

UNDERSTANDING SOUTH AFRICA'S HOUSING FINANCE MARKET

January 2020



In November 2019, CAHF launched its [10th anniversary edition of the Housing Finance in Africa Yearbook](#) which now covers 55 country and five regional profiles. This newsletter presents highlights of the [2019 South Africa Yearbook profile](#) authored by Adrian Di Lollo and Mandy Drummond. In addition, we include CAHF's most recent work in South Africa, including recent research reports, new dashboards on South Africa's residential property market, and information of other useful organisations working in this sector in the country.

OVERVIEW OF SOUTH AFRICA'S HOUSING FINANCE MARKET

South Africa's economy is the second largest in Africa, with a gross domestic product of R4.84 trillion (US\$343.24 billion) in 2018. Among the population of 57.77 million, high levels of inequality and poverty endure, exacerbated by an official unemployment rate of 29 percent. This has contributed to high levels of civic unrest, often expressed in reference to the persistence of poor housing conditions.

South Africa has a robust banking sector, with a banking association of 33 members including local and foreign-owned banks. The country has five leading banks, 19 registered banks, four mutual banks, four co-operative banks, 15 local branches of foreign banks, and 30 foreign banks with approved local representative offices.

While all income earners generally have ready access to credit, credit usage is uneven, and

indebtedness is high. The total outstanding gross debtors' book of consumer credit was R1.88 trillion (US\$133.06 billion) as at Q1 2019, while mortgages accounted for 50.44 percent of this. The average mortgage loan size for mortgages newly extended in 2018 was R198 816 (US\$14 072). From 1 April 2018 to 31 March 2019, a total of 157 159 mortgages were extended, 97 percent of which were to higher income earners.

Microfinance continues to be an area of growth. Bank and non-bank options are available for microfinance. Microfinance credit is provided by lenders for housing improvements and is also extended to low income earners who have secure rights over their housing but are excluded from other formalised finance sources.

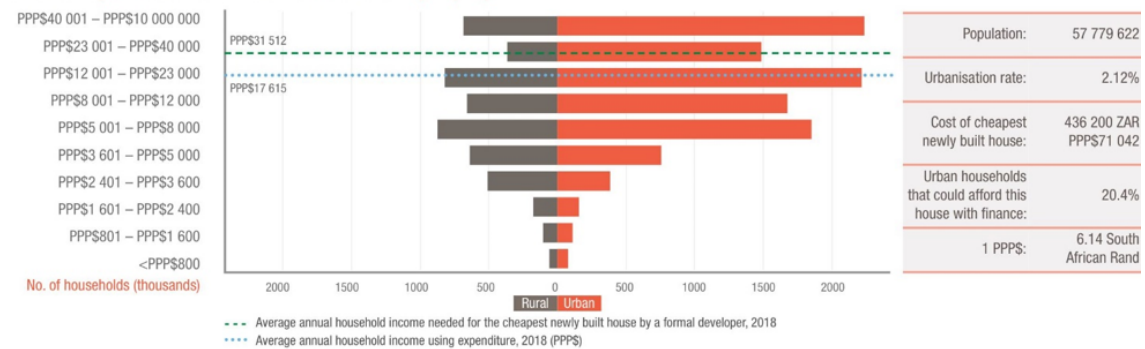
HOUSING AFFORDABILITY

The graph below shows the annual income profile for rural and urban households, based on

consumption. CAHF purchases this data from [C-GIDD](#) (Canback Global Income Distribution), for all African countries. The data for South Africa is reflected in Purchasing Power Parity (PPP) dollars: 1 PPP\$ = 6.14 South African Rand.

SOUTH AFRICA

Annual income profile for rural and urban households based on consumption (PPPS)



Source <https://www.cgidd.com/C-GIDD>, 2019

Although the inflation rate as measured by the consumer price index (CPI) dropped to 4.7 percent by the end of 2017, constraints on consumers' ability to afford housing persist partly due to the impact of the high price of food and clothing.

Affordable housing provision through various schemes such as instalment sales has become more difficult to achieve due to rising project development costs, the lack of and high cost of suitable and well-located land, especially in cities, and the low income levels of potential owners. Even the cheapest newly built house (PPP\$71 042 or 436 200 ZAR) is unaffordable for many households; only 20.4 percent of urban households could afford to purchase this house with finance.

