

Vutula says developers need to own at least a part of their properties.

But developers say they are cash strapped. Just 30% of country-wide loan applications are approved by the banks, says Anton Crouse, MD of Cosmopolitan Projects. "This is not sustainable, and is a financial drain on developers." He believes banks should increase their approval rate to between 50% and 60%.

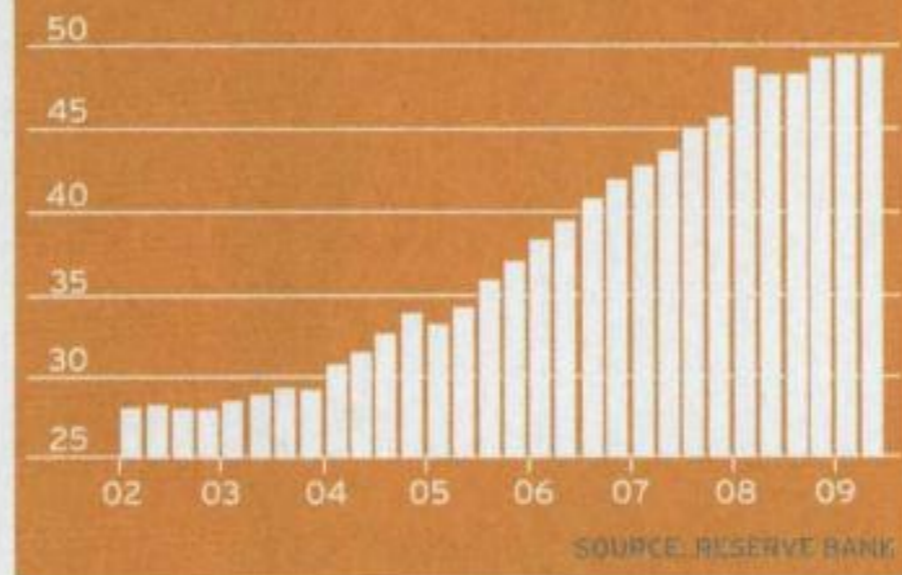
"Growth rates in the sub-R400 000 market are very high. Developers believe that the risks are far lower than in other sectors of the market, because of the high demand. But this year there has been zero supply," he says.

Banks have a tendency to overreact, making advancing money for mortgages a challenge, says Simon Stockley, CEO of mortgage banker Integer. "The industry should react to changing conditions in smaller, more appropriate steps, rather than making sweeping statements and changes to lending policy," Stockley says.

But it is the National Credit Act that is partly to blame, says the Banking As-

HOUSEHOLD MORTGAGE DEBT

As % of disposable income



sociation of SA's Pierre Venter. It has stifled innovation by limiting the amount of developmental credit that banks can extend. This has particular ramifications for the affordable housing market.

Aside from its obligations in terms of the Financial Sector Charter, Venter says banks will set their own targets to take socioeconomic development forward.

For both banks and developers, SA's infrastructure constraints are a major challenge. Ineffective planning on the

part of municipalities, and concerns about their creditworthiness, inhibit their ability to provide the infrastructure that must accompany housing developments.

Private-public partnerships, says Development Bank of SA's project finance manager, Tokolo Nchocho, will be key to resolving infrastructure backlogs, which are holding back housing development.

The opportunity to fill the gap in funding lies, in part, with alternative financiers. International Housing Solutions (IHS), which hosted the workshop, partners with developers to fund affordable housing projects. It recently launched a R1,3bn workforce housing fund in SA. IHS provides funding on a part-ownership basis rather than interest based income.

Calgro, for example, recently sold a 30% stake in its Fleurhof (south of Johannesburg) development to IHS.

The deal injects capital into the business. But more than that, it is an example of a much-needed alternative to scarce bank finance.

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