

# **Moving up the ladder or stuck on the bottom rung? Homeownership as a solution to poverty in South Africa**

Dr. Charlotte Lemanski

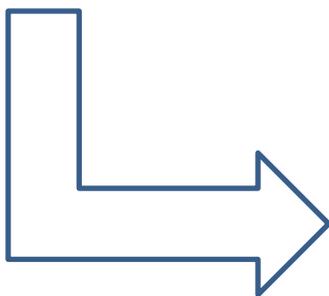
Department of Geography, University College London

Urban LandMark

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# Aims of study

We are moving towards the concept of a house as an asset. You have to give people title deeds to give them complete ownership of the house. Then they can re-bond a house and have access to more money ... or they can improve the house and sell it a few years down the line and make a profit (Lindiwe Sisulu, quoted in *Delivery*, 2005)



## Research Questions:

- Is the asset (RDP property) financially realisable?
  - Is there a market for state-subsidised houses?
  - Can/do vendors purchase alternative property?
- Can/is the asset used to secure collateral?
- Poor homeowners' understanding of property

# RDP case study: Westlake village, Cape Town



Typical  
houses &  
streets  
(2004-6)

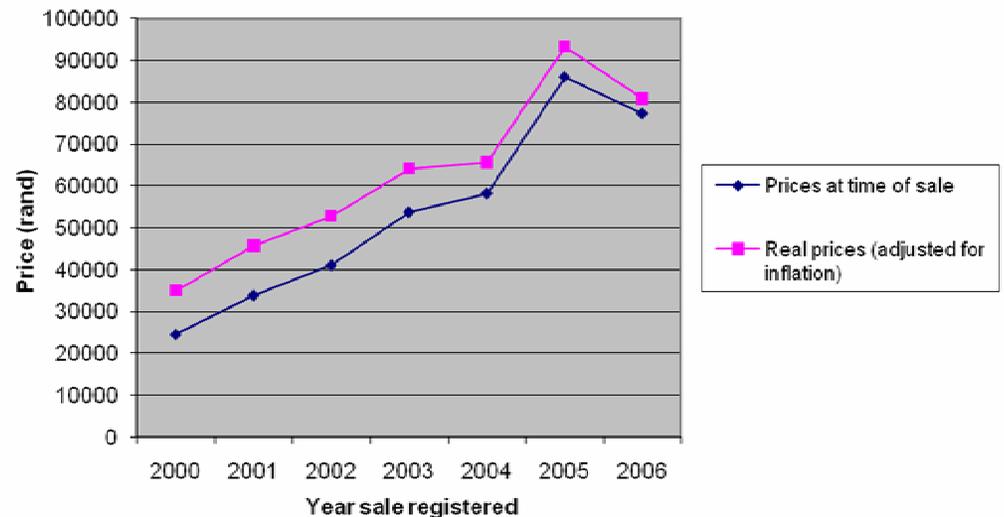


# RDP property: financially realisable?

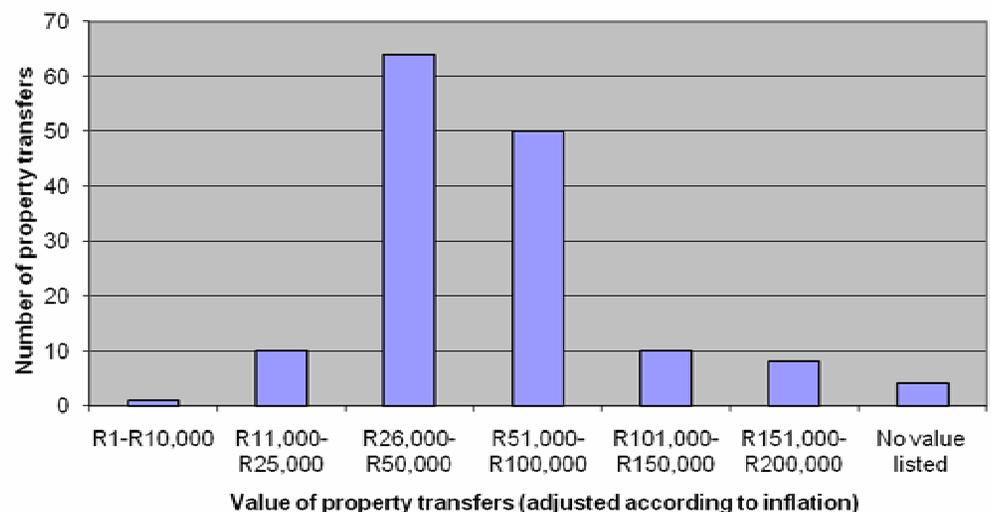
- **Functioning RDP property market exists:**
  - 23% transaction rates (over 6 years)
  - Rising house prices
- **Low transaction values : unable to buy elsewhere**
  - R60 000 mean house value
  - Difficult to secure bond
  - Movement of sellers