According to CAHF, in 2018 a person earning R1 879 (US\$133) to R4 238 (US\$300) a month could afford a maximum possible purchase price of R131 758 (US\$9 326) which illustrates the point that households on low incomes cannot afford the cheapest newly built housing.

KEY FIGURES

To provide a supply-side delivery vehicle, the government has several subsidised housing programmes for low income households. This includes the [Finance Linked Individual Subsidy Programme](#) (FLISP) which aims to help households who earn between R3 501 (US\$248) to a maximum of R22 000 a month to buy a home. The [Government Employees Housing Scheme](#) (GEHS) is also available to civil servants and takes the form of a housing allowance.

HOUSING SUPPLY

Household surveys show that 81.1 percent of South African households resided in formal dwellings, 13.1 percent in informal dwellings and 5.0 percent in traditional dwellings.

The high number of households living in informal dwellings and/or informal settlements is largely due to the growth in household numbers combined with population relocation to urban areas, exerting additional pressure on limited housing supply. The housing backlog in South Africa stands at approximately 2.3 million in 2019.

PROPERTY MARKETS

The residential property market forms the largest part of the South African property market.

KEY FIGURES

Main urban centres	Pretoria, Johannesburg, Cape Town, Durban
Exchange rate: 1 US\$ = [a] 1 July 2019 1 PPP\$ = [b]	14.13 South African Rand 6.14 South African Rand
Inflation 2018 [c] Inflation 2019 [c]	4.6 5.0
Population [b]	57 779 622
Population growth rate [b] Urbanisation rate [b]	1.3% 2.1%
Percentage of the total population below National Poverty Line (2017) [d]	52.9%
Unemployment rate (% of total labour force, national estimate) (2017) [d]	27.7%
Proportion of the adult population that borrowed formally (2017) [b]	9.3%
GDP (Current US\$) (2018) [b]	US\$366 298 million
GDP growth rate annual [b]	0.6%
GDP per capita (Current US\$) (2018) [b]	US\$6 340
Gini co-efficient (2017) [b]	62.8
HDI global ranking (2017)[d] HD country index score (2017) [d]	113 0.699
Lending interest rate (2017) [b]	10.1%
Yield on 2-year government bonds [f]	6.7%
Number of mortgages outstanding [g]	1 700 436
Value of residential mortgages outstanding (US\$) [g]	US\$67 121 million
Number of mortgage providers [h] Prevailing mortgage rate [f]	14 11.8%
Average mortgage term in years [i] Downpayment [j]	20 15%
Ratio of mortgages to GDP	19.6%
What form is the deeds registry? [e]	Computer - Scanner
Total number of residential properties with a title deed [k]	6 378 922
Number of houses completed [l]	40 202
Number of formal private developers/contractors [m]	17 267
Number of formal estate agents [n]	49 645
Cost of a standard 50kg bag of cement [o]	65 ZAR (US\$4.60)
Price of the cheapest, newly built house by a formal developer or contractor in an urban area (local currency units) [p]	436 200 ZAR
Size of cheapest, newly built house by a formal developer or contractor in an urban area [p]	40m ²
Average rental price for this unit in an urban area (local currency units) [q]	2 300 ZAR
Number of microfinance loans outstanding [g]	7 257 379
Number of microfinance providers [r]	4 500
Number of housing construction loans outstanding [h]	59 396
Number of providers of construction finance	9
World Bank Ease of Doing Business Rank [e]	82
Number of procedures to register property [e]	7
Time (in days) from application to completion for residential units in the main urban city	90

NB: Figures are for 2019 unless stated otherwise.

Member organisations of the African Union for Housing Finance (AUHF):

Gauteng Partnership Fund

Habitat for Humanity International

Home Finance Guarantors Africa Reinsurance

Select Advisors Limited

First National Bank - International Home Loans

Banking Association of South Africa (BASA)

Trust for Urban Housing Finance (TUHF)

[a] Coinmill

[b] World Bank World Development Indicators

[c] IMF World Economic Outlook Database

[d] UNDP: Human Development Reports

[e] World Bank Doing Business 2018

[f] Trading Economics

[g] National Credit Regulator South Africa (NCR)

[h] Banking Association of South Africa (BASA)

[i] Nedbank

[j] Capitec Bank

[k] Lightstone Property Pvt Ltd

[l] Statistics South Africa (StatsSA)

[m] National Home Builders Registration Council (NHBRC)

[n] Estate Agency Affairs Board (EAAB)

