady, long-term income. In South Africa, long-term leases have become a key aspect of the real estate market, addressing the need for sustainable development and urban planning. The Formalities in Respect of Leases of Land Act 18 of 1969 (the Act) allows for the registration of long-term leases which, if registered, bind creditors or successors in title. A long-term lease is described in section 1(2) of the Act as:

"[A] lease of land:

- (a) entered into for a period of not less than 10 years; or*
- (b) entered into for the natural life of the lessee or another other person mentioned in the lease; or*
- (c) which is renewable from time to time at the will of the lessee indefinitely or for periods which together with the first period of the lease amount in all to not less than 10 years."*

Reinstating long-term leases in Waterfall City

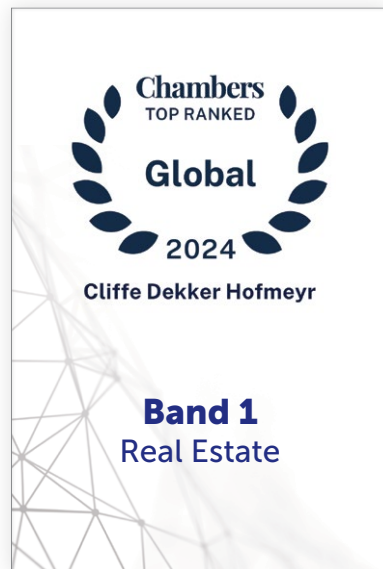
Waterfall City, a prominent mixed-use development in Gauteng, South Africa, has embraced a distinctive approach to long-term leases, using reinstating long-term leases. This means that with a "resale" of the lease, the lease period is extended back to 99 years and the buyer, who is the new lessee, acquires the rights under the lease for a full 99 years. This differs from previous 99-year lease products in which the new lessee would have obtained the rights to the property only for the remaining number of years. The establishment of such reinstating long-term leases allowed financial institutions more security, which in turn meant that South African financial institutions were willing to approve the financing of such long-term lease "purchases", making the model adopted for reinstating



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long-term leases more economically beneficial and viable. This innovative approach aims to foster a sense of community, use of geographically positioned prime property and long-term investment in the region.

While reinstating long-term leases in Waterfall City offer numerous benefits, such as sustainable development and community integration, challenges may arise. Balancing the interests of various stakeholders, adapting to changing economic conditions, and ensuring regulatory compliance are among the challenges that developers and lessees may face.

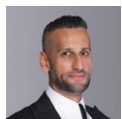
South Africa's real estate landscape is witnessing a transformation in the way long-term leases are structured, with Waterfall City's innovative approach setting a precedent for sustainable, mixed-use developments on land which otherwise would not have been utilised for as diverse a project as it is now. As the real estate sector continues to evolve, reinstating long-term leases in Waterfall City provide a glimpse into the future of urban planning and community development possible in our legal system.

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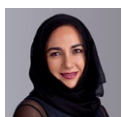
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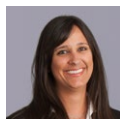
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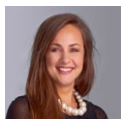
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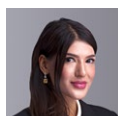
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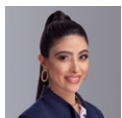
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BBBEE STATUS: LEVEL ONE CONTRIBUTOR

Our BBBEE verification is one of several components of our transformation strategy and we continue to seek ways of improving it in a meaningful manner.

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