

HOUSING SUBSIDY ASSETS

Exploring the Performance of
Government Subsidised Housing in
South Africa

A research initiative sponsored by the FinMark Trust, Urban LandMark, the National Department of Human Settlements, Western Cape Department of Human Settlements, the South African Cities Network, and the FB Heron Foundation



Overall Analysis

April 2011

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OVERALL ANALYSIS

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Other reports published as part of this research project are:

- Timeline Analysis, April 2011
- Report on a Qualitative Analysis in Three Communities, May 2011
- Macro Analysis, A Data Led Analysis of the Performance of Subsidised Housing as a Financial Asset, August 2011

These reports can be accessed from the FinMark Trust website (www.finmarktrust.org.za)

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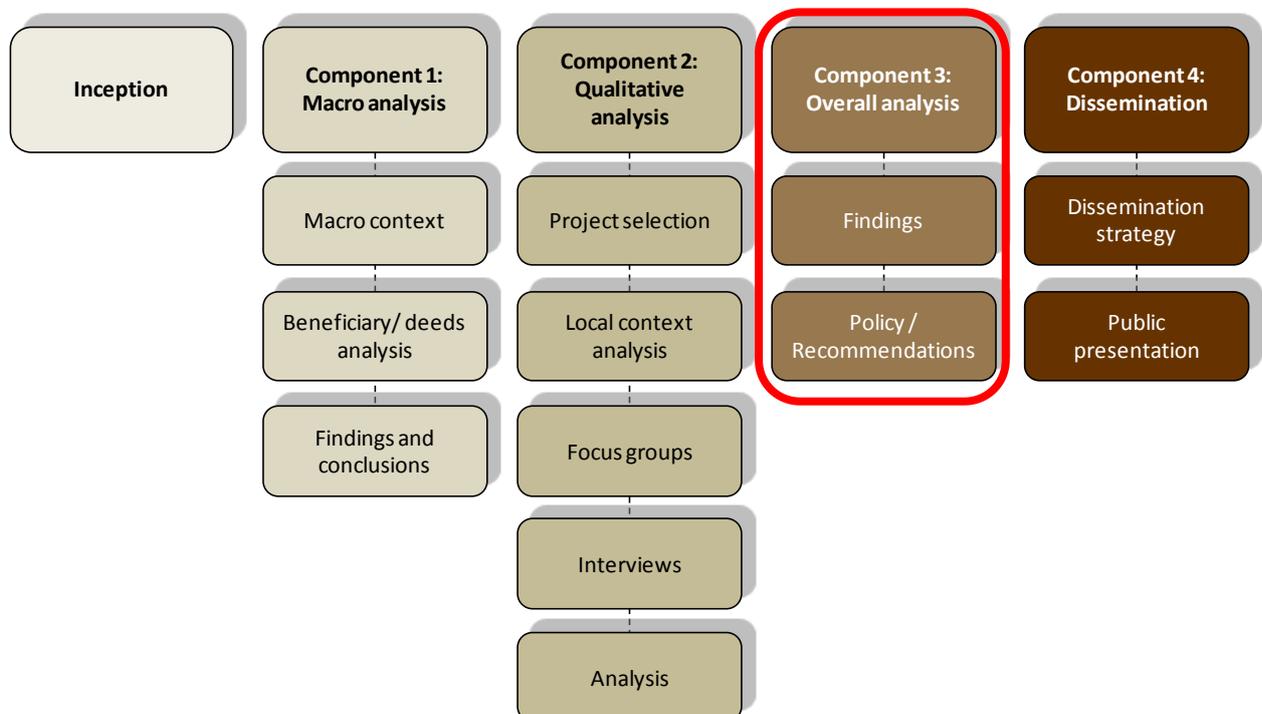
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1. INTRODUCTION

FinMark Trust has appointed Shisaka Development Management Services to undertake research into the extent to which the housing subsidy programme has translated into a housing asset benefit for beneficiary households. FinMark seeks to understand what this means in real terms for the households concerned and the communities in which they live. In addition to identify whether there are stumbling blocks that prevent or limit the performance of these assets. The objectives of the study are to:

- Track the performance of the government subsidised housing asset as demonstrated through formally registered transactions, and to consider the impact this has had on subsidy beneficiaries.
- Test this analysis against the impressions of current occupants, and to understand the other ways in which housing performs as an asset for its residents.
- Understand the role of other factors (finance, municipal investment, job creation, social capital, community development, and so on) in enhancing this performance.
- Develop policy recommendations (national, provincial and local) to overcome identified barriers and improve the potential for housing asset performance.
- Communicate this experience widely.

The proposed methodology to undertake the work comprises five components as set out in the diagram below. This report comprises Component 3 the Overall Analysis and sets out the key findings of the research and policy recommendations.



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This report includes:

- Analytical Framework
- Macro context
- Methodology
- Findings
- Conclusions
- Recommendations

2. ANALYTICAL FRAMEWORK

2.1 The National Housing Subsidy Programme

In March 1994 South Africa's housing subsidy programme was launched. The key components of the programme were:

- Beneficiaries with a **household income of less than R3500 per month** and who satisfied the following **criteria** were invited to apply for the subsidy¹:
 - An applicant must be **married** or constantly be **living together** with any other person. A single person with **proven financial dependants** (such as children or family members) may also apply.
 - An applicant must be a **citizen of the Republic of South Africa**, or be in the possession of a permanent resident permit.
 - An applicant must be **legally competent to contract** (i.e. over 21 years of age, or married or divorced) and of sound mind.
 - Adequate **proof of income** must be submitted.
 - An applicant must **not have received previous housing benefits**.
 - A person must **never have owned a residential property before**.
- The subsidy **comprised predominantly the provision of a free standing housing unit provided free of charge on an ownership basis**.

Broadly six subsidy mechanisms were available through the housing subsidy programme namely Project Linked, Individual, Consolidation, Institutional, Relocation Assistance and the Peoples' Housing Process. Among these mechanisms the **Project Linked** subsidy was the most popular. This subsidy was made available initially directly to Developers who undertook approved projects and then later to Provinces or Municipalities who appointed Developers to undertake projects. The houses developed through the project were allocated to approved beneficiaries. The underlying principle in respect of this subsidy mechanism was to provide free standing houses within dedicated suburbs on an ownership basis whereby the property was registered in the name of the beneficiary who received the title deed. The house provided was seen as a 'starter' house, which the beneficiary could expand over time.

In addition to the above subsidy mechanisms the **Discount Benefit Scheme** (now called the Enhanced Extended Discount Benefit Scheme) was also offered. The purpose of this scheme was to assist tenants and others to acquire ownership of state financed rental housing. The scheme comprised a discount on the selling price of the unit offered to the current occupant of the unit. The scheme applied only to state financed property that was first occupied before 1 July 1993 and to units or stands contracted for by the 30 June 1993 and allocated by the 15 March 1994. The scheme comprised selling the rental unit to the occupant whereby the property was registered in the name of the beneficiary who received the title deed.

¹ Housing Code, Department of Human Settlements, 2007

Generally, the Project Linked subsidy and the Discount Benefit Scheme were the two dominant mechanisms through which the national subsidy programme was delivered².

2.2 Housing as an Asset

While the **initial intention** of the housing subsidy programme **was to provide shelter** for poor citizens, **by early 2000** the concept that the **house should be an asset** was introduced. In 2004 the housing policy document the '*Comprehensive plan for the development of sustainable human settlements*', popularly known as "*Breaking New Ground*" introduced the notion of housing as an asset and includes it as part of the new housing vision: '*Ensuring property can be accessed by all as an asset for wealth creation and empowerment*'. The policy commits to supporting the development of housing assets.

Since that date there has been extensive research into understanding what is meant by 'housing as an asset'. The July 2006 and June 2008 editions of ACCESS housing (FinMark Trust) outline the concept of a housing asset triangle which sees a housing asset as having three components: social, financial, and economic or productive. This concept provides nuance to the assertion that housing is an asset, by considering the different ways in which housing performs for its resident household, other than providing shelter. In terms of this concept:

- **Housing is a social asset**, in that it provides a social safety net for family members, it contributes towards citizenship building by offering the resident household an address and linking them in with the local governance system, and around housing units, neighbourhoods consolidate, providing access to all sorts of other social benefits including networks, community support, and so on.
- **Housing is a financial asset**, in that it can be traded or against which mortgage finance can be accessed. When traded, the value of the transaction contributes towards a household's actual wealth and can then be re-invested in better quality or more appropriate housing for the family's individual circumstances.
- **Housing is an economic or productive asset** when it is used to generate income either through renting out a portion of the house or property or through using the house to sell services and goods or for manufacturing.

These various ways of understanding the housing asset apply differently over time, and variously from one household to the next. Households may start with an expectation that their housing fulfils their social and economic goals, and only develop an expectation that the house also performs as a financial asset over time. When policy makers understand the housing asset in this multi-dimensional way they can better formulate their interventions to relate to the specific deficits that exist in their system. Failure to acknowledge any one facet of the housing asset may mean that its potential is squandered, or worse, undermined.

The purpose of the Housing Subsidy Assets study is to explore the **extent to which a subsidy house is a financial asset in the hands of the subsidy beneficiary**. The primary focus of the study therefore

² A Resource Guide to Housing in South Africa 1994 to 2010, Social Economic Rights Institute of South Africa, Kate Tissington, 2011

is to increase understanding of the effectiveness of the national subsidy programme in providing housing assets to poor people and the impact of this on poverty and inequality in South Africa³.

2.3 Registered Title

Registered title provided through the provision of a title deed provides legal proof of the ownership of a property. When a property is bought and/or sold and transfer takes place, the existing title deed is superseded by a new title deed which is executed in the Deeds Office through a signature by the conveyancer and the Registrar of Deeds. The Registrar of Deeds is an independent unit within the National Department of Rural Development and Land Reform. The function of the Registrar of Deeds is to keep a public register of land; preserve the records and provide information to the public. The Deeds Registrar Act, 47 of 1937 is the law which gives rise to the deed's office's mandate.

In order for a subsidy house to operate best as a financial asset it is **necessary that the beneficiary has the title deed for the property**. The Housing Subsidy Assets study therefore explores the **extent to which title deeds were provided** and, in respect of those beneficiaries who did receive the title deed, the **extent to which they traded the property and raised mortgage finance** against the security of the property.

2.4 Context of the Study

The Housing Subsidy Assets study is the third in a series of studies commissioned by FinMark Trust (together with different partners) and seeks to increase and extend the knowledge base developed through the series. The studies in the series include:

- **The Workings of Township Property Markets (2004):** The purpose of this study was to understand the dynamics of Black township residential property markets in South Africa including the components that contribute towards their functionality and or dysfunctionality. The key finding of the study was that, overall the primary residential market in townships (supply of new stock) is providing accommodation on an affordable basis. Notwithstanding this, there are significant limitations in respect of the supply of new stock. The extent of the residential property

The Deeds Registry in South Africa

The Registrar of Deeds is an independent unit within the National Department of Rural Development and Land Reform. In addition to the Office of the Chief Registrar of Deeds there are 9 deeds registry offices located throughout South Africa. The function of the Registrar of Deeds is to keep a public register of land; preserve the records and provide information to the public. The Deeds Registrar Act, 47 of 1937 is the law which gives rise to the deed's office's mandate.

The Deeds Registry is the data base on which the Registrar of Deeds keeps the public register of land. This data base is a matter of public record. The Deeds Registry contains information on every registered property in South Africa. The information includes: a description of the property in question, worded in such a way that it cannot be confused with another property and including its measured size; the name and identity number of the person or persons who legally hold the property; the date when the property was transferred or registered; the names and identity numbers of previous owners of the property; the purchase price of the property paid by the existing owner; information on the mortgage bond holder if a mortgage bond has been taken in respect of the property and all limited real rights registered in respect of the property and what their nature is.

The Deeds Registry does not distinguish properties that received a subsidy from the national subsidy programme in any way.

³ The other objectives of the study are outlined in 1.0 above

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secondary market in Black Townships is extremely limited with very few formal transactions occurring. If operating effectively, a secondary housing market will offer low-income households a significant opportunity to accumulate housing assets incrementally and to realize its capital value through sale. The estimated value of properties in Black Townships was estimated (at the time of the study) to be R68,3 billion.

These properties could therefore provide significant collateral for low income households to secure credit for a range of non-housing uses such as investment in a business and other income generating opportunities.

- **Housing Entrepreneurs (2006):** The purpose of this study was to provide a deeper understanding of housing as a productive asset and its role in promoting economic activity and improved affordable housing supply, through supporting the activities of Home Based Entrepreneurs and Small Scale Landlords. The research focused on obtaining a detailed understanding of how Small Scale Landlords and Home Based Entrepreneurs operate, the key constraints that they face and the extent to which they are using their home as a productive asset. The study concluded that housing in South Africa is an economically productive asset, offering opportunities for income generation and poverty alleviation. However this is not necessarily in respect of using the house as collateral for a loan, but rather as a venue for a business. The study found that Small Scale Landlords make a significant contribution to the South African economy servicing approximately 15% of all South African households (1,85 million households). Generally this accommodation is well located and affordable to very poor households (earning R1 800 per month on average). Small Scale Landlords are therefore contributing significantly to the supply and management of affordable rental housing for poor people. Further the Small Scale Landlord sector provides a critical opportunity to promoting income generation and wealth creation. The study found further that a large number of small Entrepreneurs are using their home for businesses purposes i.e. as a venue for the business. The survey estimated that up to 355 000 Home Based Entrepreneurs (HBE) are active in Townships and Inner Cities comprising 13% of the total population of these areas. These HBEs are generating a significant monthly income of approximately R476 million per month. While most of these businesses can be classified as micro or small, for many of the Entrepreneurs who own them, they represent their sole income.

3. MACRO CONTEXT

The policy context within which the national subsidy programme was implemented is set out below. The analysis is based on a desktop review of housing policy since 1994. A time line approach was adopted to understand the key policy factors that impacted on the national subsidy programme since that date.

With respect to the policy trends impacting on the national subsidy programme since 1994, five broad periods are identified as set out in the Table below.

Table 1: Time line periods of policy trends impacting on the national subsidy programme

Period	Overview
1992 – 1994: Policy formulation	This period commences with the National Housing Forum and ends with the launch of the National Subsidy Programme in 1994. The key focus of this period is the formulation of South Africa’s housing policy.
1995 – 2001: Private sector developer driven delivery	This period commences with the implementation of the National Subsidy Programme in 1995 and ends with the termination of the use of conveyancers to pay out subsidies . The period is characterised by the delivery of subsidised housing through private sector developers who identified land and structured and implemented projects drawing down the subsidy through a process managed by conveyancers. Initially developers identified the beneficiaries themselves, towards the end of the period beneficiaries were allocated to the project from a waiting list managed by Provinces and/or Municipalities.
2001 – 2004: Public sector driven delivery	This period commences with the termination of the use of conveyancers to pay out subsidies and ends with the publishing of the Comprehensive Plan (Breaking New Ground) . The period is characterised by the delivery of subsidised housing through Provinces and Municipalities who structured projects and appointed private sector developers and contractors to implement them. Increasingly, small scale builders were appointed to implement projects.
2004 – 2009: Delivering human settlements	This period commences with the publishing of the Comprehensive Plan (BNG) and ends with the adoption of the Revised Housing Code . This period is characterised by a focus on sustainable human settlements . This came to be interpreted as the implementation of “Mega-projects” of which subsidy housing was one component. The issue of the need to upgrade informal settlements was identified during this period.
2010+: Informal settlement upgrading	This period commences with the adoption of the Revised Housing Code . Government policy begins to focus on upgrading of informal settlements as the key mechanism to address the housing backlog

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A detailed overview of the key policy initiatives that occurred within each of the five periods identified is outlined in the table below.

Table 2: Key policy initiatives by time line period

Period	Key policy trends
<p>Period 1: 1992 – 1994: Policy formulation</p>	<ul style="list-style-type: none"> ● Negotiations occur around South Africa’s housing policy and a national housing policy is formulated. This occurs initially through the National Housing Forum (1992 – 1994) and then the development of the Housing White Paper (1994) and the promulgation of the Housing Act (1997) ● South Africa’s first democratic government is established. A key commitment is recognition by the new government of every citizens right to adequate housing and a commitment that the state will assist citizens to realise this right on a progressive basis in terms of available resources. This is first encapsulated in the Reconstruction and Development Programme (1994) and reinforced in the Constitution of the Republic of South Africa (1996) and the Housing Act. ● In line with this commitment the National Housing Subsidy Programme is launched (March 1994) and a target of 1 million houses in the first five years is set. This subsidy replaces all other housing subsidies and as a result these subsidies are phased out. ● All stakeholders agree to cooperate, in particular a National Housing Accord (October 1994) is signed between all stakeholders.
<p>Period 2: 1995 – 2001: Private sector developer driven delivery</p>	<ul style="list-style-type: none"> ● Implementation of the National Subsidy Programme (1995) commences. <ul style="list-style-type: none"> – The top priority is delivery at scale and a delivery target of 200,000 units per annum is set projected to increase to 300,000 by year three – The delivery method was predominantly through private sector developers and contractors who identified land and structured and implemented projects drawing down from the capital subsidy directly through a process managed by conveyancers. Initially the developers and contractors identified beneficiaries themselves but over time beneficiaries were allocated to the project from a waiting list managed by the Province or Municipality – The target of 1 million houses is achieved in 7 years (two years longer than the specified time frame) ● Key issues during this period were: <ul style="list-style-type: none"> – Beneficiaries complained that the size of the houses was small and the quality poor – Developers complained that the amount of subsidy was insufficient. In addition the long time frames and resultant holding costs which are required to identify and secure land – Allegations were made of profiteering in respect of developers – There were complaints by smaller developers and contractors that they did not have access to the subsidy delivery process – Anecdotal information indicated that many beneficiaries were selling their houses for prices that were significantly below the development value ● The response to these issues was predominantly the following: <ul style="list-style-type: none"> – Minimum norms and standards for subsidy housing were set (1999). These were to increase over time

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Period	Key policy trends
	<ul style="list-style-type: none"> – The quantum (amount) of the subsidy increased over time – The National Home Builders Registration Council (1995) is established and subsidy houses are incorporated under it • There was a questioning of the use of the private sector as the main delivery mechanism and a shift towards the public sector becoming the key deliverer. • A sales restriction and a savings requirement were introduced (see below) • The period ends with the termination of the use of conveyancers to pay out subsidies (2001).
Period 3: 2001 – 2004: Public sector driven delivery	<ul style="list-style-type: none"> • Delivery of subsidy units through the capital subsidy shifts from private sector delivery to the public sector <ul style="list-style-type: none"> – Initially Provincial Governments and then over time Municipalities take responsibility for structuring projects and appointing private sector contractors and over time small scale builders to build them – A sales restriction is applied (2001) to prevent speculation and downward raiding. The sales restriction was made to protect the value of the housing asset by preventing speculation and downward raiding. It was introduced in terms of the Housing Amendment Act, Act 4 of 2001. Section 10A of the Act, inserted by section 7 of Act 4 of 2001, relates to restrictions on the voluntary sale of subsidised housing. Essentially it says that subsidy beneficiaries may not “sell or otherwise alienate” their subsidised dwelling or site within a period of eight years from the date on which the property was acquired. – A savings requirement is introduced (2002) whereby subsidy beneficiaries earning more than R 1500 per month are required to contribute an amount of R 2479 towards the purchase price of the property. The R 2479 was the amount that the housing subsidy at the time was short in order to construct an NHBRC-approved, minimum standards house. In order for the NHBRC Warranty to apply to subsidy-financed houses, the standards of construction had to be improved and it was estimated that this would cost an additional R 2479. Thus it was agreed that subsidy beneficiaries should be requested to make this contribution. In addition, however, it was felt that the savings requirement would engender a sense of “ownership” of the subsidy asset among subsidy beneficiaries, encouraging them to maintain their homes and protecting them from selling their houses at below market value. • Key issues during this period are as follows: <ul style="list-style-type: none"> – Difficulties in applying the savings requirements which requires individual contributions from subsidy beneficiaries in order to access subsidies. Few households have this level of savings readily available, and the lead times to transfer houses increases. – Local government capacity is insufficient and there are problems in identifying and structuring projects and managing their implementation – Despite changes to the progress payment system and registration process there are continued constraints on the land identification, packaging, release and township establishment processes – Municipalities increasingly view their responsibility in housing delivery as a unfunded mandate and start to view subsidy housing projects as undermining their sustainability as the occupants are unable to pay rates and

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Period	Key policy trends
	<p>service charges</p> <ul style="list-style-type: none"> – The location of subsidy housing projects within the city is seen as problematic. Projects are located on the periphery in order to keep land costs down – There is increasing political pressure to increase the size and quality of the houses delivered. As a result the subsidy quantum increases substantially as does the minimum norms and standards for subsidy housing. This forces Municipalities to use own funds to meet the increased standards – There is criticism of the financial sector and its reluctance to provide housing finance for the lower end of the market due to perceptions of high risk within this market. <ul style="list-style-type: none"> • The Financial Sector Charter (2003) is signed whereby the Banks pledge investment in the starter housing market to the extent of R42 billion by 2008. • This period ends with the publishing of the Comprehensive Plan (“Breaking New Ground”)
Period 4: 2004 – 2009: Delivering human settlements	<ul style="list-style-type: none"> • In April 2004 the progress payment system of the national housing subsidy programme was revised to allow for payment of the completed top structure before the registration of the transfer. This amendment responded to the reality that transfer processes were being delayed due to no fault of the developer. Therefore, in order not to undermine a developers’ access to payment, it was resolved that payment for the completion of a top structure could precede transfer, which often was much after occupation. • In September 2004 the National Department of Housing released a new policy document – The Comprehensive Plan (“Breaking New Ground” - BNG) <ul style="list-style-type: none"> – This policy document comprised a major paradigm shift in how housing is delivered requiring that in structuring projects they are well located to amenities in cities and are planned in a comprehensive manner that incorporates access to infrastructure services and social and economic facilities. In addition that mixed income groups are accommodated together. – Initially Provinces and Municipalities have difficulty in interpreting how to implement the policy. Overtime sustainable human settlements are determined by the extent to which socioeconomic integration occurs within the project. – The application of the policy results in the undertaking of a number of ‘mega projects’ for example Cosmo City (2004) and Olievenhoutbosch in Gauteng (2006) and the N2 Gateway initiative (2005) in the Western Cape. – The pressure to increase the size and quality of the houses delivered continues and there are further increases to the subsidy quantum and changes to the minimum norms and standards. The need for Municipalities to use their own funds to deliver subsidy housing continues. • The period sees an increasing focus on informal settlements: <ul style="list-style-type: none"> – BNG indicates an eradication of these settlements by 2014 and initially this is the focus of the application of the policy. – Overtime there is recognition of the need to upgrade rather than eradicate the settlements and the revised Housing Code which provides a subsidy in this

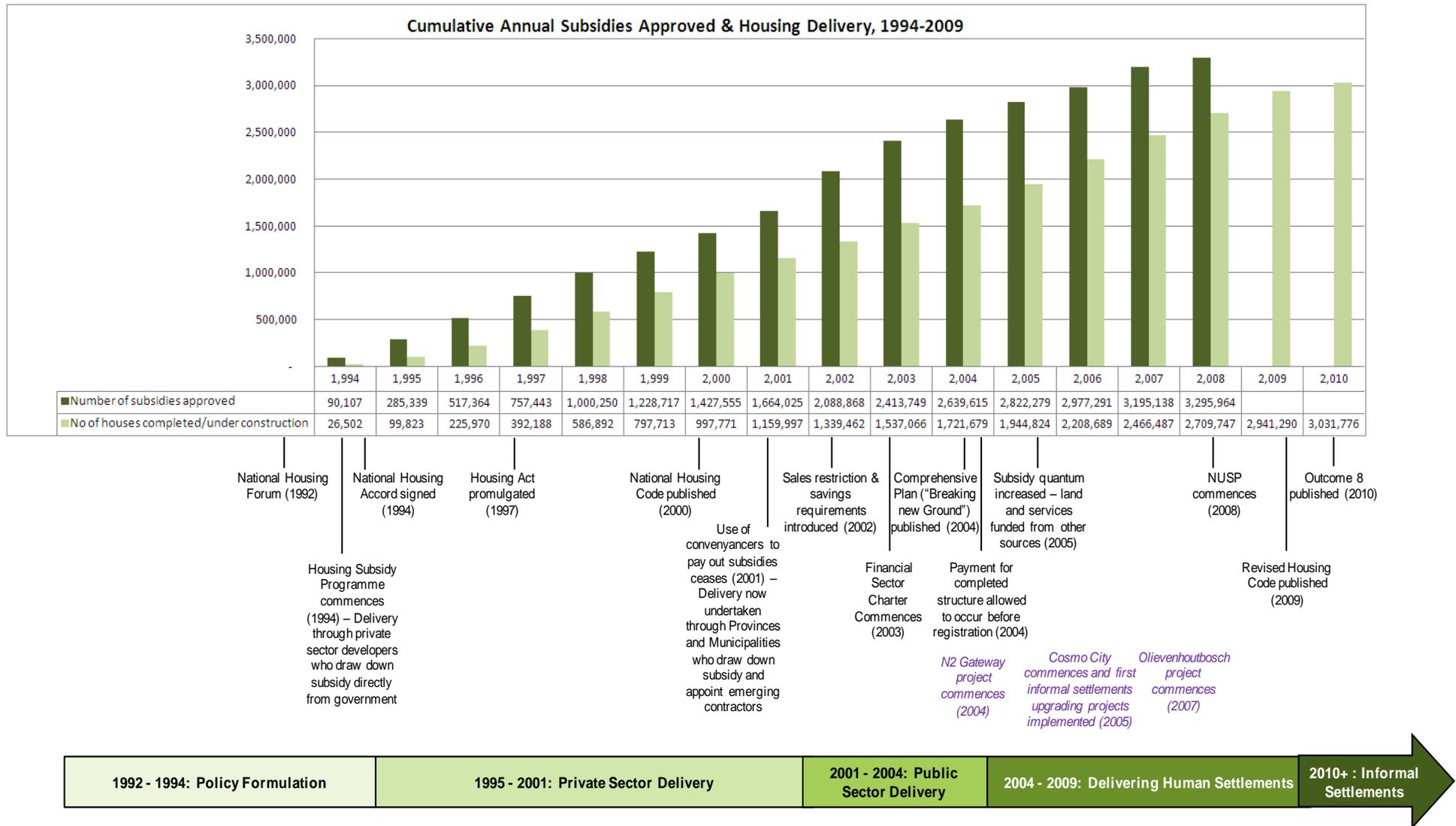
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Period	Key policy trends
	<p>regard.</p> <ul style="list-style-type: none"> – The first informal settlement upgrading projects commence. In addition the National Upgrading Support Programme (NUSP) begins (2008). • During this period the need to provide basic infrastructure services becomes an issue. • This period ends with the publishing of the Revised Housing Code (2009).
Period 5: 2010+: Focus on informal settlement upgrading	<ul style="list-style-type: none"> • Government policy begins to focus more intensely on the upgrading of informal settlements as the key mechanism to address the housing backlog. This is formally acknowledged through the informal settlement upgrading subsidy included in the revised Housing Code (2009) and then in Outcome 8 (2010) which sees informal settlement upgrading as one of the key focus areas for the next 3 years and the implementation of NUSP which is commencing. • Infrastructure service delivery is seen as a critical component of the human settlement sector and a strong drive is undertaken to provide all households with access to basic infrastructure services.

