

Fund raises R10bn to fill gap in affordable housing market



PROPERTY FINANCE

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THE GOVERNMENT'S recently announced R1 billion housing fund is an essential catalyst and a welcome innovation to stimulate new housing finance products for those who cannot access house finance.

This fund targets the critical gap between those people who qualify for fully subsidised housing and those who can access private sector mortgages. This gap is made up of individuals earning between R3 500 and R8 500 a month.

The housing backlog is acknowledged to be about 3 million units and current delivery is about 265 000 houses a year. At this rate, it will take many years to clear the backlog, excluding new entrants into the housing market.

Clearly, this is a recipe for social instability and it increases concerns about South Africa's economic stability. Already, some people are impatient with the slow pace of service delivery. This has been evidenced by the widespread protests against a lack of delivery of basic services, including housing.

According to Old Mutual's figures, people earning less than R15 000 a month (82.7 percent of South Africans) struggle to access decent housing and appropriate end-user finance. Constraints include finance providers' risk when financing developers during uncertain economic times.

In addition, the banks, the main providers of home mortgages for individuals, have an inflexible product offering.

Furthermore, the costs of land, infrastructure and construction have risen rapidly in recent years, making the price of providing affordable housing (of between R225 000 and R425 000) unrealistic for developers and prohibitive for potential homeowners. The government's housing fund is expected to mitigate some of the risks associated with this market.

It is only the top end of the South African market (a mere 17.3 percent) who enjoy relatively easy access to housing and appropriate end-user finance. To this end,

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it is incumbent on the government and the private sector to increase the percentage of the population with easy access to appropriate housing products.

As one of the measures to alleviate the housing challenge, Alternative Investments, a boutique in Old Mutual Investment Group South Africa (Omigsa), last year launched the Housing Impact Fund of SA (Hifsa), targeting households earning less than R15 000 a month. This is the same group of individuals identified for the government's R1bn housing initiative.

The fund has now raised R10bn from Old Mutual and other institutions, and will



close in the middle of the year. The fund finances the land acquisition and infrastructure necessary to create serviced sites and construct affordable homes for sale and rent, and provides housing loans to South Africans who qualify.

Hifsa invests in inner city rental developments, rental property, student rental accommodation and many other projects. Importantly, the fund seeks to invest in development projects that promote environmentally friendly communities. The fund invests in projects that aim to provide associated services to the community, such as schools, clinics, and retail centres.

Some of the housing projects include the R300 million Karino Lifestyle Estate in Nelspruit, Mpumalanga, which was launched successfully in October last year. This was followed by another housing

project in Randfontein, where an average family house costs about R289 000. And last week, Patrick Everyday, the mayor of Kimberley, officially launched the Sunset Manor housing project in that city.

In addition, 12 new housing developments in integrated urban designs are planned for this year alone and in the next five years, additional housing projects will be rolled out across the country.

As Omigsa, we are looking forward to engaging the government and other interested parties to bring about a collaborative effort in tackling the housing challenge in South Africa.

Christine Glover is the head of the Housing Impact Fund of SA, managed by Alternative Investments, a boutique within Old Mutual Investment Group South Africa.