

# Dream of affordable housing for all is achievable

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*Industry experts argue that greater coordination and collaboration can unlock a more proactive approach to building affordable housing to meet SA's development needs.*

Lack of affordable housing remains one of the key challenges facing South Africa and the recent Local Government Elections results suggests that the electorate is becoming increasingly impatient at the slow pace of service delivery and housing provision.

Frustration over the pace of housing delivery preoccupies many voters, analysts say. Speaking ahead of the elections last month Somadoda Fikeni, a political analyst at the University of South Africa, predicted that it would not be a one-issue election “but a combination of issues with housing being one of the most important.”

The affordable housing market in South Africa is defined as households earning between R3,500 and approximately R20,000 per month. And according to the latest figures from the Centre for Affordable Housing Finance in Africa's African Housing Finance Yearbook estimates the housing backlog in South Africa at 2.1m units. However only about 140,000 (and often fewer) houses are developed annually in response. The situation in other parts of Africa is even worse, with most regions experiencing severe backlogs and thin mortgage markets.

But despite these daunting numbers, industry professionals remain positive. “The dream of affordable housing for all is not unachievable. We have the tools and the know-how. All that is required is better coordination and understanding between the parties involved to achieve our aims,” says Robert McGaffin, course convenor of the Housing Finance Course for Sub-Saharan Africa at the UCT Graduate School of Business.

McGaffin adds that while fingers are often pointed at the government for lack of delivery, the situation is a lot more complex than simple politicking would have us believe.

“There certainly is no single solution; no silver bullet,” he comments.

Part of the problem, says McGaffin, lies in the fact that there is “substantial disconnect” between the two key groups of people operating in this space: those involved in housing finance and those involved in delivering houses.

“These two groups often operate in very separate spheres, each not fully understanding the larger housing and housing finance systems,” he says. “And creating an understanding between them of exactly how these systems operate and how they are affected by changes and interventions is an important first step in addressing the mounting housing backlog in the continent.”

McGaffin says that the providers of housing often accuse the housing finance industry of being unwilling to lend to the so called “affordable” markets – that is, the lower end of the market – without fully appreciating that the ability of financial institutions to raise funding to lend into that market is limited. Housing providers often don't see where the finance for these projects are raised, who invests in that market and what their requirements are.

“On the flip side, finance professionals are developing products that meet their and their investor's business needs, but which are often completely out of touch with the realities of the affordable market, including what a household looks like, how much a household earns, how a household earns that income and the ability to repay the loan etc. These are all critical factors that should determine the nature of the financial product being developed.”

“The industry as a whole needs to start to develop a better understanding of the complexities of providing housing for different markets as well as a subtler understanding of the submarkets in this sector. Right now, there is not a thorough understanding of the challenges experienced in the different parts of the system and this is hampering housing delivery,” he says.

Bridging this gap is the chief objective of the Housing Finance Course for Sub-Saharan Africa that McGaffin runs in October in association with Wharton School of Business at the University of Pennsylvania and the Centre for African Housing Finance in Africa at the GSB.

“The course, brings together players from private housing finance institutions, government housing and finance agencies, to academic and international development institutions and allows us to look at housing finance in a multi-pronged manner, including how products should be structured to meet household needs, the preconditions that need to be put in place to roll-out such products and the business models that need to be designed so that these products can be delivered viably at scale.

“To stand a chance of turning the tide on the growing backlog of affordable housing, we first need to better understand the issues within the industry and secondly, we need to work together to develop solutions,” says McGaffin.

“Everyone has a right to a safe and secure home and housing undoubtedly plays a crucial role in a well-balanced society. It creates employment and also improves quality of life, social standing, health, financial position, security, social cohesion and access to education. It is therefore important that we get it right,” says McGaffin.

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