On the basis of the above analysis the figure below provides a timeline of the national housing subsidy programme since 1994 indicating key policy shifts, as well as relevant mega-projects. The time line is shown against reported figures of delivery of the subsidy programme in terms of the number of subsidies approved and the number of houses completed or under construction. The time line is used to frame the analysis of beneficiary/deeds data in Section 5 that follows.

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Figure 1: National Housing Subsidy Programme Time Line



Sources for delivery data:

1. Data for 1994-95 to 1999-00, 2000-01 to 2004-05: Link:<http://www.treasury.gov.za/publications/igfr/2005/prov/08.%20Chapter%205%20-%20Housing.pdf>
2. Data for 2005-06 and 2006-07: Link:<http://www.treasury.gov.za/publications/igfr/2007/prov/05.%20Housing.pdf>
3. Data for 2007-08 and 2008-09: Link:<http://www.housing.gov.za/Content/Stats/Housing%20Delivery%20Stats.htm>
4. Data for 2009-10: <http://www.dhs.gov.za/Content/Stats/2009%2010%20Finacial%20year.htm>

4. METHODOLOGY

The Housing Subsidy Assets study comprised three components of research:

- **A beneficiary/deeds analysis** which analyses the role and performance of ‘privately owned subsidy housing’ in the property market. The analysis uses data provided by the Department of Human Settlements (DoHS) from the **Housing Subsidy Beneficiary Data Base** and compares it against data in the **Deeds Registry**.
- **A qualitative survey which comprised interviews with different subsidy beneficiary households** in three different settlements. A range of beneficiaries were selected so as to understand different pathways in accessing a house and in investing in the house. The purpose of the qualitative interviews was to understand why and on what basis these different pathways developed. The qualitative survey was not a statistical survey and is therefore used to provide a nuanced explanation for the findings in the beneficiary/deeds analysis above.
- **A visible investment survey** which comprised a visible inspection of a sample of randomly selected houses in the three settlements to assess the level of investment made into each property. The level of assessment was clearly defined and was rated.

An overview of the methodology applied in respect of each of these components of research is set out below. A more detailed overview of each of the methodologies is set out in Annexure A and B attached.

4.1 Beneficiary / Deeds Analysis

This analysis used data provided by the Department of Human Settlements, Housing Subsidy Beneficiary Database. The data set provided comprised a list of individuals who had been approved for a subsidy for the purpose of owning a home, as well as in some cases their spouses. The data base comprised only limited information (the Identify Number) of the individuals. The list was compared to the data in the Deeds Registry and a list of beneficiaries who have a registered property was identified. **This comprised the Total Database and is the total number of approved beneficiaries who received a registered property through the National Subsidy Programme⁴**. This sample includes all subsidy types including project linked, individual, consolidation, etc, as well as the discount benefit scheme.

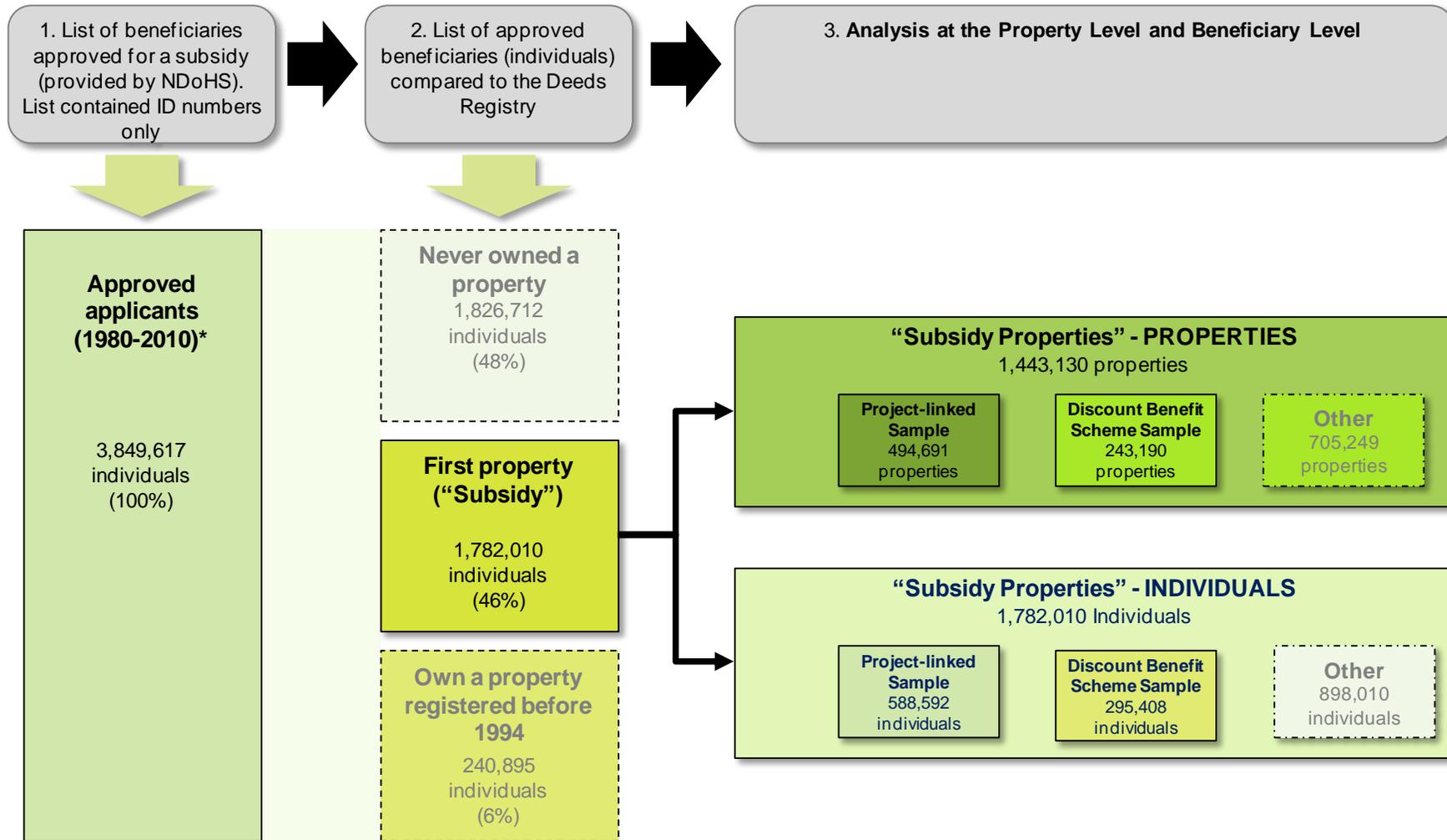
As the focus of the study is to determine how a subsidy housing asset benefited beneficiary households it was necessary to distinguish different types of subsidy assets within the Total Database to see if they benefited the beneficiary differently. The project linked subsidy and the discount benefit scheme were selected as two possible subsidy types, because they were used more than other subsidy types and had characteristics that could be used to select a sample. As only the ID number of the individuals had been provided with no information on the type of subsidy they accessed it was necessary to select a sample using a number of criteria and assumptions (see Annexure A).

The figure below shows the number of houses and individuals per sample.

⁴ The data base is estimated to include 95 to 99% of all properties

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Figure 2: Methodology for defining the samples



* Includes 3,212,991 applicants and 781,824 spouses . Duplicate and invalid ID numbers removed. Covers all beneficiaries of the national housing programme since inception of the database

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As shown in the figure:

- The total number of beneficiaries approved for a subsidy as provided by DoHS was 3,849,617 individuals. Of these:
 - 1,826,712 individuals did not receive a registered property
 - **1,782,010 individuals received a property registered after 1 January 1995**
 - 240,895 received a property registered before the 1 January 1995
- **The 1,782,010 individuals who received a property registered after 1 January 1995 comprises the Total Database.** These individuals own a total of 1,443,130 properties. This is because, in some cases (when both spouses were registered owners of a house), two ID numbers were tied to a single house.
- **In respect of the 1,443,130 properties in the Total Database:**
 - 494,691 met the criteria for the **Project Linked Sample**
 - 243,190 met the criteria for the **Discount Benefit Scheme Sample**These two samples were analysed as representative of these two types of subsidies.
- **In respect of the 1,782,010 individuals in the Total Database:**
 - 588,592 met the criteria for the **Project Linked Sample**
 - 295,408 met the criteria for the **Discount Benefit Scheme Sample**
- Properties and individuals that did not meet the assumptions for Project Linked or Discount Benefit Scheme were not analysed as specific samples, but were only analysed in that they form part of the Total Database.

Number of Project Linked and Discount Benefit Scheme properties

It is estimated that 878,000 houses were developed as rental stock and made available through the Discount Benefit Scheme (The workings of township residential property markets, Shisaka, 2004). Of these it is estimated that 481,265 have been transferred to households in terms of the Discount Benefit Scheme (Ten Year Review: Social Cluster Overview Report, Social Development Housing Input, 01 September 2003).

There is no data available on the number of project linked subsidy properties developed, but it is estimated to comprise the majority of properties reported as being developed or constructed by DoHS (A Resource Guide to Housing in South Africa 1994-2010, Kate Tissington, February 2011).

4.2 Qualitative Survey

The project team in consultation with the client identified two metropolitan areas and one secondary town to be included in the study namely **Slovoville** (Soweto, Gauteng), **Emaplazini** (Inanda, Kwazulu Natal) and **Thembaletu** (George, Western Cape). Key people who were familiar with the areas were consulted to identify subsidy developments which were at least ten years old. The reason for selecting areas that had existed for ten years or more was that it was felt that older subsidy sites hold the promise of the asset having developed to its potential, rather than newer sites.

A scoping exercise was undertaken in each area. This introduced the research team to the important role players in the community and allowed for a better understanding of the neighbourhood, which assisted with the identification of respondents in the selected areas.

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The identification of the respondents was based on the level and type of investment in the area. Sixty interviews were conducted in nine categories. The categories and number of respondents interviewed per area can be seen in the Table below. Interviews were based on the Life History Interview, using the Free Attitude interview technique.

Table 3: Qualitative survey: Interviews undertaken

Category	Description	No of interviews			
		Slovoville	Emaplazini	Themba lethu	Total
People who have not invested	Respondents who live in a subsidy house, but have made no (or very small) investments in their home	2	1	1	4
People who invested using a Micro Loan	Respondents who obtained a micro loan to undertake renovations on their house.	2	1	4	7
People who invested using savings	Respondents who invested in their subsidy house with their own savings	10	11	10	31
People who invested using a bond	Respondents who obtained a bond to renovate their subsidy house.	2	0	2	4
People who bought a subsidy house and have a Title Deed	Respondents who bought a house and obtained a Title deed	0	1	3	4
People who have bought a subsidy house and do not have a Title Deed	Respondents who bought their house informally and do not have a title deed	2	2	1	5
People who are renting a subsidy house	Respondents who are renting a subsidy house from the original beneficiaries	2	1	2	5
People who are renting out their subsidy house*	Respondent owns a subsidy house and is renting it out	0	0	0	1 (Bram Fischerville)
People who sold a subsidy house*	Respondent owned a subsidy house and sold it	0	0	0	3(2 Bram Fischerville and 1 in Orange Farm)

* While respondents were identified in the study areas that fit into these categories none were willing to be interviewed due to fears around the perceived illegality of these activities. It is noted that this is despite the fact that all of the settlements selected were built prior to the sales restriction coming into effect and therefore are not subject to this requirement. Accordingly it was only possible to find respondents willing to be interviewed outside of the study areas based on the researchers' networks.

4.3 Visible Investment Survey

A stand map was obtained for each area, and a random sample of 400 houses drawn from the map. This provided data with an accuracy of 95% within a range of 5%. Each sampled house was evaluated in terms of level of investment visible from the outside. Data was captured and analysed to indicate the level of investment in each area. The limitation of this survey was that it excluded any investment that could have been made inside the house, but is not visible from the street. Within the budget and time frame of the study it was however not possible to expand the study.

The visible investment survey recorded the level of investment in each area on a scale of 1 to 5. The scale applied is shown in the table below.

Table 4: Visible investment survey: Criteria

Criteria	Example
<p>Score 1: None: No Investment, still only the original subsidy house</p>	
<p>Score 2 : Small: Small investment such as a fence, a porch, painted, burglar bars, security gate, shack, etc. but no brick built additional room</p>	
<p>Score 3 : Medium: Some Investment such as a brick built room, a brick built boundary wall etc. but the original subsidy house is still visible</p>	
<p>Score 4: Big: Invested in more than 1 room that is brick built, but the outlines of the subsidy house can still be seen.</p>	
<p>Score 5: Very Big: The subsidy house is changed to the extent that it is no longer recognisable.</p>	

5. FINDINGS

The findings of the three surveys undertaken are outlined in two separate reports namely:

- **Report on a qualitative study in three communities** (May 2011). This report covers both the Qualitative Survey and the Visible Investment Survey.
- **Macro Analysis** (A data led analysis of the performance of subsidised housing as a financial asset) (June 2011). This report covers the Quantitative Survey.

This report amalgamates the findings from the three surveys in terms of the following key areas:

- Subsidy house registrations
- Size of the subsidy house market
- Sale of houses
- Investment into subsidy houses
- Accessing mortgage finance
- Mobility of beneficiaries

In order to distinguish between the different sources of data being analysed, as well as whether an analysis is of a sample or the full data set, icons are used as set out in the Table below. The icons are shown against the data being represented.

Table 5: Icons used to indicate survey from which data is sourced

Survey from which data is sourced	Icon used
Quantitative survey : Registered subsidy houses allocated to an approved beneficiary, total data base	 Properties Total Database
Quantitative survey: Registered subsidy houses allocated to an approved beneficiary, discount benefit and project linked samples	 Properties Project Linked & Discount Benefit Scheme Samples
Quantitative survey : Individual who received a registered subsidy house, total sample	 Individuals Total Database
Quantitative survey : Individual who received a registered subsidy house, discount benefit and project linked samples	 Individuals Project linked & Discoung Benefit Samples
Visible investment survey	 Visible Investment Survey
Qualitative survey	 Qualitative Survey
Full data base	
Sample	

All of the surveys are based on either a total sample or a statistically valid sample with the exception of the Qualitative survey. All inputs provided from the Qualitative survey are therefore shown against a grey background to indicate that this is indicative only and should not be generalised as representative of the community. In addition in order to provide insights into the views and perceptions of respondents interviewed around their subsidy house, case study inserts are provided in boxes where relevant.

5.1 Subsidy House Registrations



5.1.1 Overall Number and Extent

Of all subsidy houses reported as completed or under construction between 1994 and 2009, just under half have been registered in the Deeds Registry. Assuming that the 2,94 million houses reported by the DoHS have been developed, this implies that more than one million subsidy beneficiaries have received a subsidy house without the registration of formal title. From 2005 there is a consistent decrease in the percentage of subsidy houses registered. The removal of the requirement that registration is required for subsidy payments which commenced in April 2004 appears to be a significant contributor to this trend.

Figure 3 below shows the cumulative number of annual registrations of the Total Database of subsidy houses per annum between 1994 and 2009, together with the reported number of subsidies approved and the number of houses completed or under construction. Figure 4 shows annual and cumulative registrations as a percentage of reported delivery. (Annual numbers of registrations can be seen in the Macro Analysis). As indicated in the figures the following is noted:

- Between 1994 and 2009 the DoHS reported that a total of **2.94 million houses were completed/under construction**⁵. Of these **1.44 million (51%) are registered in the Deeds Registry**. This number is not all new build as it includes spouses and discount benefit scheme houses.
- If we assume that all 2.94 million houses have been built, the difference in delivery figures with deeds registry figures **implies that a further 1.5 million subsidy beneficiaries received an asset that was not registered in the Deeds Registry**. This is higher than the amount estimated by the DoHS in the policy document ‘*The ‘Comprehensive Plan for the Development of Sustainable Human Settlements’* (commonly referred to as Breaking New Ground) (2004) which estimates that at least **35% of subsidised houses - some 900,000 units at the time of the report** - had been delivered without the registration of formal title. By not receiving title to their houses these beneficiaries are being denied a critical point of entry into the formal property market.
- The number of subsidy houses registered per year is above 60% as a percentage of the number of houses reported as being delivered or under construction between 1995 and 2004 and increases over the period. From 2005 there is a consistent decrease in the

⁵ The sources used to derive this amount are shown in Figure 1. It is noted that the DoHS admits that the data on houses completed/under constructed is unreliable for a number of reasons including poor provincial and municipal record keeping in many parts of the country. (A Resource Guide to Housing in South Africa 1994-2010, Kate Tissington, February 2011). It is noted that houses completed/under construction do not include houses transferred in respect of the Discount Benefit Scheme.

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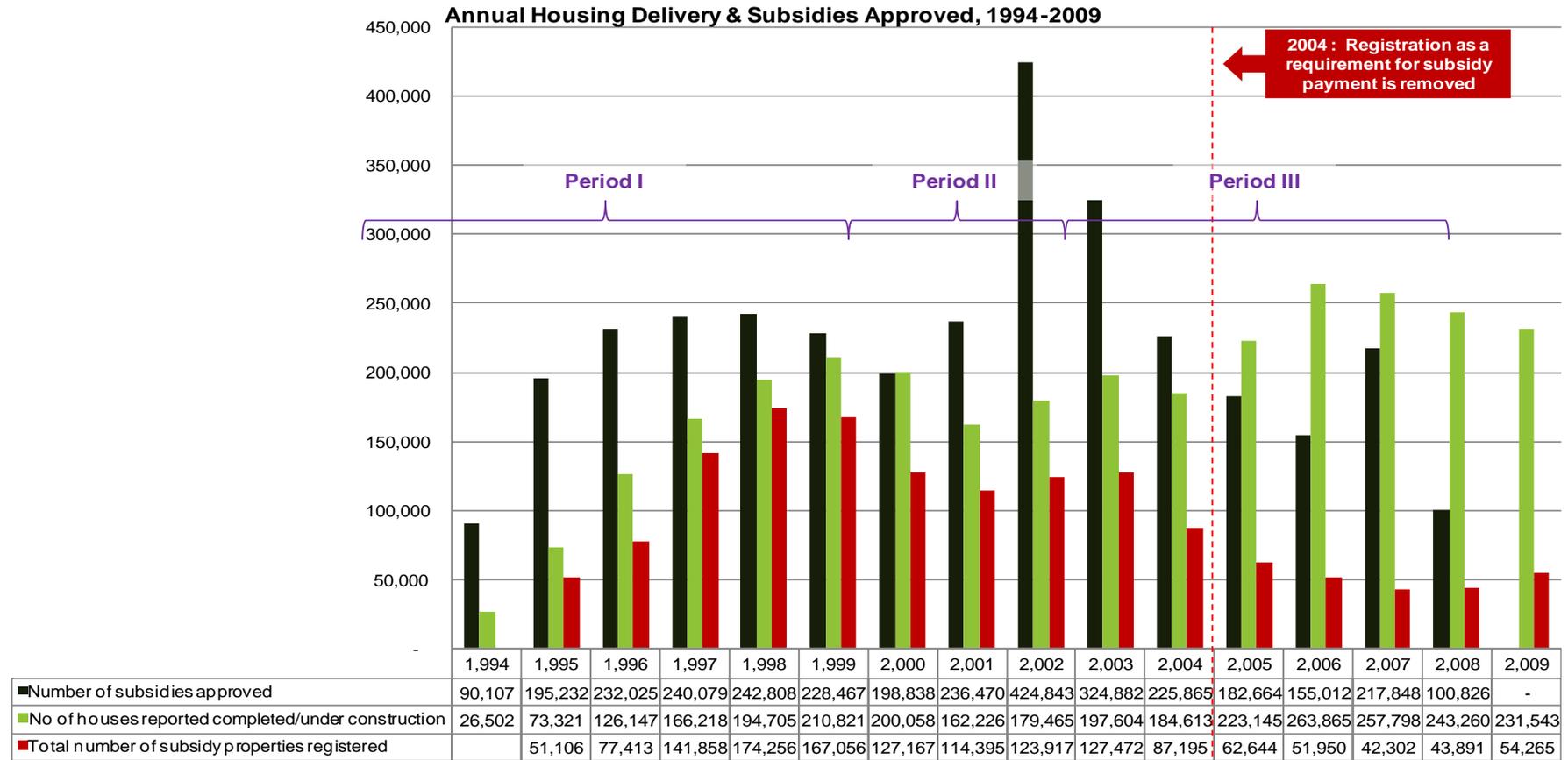
percentage of subsidy houses registered and this is continuing and becoming worse. The removal of the requirement that registration is required in order to release a significant subsidy payment which was withdrawn in April 2004 appears to be a major contributor for this.

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OVERALL ANALYSIS

Total Database



Figure 3: Annual Subsidy Properties Registered

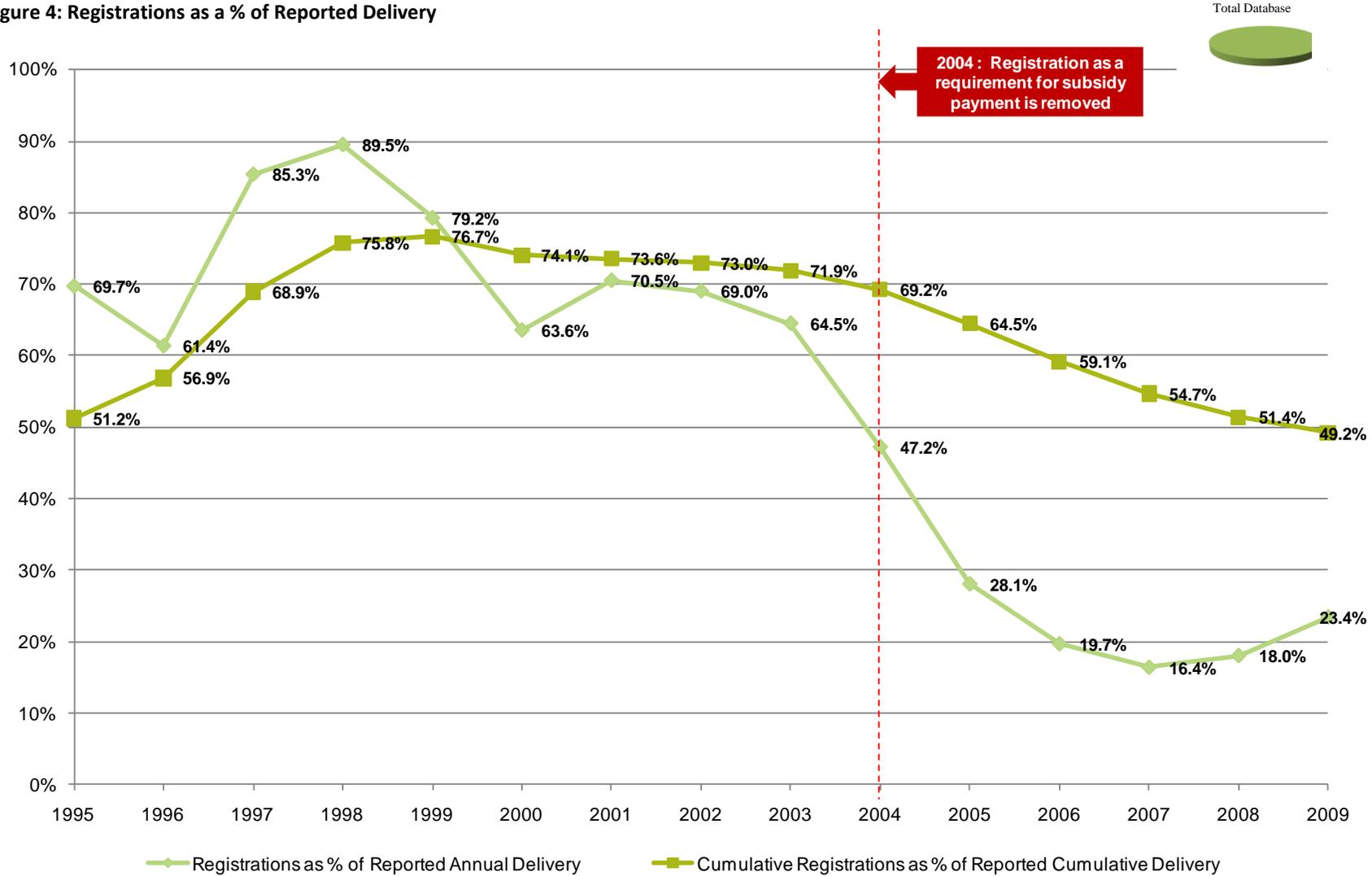


Sources: Reported housing delivery data: 1994-95 to 1999-00, 2000-01 to 2004-05: www.treasury.gov.za/publications/igfr/2005/prov/08.%20Chapter%205%20-%20Housing.pdf Data for 2005-06 and 2006-07: www.treasury.gov.za/publications/igfr/2007/prov/05.%20Housing.pdf Data for 2007-08 and 2008-09: www.housing.gov.za/Content/Stats/Housing%20Delivery%20Stats.htm Data for 2009-10: www.dhs.gov.za/Content/Stats/2009%2010%20Fncial%20year.htm ; Subsidy data: www.treasury.gov.za/publications/igfr/2007/prov/05.%20Housing.pdf and <http://www.treasury.gov.za/publications/igfr/2009/prov/06.%20Chapter%206%20-%20Human%20Settlements.pdf> (Note: Reported financial year delivery data has been annualised assuming that 60% of the delivery occurs in the first calendar year and 40% in the 3 months of the second calendar year, e.g. 1994/95: 60% delivery accrues to 1994 and 40% of the delivery to 1995.)



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Figure 4: Registrations as a % of Reported Delivery





5.1.2 Registrations by Time Line Periods

The average percentage of property registrations to houses delivered was higher during the Private Sector Delivery period (1994 to 2000) than the Public Sector Delivery period (2001 to 2003). The percentage of property registrations has decreased significantly in the third period (2004 – 2009). This is thought to be due to the removal of subsidy registration as part of the subsidy payment process.

The table below shows the average annual reported housing delivery and number of houses registered between 1994 and 2009 in terms of the time line periods. As shown in the table **the average number of registrations per year is decreasing significantly and was highest during Period 1 (Private Sector Delivery) and worst during Period 3 (Delivering Human Settlements)** when the subsidy registration requirement was removed from the subsidy payment process.

Total Database



Table 6: Average Annual Reported Housing Delivery and Number of Houses Registered, 1994 - 2009

	Period 1 (1994-2000)	Period 2 (2001-2003)	Period 3 (2004-2009)
Average annual number of subsidies approved	203,936	328,731	147,036
Average annual number of houses reported completed/under construction per year	142,539	179,765	234,037
Average annual number of subsidy houses registered	105,551	121,928	57,041
Average % of annual Subsidy Houses Registered to Houses Reported Completed/Under construction	74%	68%	24%

5.1.3 Number and Extent of Registrations by Province and Metropolitan Municipality



The highest number of registrations between 2004 and 2009 in respect of the Provinces occurred in Gauteng (395,765), the Eastern Cape (238,682) and the Western Cape (208,852). Most Provinces are performing poorly in terms of the average percentage of registered subsidy houses to reported houses delivered. The exceptions are Free State which has registered 78% of the subsidy houses it has reported delivered, the Eastern Cape (70%) and the Northern and Western Cape (62 and 61% respectively).

The Metropolitan Municipalities account for 49% of the total registered subsidy houses in South Africa. Ekurhuleni, Cape Town and the City of Johannesburg have registered the highest number of subsidy houses.

