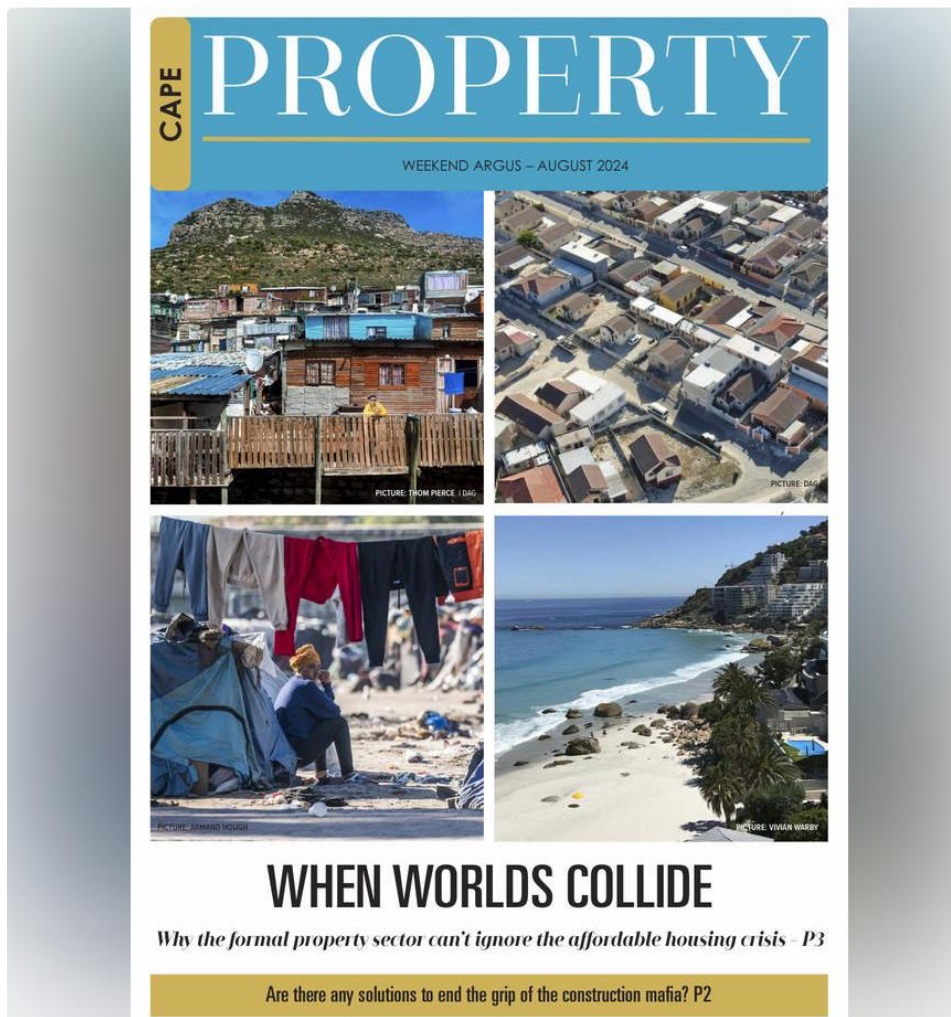


Why Cape Town's affordable housing crisis matters



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By Vivian Warby

The big brains trust in national and local government, formal developers, micro developers and backyarders, academics, activists and NGOs are all working hard to solve the affordable housing crisis and to get the mid-to-lower end of the property market to work.

The crisis - which is affecting more than half of the city's population as rapid urbanisation occurs, unemployment rises, substandard living conditions increase and the economy stagnates - has increased fears that it could lead to social unrest if left with no meaningful intervention and so everything is being done to avert this.

“It goes beyond just being the right thing to do when there is a crisis,” says Deon van Zyl, chairman of the Western Cape Property Development Forum, on how finally after years of advocating, the government and corporate are now thinking outside the box and engaging with topics.

RAPID URBANISATION

Van Zyl says getting the lower end of the property market to work and providing affordable housing in well-located areas is no longer seen as pro-social but pragmatic.

“The formal property sector can’t ignore the factors - they can’t allow a social revolution or Arab spring conditions to develop. The opportunity divide between the haves and have-nots is massive and creating a perfect storm.

“Urbanisation is happening in real-time... What do we do? We can’t sit it out.

“We have seen how African cities grow and urbanisation will grow exponentially and happen faster and faster.

“In a developing economy, people will always seek out opportunities, it’s not unique, but the speed with which it is happening right now is what is causing a crisis. Cape Town is lucky it now has a mayor who gets it, and is doing what he can to prevent a disaster.

“The reality is we have a major youth unemployment crisis and people are living in substandard conditions - it is a melting pot for social upheaval. People and the government are realising it is a crisis and so everyone is working on it.”

He points out the "pressure cooker" situation in metros, where infrastructure is strained, and land availability is scarce.

AFFORDABILITY

Helen Rourke, programme director at the Development Action Group (DAG) an NGO in the housing sector, says “we are closer than ever before to finding some of the answers to these issues such as creating affordable well-located housing, to finding how we can practically do this - we know we urgently have to resolve this so there are a lot of minds thinking about this critically.”

On affordability in the city, Rourke says there is a lot of work underway to streamline the release of well-located municipal land for social and affordable housing to incentivise inclusionary housing on privately owned land.

“Location of affordable housing is critical if we are to address a deep spatial inequality in our city, which has been reinforced and entrenched by an increasingly exclusive and profit-driven property market.”

