

Renting a good option

Tighter money supply and reluctance by banks to provide mortgage finance without large deposits, especially for the middle market households in South Africa, makes the provision of rental accommodation an attractive alternative for developers in SA today.

This is according to Soula Proxenos, managing partner of International Housing Solutions; a global private equity funder of affordable housing.

She adds that too many South African property developers are holding onto old fashioned home ownership notions.

She says the notion that homeownership is always the best option is clearly outdated and proved a dangerous model in the US which led the worldwide housing-crash and meltdown in financial markets.

“The proponents of homeownership argue that homeowners are happier and higher home ownership improves property values in a neighbourhood.

“Policymakers in countries such as America and Mexico clearly agree as they allow homeowners to deduct interest payments on their homes from their taxes to incentivise homeownership over rental. Interest rate tax relief though is considered to be regressive by many people as it rewards people who can afford to take out bigger mortgages by giving them bigger tax breaks.”

She says globally, America is the biggest supporter of home ownership in the developed world while Germany is one of the lowest in the world because their tax code rewards the rental option.

“Given South Africa’s huge housing backlog and the lack of delivery to meet demand, I believe we have a great opportunity to provide both home

Huurhuise is deesdae 'n aantrekklike alternatief vir veral middelklas kopers wat finansiering nie geredelik kan bekom nie. Suid-Afrikaners moet hulle nie blindstaar teen huis-eienaarskap nie, hoewel daar tekorte in die mark bestaan.

ownership and rental options. We cannot afford to rely on homeownership alone and in fact we do our fellow citizens a disservice if we rely only on homeownership to solve the backlog.

“It is estimated that there is an affordable housing (incomes of R3,500-R9,000 per month) shortage of 650,000 units and only 25,000-27,000 houses are being built for this target group each year.

Affordable rental units in safe areas and developments are also in short supply.

“Based on the report entitled *Supply and Demand of Rental Accommodation in South Africa* done by Eighty20 for the Social Housing Foundation in July 2008, we would estimate the demand for affordable rental (incomes of R3,500-R9,000 per month) is about 600 000 units and the supply is only about 400 000 units.

“Historically the government has focused its efforts on delivering homes for low income families to own — first under the RDP program and more recently under a similar program renamed ‘breaking new ground’.

“By many measures this programme has been very successful. When one looks at it from a volume perspective, figures show that over 2-million houses have been built as ‘give away’ homes which is very impressive.”