[o] Buildit

[p] Cosmopolitan Projects

[q] Trust for Urban Housing Finance (TUHF)

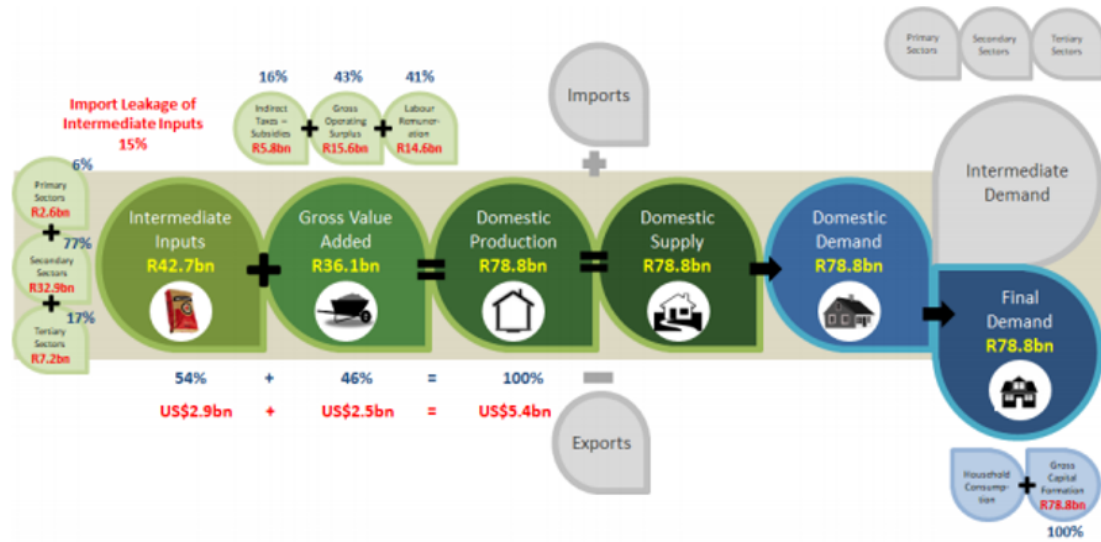
By late 2017, the South African deeds registry had 6.37 million registered residential properties, worth R5.1 trillion (US\$361 billion). Most of the residential property market – 58 percent at the end of 2017 – includes homes valued at less than R600 000 (US\$42 468). Thirty-five percent are homes valued at less than R300 000 (US\$1 234), of which the majority are estimated to have been fully subsidised by the government.

South Africa's property market is well-established and is supported through a well-functioning cadastral system. According to the 2019 World Bank Doing Business Report, South Africa is ranked 106th of 190 countries globally in how easy it is to register property.

RESEARCH: ANALYSING THE ECONOMIC IMPACT OF SOUTH AFRICA'S SUBSIDY HOUSING INSTRUMENTS

In recent years, CAHF has conducted a series of studies to understand what housing contributes to the economies of African countries and how much it costs to build an affordable house in Africa. The [Comparing Housing Economic Value Chains in Four African Countries](#) research paper by David Gardner and Keith Lockwood outlines the findings from a pioneering housing economic value chain methodology developed by CAHF that has been used to describe, quantify and compare the impact of housing on the economies of South Africa, Rwanda, Kenya and Nigeria. Published in March 2019, this paper analyses the impact that housing construction and housing rental have on developing

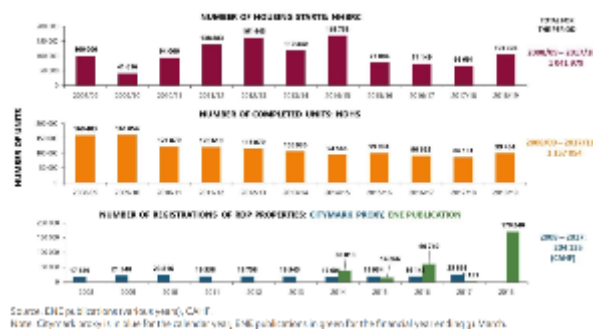
economies, and which sectors of the national economy are most impacted by these activities. The paper found that South Africa's combined residential housing construction domestic production and rental activities totalled US\$10.9 billion in 2016, comprising US\$5.3 billion in gross value added and US\$5.6 billion of intermediate inputs. These figures do not account for the indirect and induced economic impacts that are generated by the direct economic impact of housing.



