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## **Banks worry over slow delivery of housing**

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ONE of the major challenges facing SA is how to make the low-cost housing market attractive to developers.

At the moment developers tend to shy away from this sector because of nonexistent or low profits.

The problem has been highlighted by the Banking Association of SA, which commissioned an independent research study into the country's housing supply problems.

The association says a shortage of low-cost housing and the dilemma on how to share the risk are standing in the way of banks fulfilling their commitments under the finance sector charter to provide R42bn in financing for new low-cost housing before the end of 2008.

Jopie van Honschooten, head of the association's housing initiative, says there are about 12,5-million households in SA, a quarter of which are able to provide for their own housing needs.

At the other end of the spectrum, about 7-million households rely entirely on government for their housing needs.

In the middle are about 2-million households in the R1500-R7500 household income category who need loan financing for better housing.

It is this category that the banking industry is targeting.

Van Honschooten says, however, that the research, conducted by Matthew Nell & Associates and Settlement Dynamics, reveals that no matter what "engineering" the banking industry manages to achieve in terms of financing delivery, "it will not have a major impact on transforming the market because supply is a problem", due largely to the tremendous shortage of housing for those in the R1500-R7500 income category.

The study indicates a need for about 2,5-million homes in this sector.

"There is a shortage of about 650000 units in this category. A realistic basis for reducing this would be erecting 135000 houses a year over five years. That would reduce the shortfall by 60%," he says.

Currently only 15000 houses are being delivered, and Von Honschooten says the 120000 annual shortfall is a "huge issue".

The study indicates that a major contributing factor to the lack of profits in the low-cost housing market are the delays in the administrative and development

process, which create undue holding costs for developers.

Van Honschooten says government has to place the "right people in the right places at local authority level", and ensure they are held accountable for delivery. He says there should also be incentives to encourage developers to enter the low-cost housing market.

However, national housing department spokesman Ndivhuwo Mabaya say there is a lot of stock available in the township housing markets.

He says the department is "continuing to engage with contractors and developers" to ensure they build more affordable housing.

Mabaya says while there are still not enough houses there are contractors willing to enter the township markets to build houses and rejuvenate existing stock.

He says government has also called on developers to ensure they have elements of mixed income housing in their residential developments.

This entails setting aside 20% of a development for affordable housing.

"We are beginning to see some of the developers moving in this direction, which we believe will increase the stock of affordable housing close to areas of economic activity and major cities," says Mabaya.

Neil Gopal, CEO of commercial property association Sapoa, says the organisation has been working with government on the housing issue.

"Sapoa is a signatory to the housing department's social housing contract, and we're finalising a research document which studies international examples of housing delivery in the UK and Ireland," says Gopal.

He says the association supports government's stance on housing delivery, but does not want an approach that penalises the private sector.

Any approach, he says, should incentivise the private sector to get more involved in the delivery of affordable housing.

"Sapoa would also like to work closer with government on a local, provincial and central government level to resolve the current capacity problems government is facing in terms of human resources and infrastructure."

Sapoa's 860 members consist of property owners, large institutions, banks, property developers, property managers and other property sector stakeholders.

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