My friend's father sold his house for R45 000 ... Now he stays in a bungalow in Philippi [A.I. 03/09/06]

Average (mean) RDP house sale prices, Westlake village  
City of Cape Town Deeds Office Data, Nov 2006



Value of house purchases, Westlake village, 1999-2006  
City of Cape Town Deeds Office Data, Nov 2006



# Property: collateral security?

- RDP property can be used as collateral security (3% hholds)
- Why so uncommon?
  - Home-owners risk aversion
- Instead, property as income generation
  - Sub-letting
  - Backyard tenancy

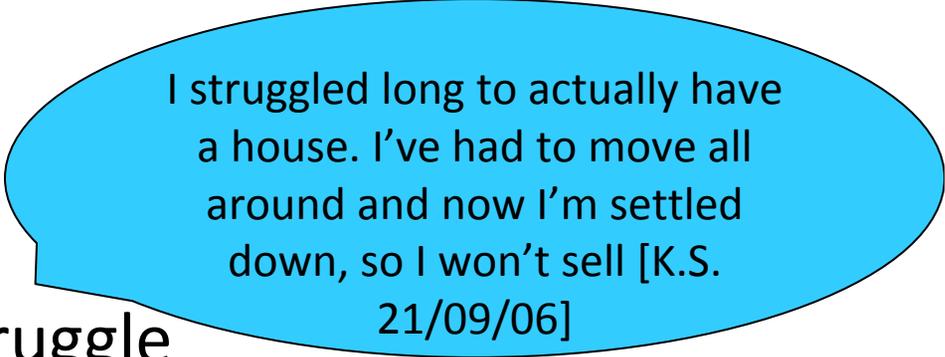
My husband would like a loan, but I don't want because if you can't pay then the bank comes and takes your house, then you must live on the street [AvdM 11/09/06]

## Poor homeowners' understandings

- A non-financial asset?

- Socio-cultural: end of struggle

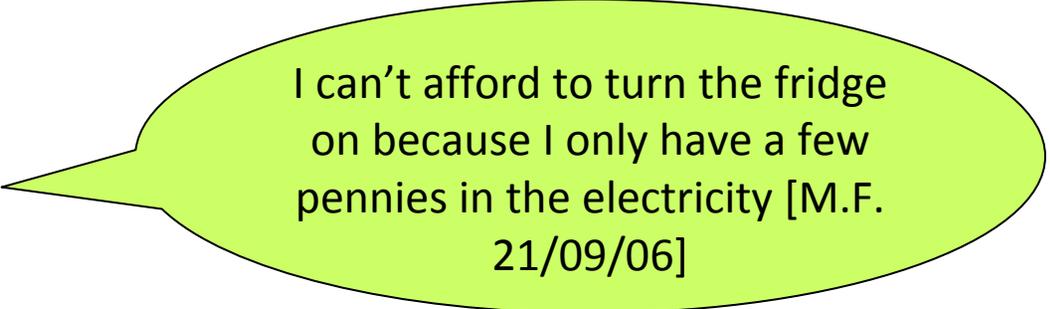
- Physical, financial, social, cultural *and* symbolic

A blue speech bubble containing a quote from a respondent.

I struggled long to actually have a house. I've had to move all around and now I'm settled down, so I won't sell [K.S. 21/09/06]

- A burden

- Increased costs

A green speech bubble containing a quote from a respondent.

I can't afford to turn the fridge on because I only have a few pennies in the electricity [M.F. 21/09/06]

Is homeownership an appropriate anti-poverty strategy?

# Conclusions: RDP property as a mixed financial asset

## Benefits

- Financially tradable (but ...)
- Collateral security (but)
- Tenure security
- Physical shelter
- Social and cultural asset

## Constraints

- Low transaction rates prevent upwards movement
- Homeowners reluctant to use as collateral
- Financial burden