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Figure 6 below shows total registrations by Province from 1994 to 2009, as well as the percentage of registrations of reported total delivery for that Province over the period. (Further details on this analysis can be seen in the Macro Analysis). As indicated in the figure the following is noted:

- **The highest number of registrations occurred in Gauteng (395,765), the Eastern Cape (238,682) and the Western Cape (208,852).** The lowest in Limpopo (34,710), Northern Cape (41,538) and Free State (43,319).
- While Gauteng has registered by far the most subsidy houses, it is not the most effective Province in terms of the percentage of registrations against the reported number of houses completed or under constructed, having only registered 53%. In this regard **the Free State has registered 78% of the subsidy houses it has reported delivered, the Eastern Cape (70%) and the Western Cape (61%).** Limpopo has registered the least number of houses (13%).

The Macro Analysis provides an analysis by Province of subsidy house registrations per year, rate of registrations and subsidy house registrations as a percentage of reported delivery in the Province. Table 7 below shows average annual reported housing delivery and number of houses registered by Province for the three Time Line periods. As indicated in the figure the following is noted:

- **Generally across all Provinces there is an increase in the average number of houses reported to be completed/under construction per year across the three periods.** This is a response to increasing political pressure to deliver subsidised housing and the fact that budgets are lost if not spent in a particular financial year.
- **Generally across all Provinces there is an increase in the number of houses registered per annum between periods 1 (Private sector delivery) and 2 (Public Sector delivery), but a sharp drop in the number of registrations in Period 3 (Delivering human settlements) when the removal of the requirement that registration is required for subsidy payments occurred in April 2004.**

Case study: The joy of and investment into a subsidy house

Jeanette and her husband Lumic relocated from Graff Reiniet to George in 1992 searching for better job prospects. In 1979 Lumic put his name on a housing list for a site. In 1993 they moved onto their site, which had a toilet and built a 4-roomed bungalow made of wood planks to live in. There was no electricity supply or running water. Finally in 1995 they moved their bungalow to a different part of the property and for three weeks watched as their subsidy house was finally constructed. They received the Title Deed to their property a few months after the house was completed.

They acquired mortgage loans through both Standard and First National banks to finance the improvements and remodelling of their subsidy house. The loans totalled R 30 000 and they contributed R 25 000 of their own money that they had saved toward the building of their house. Lumic is a full time employee of the Coca-Cola Company; he needed his pay-slip, ID document and bank statements to acquire the loan. Although the building material was bought incrementally, the remodelling of the house was completed in three weeks during February 2010.

The current house will be inherited by their youngest son thus they will never consider selling the house. Her son currently occupies the original bungalow they lived in before their subsidy house was built. Despite not having close friends in the community Jeanette is part of a stokvel, which satisfies her social activities. As a family, they enjoy the freedom and independence that comes with being homeowners.

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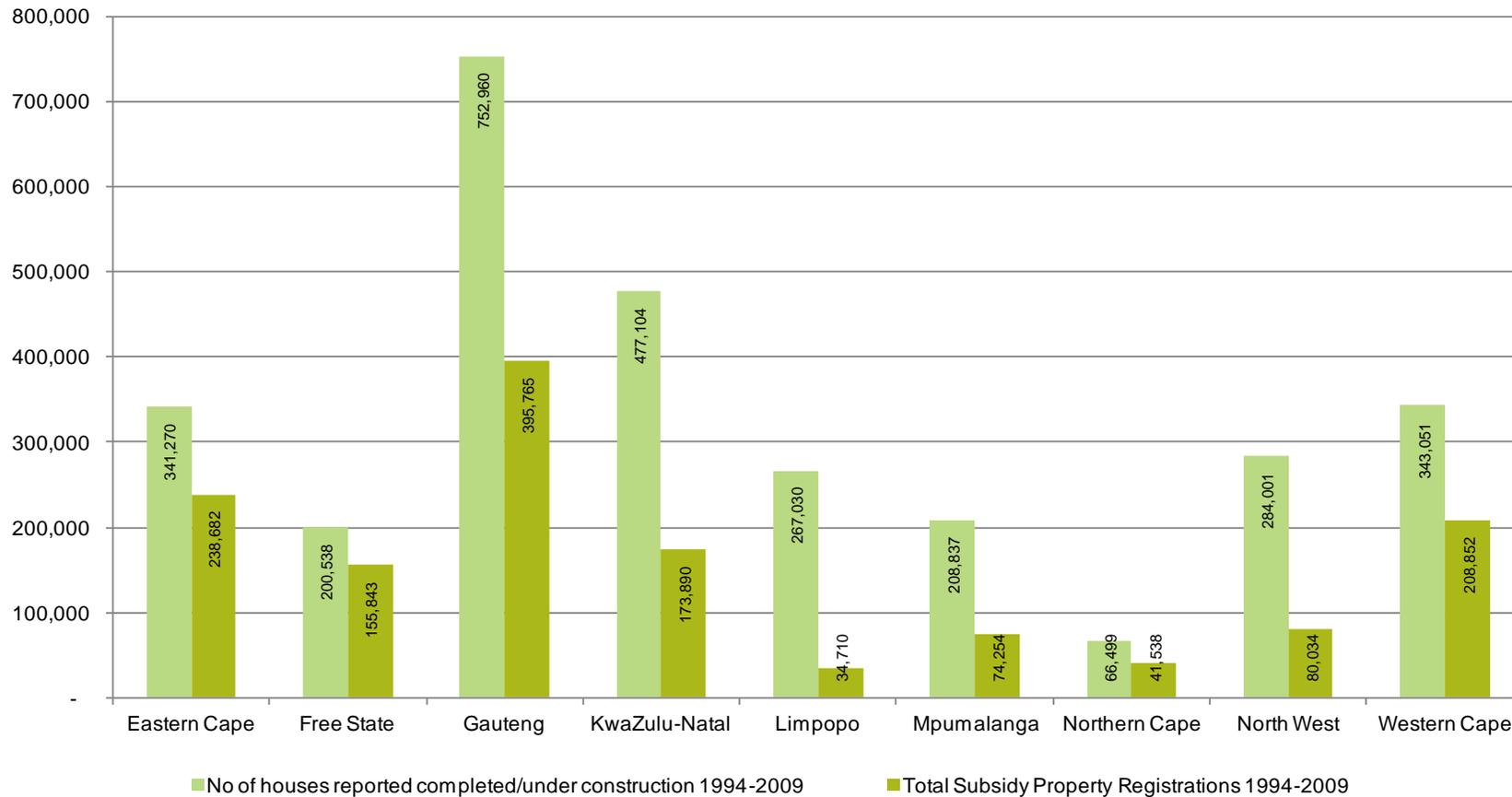
Total Database



Figure 5: Total Registrations vs number of houses reported by Province: 1994 – 2009⁶

No of houses reported completed/under construction vs. Total Registrations 1994-2009

Total No. of houses reported completed/under construction 1994-2009: 2,941,290
Total subsidy property registrations 1994-2009: 1,446,887*



*Note: Total includes 43,319 properties that have no cadastral information – not reflected in the graph

⁶ The gap reflected between the number of houses reported and total registrations is more significant than shown in the diagram due to the fact that total registrations includes Discount Benefit Scheme properties which are not included in the number of houses reported

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Total Database



Table 7: Average Annual Reported Housing Delivery and Number of Houses Registered by Province, 1994 to 2009

	Period 1 (1994-2000)									Period 2 (2001-2003)									Period 3 (2004-2009)								
	EC	FS	Gau	KZN	Lim	Mpu	NC	NW	WC	EC	FS	Gau	KZN	Lim	Mpu	NC	NW	WC	EC	FS	Gau	KZN	Lim	Mpu	NC	NW	WC
Average number of houses reported completed/under construction per year	14,879	9,323	36,264	27,893	10,678	8,897	2,701	11,720	20,183	33,119	10,881	38,635	23,495	16,501	18,518	4,192	16,534	17,889	22,960	17,105	63,868	35,228	23,796	15,167	5,836	25,393	24,683
Average number of subsidy houses registered	18,110	9,005	33,050	11,299	3,088	5,167	3,617	5,144	14,686	20,907	12,818	28,190	19,865	2,406	8,963	2,016	8,242	15,042	8,198	9,060	13,308	5,866	980	1,866	1,695	3,217	10,154
Average % of Subsidy Houses Registered to Houses Delivered	122*	97	91	41	29	58	134*	44	73	63	118*	73	85	15	48	48	50	84	36	53	21	17	4	12	29	13	41

* In respect of these figures there are concerns with the accuracy of the data in respect of average number of houses reported completed/under construction per year

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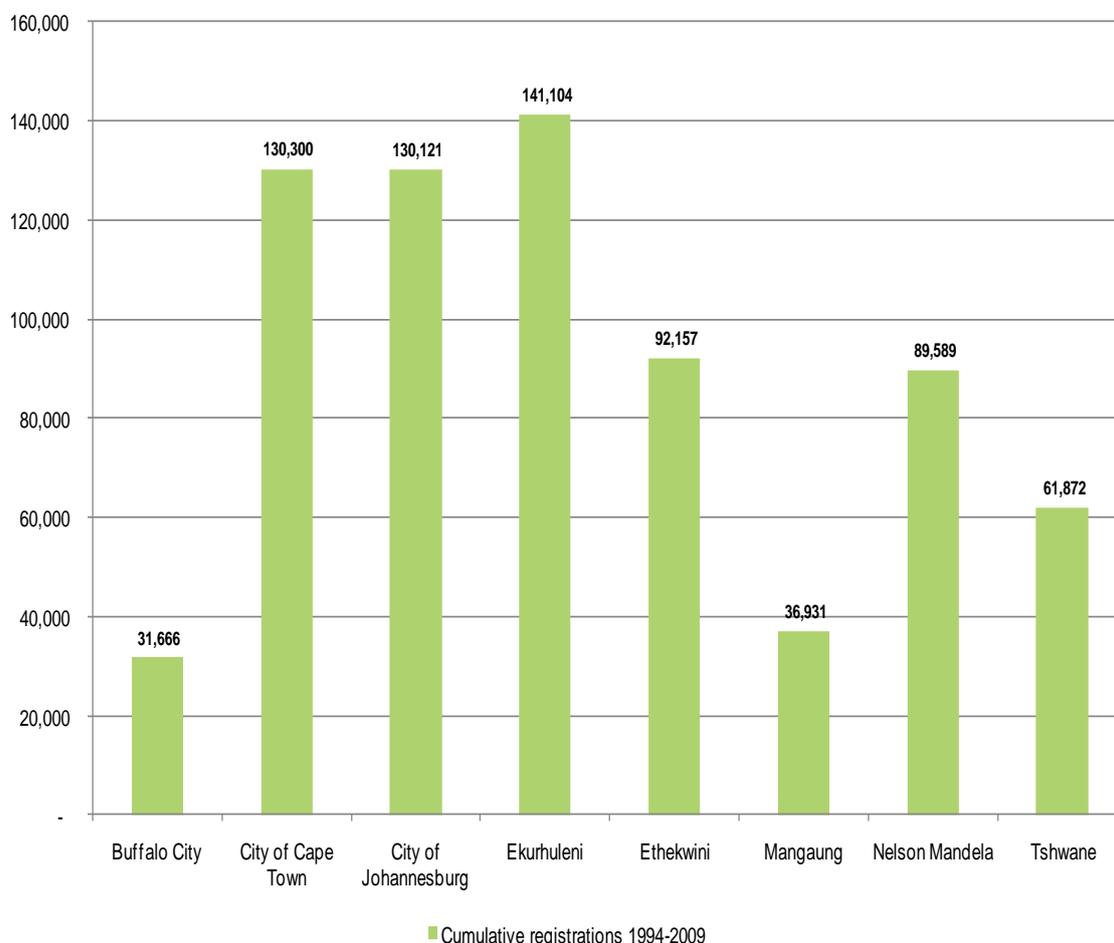
Figure 6 below shows the cumulative total of subsidy registrations by Metropolitan Municipality. Figure 7 that follow shows total annual registrations of the Metropolitan Municipalities and annual subsidy house registrations as a percentage of annual national subsidy registrations respectively. (Further details on this analysis can be seen in the Macro Analysis). As indicated in the figures the following is noted:

- **The Metropolitan Municipalities account for 49% of the total registered houses in South Africa.** This percentage varies per annum ranging from between 40% to 59%.
- **Ekurhuleni, Cape Town and the City of Johannesburg have registered the highest number of subsidy houses.** Buffalo City and Mangaung the least.
- As is the case nationally, **the number of houses being registered by the Metropolitan Municipalities has decreased significant since 2004** when the removal of the requirement that registration is required for subsidy payments occurred.

Total Database



Figure 6: Metropolitan Municipalities: Cumulative Total of Subsidy Registrations by Municipality



* Note: there are an additional 3,073 registrations reflected here as against the Metro total of 710,667 because of underlying data anomalies

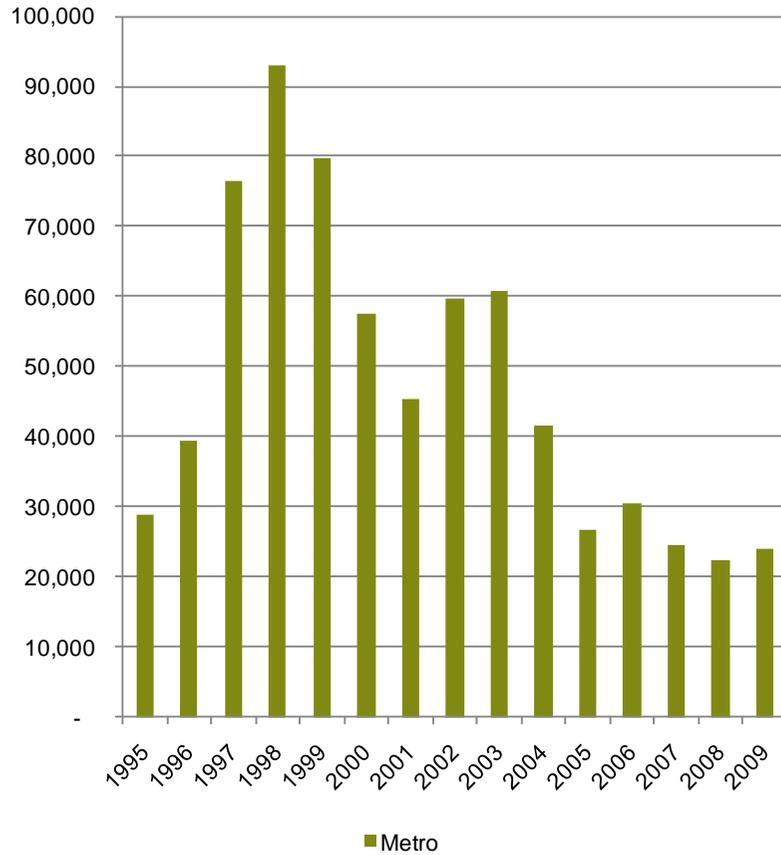
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Figure 7: Metropolitan Municipalities: Annual Subsidy house Registrations & Annual Subsidy house registrations as a % of Annual National Subsidy Registrations



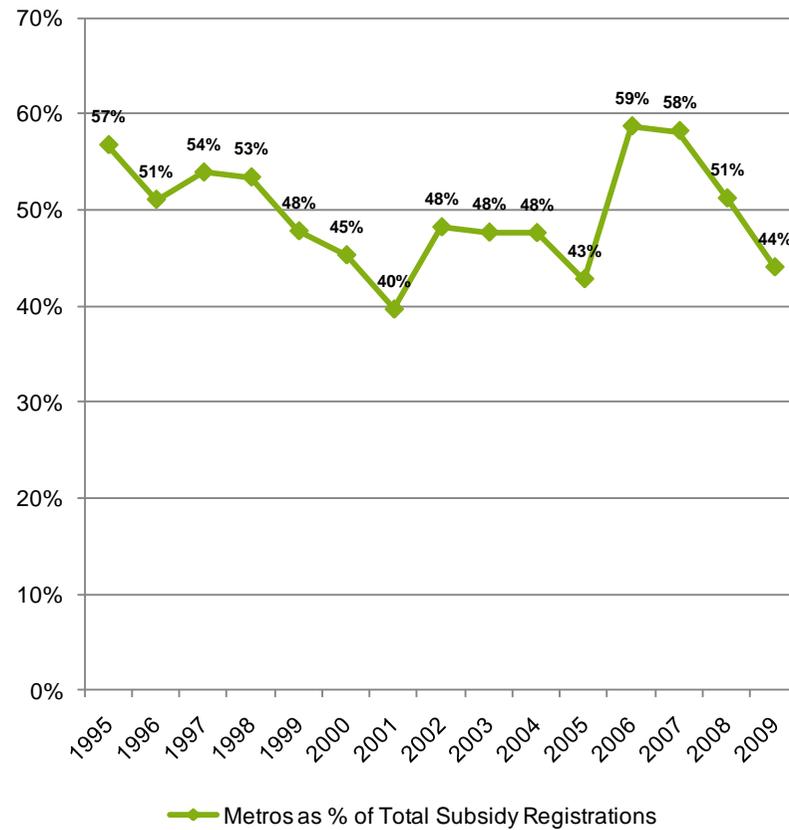
Metros: Annual Subsidy Property Registrations

Total subsidy property registrations 1994-2009: 710,667



Metros: Annual Subsidy Property Registrations as % of Annual National Subsidy Registrations

Total Metro subsidy property registrations 1994-2009 as % of total national subsidy registrations: 49%





5.1.4 Process of Accessing a Subsidy House

The Qualitative survey supports the findings of the Quantitative survey, showing that the provision of Title Deeds occurs some time after beneficiaries receive their subsidy house. The three settlements surveyed were all built in Period 1 of the time line (1994 – 2000) and so there appears to be a high number of beneficiaries who received their Title Deed.

The Qualitative survey shows further the complexity of the process of allocating subsidy housing and suggests that Provinces and Municipalities are not undertaking the process as efficiently as they should be.

The Qualitative Survey indicates that the process of accessing a subsidy house differs in terms of the history of the area but there are some key themes:

- There is some form of community organisation. In Slovoville and Thembaletu this created a sense of community.
- Individuals register for a subsidy house at the Council offices.
- There is an agreed allocation process.
- Money to access services is paid.
- The process is a political process and often promises of further investment into the area are made.
- Councillors play a powerful role often deciding who accesses housing and who does not.

The procedures applied in each area are shown in the Table below.

Table 8 : Procedures applied in accessing subsidy housing by area

Area	Process of accessing a subsidy house
Slovoville	<ul style="list-style-type: none"> • There was a community call for people to enrol for a subsidy house • People attended weekly meetings on Saturdays to be informed about the housing process. Attendance at these meetings was compulsory. • Respondents had to enrol at the Council offices. • There was an official priority in allocation where older people, women with children and people with special needs were to enjoy preference. The respondents however felt that this preference did not always apply in how the allocation was implemented. • Respondents were notified by the Councillor when the house was ready. • Respondents had to pay between R 60 and R 200 at the Council offices for which they received a receipt. The money was for the house key, the connection of services, as well as the installation of the windows. • The Title Deed was provided some time after they moved in.
Emaplazini	<ul style="list-style-type: none"> • Most respondents were born in the area and lived in self built mud houses. • The newly elected government of 1994 bought the land from the owners and the community mobilised themselves to negotiate with the government about the housing that was promised. • Two processes followed out of this: The first process (not included in the scope of this study) was a credit linked 4-roomed subsidy house scheme, negotiated with

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	<p>government. A community organisation accessed donations for the credit linked scheme, and community members that were interested formed part of a savings group that saved 50 cents per day towards these houses. The second process was followed by those that could not afford the credit linked savings scheme. These respondents were included in the study, as the houses they received are considered subsidy housing.</p> <ul style="list-style-type: none"> • There was a call for enrolment for 1-roomed subsidy houses for all of those who did not participate in the credit linked scheme. • Interested people enrolled at the municipal offices with their ID documents. • They were given a stand number and when it was ready they moved into their allocated house, after paying R 60 for connection fees. • After some time they received the Title Deed for the house.
Thembaletu	<ul style="list-style-type: none"> • In Thembaletu, most respondents lived in wooden shacks with no services. • The Council announced that they wanted to eradicate the shacks and replace them with subsidy housing. • The residents enrolled for a subsidy house at the municipal office. They received stand numbers which were painted onto the shack as proof of the allocation. • On moving some respondents had to pay for the electricity box (R 50). • The respondents received the Title Deed to the house after some time.

The provision of a title deed usually occurs after some time and some people get it and others do not. The table below provides an overview of the extent to which respondents were provided with a title deed. The high number of title deeds provided is thought to be due to the fact that the areas that formed part of the survey were all built in Period 1 of the Timeline (1994 – 2000).

Table 9: Extent to which Respondents Received a Title Deed

Method of Acquiring House	Area	No of Interviews	Has Title Deed?
Original Beneficiaries (followed state procedure according to area)	Thembaletu	13	Yes=1. No=12
	Emaplazini	15	Yes all
	Slovoville	16	Yes all
Bought Informally	Thembaletu	1	No
	Emaplazini	2	No
	Slovoville	2	No
Bought Formally	Thembaletu	3	Yes 2. No=1
	Emaplazini	1	Yes
	Slovoville	0	N/A
Inherited	Thembaletu	1	No
	Emaplazini	1	Yes
	Slovoville	0	N/A



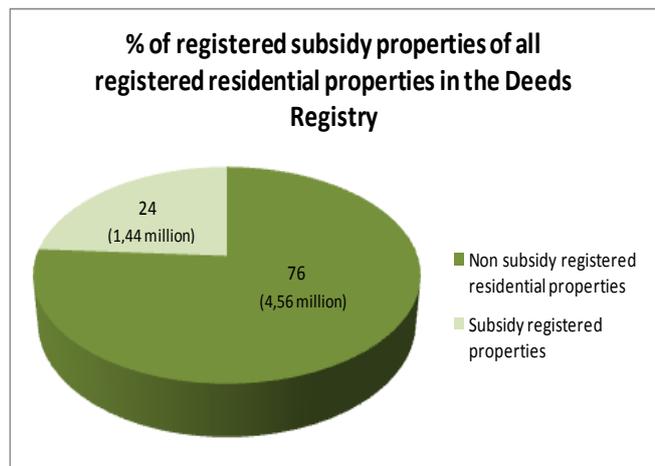
5.2 Size of the Subsidy House Market

Subsidy houses comprise just less than one quarter (24%) of all registered residential properties in South Africa, implying that the performance of these houses has the potential to impact on the total residential property market.

There are approximately six million registered residential properties in the Deeds Registry. Of these, a total of 1.44 million are subsidised houses. **This represents just less than a quarter (24%) of the total number of registered residential properties in the Deeds Registry.**

Further, if it is assumed that the subsidised houses that have not yet received title have been built (1,5 million) and are included, it means that subsidy houses will over time comprise over one third (35%) of all registered properties in the residential property market in South Africa.

Figure 8: Subsidy properties as a % of all residential properties in the Deeds Registry



This is a significant portion and implies that the performance of the 'subsidy' houses has the potential to impact on the total market.

5.3 Sale of Houses



5.3.1 Number of Registered Houses Sold

The number of registered houses sold by subsidy beneficiaries is extremely low, comprising 90,858 houses between 1994 and 2009 and representing 6% of all the houses registered. It does appear that the eight year sales restriction on subsidy houses has restricted the extent to which these houses have sold.

Figure 9 below shows the number of property sales per year (first sales) and Figure 10 subsidy stock sales rates showing annual sales against total stock available. The figures indicate that:

- **Sales as a percentage of total stock available per annum never exceeded 0.9% in any year since 1994.**
- **Sales increased marginally between 1994 and 2001 going from 0% in 1995 to 0.89% in 2000.**
- **Sales decreased marginally between 2001 and 2005 going from 0.86% to 0.62%. This could be the result of the eight year sales restriction which was introduced in 2001. The sales**

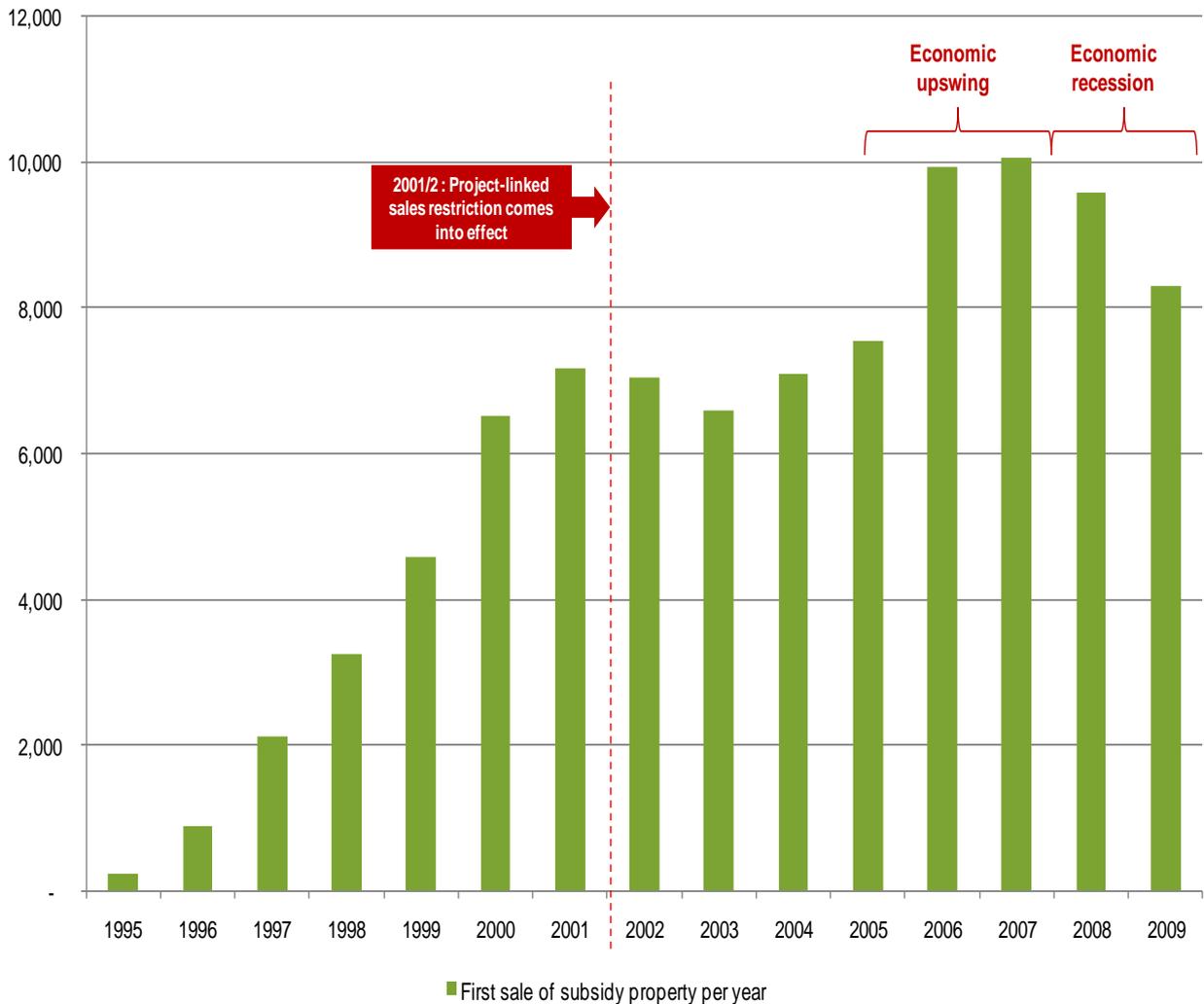
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restriction was introduced to protect the value of the housing asset by preventing speculation and downward raiding.⁷

- **Sales showed a marginal increase in 2006 (0.79%) and 2007 (0.78%) and then decreased slightly over 2008 (0.73%) and 2009 (0.61%).** This could be the result of the economic upswing in 2006/07 and then the economic recession that occurred from 2008 onwards.

