

## Slow housing delivery is a worry for banks

By Roy Cokayne

Pretoria - Local authorities have been blamed for the slow pace of housing delivery, particularly affordable housing for lower-income groups.

This has become a serious threat to the commitment by the banking sector in the financial services charter to provide R42 billion to finance low-cost housing by 2008.

Jopie van Honschooten, the co-ordinator of the lower-income housing unit of the financial sector for the Banking Association, said yesterday that the biggest constraint to housing supply was the poor planning and execution of land proclamation and delivery of stands for new houses.

This process was largely under the control of local authorities, Van Honschooten said.

Jacques du Toit, a senior economist at Absa Group Economic Research, said the number of building plans passed for houses for the lower end of the market last year increased by a modest 6.4 percent to 38 905. These were houses of less than 80m<sup>2</sup>.

However, the number of houses completed in this segment declined more than 28 percent to 27 397.

Van Honschooten said the time it took developers to complete various township development processes, such as township establishment approval, conditions of establishment and the installation and handover of services, had risen since 2000.

Most of these processes involved local authorities.

Longer times had increased the risk to developers, apart from increasing the price of housing units delivered to the market, Van Honschooten said.

He said housing costs were driven up by inefficiencies in the housing development process and probably cost developers in the affordable housing market about R40 000 more a unit.

The affordable housing market is defined by the Banking Association as households with a monthly income between R1 500 and R7 500.

Van Honschooten said land proclamation and servicing was the greatest constraint and was characterised by long delays due to the non-existence of local authority development plans and poorly managed township development processes.

"A land development process managed efficiently by local authorities would reduce the development time of serviced stands from three years to 18 months and significantly reduce the cost of serviced stands."

Van Honschooten said there were an estimated 2.5 million households in the affordable mortgage market. There was now a shortage of about 650 000 housing units.

This shortage would increase to 750 000 units by 2010 at current delivery rates and 135 000 new houses would have to be delivered annually over the next five years to reduce this gap by 60 percent.

Van Honschooten said the major banks were capable of financing 75 000 of these houses each year assuming a minimum house price of R130 000. But they would be able to finance a further 48 000 a year if the minimum house price could be reduced to R90 000 through innovation in minimum housing standards.

He denied that banks wanted to shift the risk of providing affordable housing to the government, saying they were prepared to share this risk.

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