Combined housing construction and housing rental economic value chain for South Africa in 2016

For South Africa, CAHF went one step further to analyse the [impact of government's subsidised housing programme on the housing construction and housing rental value chains in a](#) report published in November 2019. The report titled [Analysing the Economic Impact of South Africa's Subsidy Housing Instruments: Cost Benchmarking and Impact on the Economy](#) highlights the significant contribution of South Africa's subsidised housing programme to the country's economy, at the same time that it works to fulfil the constitutionally enshrined right of all South African households to progressively realise access to decent accommodation. The analysis also identifies a number of problem areas in South Africa's subsidised housing system related to various anomalies and inefficiencies in the delivery system. To access our reports on the housing economic value chain in South Africa and other countries, visit our [Housing and the Economy Project Page](#).

RESEARCH: FROM COUNTING HOUSES TO MAKING HOUSES COUNT



The [From Counting Houses to Making Houses Count](#) is a recent paper, prepared by [71point4](#), that explores publicly available administrative data on South Africa's housing subsidy programme. It highlights significant discrepancies within and between the published numbers derived from these various administrative data sets. The analysis highlights the importance of triangulating data

generated by the administrative systems of the entities that govern housing delivery and identifies six key areas for attention.

RESEARCH: RAISING CAPITAL TO REGENERATE INNER CITIES - THE CASE OF TUHF HOLDINGS (PTY) LIMITED

The [Raising Capital to Regenerate Inner Cities](#) case study, completed in October 2019, explores the story of [TUHF Holdings \(Pty\) Ltd.](#) TUHF is a specialised commercial property financier based in South Africa, that drives inner city investment by providing access to finance for landlord entrepreneurs to purchase, convert and/or refurbish buildings to provide affordable residential rental in the inner city. The case study explores TUHF's growth and investment challenges over the past 15 years. It highlights the way in which TUHF has demonstrated insight and responsiveness to its evolving funding needs and how it has modified its structure and financing strategy to meet these. The case considers the implications of these lessons for TUHF and its longer term ZAR 10 billion (USD 705 million) vision, as well as for the possibility of replicating TUHF's business model and investment approach in other African cities.

RESEARCH: FINANCING MICRO-DEVELOPMENTS OF RESIDENTIAL RENTAL STOCK - CASE STUDIES OF SEVEN SMALL-SCALE LANDLORDS IN CAPE TOWN

The case study series on [Financing Micro-Developments of Residential Rental Stock](#) documents the experiences of seven small-scale entrepreneur landowners and micro-developers in financing the construction of what constitutes an emerging supply of residential rental stock in Cape Town's predominantly working-class areas of Khayelitsha, Delft, the Wallacedene area of Kraaifontein and Masiphumelele. Through a set of interventions, the case study concludes on how policymakers, regulators and lenders might support the efforts of entrepreneur micro-developers to build a sustainable delivery system for this market segment. It particularly suggests that a coordinated, proactive supply-side approach is required of the financial sector, working with both government and professional institutions, to develop the market.

USEFUL RESOURCES

To access blogs, documents and other useful publications on the housing finance system in South Africa:

[VISIT OUR SOUTH AFRICA PAGE](#)

Other useful resources include:

[Social Housing Regulatory Authority](#).

- The Social Housing Regulatory Authority (SHRA) was established in 2010 to deliver affordable, state subsidised rental housing (social housing) targeted at low to medium income groups.
- The SHRA publishes numerous and useful resources on the social housing sector. This includes [legislation and policy](#) affecting social housing, a [Toolkit](#) on

establishing and running a Social Housing Institution, a range of [publications and documents](#), [project review series](#) documenting good practice case studies of social housing projects, [Social Housing Trends](#) in seven provinces, [Rental Housing Research](#) and activities and achievements of the Social Housing Foundation (SHF) documented in the [SHF Annual Reports](#).

