AFFORDABLE HOUSING STRATEGIES AROUND THE WORLD – SOUTH AFRICAN APPROACH

M Mnyani
Chief Executive Officer
National Home Builders Registration Council
Email: mongezim@nhbrc.org.za
Sunninghill, South Africa
Table of Contents

• Introduction
• Objectives of BNG
• Affordable Housing Development Programme
• Housing backlog
• Characteristics of Affordable Housing
• Role of Government
• Challenges
• Achievements of Government
South African Housing Policy

- The Constitution is the supreme law of the Republic of South Africa
- The Bill of Rights, as part of the Constitution, protects the rights of citizens
- All citizens have a right to adequate shelter
- The Housing policy in South Africa is geared to addressing the needs of the majority of citizens who are disenfranchised
- South Africa, commands a population of 51 million people
Strategic Policy Shift

- A shift in housing delivery in favour of mixed-income housing development recognizing the diverse needs of the people but also in favour of stimulating a single residential market.
- Need for Integrated planning in line with BNG
- Intensified community development that is deracialised and includes developments on well located land, integration of social and economic amenities, job creation and closer to work opportunities
South Africa’s Housing Perspective

- South Africa is a developmental country;
- Housing sector is regulated;
- National Home Builders Registration Council (NHBRC) is mandated to regulate the homebuilding industry and protect housing consumers;

- Housing Market is divided into:
  - Mortgaged (Bank financed) & Cash-Build Houses;
  - Subsidy homes (social homes)
- Budget for 2014/15 for social housing, water, electricity, community amenities is R122 billion, increasing to R138 billion in 2015/16.
Average House Price
Mortgage Houses (All houses)

South African Average House Prices Forecasts to 2020

2012: R1,1m (US$130,000)
5% growth
Role of Housing

- Revitalise the South African economy
- Provides a sound basis for job creation
- Sustain the economy and eradicates poverty
- Foundation for sustainable societies
- Builds sustainable economies
- Used as a tool to redistribute land to people
- Restores human dignity
Policies that shaped Housing

• The South African Constitution
• National Housing Policy
• National Housing Accord
• Housing White paper
• Housing Act, 1997 (Act No. 107 of 1997)
• Reconstruction and Development Programme
• Breaking New Ground
Housing Delivery Policy/Framework

• A comprehensive plan for developing Sustainable human settlements was developed in 2005
• It was modelled as a plan to redirect and enhance the existing mechanism to move to a more responsive and effective delivery
• The main focus of Breaking New Ground (BNG) is to reinforce delivery in the sector
Housing Delivery Policy/Framework

• BNG reinforces the vision of Country which is espoused in the Constitution
• It promotes the achievement of non-racial and integrated society
• The integrated society is achieved through development of sustainable human settlements
• BNG is all about delivery of Quality homes
Key objectives of BNG

• Accelerate the delivery of housing
• To alleviate poverty
• Use housing as a job creation strategy
• Give all access to property market
• Ensure the house asset is used for wealth creation and empowerment
• Leverage growth in economy
• Combat crime and promote social cohesion
• Improve quality of life for the poorest of poor
Objectives of BNG Cont.....

- Support the functioning of the entire single residential property market
- Used to break the barriers between first economy residential boom and second economy slump
- To support spatial restructuring
- Used as an instrument for the development of human settlements where all amenities are available.
Affordable Housing Development Programme

- The Country has departed from the strategy of constructing low cost housing away from the economic nodes of cities and towns
- The focus is on mixed income housing
- Construction of houses on well located land
- The programme is used to transform the spatial designs of our settlements
- The programme is used to deracialise housing
Affordable Housing Development Programme

- The programme emphasizes the cross-subsidization model
- Various housing typologies gives choice to the people of South Africa
- The programme has seen concerted efforts by public and private sector to realising the goals of BNG
- Alternative building material/methods being introduced to speed up delivery
- Housing is used to make social cohesion a reality
Affordable Housing Development Programme

- Commercially driven residential developers and financial institutions have been focusing on housing needs for middle and high income groups.
- Government and Social Housing Institutions focused on the low income groups.
- Now more focus is on lower-middle income sector to redress the imbalance.
Housing backlog in South Africa

