



SECOND HOUSING FINANCE PUBLIC HEARINGS

“SUSTAINABLE FINANCING OF HOUSING: EXPLORING THE OPTIONS”

7-8 November 2012

For an Equitable Sharing of National Revenue

OVERVIEW OF THE PRESENTATION

- Background and challenges raised
- Priority needs for housing finance policy
- Research gaps identified
- Where we are

BACKGROUND AND CHALLENGES RAISED

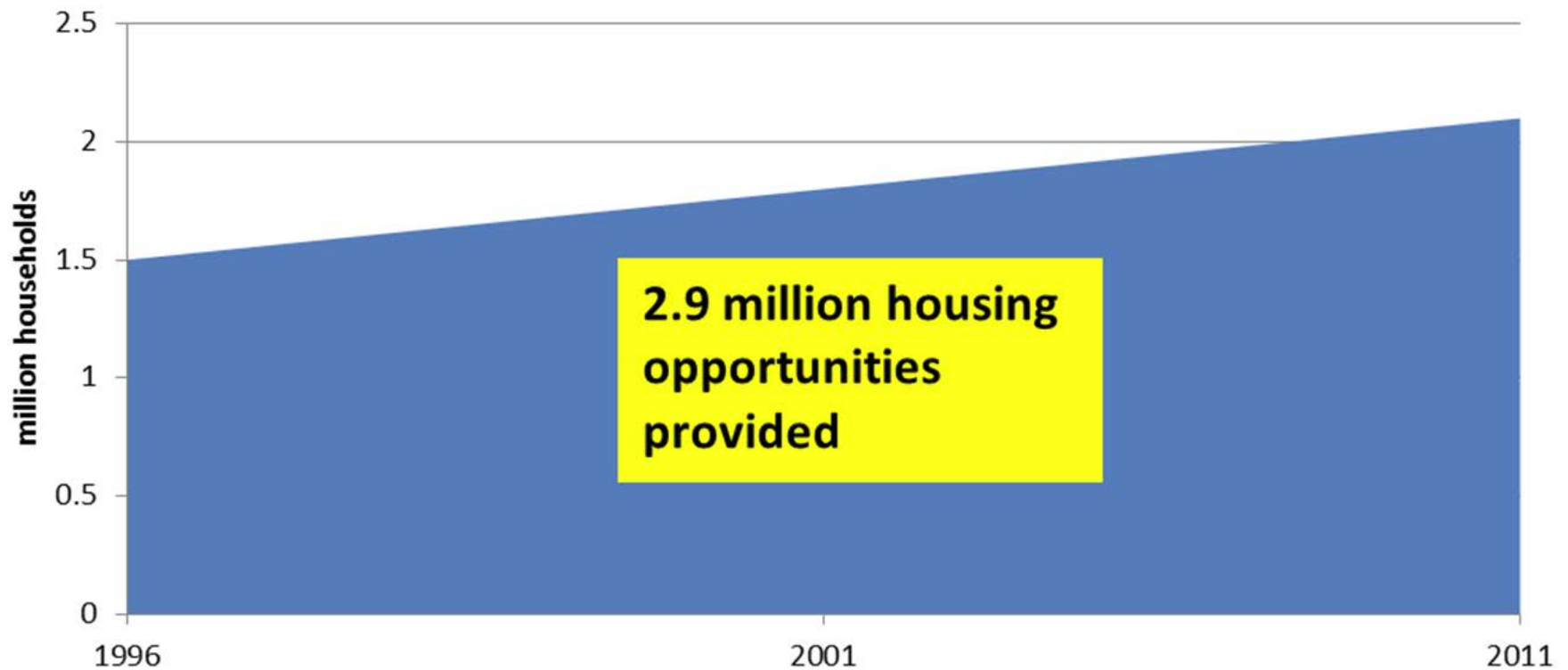
- The FFC held First round of public hearings on housing finance in October 2011
 - Focused on analysis of the problems and challenges, not solutions
 - Stakeholders made extensive submissions and inputs
- Some of the issues raised and discussed include:
 1. Insufficient scale of housing delivery relative to demand
 2. sustainability
 3. Household affordability
 4. Informality
 5. Barriers in the delivery chain (land, infrastructure, zoning, registration in deeds, etc)