[Housing Development Agency \(HDA\)](#)

- HDA is a national public sector development agency that acquires and prepares land as well as develop the land and project manage the development of housing and human settlements.
 - Since its establishment in 2009, the HDA has been involved in multiple [projects](#). They partner with a range of stakeholders including national, provincial and local government and municipalities, as well as with communities, developers and financiers.
 - The HDA publishes its [annual reports](#), [legislation and policy](#) and a range of [research reports](#), [factsheets](#), [newsletters](#), [presentations](#), and [news articles](#) on housing developments in South Africa.
-

[National Credit Regulator](#)

- The National Credit Regulator (NCR) is responsible for the regulation of the South African credit industry. It is tasked with carrying out [education](#), [research](#), policy development, registration of industry participants (including [credit providers](#), [credit bureaus](#) and [debt counsellors](#)), [investigation of complaints](#), and ensuring enforcement of the [National Credit Act 34 of 2005](#).
 - The NCR is required, by the Act, to promote the development of an accessible credit market.
 - The NCR [Consumer Credit Market Report](#) publicises data on credit extended to consumers and contains mortgage-related data, which is useful for understanding the housing finance system. National Home Builders Registration Council
 - The National Home Builders Registration Council (NHBRC) is a regulatory body of the home building industry mandated to assist and protect housing consumers.
 - The NHBRC is governed by the Housing Consumers Protection Measures Act 95 of 1998 (soon to be repealed by the Housing Consumer Protection Bill). The Act requires home builders to [register](#) with the NHBRC and [enrol](#) every new home, in order to protect housing consumers from poor building practices. This further provides for an important data source for CAHF's annual Housing Finance in Africa Yearbook.
 - The NHBRC offers accredited [training programmes](#) to emerging home builders, military veterans, persons living with disabilities, women and youth.
-

- 71Point4 is a data driven research consultancy that strives to drive change in transformational sectors and thus contribute to economic development. They work across data types and sources including administrative and transactional data sets. Their sectoral focus includes housing and housing finance, credit markets and financial inclusion.
 - 71point4 supports CAHF's research and market intelligence, including the implementation of the Data Agenda for affordable housing in Africa. The [Transaction Support centre](#) is also a joint initiative of CAHF and 71point4.
-

[Cities Support Programme](#)

- The Cities Support Programme (CSP) is a demand-driven programme that covers a range of support mechanisms to metropolitan municipalities and the broader intergovernmental environment. It works across divisions in National Treasury, and with other national departments, to ensure a continuous, consistent and focused lens is brought to bear on the challenges posed to, and the opportunities for, inclusive urban growth.
 - In 2017 CAHF entered into a partnership with the CSP to support an effective housing finance market in South Africa, creating new opportunities for growth and investments. The partnership is framed in a Memorandum of Understanding (MoU) between the Government Technical Advisory Centre (GTAC) and CAHF.
-

[Trust for Urban Housing Finance](#)

- Trust for Urban Housing Finance (TUHF) provides access to finance for property entrepreneurs in inner city residential rental property, converting and refurbishing buildings in the inner cities of South Africa.
 - TUHF's [uMaStandi](#) programme offers mortgage finance to qualifying entrepreneurs who show potential and have passion to run a profitable sustainable and legal township based rental business that provides decent and affordable accommodation for tenants.
 - TUHF supports CAHF's South Africa Programme and the Transaction Support Centre.
-

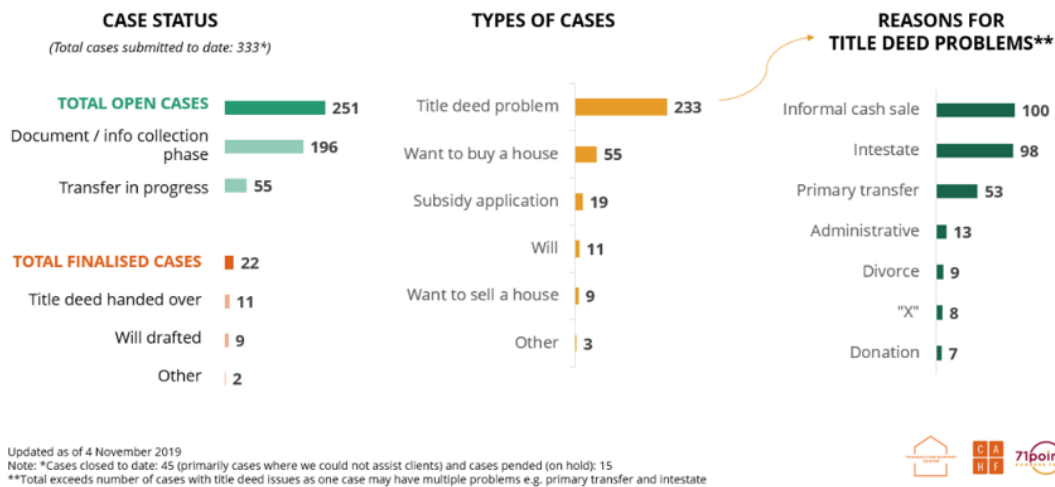
[Cities Alliance](#)