Total Database

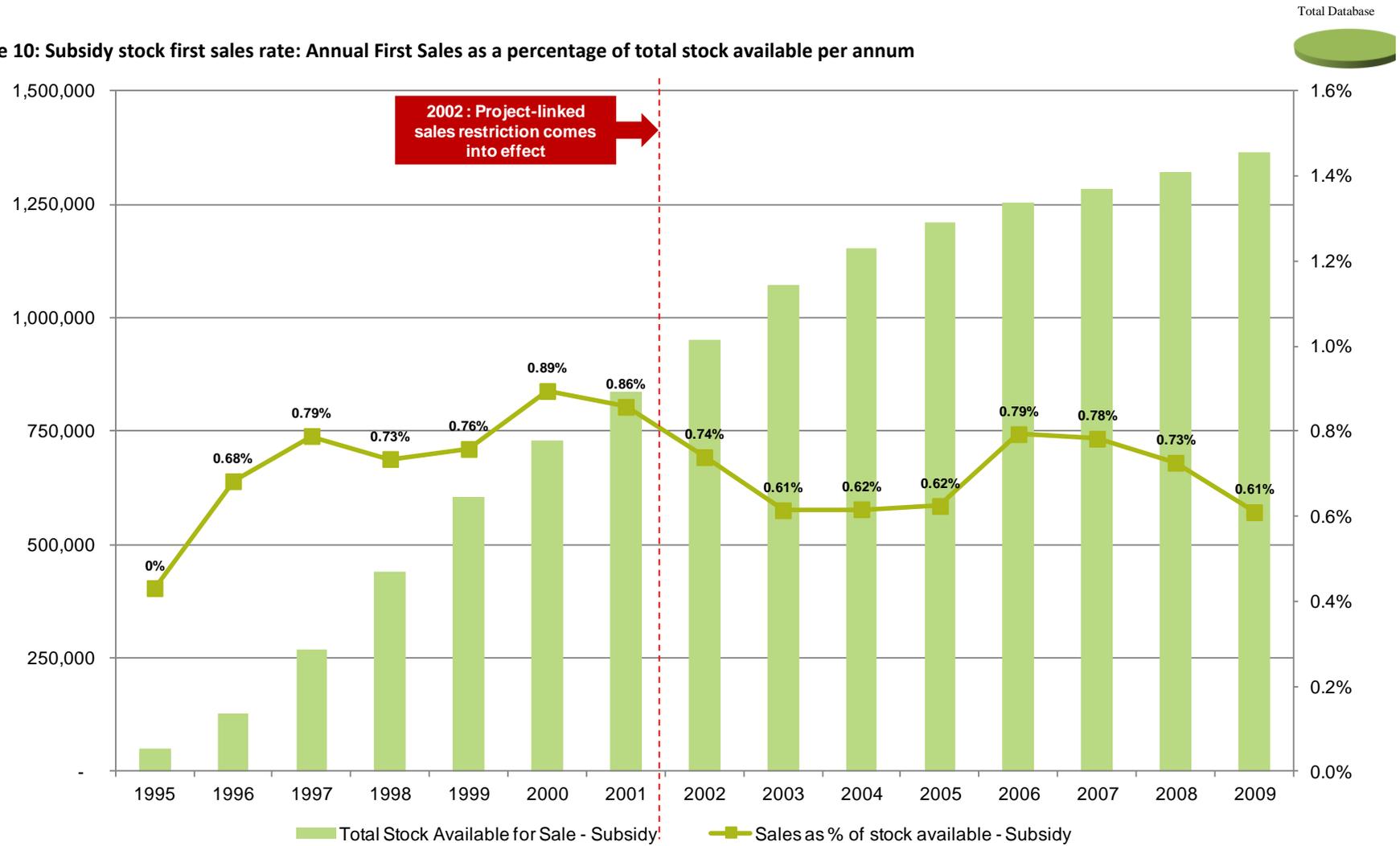
Figure 9: Number of total registered subsidy houses sold per year (first sales)



⁷ It was introduced in terms of the Housing Amendment Act, Act 4 of 2001. Section 10A of the Act, inserted by section 7 of Act 4 of 2001, relates to restrictions on the voluntary sale of subsidised housing. Essentially, it says that subsidy beneficiaries may not “sell or otherwise alienate” their subsidised dwelling or site within a period of eight years from the date on which the property was acquired. The sales restriction did not apply to the Discount Benefit Scheme subsidy.

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Figure 10: Subsidy stock first sales rate: Annual First Sales as a percentage of total stock available per annum



Total Database

Note:

(1) Includes first sales only; (2) Total stock available = Cumulative annual registrations less sales; (3) Sales Rate = Annual Sales / Total Stock per Annum
Please note that the sales restriction **cannot** be factored into the data as the proportion of project-linked properties cannot be determined



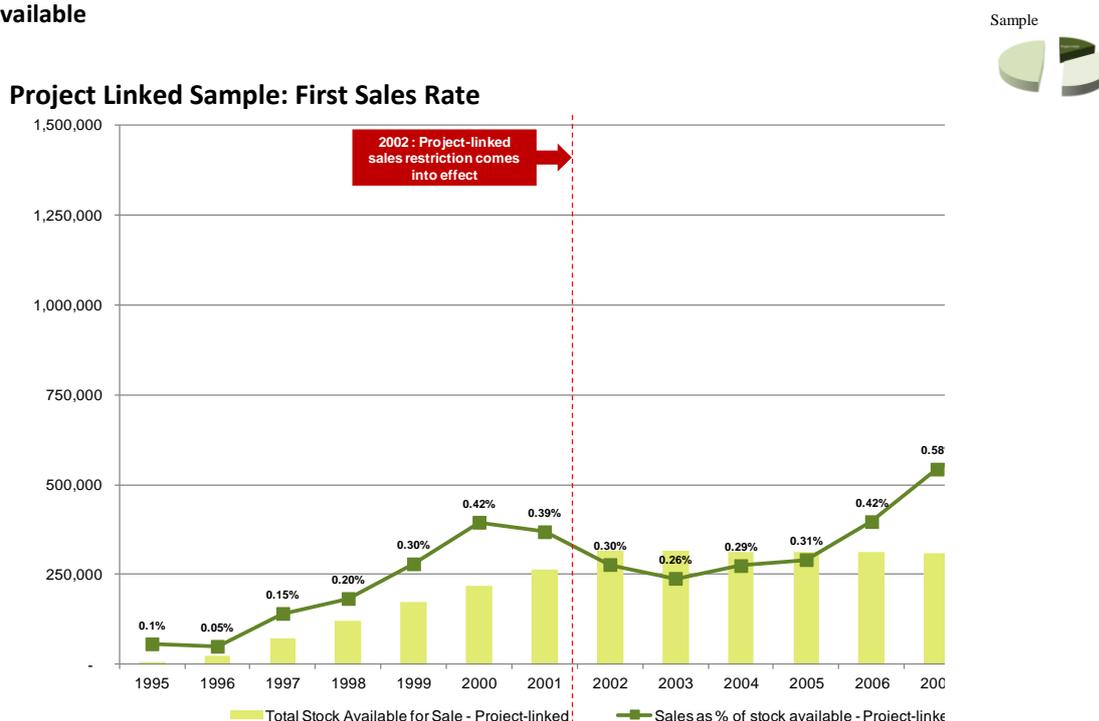
5.3.2 Extent of Sales by Type of Subsidy House

Discount Benefit Scheme houses are experiencing higher rates of sale than are the Project Linked houses. This is partly due to the eight year sales restriction that applies to the Project Linked subsidy houses, as well as the fact that Project Linked Subsidy houses are newer (having been built after 1994).

Figure 11 below sets out the first sales rate in respect of the Project Linked and Discount Benefit Scheme samples. As shown in the Figure:

- In respect of the Project Linked sample first sales increased from 1996 to 2000 and then saw a sharp decrease. This is probably due to the sales restriction which was introduced at the end of 2001. From 2005 sales increased to a high in 2008, possibly due to bank attention at the end of the Financial Sector Charter period, and then saw a sharp decrease, probably due to the world economic recession that occurred at that time.
- In respect of the Discount Benefit Scheme sample, first sales are consistent from 1995 to 2003, where they saw an increase to a high in 2007 and then a sharp decrease, probably due to the world economic recession.

Figure 11: Project Linked and Discount Benefit Scheme Samples: Annual first sales against Total Stock Available

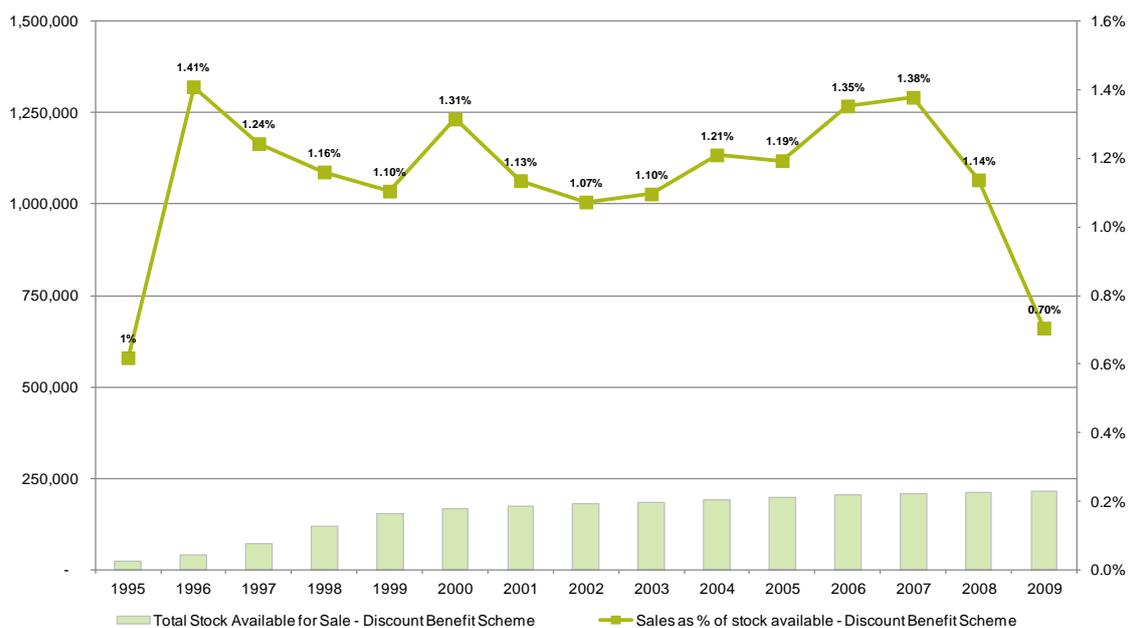


Note:
 (1) Includes first sales only; (2) Total stock available = Cumulative annual registrations less sales less sales restriction from 2003;
 (3) Sales Rate = Annual Sales / Total Stock per Annum
 Please note that the sales restriction *has* been factored into the data

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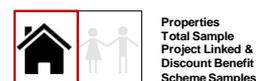


Discount Benefit Scheme Sample: First Sales Rate



Note:
 (1) Includes first sales only; (2) Total stock available = Cumulative annual registrations less sales; (3) Sales Rate = Annual Sales / Total Stock per Annum
 Please note that the sales restriction **does not apply in this case**

The Table below shows the first sales rate of subsidy houses (i.e. number of sales as a percentage of total stock available) per Time Line Period, for the Total Database, as well as the Project Linked and Discount Benefit Scheme Samples. The Table indicates that on average:



- **In terms of the Total Database the extent of first sales is on average consistent across the three Periods. .**
- **In terms of the Project Linked Scheme sample the extent of first sales is lower than for the Total Database but shows a slight increase across the three periods. The sales restriction has been factored into the analysis.**
- **The Discount Benefit Scheme houses are seeing much higher rates of sale than the Total Database and Project Linked Sample. The sales rate is on average relatively consistent across the three periods.**

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Table 10: First Sales Rate per Time Line Period and Sample⁸

First Sales Rate (number of sales as a percentage of total stock available)	Period 1 (1994-2000)		Period 2 (2001-2003)		Period 3 (2004-2009)		Total 1994-2009	
	Total	Average	Total	Average	Total	Average	Total	Average
Total Database	2%	0.4%	2%	0.6%	4%	0.6%	6%	0.4%
Project Linked Sample (sales restriction factored in)	0.8%	0.1%	0.9%	0.3%	2.7%	0.5%	4.2%	0.3%
Discount Benefit Scheme Sample	4%	0.7%	3.0%	1.0%	5.9%	1.0%	11.3%	0.8%

The figures below show an analysis of first sales in respect of the year in which a property was registered for the Total Database and Project Linked and Discount Benefit Scheme samples. From the figure the following is evident:

- Properties registered prior to 2000 have seen a higher number of first sales than properties registered after that date.
- The sales restriction appears to have had an impact in decreasing the number of first sales. This impact applies to both the project linked and discount benefit samples despite the fact that it does not apply in respect of the latter.
- Properties registered between 1997 and 1999 have seen a higher number of first sales than properties registered in other years.

⁸ Notes:

- 1) Sales in respect of first sales only
- 2) Sales rate = Total Sales in the Period / Total Cumulative Registrations to that period
- 3) * Total stock = Registrations less sales restrictions
- 4) Project-linked Sample and Discount Benefit Scheme Sample are **sub-sets** of the total subsidy property registrations. However total subsidy **is not** the sum of these two samples as there are other unclassified subsidy properties in the total sample.

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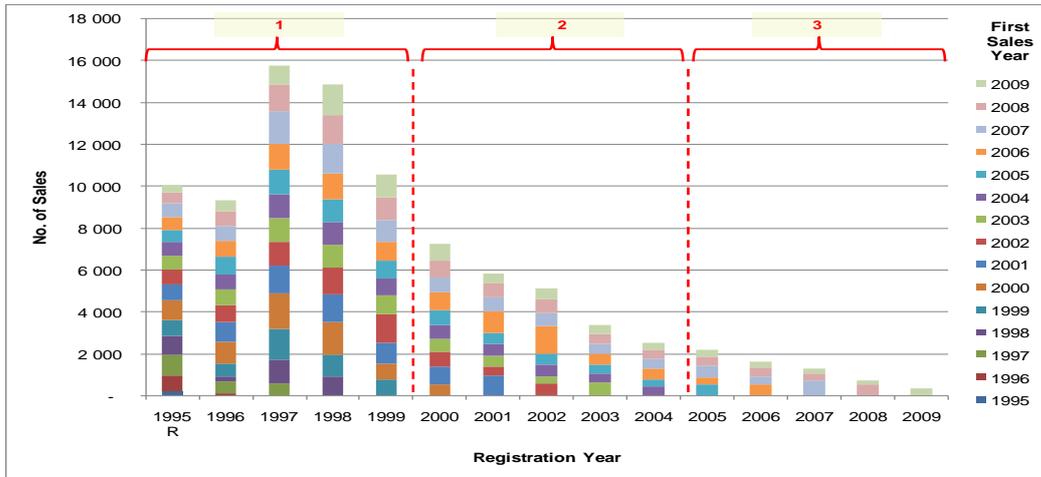
Total Database

Sample



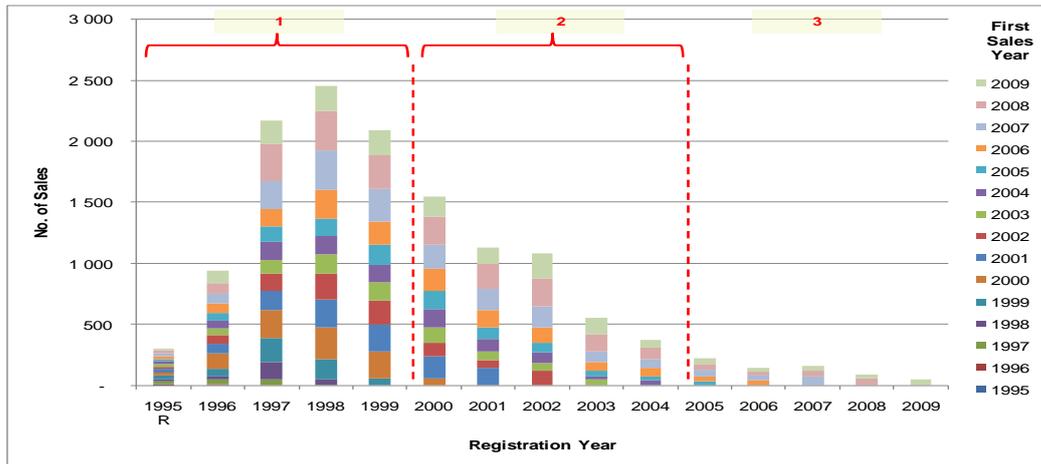
Figure 12: No of first sales per year of registration

Total Data Base



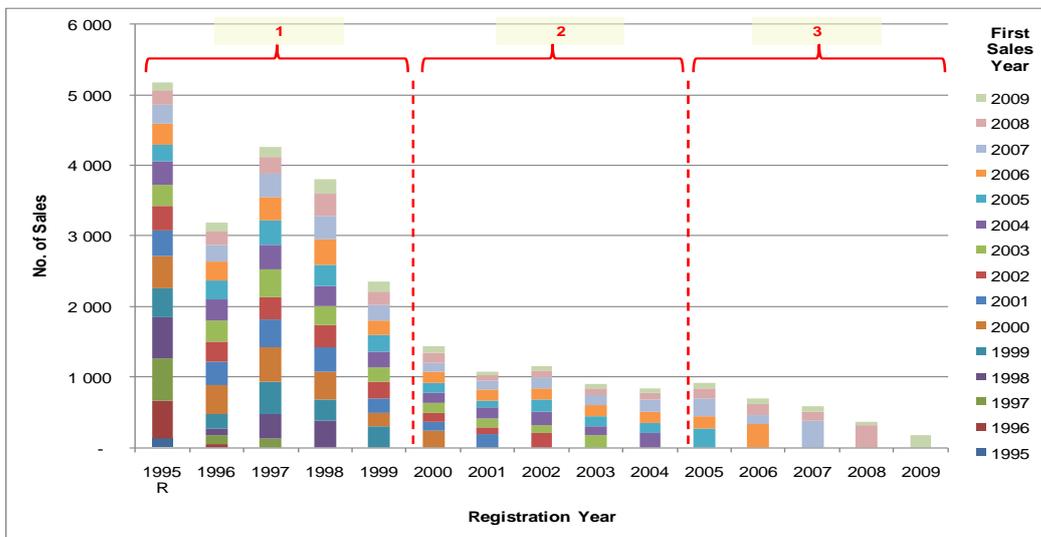
Note: Graph Shows for each year of First Registration the number of properties from that vintage sold (first sale only) and the year in which it was sold
Please note that 3 five-year period are indicated which do not correspond to the Periodisation used earlier

Project Linked Sample



Note: Graph Shows for each year of First Registration the number of properties from that vintage sold (first sale only) and the year in which it was sold
Please note that 3 five-year period are indicated which do not correspond to the Periodisation used earlier

Discount Benefit Sample



Note: Graph Shows for each year of First Registration the number of properties from that vintage sold (first sale only) and the year in which it was sold
Please note that 3 five-year period are indicated which do not correspond to the Periodisation used earlier

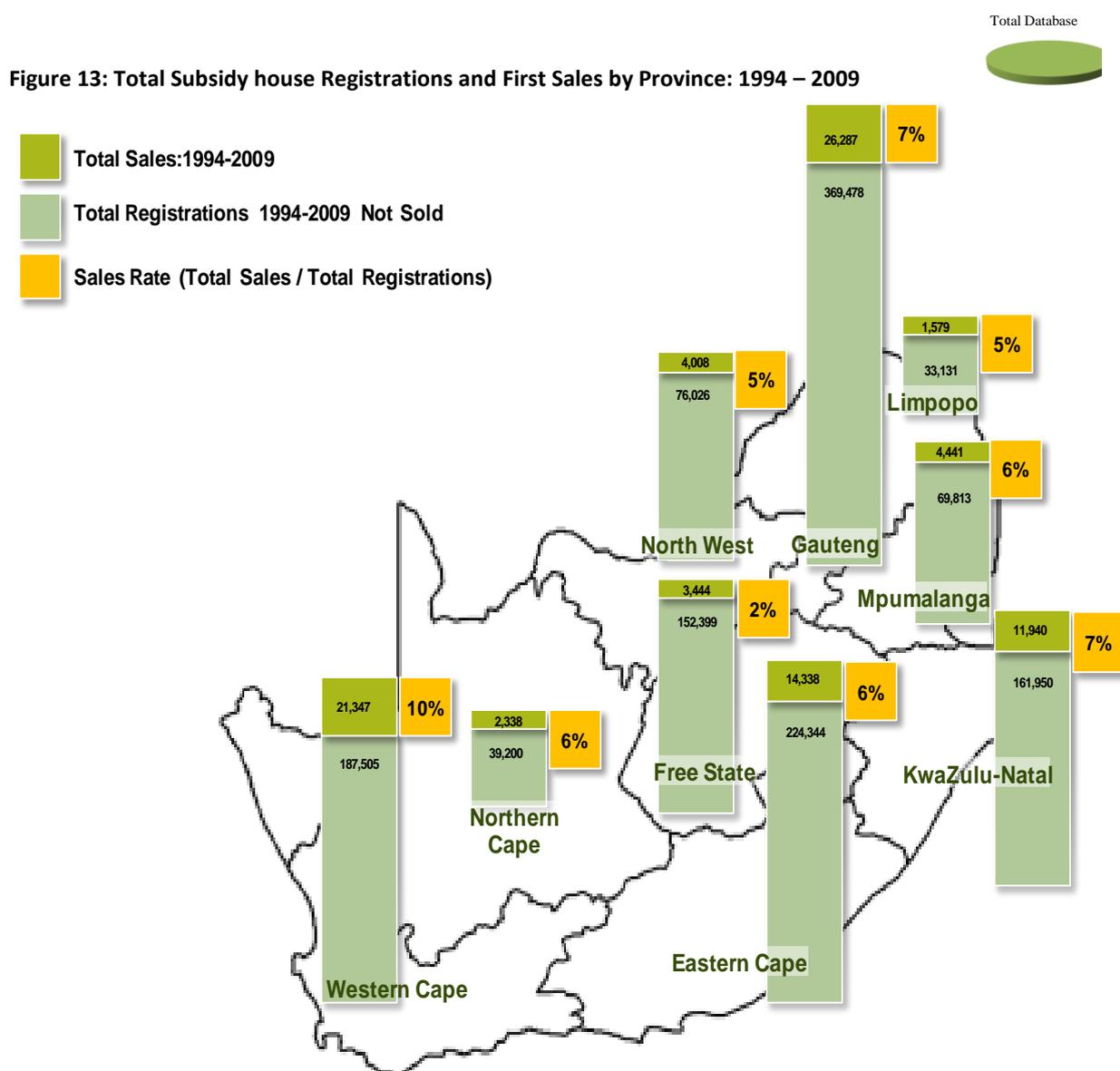


5.3.3 Extent of First Sales by Province and Metropolitan Municipality

The first sales rate (number of sales as a percentage of total registrations) for all subsidy houses is highest in the Western Cape (10%), followed by Gauteng (7%) and Kwa-Zulu Natal (7%). The number of first sales as a percentage of total stock is high (9%) in the Metropolitan Municipalities indicating that geographic location is a factor that influences the extent of sales.

The Figure below shows total subsidy houses registrations and first sales by Province from 1994 to 2009. (More details on this data can be seen in the Macro Analysis). As shown in the figure:

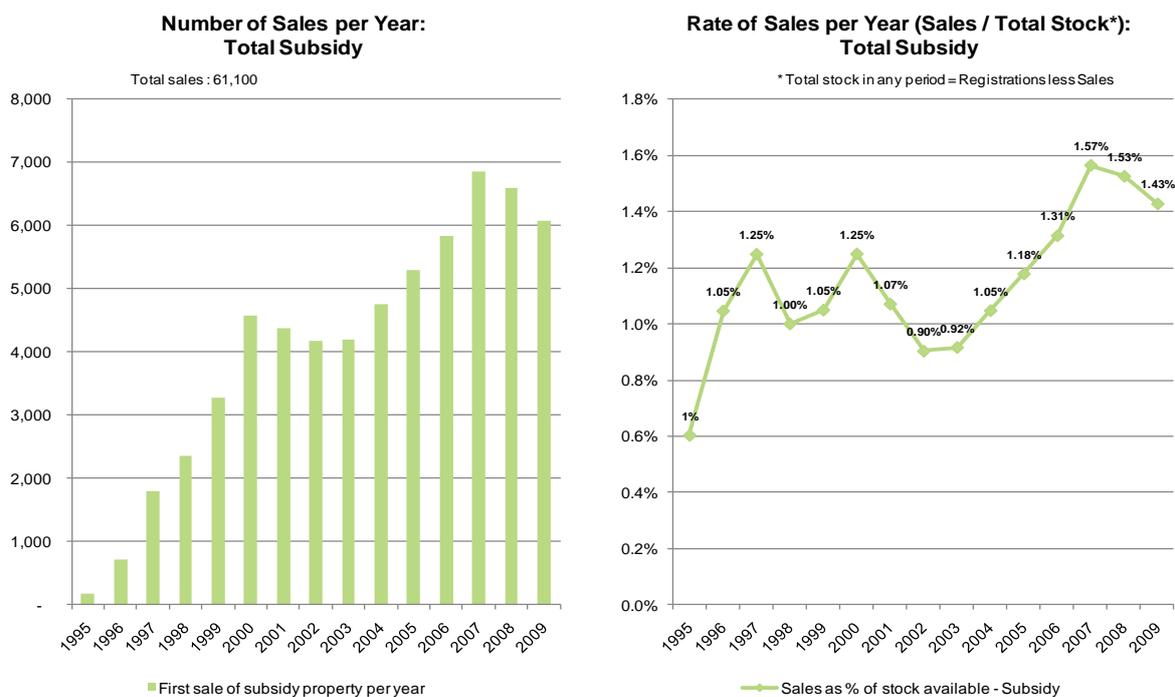
- **The highest number of first sales has occurred** in Gauteng (26,287), Western Cape (21,347), and to a lesser extent Eastern Cape (14,338) and Kwa-Zulu Natal (11,940).
- **The sales rate (number of sales as a percentage of total registrations) is highest** in the Western Cape (10%), followed by Gauteng (7%) and Kwa-Zulu Natal (7%).



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The Figure below shows the number of first sales for the Metropolitan Municipalities. **The overall sales rate (total sales/registrations) for the Metropolitan Municipalities is 9% with 61,100 sales occurring between 1995 and 2009.** The rate of sales per year has been variable over the period reaching a peak in 2007.

Figure 14: Number of First Sales and Sales Rate for the Metropolitan Municipalities Total Database 



5.3.4 Selling Price



Generally subsidy houses have seen an increase in nominal and real average selling prices from 1994 to 2009 for first sales. Houses provided through the Discount Benefit Scheme are being sold for higher prices than Project Linked houses. Project Linked houses are seeing the lowest selling prices and of greater concern these prices are significantly lower than the cost of developing the houses indicating that they are undervalued in the market.

The Table below sets out the average nominal and real selling price per Time Line period for each of the samples (Total Database, Project Linked and Discount Benefit Scheme Samples). More details on this can be seen in the Macro Analysis). As indicated in the table there is an increase in both the nominal and real average price across the three time line period in respect of the Total Database and the Project Linked and Discount Benefit Scheme samples. The increase is most significant in respect of the Discount Benefit Scheme Sample and least significant in respect of the Project Linked Sample.

