

Call for master-plan to save SA from the 'housing cliff'

Just as the US needs “all hands on deck” to stop it sailing over the fiscal cliff, so SA needs a multifaceted effort now to solve a housing crisis that threatens to overwhelm the country.

So says Rudi Botha, CEO of South Africa’s biggest mortgage originator BetterBond, who notes that of the 14,5 million households recorded in the latest Census, at least half live in homes they don’t own – some in accommodation provided by their employers, some in rented homes and backyard shacks and shockingly, more than 1,3m in squatter camps.

“No-one has actually quantified how many millions of people this involves but clearly it is a recipe for serious political and economic instability – as evidenced by the increasing number of service delivery protests and strikes that have already so badly affected SA’s productivity levels, credit ratings and economic output this year.”

All over the world, he says, it has been proven that home ownership has a stabilizing influence because it pulls people out of the poverty trap and provides the basis for individual financial security and wealth creation. “It is at the heart of a healthy community and not surprisingly, research has shown that it is also a major influence in lowering crime rates, substance abuse rates and teenage pregnancy rates.

“But the reverse is also true when the ownership of even a modest home becomes increasingly beyond the reach of ordinary, hardworking families – and totally out of the question for the poor. People become hopeless and their protests at the unfairness of their situation are apt to become increasingly violent, as we are seeing all too clearly in SA.”

And the problem has become too big now, Botha says, to be solved by any one player in the housing scenario acting alone. “What we need is for government, the banks and the private sector to urgently agree and get moving on a plan to get all South Africans properly housed.

“The banks, for example, are being hamstrung by the imminent implementation of the Basel III banking regulations, which provide for them to hold much bigger reserves on long-term lending like home loans and will almost certainly result in them pulling back on home loans. So perhaps it is time for Treasury or the Reserve Bank to reassess those regulations now and evaluate whether they are actually appropriate for SA.”

On the other hand, he says, household debt levels are undoubtedly too high – and getting higher because of the ease with which consumers can get unsecured short-term and personal loans at very high interest rates. “The banks need to reassess their role in helping to create the situation in which so many people who actually earn enough to buy their own home can’t qualify for a home loan because they have too much debt already.

“Meanwhile one might well ask what has happened to the “gap” housing subsidy plan announced with such fanfare earlier this year? This supposedly affects a massive 20% of SA’s workforce.

“Similarly, where is the R1bn Mortgage Default Insurance plan that has been on the cards for several years now? Will there be a new tax incentive for developers of affordable housing in the next Budget, and will the Urban Development Zone tax incentive be extended?”

Big business and other employers could get more involved, Botha says, by helping to educate employees about the dangers of short-term lending and the advantages of saving towards the goal of home ownership.

“And in the provision of housing for those who are poor and unemployed, government should be actively seeking out and motivating the most capable developers and builders to do this at scale, on the understanding that such activity would also provide much-needed employment and skills development.”

Clearly there is a mountain to climb, he says, and consumers themselves need to play a role in achieving their home ownership aspirations, whether they provide sweat equity in the construction process, perhaps, or have earnings from which they can save for a deposit.

“But all their efforts will be in vain unless everyone works together to develop a master-plan – and soon.”

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