- Cities Alliance is the global partnership supporting cities to deliver sustainable development. It promotes long-term programmatic approaches that support national and local governments to develop appropriate policy frameworks, strengthen local skills and capacity, undertake strategic city planning, and facilitate investment. Cities Alliance supports programmes around [Slum Upgrading](#), [Urban Poverty](#), [Secondary Cities](#) and [Strategic City Planning](#).
 - In May 2019, CAHF and Cities Alliance entered into an agreement for implementation of the [Transaction Support Centre](#) to support secure tenure in functioning property markets in Khayelitsha, South Africa.
-

[Making Finance Work for Africa](#)

- The Making Finance Work for Africa (MKW4A) Partnership is an initiative to support the development of African Financial Sectors. CAHF partners with MFW4A to explore innovation in housing development and finance, as well as support housing finance market development.
- Making Finance Work for Africa has formulated a [financial sector overview](#) for South Africa, publishes [news](#) and [articles](#) on South Africa's financial sector.

OTHER DEVELOPMENTS



Caseload of Transaction Support Centre grows

CAHF, in collaboration with [71point4](#) has piloted a [Transaction Support Centre \(TSC\)](#) in Khayelitsha, Cape Town. The TSC facilitates formal residential property market transactions in the affordable housing market. It coordinates and offers the range of critical services that enable households to transact formally in the residential resale market. The pilot involves the establishment of a physical support office at the Desmond Tutu Sport and Recreation Hall in Khayelitsha where buyers and sellers can access the services.

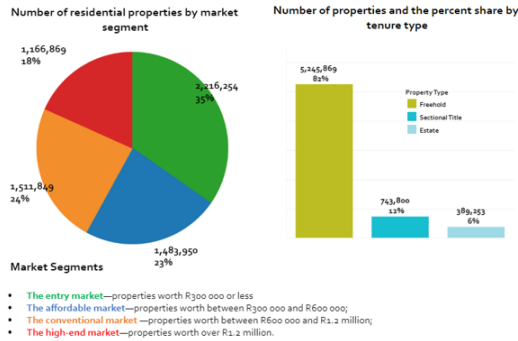
The TSC has been operational since July 2018. The [TSC Case Load](#) as at 4 November 2019 stood at 333. Of these clients, the TSC has 196 cases in the initial document collection phase, 55 transfers in progress and another 22 finalised, which include 11 title deed handovers.

Housing Consumer Protection Bill to be tabled in Parliament

A legislative review process led to the [draft Housing Consumer Protection Bill of 2019](#) which is intended to repeal the Housing Consumers Protection Measures Act of 1998. The Bill is important in that it seeks to ensure adequate protection of housing consumers and effective regulation of the home building industry through, amongst others, strengthening protection measures, regulatory and enforcement mechanisms, as well as prescribing appropriate penalties against persons contravening the Act. Key changes include expanding the definition of homes covered by the Act; changes to the commencement and period of the home warranty fund cover; use of surplus from

warranty fund for transformation purposes; provisions for an integrated database and linked grading system; and expansion of the role and powers of inspectors in the housing value chain. Following a country wide public consultation process that was concluded in October 2019, the draft Bill is expected to be tabled in Parliament early in 2020.

DASHBOARDS ON SOUTH AFRICA'S HOUSING SECTOR



South Africa's National Deeds Registry Data

As at end 2017, there were approx. 6.3 million residential properties on the deeds registry; almost 60% were valued at less than R600 000. To enable users to easily access and view these numbers at national level, CAHF's [Citymark](#) project has developed a new dashboard on South Africa's national deeds registry data which provides information on existing stock, new registrations and resale transactions—by market segment and tenure type.