1. INSUFFICIENT DELIVERY

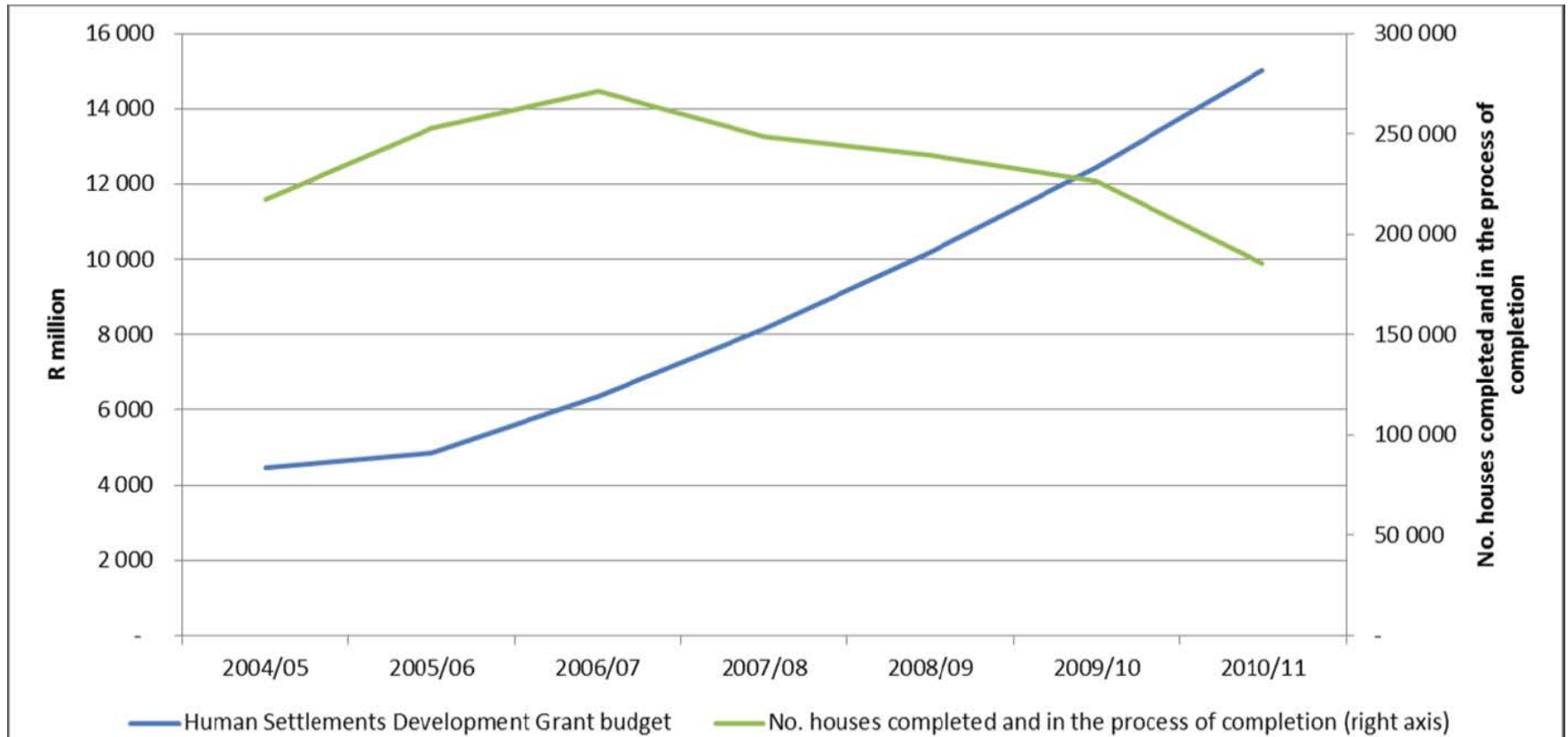
- Impressive progress since 1994 unfortunately no longer sufficient
 - Nearly 3 million fully subsidised houses since 1994 (average of 167,000 houses / yr);
 - Rising backlog - More than 2 million households are presumed homeless in SA
- Poor data and understanding of housing demand
 - While stakeholders agreed that the demand for adequate housing remains high, it is difficult to ascertain accurately the extent of this because of poor data on past delivery, trends, needs and effective demand
 - Good data is needed and can be used to improve understanding of the current situation and to inform housing policy

