

Corobrik views affordable housing market as a key component in 2016

Corobrik believed further developments in South Africa's affordable housing market and investments in social infrastructure were the key to positive prospects for 2016, with the clay brick and paving manufacturer and distributor seeking to add to the value of South Africa's infrastructure stock and consumer investment at the entry housing level where there is minimal disposable income for maintenance.

Corobrik MD Dirk Meyer says that while masonry construction presented a unique value proposition to Government it presented a sound product choice for young families managing debt, with limited capital for maintenance. Corobrik face brick is an aesthetically appealing, high quality product with its roots deep in South Africa's building fabric, does not accrue painting bills every three years or so and possesses sound environmental credentials.

The country was experiencing growth in construction of homes between R500 000 and R2 million targeting the emerging middle-class.

"This is the townhouse market that virtually disappeared in 2008 and now is making a comeback. It offers significant growth opportunities as outside that arena, there has been only a slow, gradual increase in the number of plans passed," Meyer says.

Houses between R100000 and R350000 falling within the government subsidised housing segment catered to a different market, but also one in which Government have been falling behind its targets. However, recent government initiatives were aimed at boosting delivery which signalled an opportunity for growth and market penetration for Corobrik.

During 2015 Corobrik grew both its volumes and profits, albeit it

in single digits, at a time when competitors were backsliding. Consequently, Meyer says Corobrik was outperforming the trend, but acknowledges the pie was growing slowly - individual companies were largely boosting turnover at the expense of competitor market shares

Corobrik's direct competitors in the paving and facebrick market had shrunk, meaning the company was currently competing at a more intense level against glass, plaster and paint and fabricated alternate walling systems seeking share of the market.

Meyer says the Gauteng and Eastern Cape Governments had been building schools and indications were that KwaZulu-Natal was coming to the fore with its school infrastructure development initiatives. This boded well for the coming year as the company supplied a significant share of the of South Africa's Governments social infrastructure programs from schools to hospitals and clinics.

"The municipal elections this/next year will provide impetus as municipalities experience some urgency to deliver before their voters head for the polls. One example is the cycle tracks being installed in Soweto and Tembisa - good potential business for Corobrik."

However, load shedding this year had posed significant challenges and might present a constraint on future growth. Without power, buildings could not be constructed and, while there were building projects aiming to come off the national grid, this was still a specialised niche. "The current stability of the power supply has been a positive factor," Meyer says.

Looking to the environmental issues, Meyer says Corobrik had all but concluded its ISO 14001 Environmental management certification program and that its operations were now aiming for the safety, health, environment and quality integrated ISO 18000 management system certification. Currently three Corobrik

factories had already achieved ISO 18000 certification and management was rolling out the project across the remaining 12 factories. Meyer noted that the Avoca factory complex was the first Corobrik operation to achieve ISO 18000 certification this extending its good neighbourliness in an area of Durban that was attracting new housing developments.

Corobrik was currently modernising the Gauteng-based Lawley factory to be more environmentally and economically sustainable. This included installing robotic handling systems to boost manufacturing, quality, quantity and flexibility which with its natural gas firing systems put the facility well ahead of its competitors. Meyer says there were opportunities for Corobrik to build new factories to cater for niche market growth.

While growth within South Africa will have to be fought for, Meyer believed there were a variety of opportunities into the Southern African Development Community (SADC) countries that Corobrik will be pursuing. Corobrik currently supplies into these markets and will pursue sales growth in these neighbouring countries.