- Country population is estimated at 51 million
- Government has delivered 3,000,000 units since 1994 touching lives of 10,000,000 South Africans
- Backlog is estimated at 2,3 million housing units
- Consequence of backlog is seen in overcrowding and mushrooming of squatter settlements and land invasion in urban areas
Reasons for Housing backlog

• Natural population growth
• Trends towards urbanisation
• Inadequate delivery to address historical backlogs
• Inadequate resource allocation and underspending due to capacity constraints
• Constraints within the housing policy
• Lack of strategies to promote affordable rental housing
Characteristics of Housing Market in South Africa

• Severe housing shortage due to rapid informal urbanisation
• Lack of affordability
• Fragmented housing policy and administrative systems
• Lack of delivery capacity
• Lack of end user finance
• Sector to be used as a contributor to the economy
• Insufficient land
Why affordable housing in SA

The plan was developed to provide affordable housing and contribute towards stimulation of the economy by focusing on:

- Construction and property industry
- Mining sector
- Manufacturing sector
- Small business sector
- Finance industry
Role of Government in Affordable Housing

• Address historical and current housing issues
• Reverse the legacy of living apartheid through proper town planning
• Ensure stability of the democracy attained
• Fast track the pace of housing delivery with more emphasis on affordable housing
Challenges of the programme

• Lack of enough capital available within government to address issues
• Improve the rate of delivery to meet the requires needs
• Insufficient skilled human capital within the built environment
• Lack of innovation to stimulate delivery
• Lack of buy-in in use of alternative building technologies
Partnerships with Financial Institutions and Developers

• Ensure access to well located land and develop mixed housing development in line with government strategy to provide affordable housing opportunities.

• Fast track approval processed – “business unusual approach.”

• Because of the slowdown in the high income market - Access to the affordable market with subsidies to unlock potential in this market.

• Expeditious implementation of required infrastructure to support development – socio and economic amenities

• Provide Bridge Finance to local authorities to install bulk infrastructure.
Why Public Private Investment Mix?

• Affordable mixed-income residential has government subsidized and open market components within a single integrated setting.

• Key infrastructure by the State unlocks private investment in generating open market affordable housing stock and business development.

• Ensure that there is appropriate level of investment and an appropriate mix of investment between public and private sector.
Why Public Private Investment Mix?

- To provide fully affordable and government subsidised housing within a high quality built environment.
- To cross-subsidise affordable housing from the open market component.
- To keep prices down and deliver housing at an affordable level so that first time homeowners are able to access decent accommodation.
Affordable Housing Delivery Success Factors

Long-term spatial planning & Land use management

- Well located and priced Land
- Infrastructure
  - Bulk
  - Link
  - Internal (water, sanitation, power, roads, etc)
- Planning, Design, Funding & Financing capacity
- Development Management & Construction Delivery capacity
- Accountable & dedicated Project team (officials)
- Community development & local institutions
- Integrated, sustainable human settlement
- Subsidies, End-User Finance
- Affordable, Quality housing
- Product and construction technology
- Urban management
- Marketing & Sales
Achievements by Government

• Delivered over 3,000,000 subsidised units
• Delivered basic services to over 12,000,000 South Africans
• Government has shown willingness to engage all stakeholders to ensure that affordable housing delivery continues.
• Policies were put in place to ensure delivery
• Government has put mechanisms in place for private sector to participate.
WAY FORWARD

- Key focus to change spatial design of Gauteng leading to 2030.
- Transformation of spatial designs of our cities.
- Ensure Social and Economic Integration.
- Deliver large quantity affordable housing units within quality neighborhoods
- De-racializing communities by establishing completely new settlements for all South Africans irrespective of their background, financial status and other beliefs.
Conclusion

• The South African situation demands a unique approach in order to respond to the needs of the majority of the Citizens who have been disenfranchised for so many years.

• Affordable housing projects require both state and non-state funding and support.

• Better coordination and integration of planning process and implementation between province and municipalities to realize our key priorities.
Conclusion

• Intervening in land release programme to ensure that equitable development and integration is achieved.
• Harnessing the resources of the private sector to deliver at scale – through the public and private sector approach.
• Involvement of communities and other civil society organizations.
• Reinforcing diversity of housing and settlement types, in increasing choice, through densities, locations, tenure options, housing credit and delivery routes.
THANK YOU