Housing subsidy assets: exploring the performance of government-subsidised housing in South Africa - Kecia Rust, Centre for Affordable Housing Finance in Africa, a division of FinMark Trust

a. Key questions for the Centre for Affordable Housing Finance

Kecia Rust is the housing finance theme coordinator with the FinMark Trust and the founder of the Centre for Affordable Housing Finance in Africa. She explained the purpose and motivation behind the research conducted by the Centre for Affordable Housing Finance, which asks questions of the performance of government subsidised housing: Does it work? Are there real assets coming out? How do people receive subsidies? And how do people use those subsidies? The Centre has a great deal of research on its website, plus the study about to be presented, and requests comments and critique from the audience and website viewers.

Since 1994 South Africa has tried to rectify an enormous housing shortfall and provide a 'better life for all'. The South African government decided to dedicate 84% of its budget for housing, which was a very large amount, and as a result has built approximately three million housing units. The Centre wants to understand how people are using these houses by asking questions such as: How does the house perform? Does it improve their lives? Does it improve their livelihood? Does it improve their access to income?

b. Research methodology: sourcing data

Rust mentioned that in order to source the houses for the study, the Centre used the deeds registry and at reselling values, and hoped to find that people purchased a subsidised house, which was sold for profit later. There were some issues encountered due to the title deeds office experiencing delays in issuing title deeds. To try to understand what kinds of state investment might affect the performance of housing, a household survey asked people how they felt about their homes.

The government provided its database of who had received the subsidy, which showed that 3.8 million people had been approved since 1994. The DHS update the list to prevent people from applying twice. ID-numbers were entered into the deeds registry list; the results were that 1.7 million households were identified whose first property looked like a subsidy, another 240 000 received housing and registered before 1994, which were excluded due to the fact that they were not part of the RDP subsidy scheme, and a further 1.8 million did not appear, i.e. ID-numbers did not match any property.

Of the 1.7 million, some of the beneficiaries shared a house, which corresponded to approximately 1.44 million properties. The RDP scheme was around the same time as the discount benefits scheme where old township stock was transferred to people. The trouble was that nothing on the deeds registry indicates whether a house that had been transferred by the state is a house from the discount benefit scheme or the RDP scheme. Thus, the study felt it was 95% sure it was project linked.

It took eight months for the data to arrive due to South Africa's system having very bad documenting and tracking methods. A total of 3.8 million subsidies have been approved, which peak in 2002 and 2003, but construction and deeds registration of course lag behind approval. The study indicated that in 2007 only 17% of the properties were listed as subsidies on the deeds registry. In total,

subsidised housing constitutes 24% of South Africa's property market, which represents a major portion, especially when considering that many properties are not yet listed on the deeds registry.

c. How effective is subsidised housing as an asset?

The question was then raised, how effective is subsidised housing as a social and economic asset? The study looked at case studies of RDPs from 1995, e.g. one house located a container in the front yard and opened a spaza shop, which then gave the owner access to a micro-loan, which was used to stock the spaza shop further. The profits of this were used to build three backyard rooms. Furthermore, 120 000 mortgage loans have been extended against subsidy housing independent of a sale, one can see developments everywhere with the building of additional rooms and extensions onto the original houses. Some houses are improved sooner rather than later. In total, the government-subsidised properties were used to leverage ZAR20 billion for improvements, which do not include other non-governmental subsidy programmes.

The study also looked at the sale price of the properties, and reviewed the sale price over different periods. It found that between the years 1994 and 2000 the sale price averaged ZAR54 000 and between the years 2004 and 2009 the sale price averaged ZAR160 000. It is interesting to note that these prices are very similar to the rates of subsidy; the question arose whether the subsidy price defines the purchase price? In the absence of a market to define the value, perhaps the sale price is set by government, bearing in mind that the price does not include land and infrastructure.

d. Findings from the study

From the findings, the study has developed a number of recommendations which include the following: the premise that housing stock should improve not only lives but also the wealth of the people who access them; it should be acknowledged that the resale of subsidised housing is a potential and important supply for the gap market, filling in the gaps in the housing ladder; and lastly that interventions should be put in place to support asset performance and enable the sub market to operate more effectively. However, for these recommendations to be made into a reality they require:

- Clear and consistent policy and political messaging on the housing asset;
- Housing asset quality must be addressed by eradicating the title registration backlog;
- Facilitate property market functioning and remove restrictions to trade;
- Support the use of a house as an economic asset;
- Develop detailed monitoring and analysis.