What is of serious concern is that the Project Linked Sample selling price both nominal and real in Period 3 (2004 – 2009) are significantly lower than the cost of developing the house in that period. It is estimated that the cost of developing a Project Linked subsidy house (2008) ranges from

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between R 99 000 to R 120 000⁹. The average real selling price during the period comprises only R 54 439. Accordingly it appears that the stock is significantly undervalued.

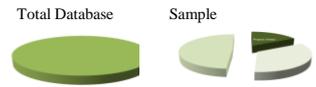


Table 11: Selling Price for first sales per Time Line Period and Sample

		Period 1 (1994-2000)	Period 2 (2001-2003)	Period 3 (2004-2009)	Total 1994-2009
Total Database	Average price Subsidy (Nominal) – R	54,032	75,105	160,849	100,973
	Average price Subsidy (Real Base 2008) – R	102,354	104,417	180,663	134,090
Project Linked Sample	Average price Subsidy (Nominal) – R	11,892	21,184	49,091	28,630
	Average price Subsidy (Real Base 2008) – R	21,461	29,526	54,439	36,265
Discount Benefit Scheme Sample	Average price Subsidy (Nominal) – R	60,978	95,999	191,947	120,370
	Average price Subsidy (Real Base 2008) – R	114,214	133,767	214,120	158,087

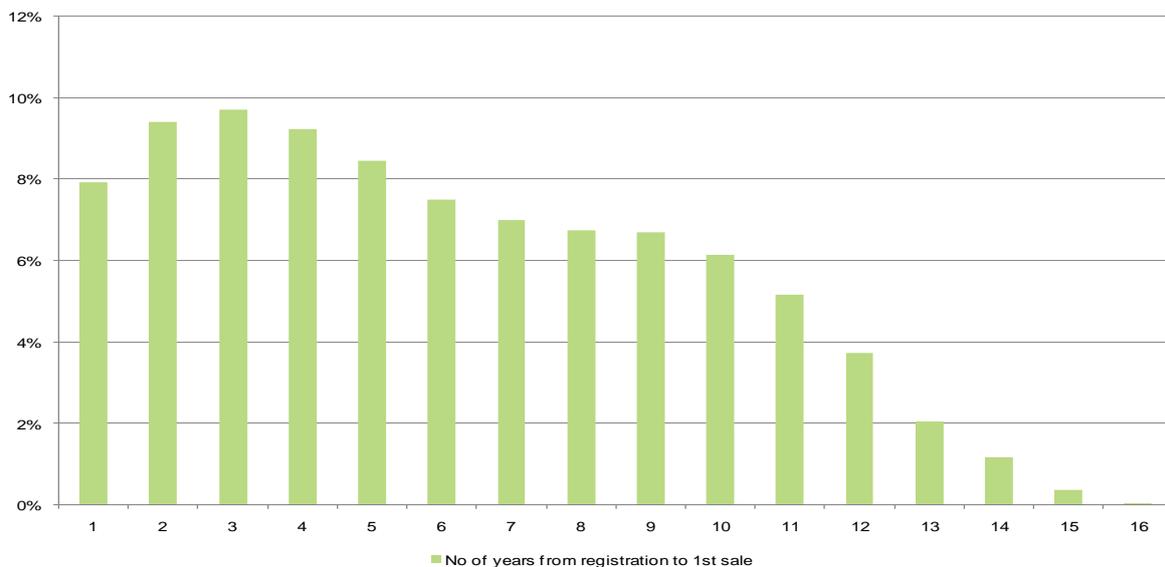
5.3.5 Time Period between Receiving a Property and Selling It



As shown in the Figure below for those beneficiaries who sold their property, the average number of years from **receiving to selling the property is 6 years with most sales occurring in year three.**



Figure 15: Number of years from registration to first sale



⁹ Investigation into the perceived impact of market distortions ostensibly created within the residential housing market as a result of government subsidies, Kecia Rust with support from Illana Melzer and Ria Moothilal, 30 June 2008

5.3.6 Processes and perceptions around selling subsidy houses



The Qualitative survey provides the following insights into the findings of the Quantitative survey in respect of the selling of subsidy houses:

- The Qualitative survey supports the finding that the sales restriction on subsidy houses is inhibiting and undermining the functioning of the subsidy house market. Respondents interviewed showed both an awareness of the restriction and fears around buying and selling houses. This results in buyers resorting to informal sales which undermine the price of the property and the ability to transfer the property using formal processes.
- The Qualitative survey suggests that there are beneficiaries that need to sell their subsidy houses for reasons such as changes in their living circumstances or to access employment. It further supports that this would occur in the first few years of accessing the house.
- The Qualitative survey suggests further that some formal transactions are occurring and that Municipalities could have a role in facilitating this process.
- The Qualitative survey suggests that informal transactions are occurring, however the processes applied are high risk for both the buyer and seller and respondents indicated their concerns in this regard
- The Qualitative survey shows that a key factor inhibiting sales in the subsidy market is the high value that respondents place on their subsidy house and that the house is effective as a social asset, particularly in respect of leaving it as an inheritance for their children, a sense of belonging to a community and the positive physiological effect that owning a house has.

Impact of the sales restriction on subsidy houses

The limitation on sales of subsidy houses came into effect in 2001 and applied to all subsidy houses built from that date onwards. The sellers of the houses in the Qualitative study areas therefore did not act illegally, as the houses in the three settlements surveyed were mostly built before that date. Despite this the researchers' encountered substantial fear and anxiety in all the communities about the selling of subsidy houses as many respondents perceived this to be illegal.

When a respondent in Slovoville was interviewed about the house she bought from her mother's cousin, she refused to disclose details about this and said: *"I do not want to go there because you know it is illegal to buy a subsidy house"*

Another respondent from Thembaletu first indicated that he was the original owner for the house, but later during the interview admitted that he bought the house from a person who had moved to the Eastern Cape. He said he did not want to disclose this information at first and explained it as follows: *"You know it is illegal to buy a subsidy house"*. He also said that he never could get the house transferred into his name because it was bought "illegally."

Reasons for selling a subsidy house

The Qualitative survey identified a number of reasons why beneficiaries sell their subsidy houses. These include:

- One respondent who sold her subsidy house indicated that the period between enrolling for the house, until she received the house, was long enough for her housing situation to

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change. When she enrolled for the house she was still living in her family home with her parents and extended family. By the time she received the subsidy house she was married and lived with her husband who had a better house than the subsidy house. The respondent said she did not have any basis for deciding on the price of the house and just decided that she will ask R 5000: "I just decided to sell the house for R 5000 and that's the price that came into my mind." The buyer paid R 2000 cash then they agreed that the rest will be paid off over time. He paid R 300 per month from March 2003 until September 2004. The money received was used to buy consumables and pay for living expenses.

- Another respondent was offered a position in his family's business back in his home town. At the time he was really struggling financially in the subsidy house, as it was difficult to find work. He decided to leave. He sold the house for R 30 000. The buyer agreed to pay R 15 000 in cash up front and a second installment of R 15 000 after 2 months. The seller and buyer went to the police station and made an affidavit about the change of ownership and money that was exchanged. The respondent did not have a title deed to the property and therefore never transferred the property to the buyer's name. The buyer never requested it. This respondent used the money to buy a site in his home town.
- Another respondent struggled to find employment when moved to Bram Fischerville. When a friend of a friend approached him about buying the property he decided to sell because he wanted to move back to Alexandra where it was easier to access employment. The house was sold for R 16 000. He decided that it was a fair price according to the government subsidy and the fact that he did not make any significant renovations to the house. The money was paid in 2 instalments. R 10 000 was paid up front and the remainder after 2 months. The respondent brought a friend in to witness the sales transaction and the exchange of money. The new owner did not obtain the title deeds because the respondent had not received the title deeds at the time.

Formal processes being applied in selling subsidy houses

Four respondents were interviewed who had bought their houses through a formal process whereby they obtained the Title Deed. The Council appears to be playing a role (particularly in Thembaletu) in assisting individuals to sell/purchase subsidy houses. All three of the respondents who purchased their houses through a formal process in this area were assisted by the council. They shared their stories as follows:

- One of the respondents was one of three sisters who were from a small rural area in the Eastern Cape. Their

Case study: The impact of informal sales and not having a title deed

Perseverance moved to Emaplazini in 1983 to live with her sister. A couple of her children were born at this point and living conditions became crowded and difficult for both families. The respondent decided to purchase a house when she heard through a woman she knew in the community that a house was for sale. The original owner had built his own house in Waterloo and would move there to live with a wife. They agreed on a purchase price of R 13 000. She had saved a deposit of R 4000 and thereafter paid the remaining R 9000 in five hundred rand instalments taken out of her grant money. Outside of an affidavit made at the police station at the time of the sale, she does not have a title deed. She has heard that the original owner's family was never happy that the house was sold; she is concerned about what will happen. She can't really prove ownership and the people who could bear testimony to the sale of the house are no longer able to - a couple of them are dead and one is too sick. Her words become increasingly difficult to leave her lips as she tries to answer the questions being asked of her. She cries. Clearly she is deeply distressed by this issue- one can only imagine the thought of it all pains her heart. She is unable to answer what she will do to resolve the situation.

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brother lived in Thembaletu and when the time came for them to go to high school they went to live with him in premises provided by his employer. When the employer complained their brother made enquiries about buying a house for the girls. He knew that people were selling subsidy houses in Thembaletu. Despite this it was difficult to find a seller, as there was no formal way in which the houses for sale were advertised. The only way was to activate their social network and to ask everyone they knew. As a result of this they were directed to a husband and wife who wanted to sell their property. In order to execute the deal, the brother went to the Council offices for advice. They referred the brother and the seller to the Council's lawyers and they signed the necessary forms. The total amount paid was

R 6500, which included R 800 for the legal fees. The house was registered in the oldest sister's name and she received the title deed for the house.

- Another respondent in Thembaletu bought the house from his uncle. The procedure followed involved the Council and the Council lawyers. The uncle took his ID as well as proof of residence to the Council lawyers. The uncle and nephew also signed an affidavit at the police station regarding the sale of the house. Forms were signed at the Council. The respondent received the Title Deed five months after the signing of the papers.
- Another respondent moved from Uitenhage in the Eastern Cape to Thembaletu in 2001 where she lived with her brother and 2 children in a wooden shack. She used this as a platform from where she could look for a house. She first managed to find a subsidy house which she rented for 5 months. In this period she was still actively looking for a house and found her current house which she bought. She and the seller went to the Council offices and were referred to the Council lawyers. They signed all necessary documents and she received title to the property approximately 6 months after the signing of the papers.

Informal sales

There is anecdotal evidence that subsidy houses are being sold through informal processes. The extent to which this is occurring is not known and is thought to vary from area to area. Five respondents who had bought their houses through such a process were interviewed as part of the Qualitative survey. All of these respondents indicated that it was difficult to find a house and that they had found it through their social network.

While they knew that subsidy houses were being sold, it was not easy tracking down a specific person who wanted to sell. Some of the processes that such respondents underwent in order to buy their house were as follows:

- One respondent found the house through her sister who lived in Slovoville. It was an original subsidy house. The seller was very anxious about the sale, as she thought it was illegal and begged the respondent to call it 'an equal swapping of houses'. The respondent however was uncomfortable about exchanging money without an official record and made an affidavit at the police station about the money she paid to the seller. They did not record that the money was for the sale of a subsidy house. The respondent then went on to share the practise of people changing the names on the title deed with Tipex ink in cases where a property was sold. She did however not confirm or deny whether she had a 'Tipex title deed'.

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- Another respondent bought an original subsidy house with no investment made in it, in Emaplazini. The reason why the original beneficiary wanted to sell the house was that one of their children had also received a subsidy house and they wanted to live together as a family. They therefore decided to sell one of the subsidy houses. The respondent moved into the house but could not pay for the house in full and paid it off in instalments. This was an informal agreement and the respondent went to the seller's house every month to pay the agreed amount. He did not receive a receipt for payments made, but the seller recorded the payments received on his calendar. The respondent said he does not feel very secure in his house, as none of the agreements are in writing or were recorded with any officials.
- Another respondent (from Emaplazini) found the subsidy house through friends. It was a one-roomed original house with no investments made. She met with the original beneficiary and agreed to pay R 13 000 for the house. She did not have the full amount and paid a R 4000 deposit. An affidavit was signed about the exchange of the money at the police station. She then continued to pay R 500 per month to the seller and has now paid the amount off in full. During the repayment period there were some months in which she could not afford the instalment and asked the seller for leniency about the payments. When asked why she followed this informal procedure she said it was the only way because she could not pay for the house in one amount and also that people were not allowed to buy subsidy houses or sell them. The beneficiary went to the Council to get the water reconnected but did not disclose to the council that she bought the house. The monthly services bill she receives are in the name of the original owner

Not having a title deed for the respondents who bought their houses informally, does result in insecurity about their tenure. One respondent from Thembaletu even after making renovations to the house indicated he was still scared that the owner might come back and claim the house. Another indicated fear that she might *'lose the house in the future'*. One respondent in Slovoville said that she felt very insecure at the beginning, as she feared that the seller or the seller's family might come back and claim the property. She said that there were cases in Slovoville where people had bought a house and then family members evicted the buyer. She said that there is nothing a person can do in such instances, as the family's claim to the property is worth more than the money exchanged for the house.

Another respondent interviewed in Thembaletu said he bought an original subsidy house with no investments. He negotiated a price with the seller and paid it to him. He shared his views about the transaction: *"I am worried as I do not have the title deed for this house. When I bought it the original owner did not have the title deed and we could not go to the police station to sign an affidavit about the exchange of money, as it was illegal to sell a subsidy house. So we signed our own contract here at home. So if I die, he might come back and kick out my family because he is still the legal owner of the house."*

One respondent said that although he would have loved to extend the house, the fact that he did not have title to the house prevented him from extending. This respondent did have a rural home as well that he planned to go back to when he retires: *"I would love to extend the house, but I cannot because I do not have the title deed. I am scared that the original owner will come back one day and see how big and beautiful the house is and would take back the house."*

The subsidy house as a social asset

While respondents expressed the value of a subsidy house differently describing it in terms of functionality, the possibilities it opened up, its political value and its qualities there was a strong sense that respondents valued the house. In the words of some of the respondents:

"A RDP house is a starter house, made for people who don't work, but now have the opportunity to improve their lives."

"It is Mandela's houses... Housing we got because Mandela was freed."

"It is a reward for the poor who struggled for many years to get political freedom."

"The RDP house is my house that I can own. I did not pay a cent for this house and struggled to get this house."

"An RDP house gives you a foundation for life. It is a small piece of land with a small house, but it gives you peace of mind."

"An RDP house gives you the opportunity to use your mind and brains to make decisions for you and your family."

Case study: Selling a subsidy house

Siphiwe reports she sold her subsidy house in Braamfischerville for R 16 000. One senses there is a far bigger story behind the reason why she decided to sell her house- nonetheless she simply states, "I sold the house because the place was far and I was not working." Outside of her friend acting as a witness to the sale, the title deed remains in her name and there is no other formal proof that she has indeed sold the house. In fact, she responds to this issue to say had the new owner not made as many changes to the house, such as renovating and extending the house, and then she most likely would have returned to re-negotiate with the buyer to perhaps refund the money. She recognizes now she is unable to get her house back.

It is not clear how she plans to resolve her housing issue. Braamfischerville was exceptionally far from work opportunities despite that when she left Alexandra she was unemployed. The move not only created greater distance from places of employment, but she also did not experience a positive reception from the new clinic she now had to visit, which was also further than she was accustomed to. But life is difficult now the respondent confesses. Without a place to call home she recognizes this state of insecurity as a major contributing factor to the hardship she has been experiencing. She received payment for the house in two tranches within a space of one month. It appears she no longer has any money after starting a building project back home. She has never considered Alexandra or Braamfischerville as her hometown.

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“It is a shelter that gives you space to think and freedom to plan the future.”

It is a house that was given for free and it gives value to their lives as well as dignity. Without a property you cannot be dignified.”

“It is a start. It is one small thing, but this thing I like very much.”

The respondents indicated the importance of the house as a social asset. In this regard the house plays an important role in respect of the following areas:

Inheritance

Respondents strongly expressed the importance of the house as inheritance for their children or family members. For most respondents in each of the categories interviewed the subsidy house should never be sold, as it is imperative that they had something to leave for their children. The ability to leave something solid and of value to their children was very important. The views of the different categories of respondents were as follows:

- **Respondents who have not invested:** The vision for the future for these respondents was to leave the house as inheritance when they pass away. Respondents said that they will never sell their houses, but will leave the house to their children to inherit. One respondent said she will move back to her rural home when she is very old, as she wants to die there, but she will not sell the house but leave it to her children. This was not expressed as an expectation from the children that they should invest, but rather an obligation the parents feel towards their children. One mother in Thembaletu indicated that leaving the house to the children is the “right thing to do” because of the difficulties that they went through when they moved to Thembaletu. She basically wanted a better life for her children because here they were closer to better schools and work opportunities.
- **Respondents who invested using a Micro Loan:** All respondents in this category planned to create a house good enough for their children to inherit. None of the respondents invested in their house with the aim of selling the house for a higher profit. All respondents shared the vision of leaving the house to their children or close family members when they die.
- **Respondents who invested using savings:** There was a strong sentiment amongst respondents that they will never leave the house, even though there are exceptions. The most discussed topic when asked about people’s vision for the future was the vision to leave the house to their children or other family members when they die. Respondents found comfort and pride in the fact that they had a house that they could provide for their children, even when they would not be there anymore. Those respondents that did not have children nominated a sibling or grandchildren that would inherit the house.
- **People who invested using a bond:** None of the respondents interviewed in this category planned to ever sell or move out of their houses: *“We are not even thinking of selling the house because God blessed us with this house and we are happy here.”* All of the respondents planned to leave the house to their children when they die: *“My children will inherit this house. We are building this house for them to have a future.”*
- **People who bought a subsidy house and have a Title Deed:** All of the respondents planned to leave the house to their children or siblings when they die. They were adamant that they would never sell the house and never move away.

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- **People who have bought a subsidy house and do not have a Title Deed:** For these respondents, the subsidy house is valued as an inheritance that should be left to children or family and never be sold.
- **People who are renting out their subsidy house:** The respondent hoped that his children will be able to move to this house when they are grown. When the time would come he planned to give the tenant 1-year notice to allow them ample time to find other accommodation. If the tenant would not find accommodation he will built a shack in the backyard of the house and allow the tenant to live there for free.

Community:

The extent, to which respondents were invested in their community, felt that they belonged to their community and benefited from the togetherness in the community, contributed to the house becoming a social asset.

One respondent **indicated** that though she did not know many people in the community when she moved in, they have become her friends. There was a feeling expressed of very specific help and care provided to one another: *“If I do not have food, I can ask my neighbour and they will give me food”. “We look after each other’s valuables. When I am not here, my neighbours will look out for my house and see that my things are safe.”*

In all the study areas many community activities were reported as examples of the social network and support experienced in the community. All respondents said that crime was a big challenge and community members came together to stand together against crime. All the respondents also spoke of support for families who experience a death in the family. The community offered assistance to the bereaved family and money was collected for the funeral.

In Thembaletu respondents also told of beneficiaries who passed away while living alone in their houses, and street committees that assisted the rural family to sell the beneficiary’s home to raise money for the funeral.

Psychological Impact

The subsidy house had a big psychological impact on respondents. Many respondents reported a positive psychological impact, while some reported some negative impacts. These will be discussed below:

Some respondents said they slept better and worried less since they lived in a subsidy house because they had a place of their own that no-one could take away from them. This created peace of mind for them. They also received respect from family and friends as a result of being a home owner. Respondents were happy to receive a ‘brick built’ house and said it provided a certain quality of life:

“Living in a brick house is just better than living in a shack – you just have to say that, because it is true.”

“We felt better about ourselves because we have a brick house.”

Other respondents discussed the value that the house added to their self-esteem in terms of how they think and feel about themselves:

“You can’t think straight without shelter.”

“I now have confidence to plan the future.”

“My father was very worried about me as he feared that I was losing direction. Since I got this house, he is so proud and so relieved because he can see that I am a man and I have direction.”

An interesting dimension reported by some respondents is the respect they found for themselves when contributing to meeting community needs in a meaningful way. One respondent in Slovoville told the story of how she became an important asset to the community when they needed someone to escort the children to school, so that they can be safe. This humble but important role gave her respect and a feeling of being needed. She also received food parcels from the school to ‘pay’ her for her work. Parents appreciated the service she offered, as they knew their children were safe. A similar story was told by a man in Slovoville who got involved in the Community Policing Forum and started patrolling the streets. This role he fulfilled in the community made him feel valued and respected.

Negative psychological impacts related mostly to the responsibility of owning and maintaining a house. Some respondents did mention that the fact that they had a bond or loan did add to their stress levels. They were concerned about whether they will be able to pay off the bond. They were concerned about their ability to continue to pay for the house and reported concerns about what would happen if they should lose employment.

5.4 Investment into Subsidy Houses



5.4.1 Extent of Investments into Subsidy Houses

There has been some level of investment into subsidy houses by most beneficiaries. The extent varied between areas but the majority of subsidy houses in the areas surveyed showed some form of investment. In some cases this investment doubled or more than doubled the value of the house.

In all the areas there was some indication that investment is planned - visible through stockpiled materials, which was visible from the street.

The investments made seem to be independent of the surrounding environment. Investment was not found more, in streets that were tarred or were close to a school or transport route. The reason for this is thought to be due to the fact that subsidy houses are scarce and difficult to purchase. Accordingly when an individual is given a house by government or manages to purchase, they change it to meet their specific needs, rather than selling and buying another one.

The Figure below sets out the visible investment made to subsidy houses in the three areas surveyed as part of the Visible Investment survey. The Figure shows the investment in terms of the following categories:

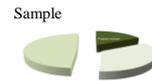
- None: No investment, still only the original subsidy house visible.
- Small: A small investment such as a fence, a porch, painted, burglar bars, shack etc. but no brick built additional rooms.

HOUSING SUBSIDY ASSETS
OVERALL ANALYSIS

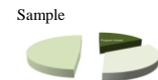
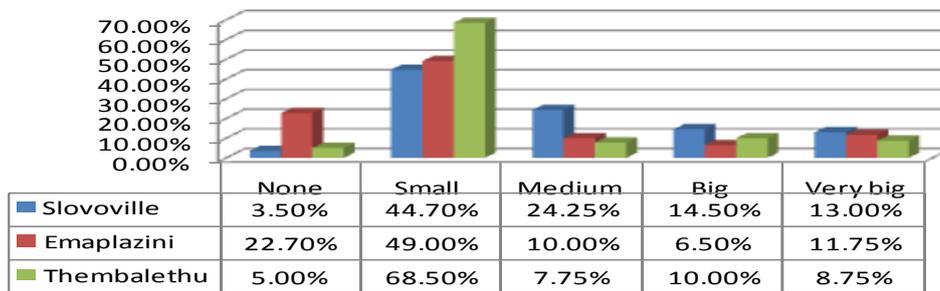
- Medium: Some investment such as brick built room, a brick built boundary wall etc. but the original subsidy house is still visible.
- Big: Invested in more than one room that is brick built and a boundary wall, but the outlines of the subsidy house can still be seen.
- Very Big: Changed the house by building more rooms to the extent that the subsidy house is no longer recognisable.

(For a pictorial definition of these categories see Section 4.3).

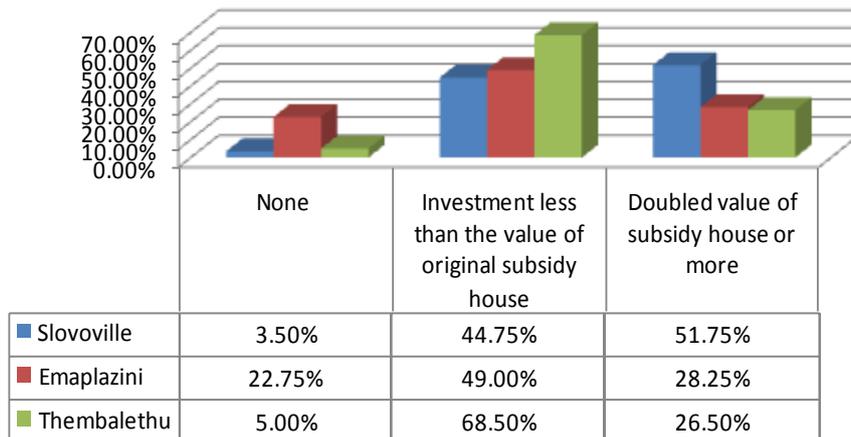
Figure 16: Level of visible investment in three subsidy communities



Level of visible investment in 3 subsidy communities



Estimated value of investment



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The majority of houses had a small investment in the form of plaster, paint, porch, burglar bars, shack or wire fence (Slovoville (45%), Emaplazini (49%) and Thembaletu (69%). The estimated value of this investment is less than the value of the original subsidy house.

A significant number of houses had investments that doubled, or more than doubled the value of the original subsidy house. This estimate was based on the assumption that if more than one room is built it at least doubles the value of the subsidy house. The extent of this varied across the areas

but it is most significant in Slovoville where over half (52%) had medium, big or very big investments. This is lower in Thembaletu (27%) and Emaplazini (28%).

In all the areas there was some indication that investment is planned - visible through stockpiled materials, which was visible from the street. It was however not common in those houses where no investment was made yet.

The investments made seem to be independent of the surrounding environment. Investment was not found more, in streets that were tarred or were close to a school or transport route. The reason for this is thought to be due to the fact that subsidy houses are scarce and difficult to purchase. Accordingly when an individual is given a house by government or manages to purchase, they change it to meet their specific needs, rather than selling and buying another one. This explains the investment into houses randomly dispersed in the community. A well invested 4-bedroom house can be found in between two original undeveloped subsidy houses. On tarred roads unchanged original subsidy houses are found and on gravel roads mansions that cannot be recognised as a subsidy house have been built. There is no format or pattern in these communities. There are no 'wealthy streets' and 'poor streets'.

5.4.2 *The Reasons for and Importance of Investing*



The Qualitative survey supports the findings of the Visual Investment survey in that most respondents indicated an intention to invest in the subsidy house. This related to all categories including those that had not yet invested. A key reason for this suggested by the Qualitative survey is that it is very difficult for respondents to move, both as a result of the perceived sales restriction and the fact that it is hard to find houses. Further that most respondents don't want to move due to the value they place on the house and its use as a social asset.

Respondents in all categories indicated an intention to invest in their subsidy houses:

- **Respondents who have not invested:** The vision for the future for these respondents was to firstly expand and renovate the house, and secondly to leave the house as inheritance when they pass away.
- **Respondents who invested using a Micro Loan:** All respondents in this category planned to further develop their property as soon as they have the finances to do so. The main reason for the planned expansions is for family comfort, to allow children who are currently living elsewhere to move to the respondent's house, or to create a house good enough for their children to inherit. None of the respondents invested in their house with the aim of selling the house for a higher profit.
- **Respondents who invested using savings:** All respondents wanted to make further renovations to their house or to finish off renovations which were started but not finished due to a lack of funds.
- **People who invested using a bond:** All the respondents had plans to finish off renovations to the house and develop the house further.
- **People who bought a subsidy house and have a Title Deed:** Respondents did not feel that they had many options to buy another house. It was difficult for them to access a house that

they could buy as houses were not readily available in the areas and at a price they could afford. Therefore respondents see the current house as a lifetime investment that would spread over to the next generation. It is not sure whether an improved housing market would change the way these respondents think, but within the current market where houses are difficult to obtain, the strategy that respondents are applying is to hold on to what they have and to make changes to the house so as to make it more comfortable. Respondents also have plans for their houses to finish renovations or extend the house further. All acknowledge that renovations are dependent on the availability of money, but they all hope to make further renovations in future.