RISING HOUSING BACKLOGS

Housing backlog



DECLINING DELIVERY WITH RISING ALLOCATIONS



2. SUSTAINABILITY

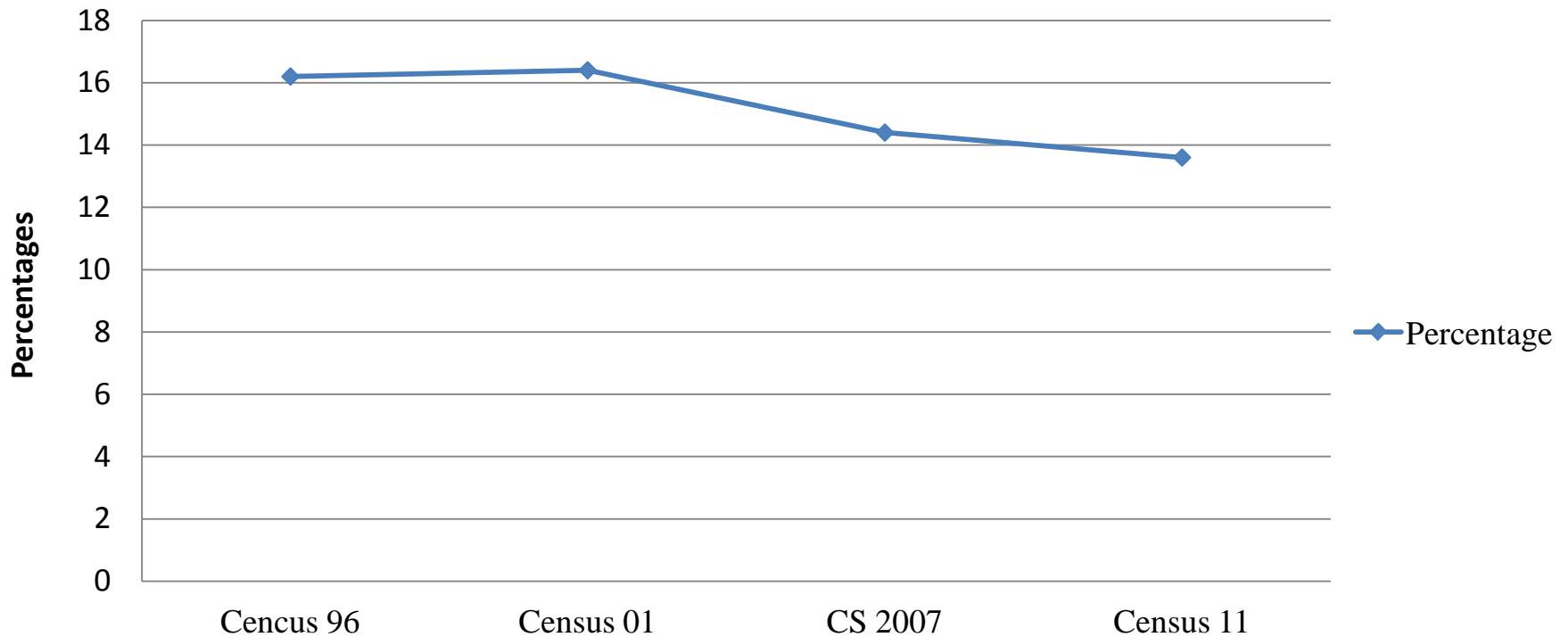
- The budget allocated has increased significantly but has not resulted in increased delivery
- As costs increase over time, more and bigger subsidies are required to deliver on promises, which makes the current housing finance policy unsustainable
- To eliminate housing backlog at a cost of R140 000 per unit, about R300 billion is required - a sum far beyond the fiscal capacity of the state
- Assuming a delivery rate of 250 000 houses per year, the annual budgetary implication is R35 billion

3. AFFORDABILITY

- Household earning about R10,000 per month could afford the cheapest house costing about R250,000
 - However, delivery in this segment of the market is far below the estimated demand
 - According to the Affordable Land and Housing Data Centre, in 2010 only 6,252 new units priced between R250,000 and R500,000 were registered on the Deeds Registry
 - Shortfall of 5 to 6 million properties under R100 000 (Lightstone, 2011)

4. INFORMAL SETTLEMENTS ARE AN EMERGENCY

Percentage distribution of hh's in informal dwelling



5. BARRIERS IN THE DELIVERY CHAIN

- Supply and access to well-located land and bulk infrastructure as well as housing delivery chain inefficiencies
 - Stakeholders agreed with the FFC that main challenges for affordable housing supply include access to well-located land and bulk infrastructure
 - Inefficiencies in the housing delivery chain
 - Although up to 70,000 hectares of state-owned land have been identified for housing developments, none have been made available for this purpose
- Intergovernmental coordination and leadership
 - Perception of “one size fits all” approach
 - insufficient authority and responsibility at municipal level (limited accreditation?)
 - Weak inter-sector planning and lack of long-term spatial planning
 - Non-complementary zoning and land use management practices

PRIORITY NEEDS FOR HOUSING FINANCE POLICY

- Clarifying the role of state in housing provision
 - Largest public good derived from well-located, adequately serviced and securely tenured land
 - Houses themselves are a private good
- Rethinking housing entitlements
 - Households should be actively engaged in determining and meeting their housing needs
 - Household power relative to other actors needs substantial strengthening (“from consultation to control”)
- Address the needs of people living in informal settlements
 - Informality reflects both state and market failure, but must be addressed directly
 - Informality is not a problem, but an opportunity to redesign our cities and social relations

RESEARCH GAPS IDENTIFIED

- Understanding demand for housing: what do households want?
 - Credible data on current and projected housing needs
 - Affordability and unlocking effective demand
- Unlocking supply
 - Land acquisition and production
 - Private housing finance (crowding in private sector)
 - Regulatory constraints:
 - Quantifying the cost of delays and how such delays could be minimised
 - Land use management regulations (zoning, development control)
- Spatial form and the apartheid city
 - Instruments for public investment to alter not reinforce and
Inefficient, inequitable and costly urban form
 - Financing sustainable human settlements
 - The role of subsidised housing finance
 - Infrastructure financing

WHERE WE ARE

- Comprehensive research focusing on the analysis of alternative housing delivery and funding options and their impact on different role players including households themselves and fiscus
- Other research issues identified will form part of medium to long term FFC research agenda



FINANCIAL
AND FISCAL
COMMISSION

THANK YOU.

*Financial and Fiscal Commission
Montrose Place (2nd Floor), Bekker Street,
Waterfall Park, Vorna Valley, Midrand,
Private Bag X69, Halfway House 1685*

www.ffc.co.za

Tel: +27 11 207 2300

Fax: +27 86 589 1038