Housing is a very complex issue, but somewhere on the ladder is a property market in the lower to mid-level that for a myriad of reasons is just not working, says Associate Professor Francois Viruly, an economist who has for years been working to address this market. He is also working with DAG in training programmes for township micro-developers, a sector that is seen as one of the solutions to the issues at hand.

If unlocked, this lower-to-middle-end property sector could be worth trillions of rands in the formal sector, could create generational wealth, build assets and help toward solving part of the affordable housing crisis - and if it is not working ...could create slums and anarchy.

Capetonians living in the affluent sector - where the higher-end luxury property market is booming - have had a taste of what can happen when that lower end of the property sector is not working and when housing close to economic opportunity is lacking: they've had people without homes make a place to stay on their doorsteps, and informal settlements sprouted up alongside formal multi-million rand homes with people seeking affordable housing close to economic opportunities.

STRUGGLING MIDDLE CLASS

Viruly says the housing problem is moving up the housing ladder, where much of the emphasis was on the very lowest RDP home “we are now starting to see the problem in the gap market (those who earn R3500 to R22 000 a month)”.

“The middle class is struggling. The government subsidy band has not moved upwards to reflect inflationary creep which means that more families are moving into the gap market, added to that rising building costs has made it very difficult to deliver at the lower end of the market below R600 000.

“It once again means that if prices are to come down to be affordable we need to pump up supply through a reduction of development costs, and for many it will mean renting rather than ownership while a deposit is being built up. We do need to find financial and other mechanisms in the private sector that allows financing for the lower rungs of the gap market,” says Viruly.

Viruly, like others, says affordability is a major issue with costs rising faster than people's incomes. “Added to that millions of households do not have title deeds so can't access the value of their homes and move up the ladder. We need to get the market functioning better.”

Title deeds are one of the big bug bears, and the government is being pushed to sort it out so that this sector can start trading and climb the property ladder, using their homes as an asset.

TITLE DEEDS

Alison Hickey Tshangana, an independent consultant working in human settlements policy and research, says millions of South Africans lack the necessary documentation to secure property rights and access the equity needed to move up the housing ladder.

“Without title deeds, people are trapped. They can’t leverage their homes to improve their lives, and that’s a significant barrier to economic mobility.”

Human Settlements Minister, Mmamoloko Kubayi this week also expressed concern at the high number of people who cannot access housing.

The Minister said that plans were underway to help this ‘missing middle’ access affordable housing.

Elaborating on the gap market, managing executive Real Estate at Lightstone, Hayley Ivins-Downes, says to afford to service a R250,000 bond one needs a gross salary of R9,000, for a R500,000 bond it is R18,000 and R27,000 for a R750,000 bond.

Nick Budlender, a researcher at housing activist group Ndifuna Ukwazi, says: “When one considers that roughly 75% of Cape Town households earn less than R18 000 per month, it is clear that we are in the midst of a profound housing crisis.

“Not only do we have a huge housing problem, it is also a segregation problem between the haves and have-nots.”

Many of these households earn money informally, and in cash, making it difficult to access bank finance for a home.

INCOME CRISIS

FNB economist John Loos believes “we have a jobs crisis, an income crisis, and that is manifesting as a housing crisis. There is in effect an affordability crisis”.

For instance, because apartheid spatial planning built townships as dormitory towns far from economic activity - it translates into too much money - about 40% if not more - being spent on transport to get to work, leaving little for housing.

Added to that, while there has been a lot of development it hasn't kept up with the rapid urbanisation.

Unfortunately, says Zama Mgwatyu, programme manager at the Development Action Group, the problem is growing and if not addressed can cause homelessness and people occupying land.

He says township micro-developments are thriving with those who seek affordable rentals to have a roof over their heads.

The micro developers are lauded as one of the solutions to the growing housing issue.

“The crisis is asking everyone to do things differently from banks, to the government to developers,” says Mgwatyu.

Unfortunately, though, “there is no silver bullet to this very complex issue”, says Professor Ivan Turok, an urban and regional economist and development planner and deputy Executive Director at Human Sciences Research Council who works closely with this sector.

“The shortage of housing in Cape Town is real and we need to really scale up. But we need multiple solutions. Land release close to job opportunities and micro-developers developing in the townships are all part of the solution, so is getting infrastructure upgrades to growing areas and title deeds to homeowners.

INFRASTRUCTURE

“Infrastructure is a massive problem - where the capacity of the pipes is exceeded there are sewage spills, breakdowns in water supply and not enough waste removal service delivery - each plot gets one bin but these plots have grown to accommodate six to seven families, so people dump rubbish. [Piles of rubbish can accumulate, causing problems.](#)

“These issues are constantly under discussion - a network of stakeholders are advocating for reform and the city itself has accepted the need for reform...”

Turok believes a massive investment and a leap of faith is required to get investors on board to invest in infrastructure in informal areas.

“We worked on a paper with DAG called *Small-Scale Rental Housing: Moving from the low road to the high road*. If, for instance, we take backyarding seriously we can transform the trajectory to the low road of slums of overcrowding and no public services which we have seen emerge - a nightmare situation.

“Or the city can take a more positive road and help micro-developers by dealing with the infrastructure upfront in areas of growth. If they do nothing it is the low road - a route to anarchy and chaos.”

Brian Bango, co-chairperson of the Township Developers Forum of the Western Cape, echoes these concerns.

He draws a parallel between the current housing crisis and the Eskom debacle, where years of warnings went unheeded until the situation reached a critical point.

“Now we’re warning them about affordable housing. If they don’t act, we’ll see more land occupations, increased homelessness, and social unrest.”

With everyone working together, the crisis could be derailed... it is hoped.

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