

Funding focus should be lower-cost urban housing

Sabelo Mtantato 25 May 2018

COMMENT

The right to adequate housing is enshrined in the Constitution and the government is obliged to take reasonable measures to ensure the progressive realisation of this.

Since the advent of democracy, the government has used its available resources for housing on fully subsidised units known as RDP housing. The housing delivery programme targeted those earning up to R3 500 a month and, as a result, many housing opportunities have been provided for this income group.

But, following debates over a long time on affordable housing for those households that earned more than this but still had difficulty getting home loans from the banking sector, the government introduced the Finance Linked Individual Subsidy Programme in 2012. This was aimed at the next most vulnerable income group, the “housing gap” market — households that earn between R3 501 and R15 000 a month.

Although measurable progress has been made with the provision and improvement of housing opportunities for these two income groups, the housing backlog remains high. In fact, since 1994, it has increased from 1.5-million housing units to more than two million.

This backlog is spread out among all the municipalities but the metropolitan municipalities are the most severely affected because of several factors, most notably because of a higher rate of urbanisation. This is increasing at an alarming rate, rising from about 46% in the 1960s to more than 64% currently. It has increased by 10% over the 20 years

between 1994 and 2014, from 54% to 64%, but the delivery of housing stock in the metros has been declining.

This has led to many problems, including homelessness, overcrowding, poor living conditions and an increasing number of households residing in informal settlements, which have mushroomed.

For example, in the City of Johannesburg, the number of households living in informal settlements increased significantly between 1996 and 2015, from just below 800 000 to about 1 600 000.

The number of households residing in informal settlements in metropolitan municipalities increased by 54% between 1996 and 2015.

The rate of urbanisation in South Africa is believed to be higher than in other countries that are known to have high population growth rates, such as India, where there is an urbanisation rate of 32%.

Increasing housing delivery in the metropolitan municipalities to address the demand is unlikely to be achieved any time soon given low economic growth and fiscal consolidation. For the past few years, the government has reduced funding for the provision of human settlements significantly.

In the division of revenue for 2016 and 2017, funding was reduced by R1.6-billion and R871-million respectively. In the 2018 medium-term expenditure framework, funding has been reduced by R7.2-billion.

Therefore, to prioritise, the government needs to understand where housing is most needed and by which income groups.

More than six million households in metros are in the lowest income group, earning up to R4 000 a month, which qualifies them for an RDP house or a property valued up to R130 000. The housing stock available for this income group is more than two million housing units.

The next group is for those households earning between R4 001 and R9 000, which qualify for housing units valued between R130 000 and

R300 000. The total number of these households is about four million but there are only about 250 000 units available.

At the higher end of the gap market, those earning between R9 001 and R17 000 a month, who qualify for a property valued between R300 000 and R565 000, the residential stock is about one million but just over 2.2-million households are in this category.

It is therefore clear that, within the metros, the greatest number of households without adequate housing are those that earn between R4 001 and R17 000 a month, although the demand is most acute for those in the lower end of that income bracket — those earning between R4 001 and R9 000 a month — where there are only 250 000 units available for four million households.

Therefore, from the funding earmarked for the housing gap market, the government should prioritise or allocate more resources to those households in the metros that are at the lower end of the market.

Sabelo Mtantato is a senior researcher at the Financial and Fiscal Commission. These are his own views

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