

PROPERTY DEVELOPMENT

Rental Stock

R50m Soweto housing development takes shape

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Pivate-equity housing fund International Housing Solutions (IHS) is investing about R50-million in a housing development in Protea Glen, in Soweto.

The project will provide 176 sectional title two-storey apartments, which will cost tenants around R3 200 a month, including parking.

The Protea Glen development is aimed at providing affordable rental opportunities to individuals earning less than R15 000 a month.

About 100 of the 176 units have already been built and are already 100% occupied. The remaining 76 units under construction will be completed next month and tenants will be able to move in during April.

Research shows that the demand for rental stock in Soweto, and especially in the Protea Glen area, is high and there is limited stock at present.

The area has a historically high mortgage default rate generally attributed to the high debt levels of many households, which makes the rental model particularly fitting.

The project, which is being cofunded by the National Housing Finance Corporation

(NHFC) to the tune of R29,4-million, is being developed by a wholly owned subsidiary of RBA Holdings, which is listed on the JSE

Since its establishment 13 years ago, RBA has built more than 6 700 houses in Gauteng and successfully completed 42 projects.

IHS MD **Soula Proxenos** says that this is a groundbreaking project in South Africa as affordable rental stock is more commonly found in inner cities and not in neighbourhoods like Soweto.

“Protea Glen, with its duplex units, fits well with the IHS philosophy of providing homes that are affordable and attractive. The demand for housing in the affordable-property sector is huge but access to finance and associated costs is driving consumers to rent rather than buy.

“For developers and investors like IHS, the high demand and the relatively low default rate in rental payments make it an ideal product,” explains Proxenos.

IHS has already committed over R500-million of its R1,3-billion South African Workforce Housing Fund to creating 17 000 new or renovated units. It expects to have doubled its investment levels to around R1-

STORY HIGHLIGHTS

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billion by the end of this year.

IHS provides capital upfront without the need for the developer to pay interest. Instead, it operates on an equity basis, which allows developers to grow their businesses and manage their own capital more efficiently without having to worry about interest payments.

Proxenos points out that institutional equity investment in housing projects, especially in the rental and affordable-housing space, is still a relatively new concept in South Africa as most funders still provide debt-based instruments to projects.

The company provides most of the equity needed in a large affordable-housing deal.

“For IHS as an equity investor, the return will come in its share of the profits, which will flow from the success of the projects. Another advantage is that we have in-depth experience and a global perspective and best understand the challenges from a global view.”

IHS remains positive about South Africa and says that the worldwide recovery, which will hopefully be more apparent this year, is fuelling a bounce-back in the overall property market.