5.5 Accessing Mortgage Finance



5.5.1 Access to Mortgage Finance

Accessing of mortgage finance by subsidy beneficiaries has been extremely low indicating that subsidy houses are not being used effectively as a financial asset. Even so, a total of 120,000 mortgages¹⁰ have been extended to subsidised houses since 1994. There are higher levels of access to mortgage finance at time of registration (i.e. credit-linked subsidies) than post registration (i.e. home improvements or extensions). The Financial Sector Charter does seem to have improved access to mortgage finance. A higher percentage of Discount Benefit Scheme houses accessed mortgage finance both in terms of number and value than Project Linked subsidised houses.

Figure 18 below shows the extent to which mortgage finance has been accessed both at the time of registration and post registration. As indicated in the Figure the following is noted:

- **A total of 120,000 mortgages** have been extended to subsidised houses since 1994. Of these 104,000 were accessed **at time of registration** and 16,000 **post registration**.
- **The number of mortgages extended was highest in 1995 and 1996** when the national subsidy programme was launched.
- **The number of mortgages extended decreased significantly from 1997 to 2004**. This was probably due to a significant increase in interest rates and the resultant non payment of mortgage instalments and increased perceived risk of lending to subsidy beneficiaries by financial institutions.
- **From 2004 to 2008 there was an increase in mortgage lending** probably due to the Financial Sector Charter where financial institutions were required to extend housing finance to low income clients, many of whom could have been also subsidy beneficiaries.
- **From 2008 there is a sharp decrease in mortgage finance accessed**, probably in response to the economic recession during that period, and the end of the first phase of the Financial Sector Charter.

¹⁰ This includes mortgages provided both at the time of registration and post registration

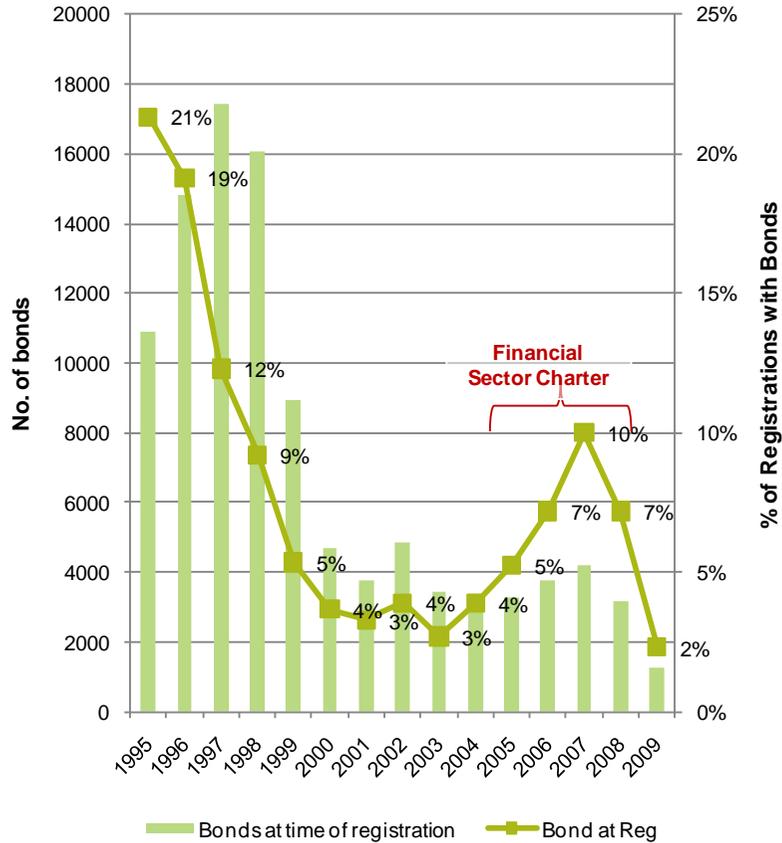
HOUSING SUBSIDY ASSETS
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Total Database



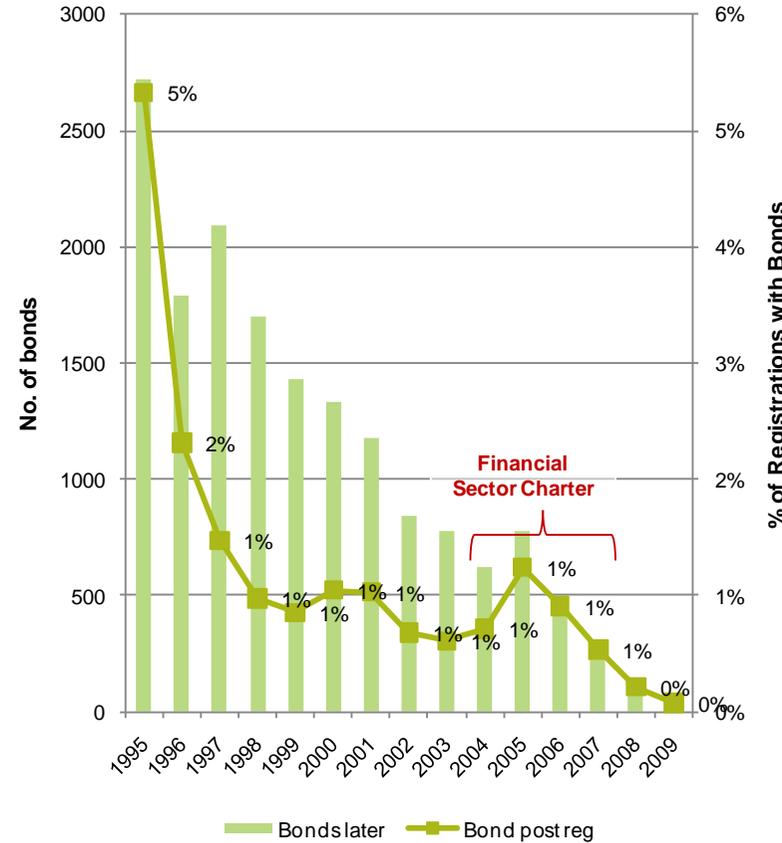
Figure 18: Mortgages at Time of Registration and Subsequent
Mortgages at Time of Registration

103,941 mortgages



Mortgages Post Registration

16,100 mortgages



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The Figure below shows the overall level of mortgages granted (total number of mortgages as a percentage of total registrations by year) in respect of the three samples. As indicated in the figure **Project Linked**



houses have the least mortgages when compared with all subsidised houses on the deeds registry, or with the sample of Discount Benefit Scheme houses. The reason for this could be that beneficiaries in the Project Linked houses might have lower incomes than those in the Discount Benefit Scheme houses, given that they would have had to qualify with an income of less than R 3500 to access their subsidised property.

The Table below sets out the average value of mortgages accessed by time line periods and type of subsidy. As shown in the table the following is indicated:

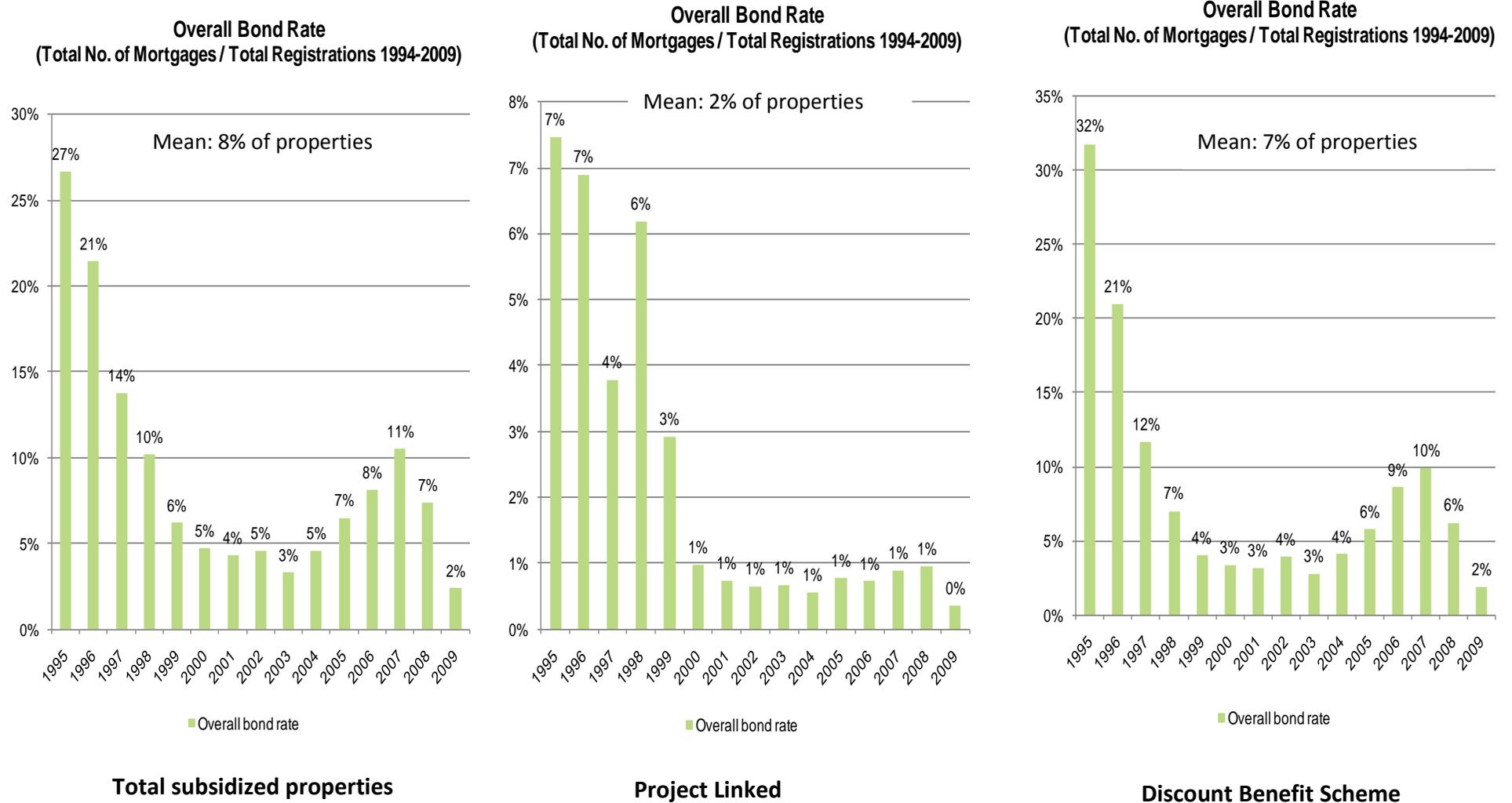
- The **amount of mortgage finance that is being accessed is increasing over the period in terms** of all subsidy types.
- The **Discount Benefit Scheme houses are accessing higher amounts of mortgage finance than are the Project Linked houses.**
- The **amounts being accessed post registration are slightly lower** than the amounts accessed at the time of registration.

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Total Database



Figure 19: Overall Bond Rate, total registered subsidised houses and samples



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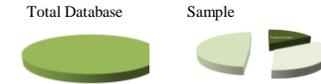


Table 12: Average Value of Mortgages by Time Line Period

Subsidy Properties	Period 1 (1994-2000)	Period 2 (2001-2003)	Period 3 (2004-2009)	1994-2009
Avg. Value of Bonds at Registration (Nominal)	71,326	114,095	260,043	155,367
Avg. Value of Bonds at Registration (Real)	132,672	158,582	287,999	199,985
Avg. Value of Bonds Post Registration (Nominal)	89,835	122,214	180,553	129,627
Avg. Value of Bonds Post Registration (Real)	165,342	170,749	197,495	177,830

Project-Linked Sample Properties	Period 1 (1994-2000)	Period 2 (2001-2003)	Period 3 (2004-2009)	1994-2009
Avg. Value of Bonds at Registration (Nominal)	47,080	57,953	142,342	87,359
Avg. Value of Bonds at Registration (Real)	89,188	81,353	155,457	114,129
Avg. Value of Bonds Post Registration (Nominal)	72,402	76,345	86,792	78,374
Avg. Value of Bonds Post Registration (Real)	133,217	107,110	96,155	113,495

Discount Benefit Scheme Sample Properties	Period 1 (1994-2000)	Period 2 (2001-2003)	Period 3 (2004-2009)	1994-2009
Avg. Value of Bonds at Registration (Nominal)	79,616	119,264	269,332	163,432
Avg. Value of Bonds at Registration (Real)	146,742	165,922	298,134	211,135
Avg. Value of Bonds Post Registration (Nominal)	101,872	136,868	202,114	147,091
Avg. Value of Bonds Post Registration (Real)	188,238	190,927	221,532	202,306

Case study: Using a subsidy house as an economic asset, an inspiring story of determination and hard work

Constance moved to Slovoville from an informal settlement about 5 km away known as Silvertown. She does not readily speak of this part of her life's history- instead she prefers to talk about the job she had there as an assistant in a small Vodacom container. Her description of this work experience illustrates a dedicated, hardworking and trustworthy employee. And the reward for her efforts over the years was receiving a container of her own to do with as she pleased- the one she had been working in was due to be shut down.

She moved to Slovoville in 1997. However, for nine years she continued to work in Silvertown faithfully making the commute each day. She also sold sweets during this time using the additional income to supplement the extra transportation costs that accompanied the move to her new subsidy home. However, as the interview continues it is difficult to ignore the green container or the L-shaped brown rooms that appear on her property. After learning about the community she now regards with fondness and her unique position as the youngest adult woman on her street, not to mention her spaza shop, the focus of our discussion turns to the building of these rooms. And so her voice shifts too- with an increase in acceleration and pitch. Although seemingly humble, she is excited about her efforts. She wishes God will continue to give her the strength she will need to do even more with her hands - build more and even expand her business.

An inspiring story unfolds to reveal sheer determination, strength of character and hard work. With an older daughter and a new girl child born eighteen months ago, she is equally determined to be an example to her two daughters. She wants them to have a place of their own to call home. She wants to teach her daughters that they can make a success of their lives and be independent women. The rooms and spaza shop are both projects that were completed incrementally and yet they both grew simultaneously alongside the other. The rooms, needing much more capital than the latter were built with a combination of stokvel monies, savings, risk, micro loans, building material from Builder's Warehouse and leaps of faith. The rental she received allowed her to take on an additional micro loan to build up her business and buy stock for the spaza shop. And the green container on the other hand is what she used to turn it into a spaza shop and sell small grocery items to her neighbours. She sees herself as having no other option in pursuing this avenue because she fears she will not find a job elsewhere. She hopes her efforts will imprint an indelible impression for her daughters.

After her friends had initially discouraged her from submitting her name on the housing waitlist, today she enjoys the envy of her friends since becoming the proud owner of a home. No one thought or expected that anything much would come of the housing process. She is grateful for the liberty her subsidy home has given her to build and create a new life for herself and her two daughters. And she loves Slovoville. She raised her eldest daughter, now eighteen, in this house and her family has grown too. Rather than move or sell her property she would prefer to purchase another property to operate her business from.

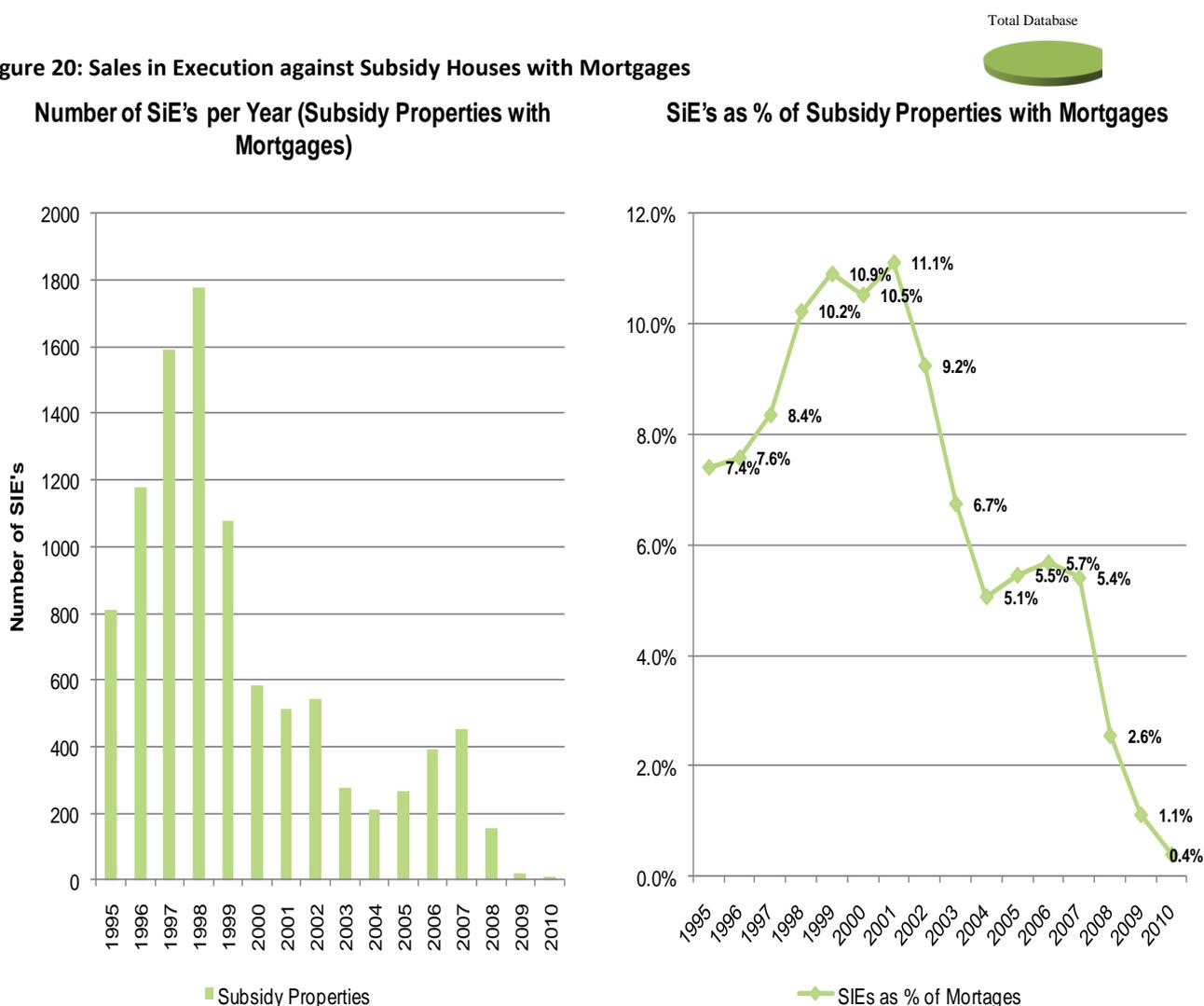
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5.5.2 Sales in Execution

The percentage of sales in execution has never exceeded 11% and since 2007 is below 5%. This could be a reflection of better lending practices by Financial Institutions. While this is positive it could also be part of the reason for the lower number of mortgage bonds granted during this period. There is a strong correlation between sales in execution and mortgage loan interest rates.

The Figure below shows the percentage of sales in execution against the number of subsidy houses with mortgages. As evident in this figure, sales in execution have generally never exceeded 11%. The percentage of sales in execution reached a high in 2001/02 of 11% and has been decreasing ever since. Since 2007 the percentage has been below 5%. This could be a reflection of better lending practices by Financial Institutions. While this is positive it could also be part of the reason for the lower number of mortgage bonds granted during this period.

Figure 20: Sales in Execution against Subsidy Houses with Mortgages

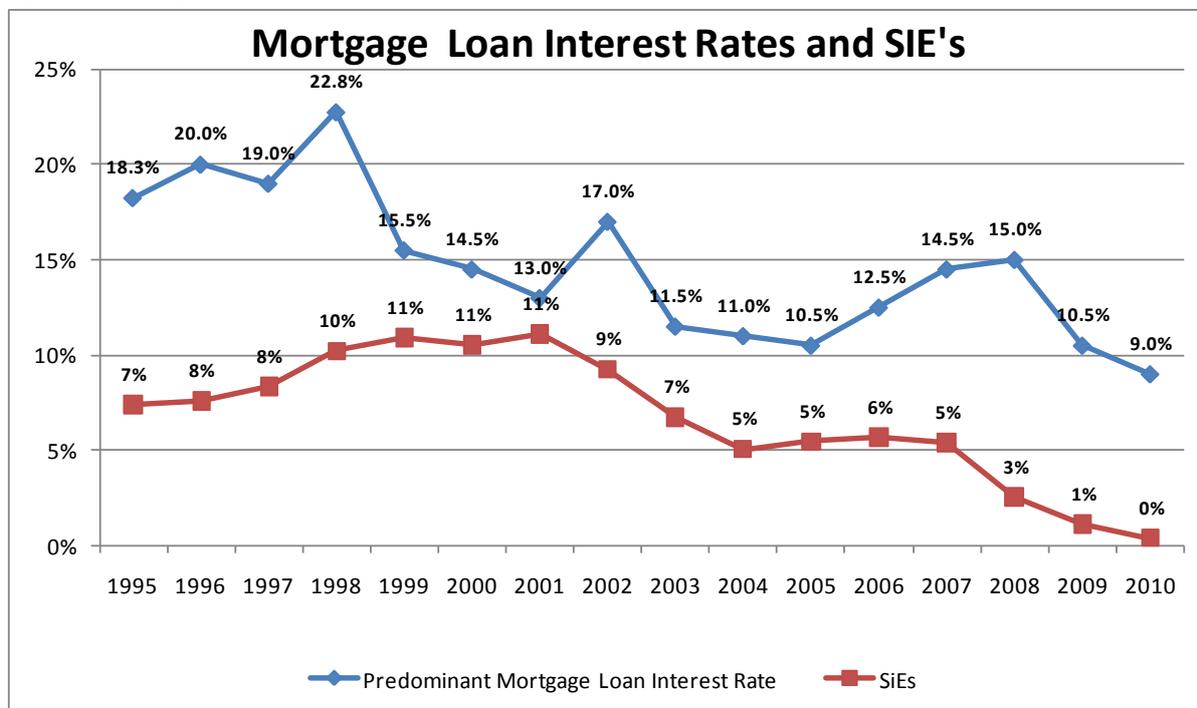


There is a strong correlation between sales in execution and mortgage loan interest rates. The Figure below shows mortgage loan interest rates for South Africa from 1994 to 2010 and sales in execution. As shown in the figure higher levels of sales in execution occurred from 1996 to 1999

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when interest rates were at their highest. Interest rates decrease between 1999 and 2002 as do sales in execution. A rise occurs between 2004 and 2008 in respect of both interest rates and sales in execution.

Figure 21: Mortgage Loan Interest Rates and SIE's



Source: SARB Quarterly Bulletin (S029)

Notes: Code: R2011J)-Topic: Capital market-Table: Capital market interest rates and yields-Series: Predominant rates: Borrowing rates: Mortgage loans - Banks: Dwelling units - Unit: % (Period)

5.5.3 Extent of Lending by Financial Institution

Absa (23%) and Standard Bank (21%) have provided the greatest number of mortgages between 1994 and 2009

The Figure below shows which Financial Institutions are providing finance to subsidy beneficiaries. As indicated in the figure **Absa (23%) and Standard Bank (21%) have provided the greatest number of mortgages between 1994 and 2009.**

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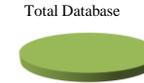
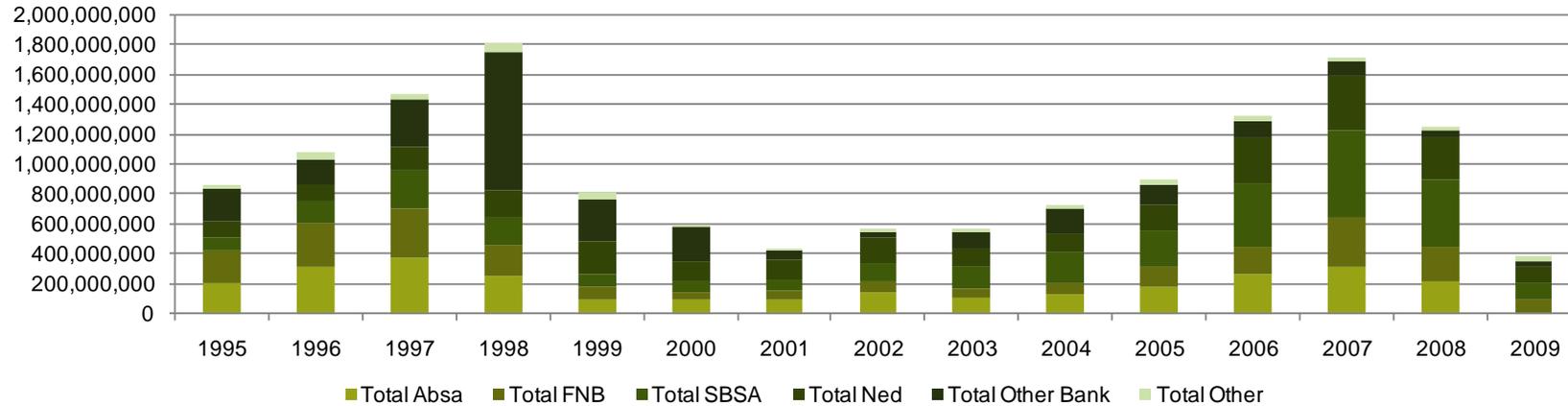
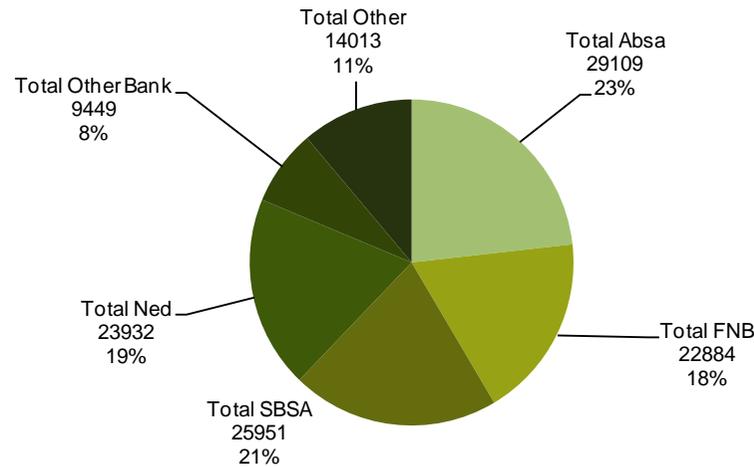


Figure 22: Financial Institutions Providing Mortgages to Subsidy Houses

Total Value of Subsidy Property Mortgages by Institution 1994-2009 (R)



Total Number of Subsidy Property Mortgages 1994-2009 and Institution Share



5.5.4 Perceptions Around Mortgage Finance and Use of the House as an economic asset



The Qualitative survey supports the finding of the Quantitative survey that very limited mortgage finance is being provided to owners of subsidy houses. This is partly through reluctance by the financial institutions to lend to such homeowners, but also because these homeowners themselves do not want to risk losing their homes. The Qualitative survey however also suggests that the subsidy house does increase access to a micro loan and further that the house is being used as an economic asset and creating income opportunities that beneficiaries did not previously have.