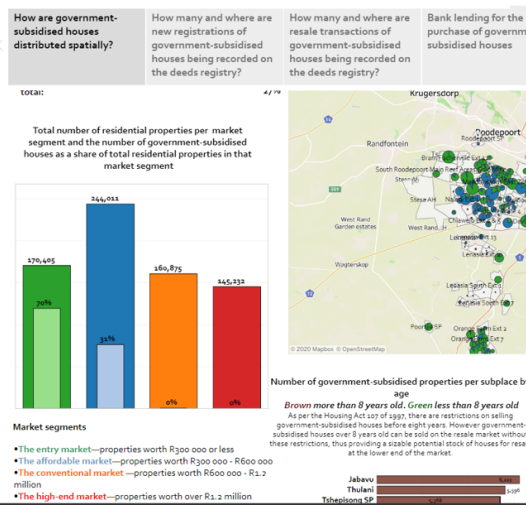
The web-based dynamic dashboard forms part of CAHF's market intelligence on the South African housing sector. In this fourth dashboard we look at how many and what type of properties were recorded over time on the deeds registry from 2007 to 2017—at a national level. It also provides figures on government-subsidised properties over 8 years old and first time home-buyers.

The three tabs of the dashboard are interactive. The first tab shows the total number of residential properties on the deeds registry within a selected year (stock) and the second tab shows how many and what type of new registrations were recorded within a selected year. The third tab illustrates what type of resale transactions were recorded within a selected year.

DASHBOARD

Government-Subsidised Housing Stock and Transactions in the Eight Metropolitan Municipalities

As at end 2017, almost 30 percent of all residential properties on the deeds registry (1.88 million properties) were houses financed by government and delivered through South Africa's national housing programmes. The third Citymark dashboard focuses specifically



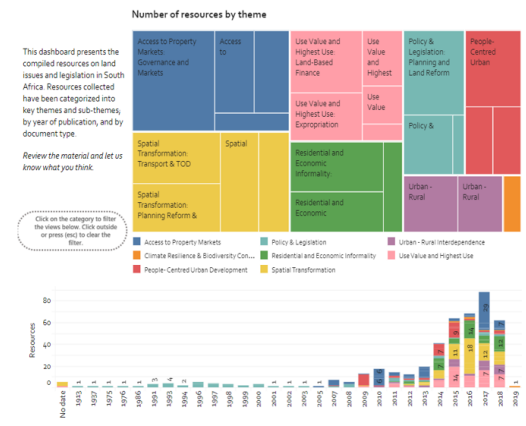
on this government-subsidised housing in Cape Town, Johannesburg, Ekurhuleni, Tshwane, Nelson Mandela Bay, Buffalo City, Mangaung and eThekweni—for the period 2007 to 2017.

You can click on the four tabs at the top to look at how many government-subsidised properties have been registered, how many have transacted, as well as which lending institutions have been providing mortgages for the resale of these properties for the period 2013 to 2017.

DASHBOARD

Searchable Database of Resources on Urban Land Issues

Access to, and the acquisition of, land is a critical first step in the housing value chain. In South Africa, land reform has long been the subject of policy debate. CAHF has explored a number of issues around urban land markets under our [urban land markets project](#). To provide a foundation for further debate and exploration on the urban land reform agenda, we first undertook a comprehensive [literature review](#) related to urban land issues in South Africa. The bibliography of resources was then made available in the form of an online dashboard. The dashboard displays a database of 450 research documents, articles, guidelines, resources, as well as policy and legislation.



DASHBOARD

Housing Laws and Policies in South Africa

Regulatory environments affect the breadth and depth of housing finance markets. At CAHF, we have been collecting laws and policies for every country in Africa. The dashboard allows stakeholders to easily examine and understand each country's regulatory environment. The South Africa

Housing-Related Policy and Legislation in Africa

Select Country

Select housing value chain category, South Africa

We found 9 policies relating to Titles and Tenures

Government
Land
Finance

List of Laws and Policies, South Africa				
Country	Policy Year	Policy	Short Title	Hover/Click for detail
South Africa	2019	City of Johannesburg Inclusionary Housing Policy	Outlines requirements, incentives, regulations and mechanisms for implementing inclusionary housing in the City of Johannesburg, including addressing social inequalities and the significant backlog in the provision of affordable housing.	●
		Division of Revenue Bill 16 of 2019	Key part of the legislation presented with the national budget annually, and that sets out division of revenue between spheres of government.	●

dashboard now has a total of 58 laws and policies that affect the housing landscape in South Africa. These can be filtered by policy type; and includes categories such as finance, land, titles and tenure, households and rental.

DASHBOARD

Copyright © 2017 Centre for Affordable Housing Finance in Africa. All rights reserved.

Our mailing address is:
 Centre for Affordable Housing Finance in Africa
 PO Box 72624,
 Parkview, Gauteng,
 South Africa, 2122

[add us to your address book](#) | [unsubscribe](#) | [update subscription preferences](#)