Use of the house as a financial asset

Two issues were identified through the Qualitative survey in respect of accessing mortgage loans:

- The first is that a number of respondents, particularly those who used savings to invest in their houses, expressed a strong sense that the house should not be used as security against a loan for risk of losing the house: *“If you lose your house, you lose everything”*. A strong value was expressed that the house is permanent and should be left to their children to live in. The house could never be used as collateral to raise a loan against, or worse, be sold. Respondents were probed whether they would consider selling their house if they could make a profit but again the same value of *“never selling their house”* was expressed.
- The second is that those respondents who wanted to use a mortgage loan expressed difficulties in accessing a loan. One respondent in Thembalethu expressed the limited value of the house as a financial asset. This respondent tried to obtain a bond for the house, but the bank advised him that the land has no value and a bond can therefore not be granted. Instead a micro loan was offered to the respondent. It was further noted that even if a loan could be accessed the amount that was affordable was often not sufficient and had to be supplemented with micro loans and savings.

The views of respondents were different in respect of accessing micro loans. Most respondents felt that it was easy to apply for a micro loan and that the bank was very willing to help them: *“The bank bend over backwards to grant me this loan”* Respondents felt that having an official address was essential in obtaining a micro loan. One respondent mentioned that the bank was more than keen to help her to obtain a loan once they learned that she was living in a subsidy house. An agent from the bank helped her to prepare a motivation to obtain a loan and helped her to formulate her expected rental income from her backyard rooms as a form of collateral for the loan. According to this respondent the subsidy house definitely improved her access to finance. Another respondent applied for a loan at Standard Bank and said the bank specifically enquired about the house and whether it was a subsidy house. They granted a loan of R2,000. The respondent also felt that the bank was specifically interested in granting loans to people living in subsidy houses. Most respondents said that employment was the biggest requirement for a loan, although not all respondents were formally employed.

Use of the house as an economic asset

Many respondents reported on the way in which they use their houses to earn an income. These respondents reported that in their previous accommodation they either did not have the space to operate a business, because they shared with a big extended family, or they were not allowed to operate a business because they were renting from a landlord that prohibited any form of business activity: *“For the first time I had the confidence and the comfort to expand my business.”*

Examples of home based businesses in Slovoville were: Crèches, spaza shops, backyard rooms for rent, renting out space in the yard, selling food. In Emaplazini examples of businesses were spaza shops, renting out rooms, tuck shops, selling food like French fries, and crèches. In Thembaletu the prevalence of home based businesses seem to be lower, as many small businesses are operated by Pakistani’s.

In Slovoville the local mine was closing down and with it, the hostel. This has created a huge demand for rental housing in the area, and one of the respondents interviewed built formal backyard rooms to benefit from this opportunity. She built two backyard rooms with a flush toilet in the middle with access from both sides. In addition she was given a container from her previous employer (which she received before moving to the subsidy house), in which she started a small spaza shop and with the success of the spaza shop she could build a separate brick built room to be used exclusively for the business. In her own words she said: *“It is only because I own that I can have the backyard rooms for my tenants and the spaza shop...”*

Another example of the house as an economic asset was illustrated by a respondent in Thembaletu who lost his job and then, on a very small scale, started selling ice cream from his home. Again, by his own admission, this was only possible because he owned a home and could operate without significant operational costs. He hoped that he could expand the ice cream selling into a business.

Another respondent explained how she had to find a means to generate income for her struggling family. She started selling “soup bones” from her house. This business was so successful that she was able to use the profit from the business to build a separate shack in her yard from which she could operate the business. The business continued to flourish and she has now expanded to operate a full spaza shop. The shack was also converted to a formal structure (brick built garage) from where she operates the spaza shop.

Another respondent told how his partner lost her employment, but because they owned the land on which they live, she was now learning about vegetables in order to grow and sell vegetables from their home.

5.6 Mobility of Beneficiaries



5.6.1 Extent of Transactions in the Property Market

The extent to which beneficiaries of subsidy houses engage in the formal property market, as evidenced through transactions registered on the deeds registry, is extremely low. Most beneficiaries receive their subsidy house and do not ever transact (whether selling their property or buying

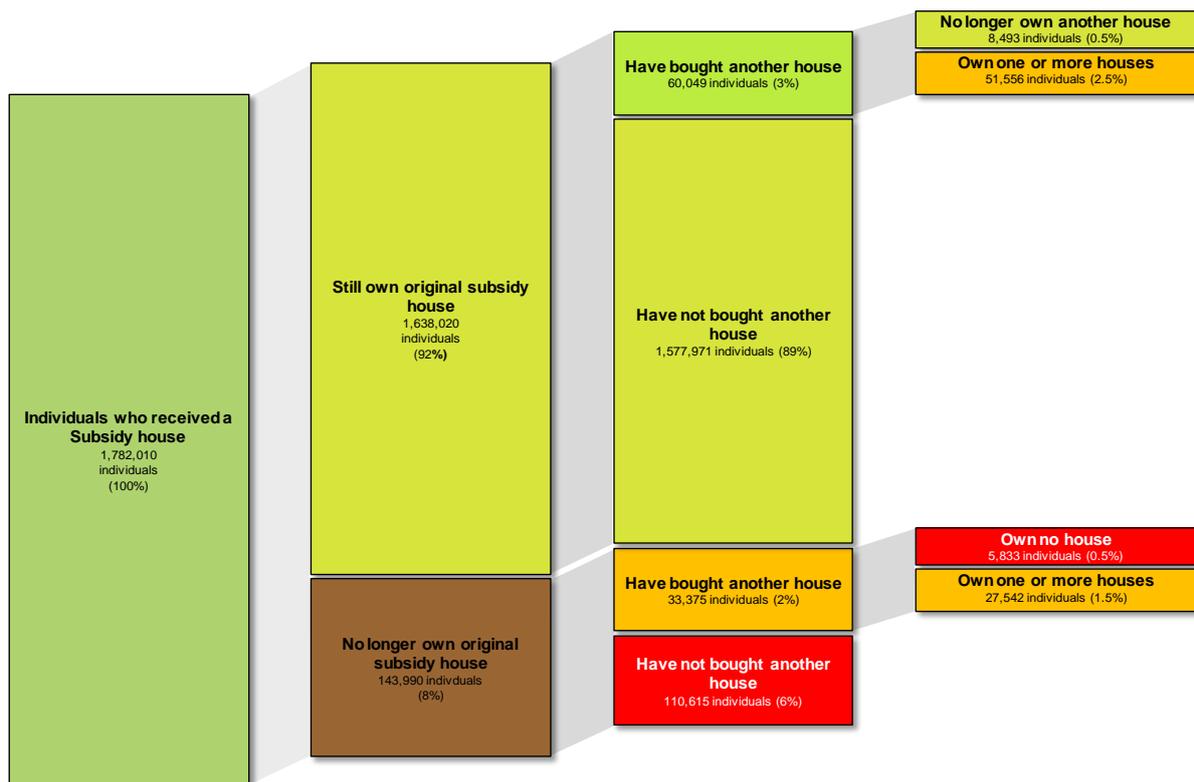
HOUSING SUBSIDY ASSETS
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another property) in the formal property market. For those beneficiaries who have formally transacted in the property market, most have bought one other property.

Figure 23 below shows the extent to which beneficiaries who received a subsidy house have formally transacted in the property market. As shown in the figure:

- **The majority of beneficiaries (89%) received their property and have remained in that property neither selling it nor buying another property.**
- **Only 11% of beneficiaries have formally transacted in the property market. Of these:**
 - 3% retained the original subsidy house that they received and *in addition* bought other houses. Of these, 0.5% no longer owns the other house and 2.5% continue to own their subsidy house plus other houses.
 - 8% formally sold their original subsidy house. Of these most (6%) did not buy another house and left the property market – they no longer formally own property. 2% bought another house of which 0.5% no longer own the house and 1.5% own one or more houses.

Figure 23: Mobility and Market Activity of Subsidy Beneficiaries

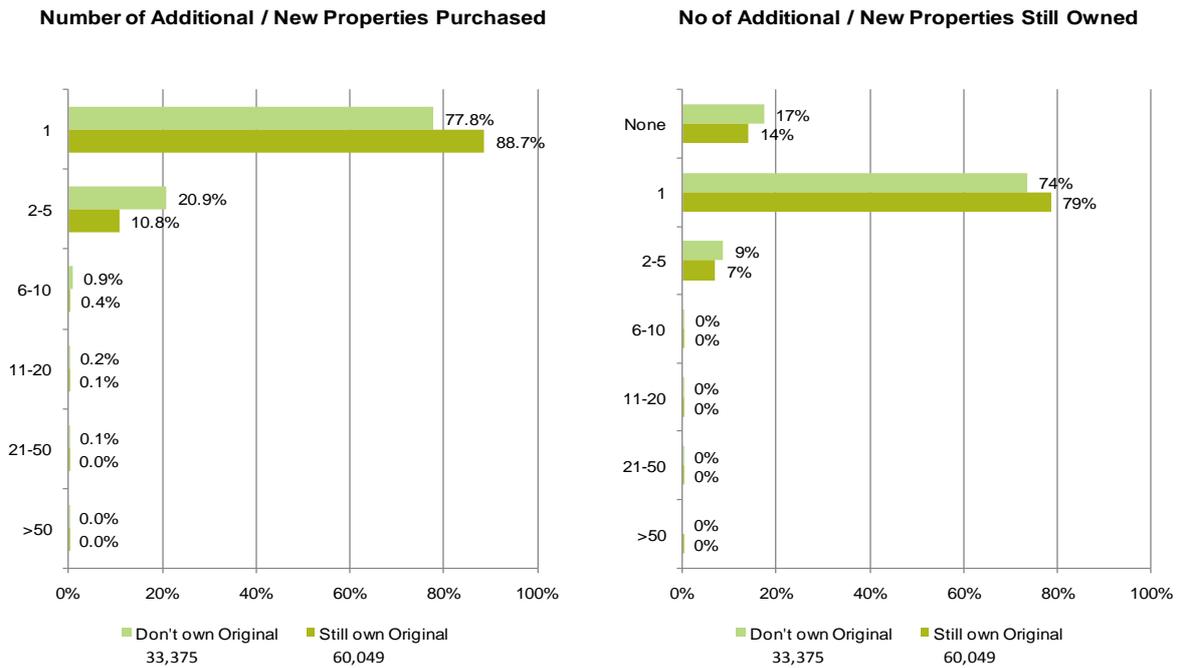


Most beneficiaries (78% and 89%), who purchased another property, only purchased one- as shown in the Figure below. There is evidence of a small number of individuals who are trading in the market. This indicates that there is minimal accumulation of subsidy houses by individual owners.

HOUSING SUBSIDY ASSETS
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Total Database

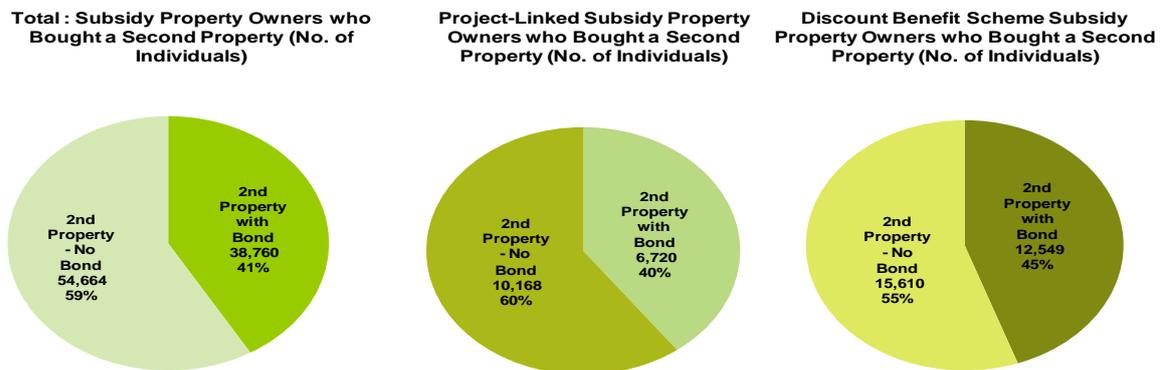
Figure 24: Number of houses purchased



The Figure below shows the extent to which individuals accessed mortgage finance to purchase a second property. As evident in the Figure more than half of individuals purchased their second property without a mortgage bond. This is more the case in respect of individuals who accessed a project linked subsidy as opposed to a discount benefit scheme subsidy.

Total Database

Figure 25: Access to mortgage finance for second property



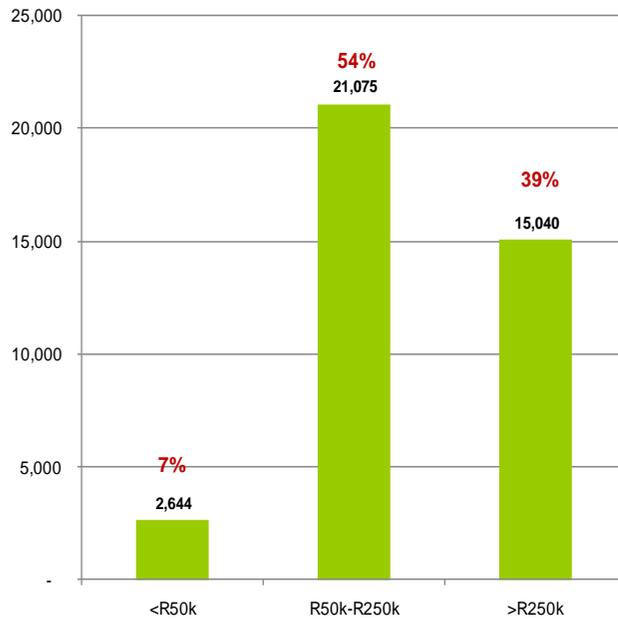
The Figure below shows the price band of mortgages accessed for total individuals and those who accessed the project linked sample and the discount benefit sample. As is evident in the figure the majority of loans are in the R 50 000 to R 250 000 price range. A higher number of Individuals who accessed a discount benefit scheme subsidy have accessed mortgage loans in excess of that amount.

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Figure 26: No of Mortgages per Price Band: Subsidy house Owners who Bought a Second Property

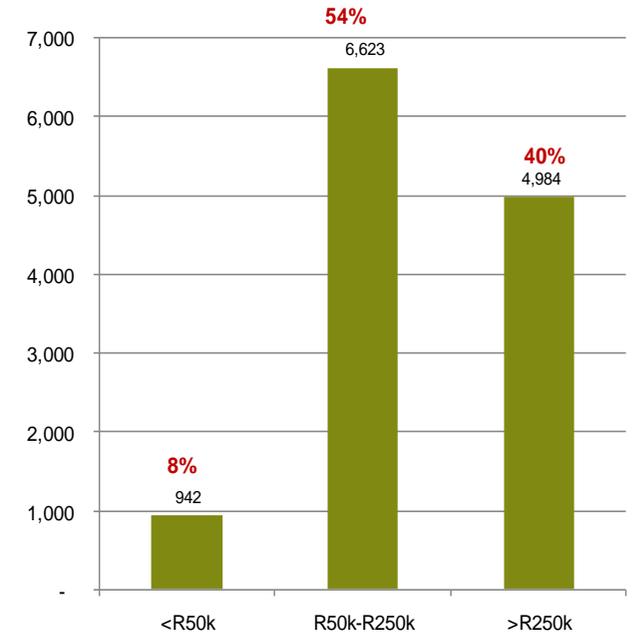
Subsidy Property Owners who Bought a Second Property
Total No of Mortgages per Price Band
Total No. of Bonds: 38,760



Project – Linked Subsidy Property Owners who bought a Second Property : Total No of Mortgages per Price Band
Total No. of Bonds: 6,720



Discount Benefit Scheme Subsidy Property Owners who Bought a Second Property
Total No of Mortgages per Price Band
Total No. of Bonds: 12,540



5.6.2 *Desires and Ability to Move*

The Qualitative survey supports the finding that most subsidy beneficiaries are not transacting in the property market. Most respondents indicated that they would not sell their subsidy house as they wanted to leave it as an inheritance for their children. There were some respondents who would consider purchasing a house, but this is inhibited by the lack of stock available and low incomes.

Most respondents interviewed through the Qualitative survey indicated that they would not sell their subsidy house, but want to leave it as an inheritance for their children (see section 5.3.6).

The current property market conditions also influences people's ability to transact. One respondent said that she considered moving. She would have liked to move to a better neighbourhood like Diepkloof (Soweto). The main reason why she had not yet moved is that it was almost impossible to find a house in Diepkloof.

Poverty, or the lack of money, was also offered as a reason for not moving. One respondent said he had not considered moving because he did not have money to move anywhere else. He said that when he had enough money he will think about it. While he did not have any money it was fruitless planning it.

Case study: Hopes and broken dreams

We come to our next interview in Slovoville, which is the big brown subsidy house we're approaching. This house is unlike any other we have seen so far and equally as exceptional from the neighbouring homes. In fact, looking on from the street, it is not easy to assume the large house we see in front of us is a refurbished, renovated and expanded subsidy house. The interview provides us with quite a unique story.

Meet our respondent: now retired, since officially moving into her subsidy home in Slovoville in 1996, the life of her family and community have evolved and changed shape in ways that bring her both an unassuming great joy and grave disappointment. The move from Meadowlands to Slovoville arrived with great optimism for the future. She imagined this new start with much anticipation and vision for justice, community, hard work, pride and progress- a continuation and extension of the values that filled much of her young life as a woman and mother.

Today she is grateful for the privilege of owning her own home. And although she values and tells her own personal story, she speaks thoughtfully and with a collective voice that remains mindful of her community. As she recognizes her fortunes at her husband's capable workmanship in building the beautiful home they now live in, her deepest concern is with the continued under-development of Slovoville. On the one hand, she is excited about the feeding scheme that provides food to young school children and equally so by the vegetable garden, both at the community hall, which supplies the fresh vegetables and nutrition for the programme. On the other hand, she speaks readily of broken hope: examples of high crime, high unemployment in the community, that lack of adequate schools, clinics and shopping amenities and dusty streets in Slovoville fill this loss. Her voice suggests

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that she is overwhelmed and resigned. Further there is a deep sense of powerlessness at the disappointment of unfulfilled promises.

There are two buildings on the property. The house where the interview takes place is not the original subsidy home the family moved into in 1996. A large and modern house, it is the result of seven years of planning and saving. The first phase of the plan included building three additional rooms to the original subsidy house. For seven years the renovated subsidy house is where they lived while the new house was being built. Her husband sketched the building plans for the new house himself. And although the new house was built all at once apparently the foundation was laid first before the rest of the house was completed. Retrenchment and retirement monies contributed significantly to the financing of the building project. Now their two children continue to live in what was the original subsidy house while she moved into the new house and lives with her husband and grandchildren. Her husband, a talented carpenter by trade- a skill his grandfather taught him as a much younger man- he contracted builders, consulted with the NHBRC and surveyors to approve his building plan. And now that he is passing on the same skills and trade onto his sons, together they completed the internal work: the tiling, building the kitchen, the built-in cupboards and en suite bathroom in the main bedroom, the ceiling and 'gammazine' walls etc. The workmanship is unmistakably immaculate.

Overall, hers is a story of triumph- moving to Slovoville has filled this respondent's life with grandchildren, she is proud of her youngest daughter who has graduated from university and continues to have future plans to improve her house. Her children are now able to help with looking after her. Her greatest contentment is that she has been able to fill her children's lives with the stability of a beautiful and secure home, a place to live out her retirement and one she can leave as an inheritance.

6. CONCLUSIONS

6.1 Houses Provided through the National Subsidy Programme Comprise a Significant Portion of South Africa's Property Market

Between 1994 and 2009 a total of 2.94 million subsidy houses were reported as being completed or under construction by the Department of Human Settlements. Of these 1.44 million (51%) were registered in the Deeds registry. These registered subsidy houses comprise just less than one quarter (24%) of all registered residential properties in South Africa. The performance of these houses could impact on the performance of the total market.

Half of the registered houses (49%) are located in the eight metropolitan cities of South Africa with Ekurhuleni (141,104), Cape Town (130,300) and the City of Johannesburg (130,121) having the highest number of registered subsidy houses. The highest number of registrations in respect of the Provinces occurs in Gauteng (395,765), the Eastern Cape (238,682) and the Western Cape (208,852).

Given the size of the subsidy component of the property market in South Africa, its effective operations can only be beneficial to the overall property market.

6.2 Over One Million Subsidy Beneficiaries have Not Been Provided with the Title Deed to their Property

Assuming that the 2.94 million houses reported by the DoHS have been developed, this implies that more than one million subsidy beneficiaries have received a subsidy house without the registration of formal title.

The obvious value of a title deed is that it protects rights to a property and records changes in ownership. Title deeds also provide individuals with an address, recognising the owner as being part of the municipality, and enabling the owner to secure loans and to pass it on to family members when they die. Consequently the failure to provide Title Deeds to these beneficiaries means that they are being denied a critical point of entry into the formal property market.

Further, not having a registered title means that beneficiaries are not able to sell their houses using the Deeds Registry system (which requires the seller to have a Title Deed). As a result informal transactions are occurring. These transactions undermine individual property owners' security (for more details see 6.6 below) and more generally the integrity of the Deeds Registry system in South Africa.

The high number of houses where title has not been transferred represents a significant risk to undermining the effective operations of the subsidy house sub-market and more generally the integrity of the Deeds Registry system in South Africa.

6.3 The Number of Registrations of Subsidy Houses is Decreasing

From 2005 there has been a consistent decrease in the percentage of subsidy houses that are being registered and this trend is continuing. The removal of the requirement that registration is required before the release of a significant portion of the subsidy payments in April 2004 appears to be a key contributor to this trend.

Current trends are further exacerbating the proportion of subsidy beneficiaries that are not receiving the Title Deeds to their houses, with negative consequences both to the affected individuals, as well as the sub sector.

6.4 Subsidy Houses Appear to be Effective as a Social and Economic Asset

Subsidy houses appear to be working effectively as a social asset in terms of providing an asset that parents are able to leave as an inheritance to their children, providing individuals with a community support system and having a positive physiological impact on beneficiaries.

In addition it appears that subsidy houses are being used as an economic asset whereby beneficiaries are using them to earn an income. This finding is in line with the findings of the Housing Entrepreneurs study (2006). The range of activities being undertaken by the respondents interviewed included for example crèches, spaza shops, backyard rooms for rent, renting out space in the yard, selling food and tuck shops. The type and extent to which this was occurring differed and responded to the circumstances of each of the areas surveyed. Respondents interviewed indicated that by receiving a subsidy house it improved their ability to create income opportunities for themselves.

Subsidy houses, as a result of their use as a social and economic asset, appear to have had a significant and beneficial impact on beneficiaries.

6.5 Subsidy houses are valued by their owners and a significant proportion of houses surveyed had some level of investment into them

Beneficiaries appear to place a high value on the houses that they have received. While the respondents expressed the value of a subsidy house differently describing it in terms of functionality, the possibilities it opened up, its political value or its qualities, there was a strong sense that respondents value the house.

There has been some investment into subsidy houses by most beneficiaries. The extent varies between areas, but the majority of

“A RDP house is a starter house, made for people who don’t work, but now have the opportunity to improve their lives.”

“An RDP house gives you a foundation for life. It is a small piece of land with a small house, but it gives you peace of mind.”

“An RDP house gives you the opportunity to use your mind and brains to make decisions for you and your family.”

“It is a shelter that gives you space to think and freedom to plan the future.”

It is a house that was given for free and it gives value to their lives as well as dignity. Without a property you cannot be dignified.”

“It is a start. It is one small thing, but this thing I like very much.”

subsidy houses in the areas surveyed showed some form of investment.

In some cases this investment doubled or more than doubled the value of the house. In all the areas there was some indication that investment is planned - visible through stockpiled materials, which was visible from the street. Investments seem to be made predominantly with savings and to a lesser extent micro-loans and mortgage loans.

The investments made seem to be independent of the quality of the surrounding environment. Levels of investment did not appear to be higher, in streets that were tarred or were close to a school or transport route. The reason for this is thought to be due to the fact that subsidy houses are scarce and difficult to purchase. Accordingly when an individual is given a house by government or manages to purchase one, they change it to meet their specific needs, rather than selling and buying another one. This explains the investment into houses randomly dispersed in the community.

Owners of subsidy houses appear to value them and are investing in them and this has positive implications for the market into the future. Levels of investment in the subsidy house does not appear to be affected by close proximity or access to public facilities or improved services.

6.6 The Subsidy House Sub-Market is Not Performing Effectively

There is failure in the subsidy house submarket to transact formally at scale and to reflect value. The number of registered houses sold by subsidy beneficiaries is extremely low, comprising 90,858 houses between 1994 and 2009 and representing 6% of all the houses registered. There are a number of reasons for these low transaction levels:

- It does appear that the eight year sales restriction on subsidy houses has restricted the extent to which these houses have sold. This appears to occur even in areas where the sales restriction no longer applies.
- The high value and strong use of the subsidy house as a social and economic asset (see 6.4 above) appears to result in reluctance by owners of subsidy houses to sell.
- The lack of stock suppresses the market in that owners who might be interested in selling do not do so as it is hard to find anything else to purchase.

Type of stock and geographic location do appear to be factors that influence the extent of sales in that:

- Discount Benefit Scheme houses are experiencing higher rates of sale than are the Project Linked houses. This is probably at least partly due to the eight year sales restriction that applies to the Project Linked subsidy houses, as well as that the Project Linked Subsidy houses are newer (having been built since 1994).
- The sales rate (number of sales as a percentage of total registrations) for all subsidy houses is highest in the Western Cape (10%), followed by Gauteng (7%) and Kwa-Zulu Natal (7%).
- The number of sales as a percentage of total stock is in the Metropolitan Municipalities is 9%.

Generally subsidy houses have seen an increase in real selling prices from 1994 to 2009. Houses provided through the Discount Benefit Scheme are being sold for higher prices than Project Linked houses.

Project Linked houses are seeing the lowest selling prices and of greater concern these prices are significantly lower than the cost of developing the houses, indicating the extent to which they are undervalued in the market. The reason for this is partly due to the eight year sales restriction which results in limited information being available to the market, thereby undermining the ability of sellers and buyers to value the stock. The mass production of this type of housing could also be a reason for it being undervalued.

Interviews with respondents indicated that there are owners who want to sell their subsidy houses for a range of reasons including for example changes in their living circumstances, to access employment or to improve their living circumstances. The interviews found that such owners do seek out ways to undertake this transaction through formal processes. In Thembaletu respondents' accessed support from the Municipality and formal transactions were undertaken effectively whereby the transfer of title occurred.

However where the eight year restriction is perceived to be in place or the owners do not have the Title Deeds to their houses, informal transactions were undertaken. A number of mechanisms were applied all of which did not result in the transfer of title and were perceived by both seller and buyer to be high risk. All respondents who had purchased a property through such a mechanism indicated high levels of insecurity around their tenure.

The subsidy house sub-market has the potential to operate effectively and to enable owners of subsidy houses to increase their wealth. There needs to be key interventions into the subsidy house sub-market in order to improve its effectiveness. These interventions will benefit the subsidy sub-market.

6.7 Subsidy Houses are Not Working Effectively as a Financial Asset

Accessing of mortgage finance by subsidy beneficiaries has been extremely low. A total of 120,000 mortgages have been extended to subsidised houses since 1994 (for sales at both the time of registration and post registration). There are higher levels of access to mortgage finance at time of registration (i.e. credit-linked subsidies) than post registration (i.e. home improvements or extensions). The Financial Sector Charter does seem to have improved access to mortgage finance.

A higher percentage of Discount Benefit Scheme houses accessed mortgage finance, both in terms of number and value, than Project Linked subsidised houses. The reason for this could be that beneficiaries in the Project Linked houses might have lower incomes than those in the Discount Benefit Scheme houses, given that they would have had to qualify with an income of less than R 3500 to access their subsidised property.

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The reasons for the low levels of mortgage finance being accessed by owners of subsidy houses is partly due to the fact that many occupants do not have sufficient income to afford a mortgage loan, that financial institutions perceive such loans as being high risk and that some owners of subsidy houses are themselves reluctant to take such loans due to a fear of losing their house.

The percentage of sales in execution in respect of the mortgage loans provided appears to have varied over time reaching a high of 11% between 1999 and 2002. Since 2007 the percentage has been below 5% and has been decreasing. This could be a reflection of better lending practices by Financial Institutions. While this is positive, it could also be part of the reason for the fact that significantly lower numbers of mortgage bonds were granted during this period, but could also be that lending to this segment of the market is not as high risk as the Financial Institutions perceive it to be.

While subsidy houses are not enabling occupants to access mortgage finance, interviews with respondents indicated that they are effective in enabling access to micro finance (small loans). Respondents indicated that it is easier to access a micro loan if an applicant is an owner of a subsidy house and has a physical street address.

There needs to be key interventions into the market in order to improve access to finance and enable subsidy houses to work more effectively as a financial asset.

7. RECOMMENDATIONS

Subsidy housing stock should not only improve the living circumstances of beneficiaries but also increase their wealth. This applies both at the level of individual subsidy houses and to the sub-market as a whole. The research found that subsidy houses work effectively as a social and economic asset but less effectively as a financial asset. This is primarily because of the fact that many beneficiaries have not received the title deeds to their houses and that the houses are not being traded and are generally undervalued.

Accordingly interventions should be put in place to enable the sub-market to operate more effectively. This implies that people should be able to transact easily in the market and should be able to access information, support and finance in order to do so. Further, the market should be normalised so that all subsidy beneficiaries have the Title Deeds to their houses. To this end, the recommendations are made in respect of the following areas:

- Workings of the market
- Eradication of the title registration backlog
- Consistent and clear political messaging
- Legislative / policy
- Monitoring of the market

7.1 Workings of the Market

There are a number of factors that inhibit the effective operation of secondary transactions in the subsidised housing sub-market. These are generally documented in studies such as the Township Residential Property Market (2004) and were confirmed in part in this study. In general these limiting factors revolve around the absence of appropriate property marketing and title transfer services, as well as the absence of housing finance for these secondary market transactions. In addition, in some respect the transactional costs for property sale and transfer are not sustainable for the generally lower value property selling prices.

In response there is a need to initiate a range of interventions that will reduce the cost and ensure that the transactional processes are more appropriate and accessible to the buyers and sellers in the subsidized housing sub-market. This will require specific interventions in respect of at least the following:

- **Marketing/information processes** which enable buyers and sellers to identify transactions for both sale and rental.
- **Rationalised title registration processes** that are more accessible and affordable to the subsidized housing sub-market. This should also include the making available of standard and simplified sales contracts and transfer documentation via bookstalls or municipalities.
- **Access to housing finance should be improved.** The research shows that the Financial Sector Charter did positively impact and improve access to mortgage loans. Consideration should be given to a second phase of the charter.

- **Education programmes** should be undertaken to increase owners of subsidy houses understanding of the importance of a Title Deed and how to trade and use their property as an economic asset. The education programme should also improve subsidy beneficiaries understanding of the value of a subsidy house.

In the application of the above recommendations considerations should be given to commencing implementation in the Metropolitan areas and rolling them out to other cities and large town and then other areas.

7.2 Eradication of the Title Registration Backlog

A registration backlog eradication programme should be introduced. A national programme should be implemented that enables subsidy beneficiaries who occupy a house, but do not have the title deeds, to initiate a process to access such title. This will need to incorporate a dispute resolution process to address contesting claims. While it is not the intention or scope of this assignment to design this intervention, such a programme should incorporate the following elements:

- **A township proclamation expediting sub-programme:** This sub-programme should set up a national task team to identify all subsidy projects that are still unproclaimed and expedite the proclamation process. This will involve the procurement and deployment of additional (private sector) professional services to ensure that the required town planning, land surveying and conveyancing requirements to proclaim existing unproclaimed subsidy areas are proclaimed. Skilled project managers will need to be procured to manage these teams and report regular progress on a nationally administered progress monitoring system.
- **Beneficiaries initiated title registration sub-programme:** This sub-programme should set in place arrangements that enable existing subsidy beneficiaries to initiate the registration of their subsidized house into their name via the municipality or an agent nominated by the municipality. The research has indicated that beneficiaries generally value registered title and consequently a beneficiary driven process would appear appropriate. Such a process should be accessible and carefully designed so that it is manageable and does not place an undue administrative burden on the beneficiary. In addition the programme should be designed taking into account best practice (nationally and internationally) and ensuring fairness and equity. Certain current requirements-such as the need for the beneficiary to sign any title transfer papers in front of a conveyancer may need to be relaxed. A mechanism to verify that the beneficiary is entitled to take transfer of the subsidized house and there is no dispute regarding this factor needs to be included. This may require a level of community facilitation and other mechanisms.

A verification process, as well as an adjudication process (where there are disputes), will need to be put in place. Lessons learnt from the adjudication process applied in respect of the Discount Benefit Scheme (DBS) in Gauteng between 1993 and 2003 should be applied. This programme enabled occupants of houses developed under the previous dispensation as rental stock to apply for ownership.

- **Interim title sub-programme:** Where subsidy projects are not proclaimed, beneficiaries should still be entitled to secure interim documentation confirming the beneficiaries right to transfer of title.

This would comprise the municipality issuing a properly authorized certificate confirming the beneficiary's right to have title to the particular subsidy house transferred once the subsidy project area is proclaimed. Ideally the interim documentation should also replace some of the verification processes required prior to effecting title registration at a later date. Where there are disputes in respect of title the proposed adjudication set out above (2) should apply.

- **Communication/Mobilisation sub-programme:** This sub-programme should focus on communicating these arrangements and the need to secure verification certificates and/or title deeds to the subsidy houses to beneficiaries in subsidy project areas. The sub-programme would also be able to respond to queries raised as well as any on the ground conflicts that arise if there are disputes over entitlements to the registered title.
- **Municipal titling support programme:** The very existence of these backlogs is in fact a reflection of the lack of capacity of municipalities to deal with these titling challenges at the scale required by the national subsidized housing programme. Consequently the temptation to transfer responsibility for all elements of this programme to municipalities and the provinces should be resisted. The bulk of this intervention will need to be managed and implemented by specially contracted resources. Notwithstanding this there will be a need for the municipalities to at least be able to service the beneficiary initiated requests for transfers of title. A special task team should be set up with a capacity to assist municipalities to set up the systems, procedures and trained staff to give effect to this sub-programme.

7.3 Consistent and Clear Policy and Political Messaging

The research shows that there is substantial ambiguity and uncertainty amongst beneficiaries as to the acceptability of using their subsidy house as a financial asset. The current policy and messaging from political leadership at the national, provincial and municipal level consistently reinforces a perception that the use of the subsidy house as a financial asset is not encouraged and in fact may be illegal. There is an urgent need to engage with policy makers and political leaders on this issue to argue the need to promote rather than inhibit the use of the subsidised house as a financial asset. Should this approach be supported then key policies and legislation will need to be amended. As importantly, the revised approach needs to be canvassed and accepted broadly within the governments political processes and an agreed changed message disseminated. This needs to be implemented within a structured and nationally driven change management process.

7.4 Legislative / Policy

- **The sale restriction on subsidy houses is removed.** The research has shown that the eight year sales restriction on subsidy houses is undermining the effectiveness of the subsidy house sub-market in that it is inhibiting the extent to which houses are being transacted and further is undermining the ability for the real value of houses to be determined. The

restriction is inequitable and is undermining the benefits and effectiveness of housing as a financial asset for the poor. Accordingly it is recommended that the sales restriction is removed.

- **The requirement that a property must be registered before the full subsidy payment is made should be re-introduced.** The discipline to at least ensure that townships are fully proclaimed and township registers opened in the deeds registry should be re-introduced. Without this the full benefits of widespread homeownership in reducing poverty and creating wealth will be undermined-particularly for the poor.
- **Other required changes to policy and legislation** will be identified in the course of more detailed design on the full range of interventions to stimulate and support the proper operation of the subsidized housing sub-market. Once identified a comprehensive approach to adjusting these should be considered.

7.5 Monitoring of the Market

There should be ongoing monitoring and evaluation of the size and growth rate of the subsidy house sub-market and how it is performing. Currently there are neither adequate indicators nor adequate data to set baselines and monitor improvements in performance. This should not only entail tracking the data within the Deeds Registry, but also should require improved tracking of transactional speed and cost, as well as subsidy administration effectiveness and speed. The development of a comprehensive set of indicators and a basis for monitoring performance should not be done by government in isolation of the private sector providers. A joint process should be facilitated which recognises the needs and perspectives of all the stakeholders.

8. ANNEXURE A: DETAILED METHODOLOGY OF THE DEEDS/BENEFICIARY ANALYSIS

The purpose of the beneficiary/deeds analysis is to analyse the role and performance of 'privately owned subsidy housing' in the property market. For this reason the analysis uses data provided by the Department of Human Settlements (DoHS) from the **Housing Subsidy Beneficiary Data Base** and compares it against data in the **Deeds Registry**. The methodology applied in undertaking the analysis was as follows:

8.1 Securing the Data

An extensive process was undertaken to access data from the DoHS, Housing Subsidy Beneficiary Database. A data set was received which is described by the DoHS representative as follows; *'The database (data captured as at 30 September 2010) provided includes all qualifying individuals in South Africa who have been approved for a subsidy for the purpose of owning a home, as well as in some cases their spouses. The database includes applicants accessing housing opportunities in areas with Traditional, Community Trust, Tribal and related land ownership/management dispensations and individuals approved for a state housing subsidy prior to 1994 when the current National Subsidy Programme commenced. This database excludes information on individuals living in rental, social and institutional accommodation subsidized by the State'¹¹.*

The DoHS was not in a position to provide the data set in any other format. The data provided therefore presented a number of challenges that had to be overcome including:

- The list provided was of **approved** beneficiaries only. This does not necessarily mean that all approved beneficiaries **received a subsidy house** – some may still be waiting and others may have given up on the wait and acquired property in some other way. The list did not contain the dates at which the subsidy was approved, so it is also not possible to determine how long an approved beneficiary might have been waiting for their house. There is no database of actual subsidised houses delivered.
- The list contained **only identity numbers** which limited the extent to which it could be analysed. It could only be used to determine which of the ID numbers matched ID numbers in the Deeds Registry. The list did not indicate what type of subsidy (see below) the beneficiary had received, or where.
- The list **did not distinguish between the type of subsidy** for which the beneficiary was approved. Accordingly it was not easily possible to distinguish between project linked, the discount benefit scheme and other subsidy types, all of which represent a different type of housing product and benefit provided. Further the list
- The list contained both beneficiaries and their spouses, accordingly when compared to the deeds data **there are more individuals than houses** (as in some cases two individuals – both spouses, were allocated one property).

¹¹ Victor Rajkumar, Department of Human Settlements, January 2011

- The list contained all beneficiaries approved for a subsidy **even prior to the commencement of the national subsidy programme.**

Due to the challenges within the data set it was decided to secure a data set from a Provincial Government to test the basis by which the sample would be selected. Accordingly a data set was obtained from the Western Cape Provincial Government. This data set comprised approved beneficiaries for a subsidy (other than the discount benefit scheme which was recorded separately) and also provided, in addition to the identity number, a project code which provided insight into the type of subsidy that was provided, as well as the date at which the subsidy was granted.

8.2 Cleaning the Data and Selecting the Total Sample

Given the challenges within the data set received from the DoHS it was necessary to clean the data and select samples that could be usefully analysed. The following process was applied in this regard:

- The identity numbers of the list of approved beneficiaries was compared to identity numbers in the Deeds Registry and a list of beneficiaries who have a registered property was identified. The list of approved beneficiaries included both spouses where these were both registered as beneficiaries.
- The list of beneficiaries who have a registered property was cleaned as follows:
 - All houses registered prior to 1 January 1995¹² were removed.
 - All duplicate identity numbers were removed

This provided the first sample for analysis (called the Total Database) which comprised the total number of approved beneficiaries who received a registered property through the National Subsidy Programme¹³. This sample includes all subsidy types including project linked, individual, consolidation, etc, as well as the discount benefit scheme.

A concern of the DoHS in providing the data was that the privacy of the individuals on the list should not be undermined. For this reason the study only analyses the data on the basis of samples and not on the basis of any one individual.

8.3 Selecting the Sub samples

As the focus of the study is to determine how a subsidy housing asset benefited beneficiary households it was necessary to distinguish different types of subsidy assets within the Total Database to see if they benefited the beneficiary differently.

The project linked subsidy and the discount benefit scheme were selected as two possible subsidy types, because they were used more than other subsidy types and had characteristics that could be used to select a sample. The criteria applied to select each of the subsidy types is shown in the table below.

¹² It is assumed that even though the National Subsidy Programme commenced in 1994 that no properties would have been registered during that year.

¹³ The data base is estimated to include 95 to 99% of all properties

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Table 13: Criteria applied in selecting subsidy type samples

Criteria	Application to the Subsidy		How it was Applied to Select the Sample
	Project Linked Subsidy	Discount Benefit Scheme	
Basis of accessing the subsidy	The project linked subsidy was delivered in the form of a dedicated project that was undertaken in a specific area. Thus registered title would logically occur for all of the houses in the area.	Registration of the discount benefit houses occurred on an adhoc basis and would therefore generally not have occurred for all houses in the area.	In order to distinguish between houses that were likely to be project linked and discount benefit scheme houses it was therefore assumed that houses where more than 60% of the houses in an Enumerator Area are registered are likely to have accessed a project linked subsidy and those where less than 60% are registered are likely to be part of the discount benefit scheme.
Year when built	Project linked subsidy houses were built after 1995 as part of the National Subsidy Programme.	Discount benefit scheme houses were built as rental stock between 1950 and 1980.	Houses where the General Plan ¹⁴ was drawn post 1990 were assumed to be project linked subsidies. Houses where the General Plan was drawn prior to 1990 were assumed to be discount benefit scheme.

The application of the above criteria resulted in the second and third samples for the analysis being defined as follows:

- **Project Linked Sample : If more than 60% of houses in an Enumerator Area are owned by beneficiaries, and the General Plan for the area was drawn POST 1990**
- **Discount Benefit Scheme Sample : If less than 60% of houses in an Enumerator Area are owned by beneficiaries and the General Plan was drawn PRE 1990**

¹⁴ The process of registration of a property is as follows:

- A layout plan is developed setting out the layout of the township to be developed including land use, roads, servitudes etc. As part of the process of developing this plan the land must be surveyed (pegged & calculated) and cadastre established in line with the Land Survey Act. The layout plan is approved by the Surveyor General
- A township establishment process is then undertaken which consolidates the land constituting the township into a single piece of land and cancels or removes any underlying restrictions on the land.
- A Township Register is then opened in the Deeds Registry in terms of which each of the individual sites shown on the General Plan receives a title deed.

In terms of the above process the title deed only shows the date when the property was registered and not the date when the property was developed. However the date of the General Plan provides an indication of when the property was developed, as it is likely to have been close to the date of development. Accordingly each of the properties identified in the Total Database was linked back to their General Plan to assess the likely date of when the property was developed. It is noted that General Plans are done for an area and these were not available for all properties. Thus the sample was selected only for those properties where the General Plan could be identified.

8.4 Testing

The samples selected were tested against the Western Cape data where it was possible to determine Project Linked and Discount Benefit Scheme subsidies. It was found that there was a 92% accuracy in respect of Project Linked and a 90% accuracy in terms of the Discount Benefit Scheme. Consequently, it was concluded that the sampling of Project linked and Discount Benefit subsidy was sufficiently representative to be used as the basis for the subsequent analysis.

The figure below shows the method applied in selecting the samples and the number of houses and individuals per sample. As shown in the figure:

- The total number of beneficiaries approved for a subsidy as provided by DoHS was 3,849,617 individuals. Of these:
 - 1,826,712 individuals did not receive a registered property
 - **1,782,010 individuals received a property registered after 1 January 1995**
 - 240,895 received a property registered before the 1 January 1995
- **The 1,782,010 individuals who received a property registered after 1 January 1995 comprises the Total Sample.** These individuals own a total of 1,443,130 houses. This is because, in some cases (when both spouses were registered owners of a house), two ID numbers were tied to a single house.
- **In respect of the 1,443,130 houses in the Total Database:**
 - 494,691 met the criteria for the **Project Linked Sample**
 - 243,190 met the criteria for the **Discount Benefit Scheme Sample**
 - These two samples were analysed as representative of these two types of subsidies.
- **In respect of the 1,782,010 individuals in the Total Database:**
 - 588,592 met the criteria for the **Project Linked Sample**
 - 295,408 met the criteria for the **Discount Benefit Scheme Sample**
- Houses and individuals that did not meet the assumptions for Project Linked or Discount Benefit Scheme were not analysed as specific samples, but were only analysed in that they form part of the Total Sample.

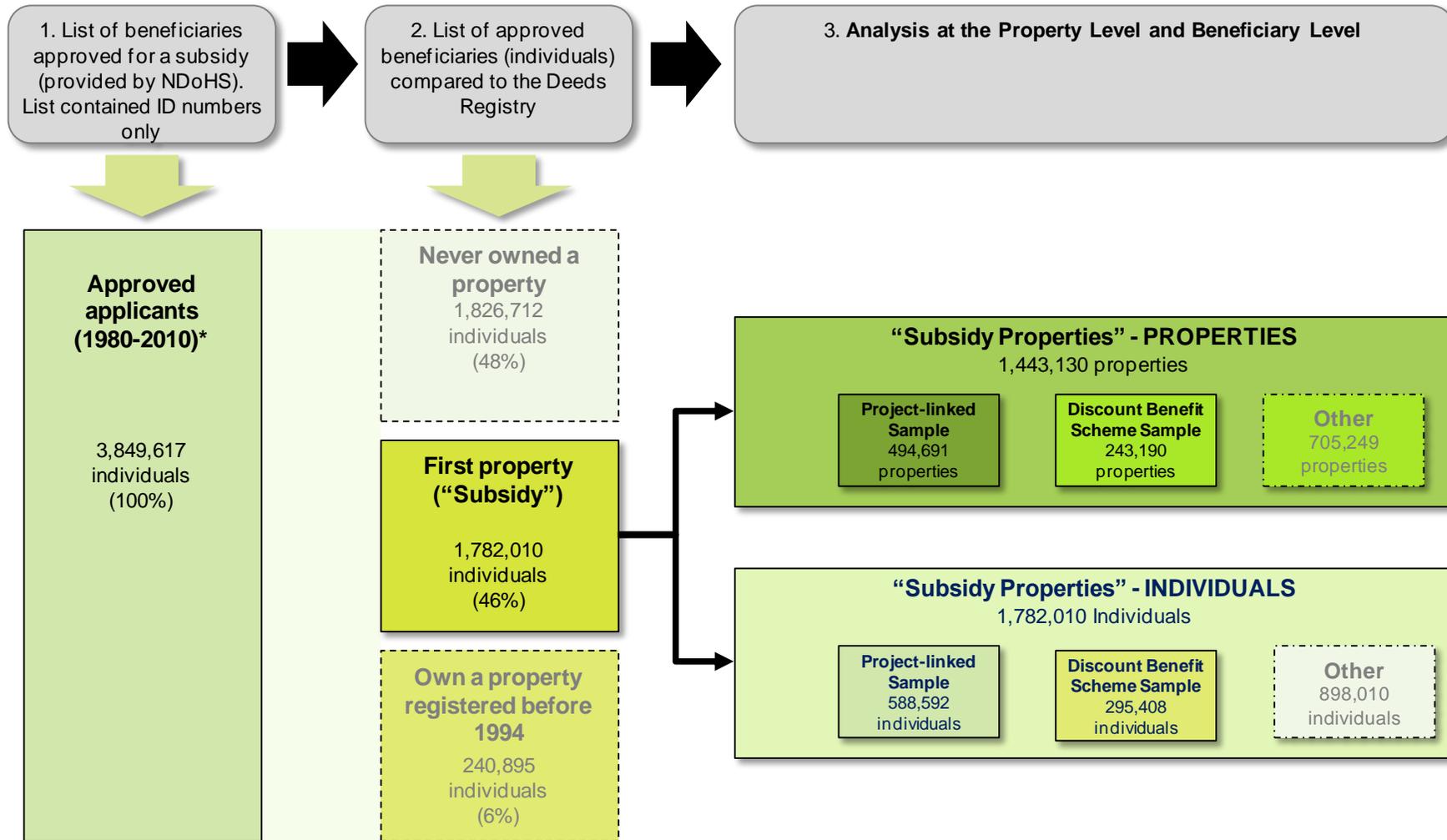
Number of Project Linked and Discount Benefit Scheme Properties

It is estimated that 878,000 houses were developed as rental stock and made available through the Discount Benefit Scheme (The workings of township residential property markets, Shisaka, 2004).

There is no data available on the number of project linked subsidy properties developed, but it is estimated to comprise the majority of properties reported as being developed or constructed by DoHS (A Resource Guide to Housing in South Africa 1994-2010, Kate Tissington, February 2011).

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Figure 27: Methodology for defining the samples



* Includes 3,212,991 applicants and 781,824 spouses . Duplicate and invalid ID numbers removed. Covers all beneficiaries of the national housing programme since inception of the database

9. ANNEXURE B: DETAILED METHODOLOGY OF THE QUALITATIVE SURVEY

9.1 Settlements Included in Qualitative Research

The project team in consultation with the client identified two metropolitan areas and one secondary town to be included in the study. Key people who were familiar with the areas were consulted to identify subsidy housing developments which were at least ten years old. The reason for selecting areas that had existed for ten years or more was that it was felt that older subsidy sites hold the promise of the asset having developed to its potential, rather than newer sites.

The following study sites were identified:

Slovoville (Soweto, Gauteng)

Slovoville was one of the first subsidy developments in Soweto and was built in the late Nineties. It has approximately 1600 subsidy houses. Most beneficiaries came from Soweto and went through a long politically driven process of attending weekly meetings until they secured their subsidy houses. The area was officially opened by Mr Nelson Mandela. Of all the areas Slovoville seems to be the most politicised and there is a strong sense that the subsidy house was earned through their participation in the struggle for democracy.

Emaplazini (Inanda, Kwazulu Natal)

Emaplazini is a subsidy development built in Inanda on a mountainous area. It has approximately 1000 houses. Beneficiaries squatted on farm land for many years and government bought the land from the farmers in the late Nineties. A community organization was formed to negotiate a people housing process development that would provide for roomed houses. Interested community members participated in the organization by contributing 50cents per day to a savings plan. Other donations were secured through the organization and 4-bedroomed houses which were paid for over a 5-year period were built. Those community members that did not participate in the community savings plan received subsidy houses. The subsidy houses and 4-roomed houses are randomly dispersed. From the research there seem to be no tension between the two groups of beneficiaries.

Thembaletu (George, Western Cape)

Thembaletu was developed in the late Nineties, early 2000's in a township close to George. It has approximately 5000 houses. The allocation of subsidy houses focused on informal settlement dwellers in Thembaletu and most beneficiaries were moved from the Informal Settlement to the subsidy houses. Small pockets of Informal Settlements are still found between subsidy developments in Thembaletu. Many beneficiaries moved from the Eastern Cape and other rural areas in the Western Cape to try and find work in George or surrounding areas.

9.2 Community Liaison

A scoping exercise was undertaken in each area. Scoping served two purposes. Firstly the scoping exercise introduced the research team to the important role players in the community and provided an opportunity to liaise with key people in order to get access to the neighbourhood. The local

councillor or council offices were also approached and the details of the survey were explained. This community liaison was critical in the research process and promoted trusting relationships between researchers and respondents which enhanced the quality of the research processes and information gathering.

Secondly scoping allowed for a better understanding of the neighbourhood, which assisted with the identification of respondents in the selected areas.

9.3 Selection of Respondents

The identification of the respondents was based on the level and type of investment in the area. Different typologies of respondents were identified in each area. The following interviews were conducted:

- Interviews with people who had not invested in the subsidy house (self-identified by walking through the community)
- Interviews with people who invested using savings (identified various houses with different levels of investment in subsidy houses)
- Interviews with people who invested using micro loans (identified various houses with different levels of investment in subsidy houses)
- Interviews with people who invested using a bond (identified through data provided through a Deeds search in the area)
- Interviews with people who invested to start a business (identified various houses with businesses visible from the street)
- Interviews with people who bought from an original beneficiary (identified through word of mouth in the community)
- Interviews with people who are renting from an original beneficiary (identified through word of mouth in the community)
- Beneficiaries who sold the subsidy house. Initially these respondents were identified through the deeds data. The researchers were however unsuccessful in securing any of these interviews. In order to obtain some information on subsidy beneficiaries who had sold their house, the researchers worked through their own informal network to identify and approach such beneficiaries even if they did not live in the study areas. Three respondents were identified in this category and interviewed
- Beneficiaries who were no longer living in their subsidy house and had rented it out. These beneficiaries were also very difficult to find and therefore one beneficiary was interviewed not in the study areas, but identified through the researcher's informal network.

In each area at least one of each of the above interviews were completed to the extent that it could be identified in the area. A total of 20 interviews were conducted in Emaplazini, 20 in Thembaletu and 16 in Slovoville. Four interviews were conducted with beneficiaries who have sold or are renting out their subsidy house and were not specific to the study areas.

9.4 In Depth Interviews

Interviews were based on the Life History Interview, using the Free Attitude interview technique. Interviews were conducted in pairs - one interviewer acted as the main facilitator and the other as the observer. All interviews were recorded and interview summaries were made in addition to the recordings.

Respondents received a R 50.00 Checkers voucher to thank them for their time and participation. Interviews were analysed based on the questions posed in the Original Inception Report. Key themes were further identified to write up 10 case studies to add to the interview analysis to act as rich examples of the qualitative findings.

9.5 Visible investment survey

In addition to the interviews a visible Investment survey was also conducted in each area. This survey recorded the level of investment in the area on a scale of 1 to 5. The scale was applied as follows:

- 1: No Investment, still only the original subsidy house
- 2: Small investment such as a fence, a porch, painted, burglar bars, shack, etc. but no brick built additional rooms
- 3: Some Investment such as brick built room, a brick built boundary wall, etc. but the original subsidy house is still visible
- 4: Invested in more than one room that is brick built and a boundary wall, but the outlines of where the subsidy house can still be seen.
- 5: Changed the house by building more rooms to the extent that the subsidy house is no longer recognisable.

Criteria	Example
<p>Score 1: None: No Investment, still only the original subsidy house</p>	
<p>Score 2 : Small: Small investment such as a fence, a porch, painted, burglar bars, security gate, shack, etc. but no brick built additional room</p>	

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Score 3 : Medium: Some Investment such as a brick built room, a brick built boundary wall etc. but the original subsidy house is still visible



Score 4: Big: Invested in more than 1 room that is brick built, but the outlines of the subsidy house can still be seen.



Score 5: Very Big: The subsidy house is changed to the extent that it is no longer recognisable.



A stand map was obtained for each area, and a random sample of 400 houses drawn from the map. This provided data with an accuracy of 95% within a range of 5%.

Each sampled house was evaluated in terms of level of investment visible from the outside. Data was captured and analysed to indicate the level of investment in each area. The limitation of this survey was that it excluded any investment that could have been made inside the house, but is not visible from the street. Within the budget and time frame of the study it was however not possible to expand the study.

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